



State of Texas Financial Portion of the
**Statewide Single Audit Report for the
Year Ended August 31, 2019**

February 2020

Report No. 20-555



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**Statewide Single Audit Report for the Year
Ended August 31, 2019**

SAO Report No. 20-555
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Overall Conclusion

In our audit opinion dated February 25, 2020, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2019. The Office of the Comptroller of Public Accounts (Comptroller's Office) prepared the basic financial statements and published our audit opinion as part of the Comprehensive Annual Financial Report (CAFR) for fiscal year 2019, which it intends to post on its Web site at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

The consolidated financial statements provide a comprehensive view of the State's financial activities during the fiscal year and an overall picture of the financial position of the State at the end of the fiscal year. Compiling the State's consolidated financial statements is a major undertaking; those financial statements combine financial information for more than 200 state agencies and higher education institutions.

Economic Stabilization Fund

On August 31, 2019, the Economic Stabilization Fund balance was \$11.7 billion. That amount consisted primarily of \$6.8 billion in cash in the State Treasury, \$3.2 billion in current and non-current investments, and \$1.7 billion due from the General Revenue Fund. The \$1.7 billion due from the General Revenue Fund was transferred to the Economic Stabilization Fund in November 2019. The Economic Stabilization Fund is reported in the General Fund on the governmental fund financial statements and in Governmental Activities on the government-wide financial statements.

Basic Financial Statements

The State's basic financial statements include both government-wide and fund financial statements:

- Government-wide financial statements display information about the State as a whole, except for its fiduciary activities.
- Fund financial statements for the State's governmental and proprietary funds provide information on the major funds individually and nonmajor funds in the aggregate. Fiduciary statements include financial information for fiduciary funds.

Source: Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Fiscal Year 2019 Financial Summary

- As of August 31, 2019, the State reported total assets of \$356.0 billion, which primarily consisted of \$152.1 billion in capital assets, \$120.7 billion in investments, and \$42.6 billion in cash and cash equivalents.
- As of August 31, 2019, the State reported total liabilities of \$222.6 billion, which consisted of \$72.3 billion for other postemployment benefits (OPEB) liabilities, \$58.8 billion for pension liabilities, and \$56.7 billion for bonds payable liabilities.
- As of August 31, 2019, the State reported a net position of \$115.1 billion. Net position is the total ending balance for the State.
- The fiscal year 2019 consolidated financial statements convey the use of approximately \$151.8 billion¹ during the fiscal year.
- The State's Schedule of Expenditures of Federal Awards (SEFA) reported expenditures of \$56.6 billion related to federal awards.

The State is also the trustee or fiduciary for six defined benefit plans and one defined contribution plan. It is also responsible for other assets that can only be used for trust beneficiaries. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are reported separately from other financial activities because the State cannot use the assets to finance its operations. The State's fiduciary responsibilities include ensuring that assets reported in those funds are used for their intended purposes. The financial activity and balances for those fiduciary activities are not included in the fiscal year 2019 totals listed above.

Auditing the basic financial statements is not limited to reviewing the numbers in those statements. Conducting this audit also requires the State Auditor's Office to obtain a sufficient understanding of the agencies and higher education institutions and their operating environments—including obtaining an understanding of the internal controls over systems and processes that the agencies and higher education institutions use to record their financial activities—to assess the risk of material misstatement of the financial statements.

The State Auditor's Office also audited the State's SEFA in relation to the CAFR for fiscal year 2019 and issued an unmodified opinion. The Comptroller's Office prepares the SEFA by using self-reported SEFA data from all state agencies and

¹ The \$151.8 billion in annual expenditures exceeded the \$115.8 billion appropriated for fiscal year 2019 primarily because:

- Certain expenditures (such as higher education institutions' expenditures of funds held outside the State Treasury) are included in the Comprehensive Annual Financial Report (CAFR) but are not included in the General Appropriations Act (GAA).
- The CAFR presents actual expenditures of federal funds, while the GAA presents estimated amounts for federal funds.
- Additional pension and OPEB-related expenditures were recorded in the CAFR to account for the effects of the implementation of GASB Statements Nos. 68, 71, 73, and 75 that are not included in the GAA.

higher education institutions that made federal expenditures during the fiscal year. The State Auditor's Office and CliftonLarsonAllen LLP (CLA) audited the processes for preparing SEFA information at 13 agencies. Auditors identified errors related to the SEFA information at three agencies. Those errors are discussed in Chapter 2-B of this report.

As part of the audit work for SEFA, auditors performed prior-year finding follow-up work at seven higher education institutions and determined that recommendations for four of those findings were not yet fully implemented (see the Summary Schedule of Prior Year Audit Findings).

The State Auditor's Office conducts this audit so that the State can comply with federal legislation (the Single Audit Act Amendments of 1996); state statute (Texas Government Code, Section 403.013(c)); and grant requirements to obtain an opinion regarding the fair presentation of its basic financial statements and a report on internal controls related to those statements. The results of this audit may be used by bond-rating companies, the Legislature, and federal agencies that award grants.

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 agencies and higher education institutions agreed with the recommendations in this report.

Audit Objective and Scope

The audit objective was to determine whether the State's basic financial statements present fairly, in all material respects, the consolidated balances and activities for the State of Texas for the fiscal year ended August 31, 2019.

The Statewide Single Audit is an annual audit for the State of Texas. It is conducted so that the State complies with (1) the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and (2) state statute requiring that an audited CAFR be provided to the Governor (Texas Government Code, Section 403.013(c)).

The scope of the financial portion of the Statewide Single Audit included an audit of the State's basic financial statements and a review of significant controls over financial reporting and compliance with applicable requirements.

The scope of the federal compliance portion of the Statewide Single Audit included an audit of the State's SEFA, a review of compliance for each major program, and a review of significant controls over federal compliance. The State Auditor's Office contracted with CLA to provide an opinion on compliance for each major program and internal control over compliance. The State Auditor's Office provided an opinion on the State's SEFA, in relation to its opinion on the CAFR. Information on the federal compliance portion of the Statewide Single Audit is included in a separate report entitled *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019*, by CLA.

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Independent Auditor's Report

*State of Texas Financial Portion of the
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Year Ended August 31, 2019*

Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to financial statements noted? | No |

Federal Awards

A finding regarding the Schedule of Expenditures of Federal Awards for fiscal year 2019 was included in Chapter 2-B of this report. All other fiscal year 2019 federal award information was issued in a separate report (see *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019*, by CLA).



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

Independent Auditor's Report

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dennis Bonnen, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas as of and for the year ended August 31, 2019, and the related notes to the consolidated financial statements, which collectively comprise the State of Texas's basic financial statements, and have issued our report thereon dated February 25, 2020. Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation, the Texas Lottery Commission, and the University of Texas System as described in our report on the State of Texas's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Summary of Finding	
Agency or Higher Education Institution	Finding Number
Texas Workforce Commission	20-555-01

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies.

Summary of Findings	
Agency or Higher Education Institution	Finding Numbers
Multiple agencies	20-555-02

Compliance and Other Matters

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

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the management of audited entities.

Other Work Performed by the State Auditor's Office

We issued opinions on the following financial statements, which are consolidated into the basic financial statements of the State of Texas:

- *A Report on the Audit of the Teacher Retirement System's Fiscal Year 2019 Financial Statements* (State Auditor's Office Report No. 20-011, December 2019).
- *A Report on the Audit of the Department of Housing and Community Affairs' Fiscal Year 2019 Financial Statements* (State Auditor's Office Report No. 20-016, December 2019).
- *A Report on the Audit of the Employees Retirement System's Fiscal Year 2019 Financial Statements* (State Auditor's Office Report No. 20-017, January 2020).
- *A Report on the Audit of the Permanent School Fund's Fiscal Year 2019 Financial Statements* (State Auditor's Office Report No. 20-018, December 2019).

This report, insofar as it relates to the entities listed above, does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

State's Responses to Findings

The State's responses to the findings identified in our audit are included in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

February 25, 2020

Schedule of Findings and Responses

*State of Texas Financial Portion of the
Statewide Single Audit Report for the
Year Ended August 31, 2019*

Financial Statement Findings

This chapter identifies the material weakness and significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Chapter 2-A

The Texas Workforce Commission Should Strengthen Certain Controls Over Financial Reporting

Issue 1

The Texas Workforce Commission Should Strengthen Its Financial Reporting Processes

Reference No. 20-555-01

Type of finding: Material Weakness

The Texas Workforce Commission (Commission) had processes to help ensure that the financial information it reported to the State's accounting system reconciled to the Commission's internal accounting system. However, while it reported accurate financial information in its published fiscal year 2019 annual financial report, it did not accurately report fiscal year 2019 financial information related to net position to the State's accounting system. As a result, there was a material weakness in the Commission's internal control processes for financial reporting (see text box for additional information on material weaknesses).

The Office of the Comptroller of Public Accounts (Comptroller's Office) uses the State's accounting system to produce the State's Comprehensive Annual Financial Report. Therefore, the submission of incorrect financial data to the State's accounting system could lead the State to produce misstated financial statements.

Specifically, the Commission incorrectly reported to the State's accounting system net position balances for one of the funds that comprise the Commission's Unemployment Trust Fund (see text box for more information on funds). That one fund did not have any activity in fiscal year 2019; therefore, the Commission should not have reported an unrestricted net position balance of \$100.3 million and a restricted net position for debt retirement balance of negative \$100.3 million for that fund. This error occurred because the journal entry that the Commission made did not appropriately correct the net position balances in the State's accounting system.

Material Weakness in Internal Control

A **material weakness** is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Source: American Institute of Certified Public Accountants AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.

Fund Definition

A **fund** is a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Source: Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 208.

The Comptroller's Office's *Reporting Requirements for the Annual Financial Reports of State Agencies and Universities* requires each agency to ensure and certify that its financial data correctly reflected its financial position as of August 31, 2019, as recorded in the State's accounting system and the agency's internal accounting system.

To ensure that the issue discussed above did not affect the accuracy of the State's Comprehensive Annual Financial Report, the Comptroller's Office made appropriate adjustments to the Commission's net position balances during its preparation of the State's Comprehensive Annual Financial Report.

Recommendation

The Commission should strengthen its processes for reviewing and reporting the financial information that it submits to the State's accounting system to ensure that it submits accurate financial information.

Views of Responsible Officials

The Texas Workforce Commission (Commission) acknowledges and agrees with the net position finding of the Unemployment Trust Fund was not properly classified in the State's accounting system at year end.

The net position for the Unemployment Trust Fund was stated correctly in the printed Annual Financial Report. The agency has developed and begun implementing a corrective action plan which includes desk procedures to further improve accurate reporting of net position classifications for all funds.

Corrective Action Plan

The Commission understands the State's accounting system will automatically default to the incorrect account classification for some funds. The Commission will enhance the existing Annual Financial Report Preparation and Review Procedures with specific responsibilities and action dates to ensure the required entries into the State's accounting system are completed timely and accurately before the year end close. These include desk procedures that give step by step instructions on reviewing the fund net positions, creating the adjusting entries and follow-up to determine the net positions are properly classified before the year end closes.

Implementation Date: March 31, 2020

Responsible Person: Director of Accounting Services and Financial Reporting Services

State Entities Should Strengthen the Preparation and Review of Their Schedules of Expenditures of Federal Awards

Reference No. 20-555-02

(Prior Audit Issues: 19-555-01, 18-555-04, 17-555-04, 16-555-04, 15-555-05, 14-555-07, 13-555-02, 12-555-05, 11-555-17, 10-555-26, and 09-555-19)

Type of finding: Significant Deficiency

Schedule of Expenditures of Federal Awards (SEFA)

Each state entity that expends federal awards is required to prepare a Schedule of Expenditures of Federal Awards (SEFA) and submit it to the Office of the Comptroller of Public Accounts (Comptroller's Office). The expenditures are to be presented in the SEFA on the same accounting basis as each state entity's fund financial statements.

Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities [Title 2, U.S. Code of Federal Regulations (CFR), Section 200.38].

Federal financial assistance includes any assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance [Title 2, CFR, Section 200.40].

Source: *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Comptroller's Office.

The agencies discussed below did not appropriately prepare or adequately review their fiscal year 2019 Schedule of Expenditures of Federal Awards (SEFAs) (see text box for additional information). Therefore, the SEFAs that they submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

Those agencies reported \$32,746,187,774 in federal expenditures, or 58 percent of the total federal expenditures that the State of Texas reported for fiscal year 2019. The errors listed below were not material to the fiscal year 2019 SEFA for the State of Texas or to the fiscal year 2019 Comprehensive Annual Financial Report for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

Department of Agriculture

The Department of Agriculture (Department) incorrectly classified \$58,911,752 of expenditures between 2 Catalog of Federal Domestic Assistance (CFDA) programs on its fiscal year 2019 SEFA. This occurred because the Department incorrectly reported all program expenditures under the administrative CFDA. The Department should have reported the expenditures under the corresponding direct program CFDA.

Recommendation

The Department of Agriculture should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including appropriately classifying expenditures in the correct CFDA program.

Views of Responsible Officials

The Texas Department of Agriculture (TDA) agrees with the finding of error in our fiscal 2019 Schedule of Expenditures of Federal Awards (SEFA). Going forward we will request of the applicable program areas, a review of data presented to mitigate the possibility of any miscommunication.

Corrective Action Plan

TDA will implement the SEFA preparation process enhancement for the FY 2020 SEFA preparation and we will update the procedural documentation for this additional review. We will maintain support of the review once it is completed, in compliance with our record retention schedule.

Implementation Date: March 14, 2020

Responsible Person: Accounting Director

Department of Housing and Community Affairs

The Department of Housing and Community Affairs (Department) incorrectly classified \$554,256 for 2 CFDA programs on its fiscal year 2019 SEFA. This occurred because the Department did not accurately allocate expenditures between direct and pass through expenditure categories.

Recommendation

The Department of Housing and Community Affairs should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including appropriately allocating expenditures for each federal award.

Views of Responsible Officials

The Texas Department of Housing and Community Affairs acknowledges and agrees with the finding.

Corrective Action Plan

The Department has updated its report review procedures and will include an additional senior staff member to the process. It will also develop a checklist to provide a consistent review of the report and mitigate any risk of misclassifying pass-through and direct expenditures.

Implementation Date: March 2020

Responsible Person: Director of Financial Administration

Health and Human Services Commission

The Health and Human Services Commission (Commission) did not report cash rebates received during fiscal year 2019 related to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) in the Notes to the SEFA. As a result, the Commission's fiscal year 2019 SEFA Note 6 was understated by \$211,626,201. Administrative responsibility of the WIC program was transferred from the Department of State Health Services (Department) to the Commission in fiscal year 2018. The SEFA note guidance, issued by the Comptroller's Office, requires all WIC rebates received to be reported in the SEFA notes. There is additional guidance related to the reporting of WIC rebates that the Comptroller's Office directed only to the Department. However, because the Commission administered the WIC program during fiscal year 2019, it should have disclosed WIC rebates as required.

Recommendation

The Commission should ensure that it complies with all SEFA reporting requirements related to WIC rebates.

Views of Responsible Officials

HHSC acknowledges the SAO's concerns. HHSC will work with the State Comptroller's Office to ensure accurate Annual Financial Report (AFR) reporting as a result of [Senate Bill] 200.

Corrective Action Plan

HHSC Accounting will work the State Comptroller's Office to determine if Note 6 is applicable to HHSC based on the current business processes related to WIC Rebates.

Implementation Date: October 31, 2020

Responsible Persons: Federal Reporting Manager

Deputy Director of Fund Accounting

Federal Award Findings and Questioned Costs

A finding regarding the Schedule of Expenditures of Federal Awards for fiscal year 2019 was included in Chapter 2-B of this report. All other fiscal year 2019 federal award information was issued in a separate report. See *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019*, by CLA.

Summary Schedule of Prior Audit Findings

*State of Texas Financial Portion of the
Statewide Single Audit Report for the
Year Ended August 31, 2019*

Summary Schedule of Prior Audit Findings

Federal regulations (Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) state that “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditees report the corrective actions they have taken for the findings reported in:

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008 (State Auditor’s Office Report No. 09-555, April 2009).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009 (State Auditor’s Office Report No. 10-555, March 2010).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010 (State Auditor’s Office Report No. 11-555, February 2011).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011 (State Auditor’s Office Report No. 12-555, February 2012).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012 (State Auditor’s Office Report No. 13-555, February 2013).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013 (State Auditor’s Office Report No. 14-555, February 2014).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014 (State Auditor’s Office Report No. 15-555, February 2015).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2015 (State Auditor’s Office Report No. 16-555, March 2016).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2016 (State Auditor’s Office Report No. 17-555, February 2017).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2017 (State Auditor's Office Report No. 18-555, February 2018).

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2018 (State Auditor's Office Report No. 19-555, February 2019).

The Summary Schedule of Prior Audit Findings (for the year ended August 31, 2019) has been prepared to address these responsibilities.

State Entities Should Strengthen the Preparation and Review of Their Schedules of Expenditures of Federal Awards

Reference No. 19-555-01

(Prior Audit Issues 18-555-04, 17-555-04, 16-555-04, 15-555-05, 14-555-07, 13-555-02, 12-555-05, 11-555-17, 10-555-26, and 09-555-19)

Type of finding: Significant Deficiency

Schedule of Expenditures of Federal Awards (SEFA)

Each state entity that expends federal awards is required to prepare a Schedule of Expenditures of Federal Awards (SEFA) and submit it to the Office of the Comptroller of Public Accounts (Comptroller's Office). The expenditures are to be presented in the SEFA on the same accounting basis as each state entity's fund financial statements.

Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities [Title 2, U.S. Code of Federal Regulations (CFR), Section 200.38].

Federal financial assistance includes any assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance [Title 2, CFR, Section 200.40].

Source: *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Comptroller's Office.

The agency and higher education institutions discussed below did not appropriately prepare or adequately review their fiscal year 2018 Schedule of Expenditures of Federal Awards (SEFAs) (see text box for additional information). Therefore, the SEFAs that they submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

The agency and higher education institutions discussed below reported \$2,157,552,213 in federal expenditures, or 4 percent of the total federal expenditures that the State of Texas reported for fiscal year 2018. The errors listed below were not material to the fiscal year 2018 SEFA for the State of Texas or to the fiscal year 2018 Comprehensive Annual Financial Report for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

Department of State Health Services

The Department of State Health Services (DSHS) overstated expenditures on its fiscal year 2018 SEFA by \$22,625,885 for 43 Catalog of Federal Domestic Assistance (CFDA) programs. That occurred because DSHS incorrectly included prior year accruals and excluded current year accruals. As a result, DSHS overstated federal revenues by \$22,625,885 in Note 2 to its SEFA.

Implementation Status

Corrective action was implemented.

The University of Texas at Austin

On its fiscal year 2018 SEFA, the University of Texas at Austin (UT Austin):

- Incorrectly classified \$2,280,241 in expenditures related to 2 generic CFDA programs.
- Incorrectly classified \$12,976 in expenditures related to 3 CFDA as part of the Research and Development cluster of federal programs. Those expenditures should not have been classified as part of the Research and Development cluster of federal programs.

Recommendation

UT Austin should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including ensuring that it reports correct CFDA for each federal award and classifies expenditures in the appropriate clusters.

Implementation Status

Not Implemented.

Views of Responsible Officials 2018

The University concurs with the finding.

Corrective Action Plan 2018

In preparation for the SEFA process, responsible parties will review CFDA to ensure that the correct CFDA has been used. The review process will occur during the summer so that errors regarding generic CFDA can be addressed. In addition, CFDA Research and Development clusters will be reviewed to ensure the correct classification of sponsored activities. SEFA procedures have been updated reflecting changes to the review process.

Views of Responsible Officials 2019

The University acknowledges and agree with the findings. Through analysis of the exceptions identified in the audit, the University has developed new procedures to improve the process.

Corrective Action Plan 2019

The University has revised existing training documentation which included retraining staff in areas related to proper classification of CFDA program and research and development cluster.

In addition, the Office of Sponsored Projects will conduct two separate reviews of the preliminary data of the Schedule 1A provided by Office of Accounting. These two reviews will be conducted in the months of May and August to ensure CFDA programs have been correctly classified and make any necessary adjustments.

Implementation Date: May 2020

Responsible Person: SPAA Associate Director

The University of Texas Health Science Center at Houston

On its fiscal year 2018 SEFA, the University of Texas Health Science Center at Houston (UT Health):

- Overstated federal revenue by \$327,845 and incorrectly included a reconciling item related to that revenue in Note 2 to its SEFA. That occurred because UT Health incorrectly included revenue received on non-fixed fee contracts in its calculation of the reconciling item for federal revenue received on fixed fee basis contract in Note 2 to its SEFA.
- Incorrectly classified \$1,295,576 in expenditures related to 2 CFDA as non-Research and Development expenditures. Those expenditures should have been classified as part of the Research and Development cluster of federal programs.

Implementation Status

Corrective action was implemented.

The University of Texas M.D. Anderson Cancer Center

On its fiscal year 2018 SEFA, the University of Texas M.D. Anderson Cancer Center (M.D. Anderson):

- Incorrectly excluded \$26,696,473 in expenditures because it did not include expenditures paid from program income for 6 CFDA's. As a result, M.D. Anderson (1) understated expenditures on its SEFA by \$26,696,473 and (2) understated federal revenue by \$26,696,473 in Note 2 to its SEFA.
- Incorrectly classified \$3,877,918 in expenditures related to 1 CFDA as part of the Research and Development cluster of federal programs. Those expenditures should not have been classified as part of the Research and Development cluster of federal programs.
- Incorrectly classified \$83,808 in expenditures for 2 CFDA programs on its SEFA.
- Incorrectly based its SEFA on revenues rather than expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program. As a result, M.D. Anderson could not determine whether Note 8, a required disclosure related to that program, applied to expenditures for that program.

Recommendations

M.D. Anderson should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including ensuring that it:
 - ♦ Includes all applicable federal expenditures, including expenditures paid with program income.
 - ♦ Classifies expenditures in the appropriate clusters.
 - ♦ Reports correct CFDA's for each federal award.
- Correctly report its expenditure information for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program by:
 - ♦ Preparing its SEFA based on expenditures as described by Title 2, U.S. Code of Federal Regulations, Part 200, Appendix XI.
 - ♦ Reporting a Note 8, when appropriate.

Implementation Status

Partially Implemented.

Views of Responsible Officials 2018

The Cancer Center agrees with SAO's findings. We wish to highlight that, though program income was excluded from initial SEFA preparation, all program income accounts are appropriately coded as federal funding, managed to federal compliance requirements and audited as part of the Single Audit. Given the manual nature of entering and maintaining award data in the financial system, complete accuracy in data capture is an ongoing goal and objective of MDACC.

Corrective Action Plan 2018

- *The Cancer Center will include program income expenditures in future SEFA preparation. The Cancer Center will also revise its quality control process to ensure the SEFA is submitted as accurately as possible.*
- *The Cancer Center is conducting training, developing processes, and developing supporting tools to reduce the likelihood that award set-up and amendment transactions are entered into the financial system incorrectly.*
- *The Cancer Center will conduct training and develop processes with the Facilities, Grants and Contracts Accounting, and Financial Reporting teams to report expenditures for Disaster Grants – Public Assistance and to report a Note 8 when required.*

Views of Responsible Officials 2019

The Cancer Center's prior year finding noted observations in four distinct areas: reporting of program income expenditures, classification of expenditures as part of the Research and Development cluster of federal programs, classification of expenditures for CFDA programs, and reporting of Disaster Grants – Public Assistance (Presidentially Declared Disasters) and Note 8 to the SEFA.

The SAO verbally confirmed to the Cancer Center that the corrective action for the findings related to reporting of program income expenditures and classification of expenditures for CFDA programs have been fully implemented and cleared. Therefore, no action plan for those findings is being submitted.

The Cancer Center will enhance existing controls to provide reasonable assurance of compliance with Federal program requirements related to accurate classification of expenditures as part of the Research and Development cluster of federal programs. Due to the manual nature of entering and maintaining award data in the Cancer Center's financial system, complete accuracy in data capture continues to be an ongoing goal and objective of the Cancer Center.

Corrective Action Plan 2019

- The Cancer Center will review and enhance its quality control process for accurate classification of expenditures as part of the Research and Development cluster of federal programs. The Cancer Center will continue following its quality control process to provide reasonable assurance that the SEFA is accurate.
- The Cancer Center will conduct training and develop processes with the Facilities, Grants and Contracts Accounting, and Financial Reporting teams to report expenditures for Disaster Grants – Public Assistance and to report a Note 8 when required. The Cancer Center will only report CFDA 97.036 on Note 8.

Implementation Dates: SEFA Preparation – September 2020
Disaster Grants – Public Assistance – September 2020

Responsible Person: VP, Finance and Chief Accounting Officer

The University of Texas Medical Branch at Galveston

On its fiscal year 2018 SEFA, the University of Texas Medical Branch at Galveston (UTMB):

- Overstated federal revenue by \$415,789 and incorrectly included a reconciling item related to that revenue in Note 2 to its SEFA. That occurred because UTMB incorrectly included revenue received on non-fixed fee contracts in its calculation of the reconciling item for federal revenue received on the fixed fee basis contract in Note 2 to its SEFA.
- Incorrectly classified \$878,548 in expenditures related to 6 CFDA's as part of the Research and Development cluster of federal programs. Those expenditures should not have been classified as part of the Research and Development cluster of federal programs.

Recommendation

UTMB should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including ensuring that it (1) reports federal revenues and reconciling items correctly and only when appropriate in the notes to its SEFA and (2) classifies expenditures in the appropriate clusters.

Implementation Status

Partially Implemented.

Views of Responsible Officials 2018

The University of Texas Medical Branch acknowledges and agrees with the findings.

Corrective Action Plan 2018

The University of Texas Medical Branch has already implemented significant process enhancements to ensure it correctly reports federal revenues and reconciling items in the SEFA notes. The Office of Sponsored Programs will reeducate staff regarding classifications for awards. A QA report will be developed and ran on a quarterly basis to monitor improper classifications.

Views of Responsible Officials 2019

The University of Texas Medical Branch acknowledges and agrees with the findings.

Corrective Action Plan 2019

The University of Texas Medical Branch has implemented significant process enhancements and monitoring to ensure expenditures are classified in the appropriate cluster.

Implementation Date: February 2020

Responsible Person: Director Grants and Contracts Accounting and Associate Vice President Research Administration

The University of Texas Southwestern Medical Center

On its fiscal year 2018 SEFA, the University of Texas Southwestern Medical Center (UT Southwestern):

- Overstated expenditures by \$1,247,151 for 1 Student Financial Assistance CFDA program. UT Southwestern did not make any disbursements for this program in fiscal year 2018. Instead, that amount represented the entire balance of the program. As a result, UT Southwestern (1) overstated the outstanding balance of loans by \$1,236,735 in Note 3a to its SEFA, (2) understated the beginning balance of outstanding loans by \$10,416 in Note 3a to its SEFA, and (3) overstated new loans processed amount by \$1,247,151 in Note 2 and Note 3a to its SEFA.
- Incorrectly classified \$360,220 in expenditures using a generic CFDA (43.000) instead of the CFDA identified in the award agreement (43.003).
- Overstated federal revenue by \$112,085 in Note 2 to its SEFA and incorrectly included a reconciling item (specifically, federal revenue received under a vendor relationship between the agency and the federal government) related to that revenue in Note 2 to its SEFA. That occurred because UT Southwestern incorrectly reported federal revenue received from vendor relationships with non-federal government entities.
- Incorrectly included \$212,064 in expenditures related to 2 CFDA's on its SEFA; it should have included those expenditures as a reconciling item (specifically, federal revenue received under a vendor relationship between the agency and the federal government) in Note 2 of its SEFA. As a result, UT Southwestern overstated expenditures on its SEFA by \$212,064.
- Overstated \$176,270 in expenditures related to 2 CFDA's. That occurred because UT Southwestern included non-federal expenditures on its SEFA. As a result, UT Southwestern overstated federal revenue by \$176,270 in Note 2 to its SEFA.

Recommendation

UT Southwestern should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including ensuring that it:

- Prepares its SEFA beginning and outstanding balances and new loans processed correctly in the notes to its SEFA.
- Reports appropriate expenditures for each federal award and cluster of federal programs.

- Reports correct CFDA's for each federal award.
- Reports federal revenues and reconciling items correctly and only when appropriate in the notes to its SEFA.

Implementation Status

Partially Implemented.

Views of Responsible Officials 2018

- *Overstated expenditures by \$1,247,151 for 1 Student Financial Assistance CFDA program. UT Southwestern did not make disbursements for this program in fiscal year 2018. Instead, that amount represented the entire balance of the program. As a result, UT Southwestern (1) overstated the outstanding balance of loans by \$1, 236,735 in Note 3a to its SEFA (2) understated the beginning balance of outstanding loans by \$10,416 in Note 3a to its SEFA, and (3) overstated new loans processed amount by \$1,247,151 in Note 2 and Note 3a to its SEFA.*

UT Southwestern acknowledges and agrees that a data entry error occurred that resulted in an overstatement of expenditures. We have added an additional step to our review process to reduce the risk of future errors – see detail below.

Corrective Action Plan 2018

We have updated our report review procedures to include the Financial Aid Office as a reviewer. This will allow the business owner to provide an additional review of the report to ensure accuracy.

Views of Responsible Officials 2018

- *Incorrectly classified \$360,220 in expenditures using a generic CFDA (43.000) instead of the CFDA identified in the award agreement (43.003).*

UT Southwestern acknowledges and agrees that a data entry error of CFDA 43.000 rather than 43.003 resulted in classifying the respective expenditures to the National Aeronautics and Space Administration (NASA) generic CFDA, rather than to NASA's specific program, Exploration.

Corrective Action Plan 2018

We recently realigned SPA personnel to create a dedicated award set-up team, and have reiterated the importance for each person to review their entries carefully and assure all CFDA entries are accurate and directly represent the CFDA provided within the NOA—original or as amended. Further, we are reviewing options as to how we can enhance system controls and quality reviews within the entry process.

Views of Responsible Officials 2018

- *Overstated federal revenue by \$112,085 in Note 2 to its SEFA and incorrectly included a reconciling item (specifically, federal revenue received under a vendor relationship between the agency and the federal government) related to that revenue in Note 2 to its SEFA. That occurred because UT Southwestern incorrectly reported federal revenue received from vendor relationships with non-federal government entities.*

UT Southwestern acknowledges and agrees that revenue recognized under an agreement(s) with the Dallas VA Research Corporation was incorrectly reported on UT Southwestern's SEFA.

Corrective Action Plan 2018

We recently realigned SPA personnel to create a dedicated award set-up team, and have reiterated the importance for each individual to assure any assignment of a CFDA requires sufficient and appropriate support narrated within the award—original and/or as amended. Further, we are reviewing options as to how we can enhance system controls and quality reviews within the entry process.

Views of Responsible Officials 2018

- *Incorrectly included \$212,064 in expenditures related to 2 CFDAs on its SEFA; it should have included those expenditures as a reconciling item (specifically, federal revenue received under a vendor relationship between the agency and the federal government) in Note 2 of its SEFA. As a result, UTSW overstated expenditures on its SEFA by \$212,064*

UT Southwestern acknowledges that expenditures incurred under an agreement with the VA North Texas Health Care System to support residents and fellows in training was incorrectly reported on its SEFA.

Corrective Action Plan 2018

We recently realigned SPA personnel to create a dedicated award set-up team, and have reiterated the importance for each individual to assure any assignment of a CFDA requires sufficient and appropriate support narrated within the award—original and/or as amended. Further, we are reviewing options as to how we can enhance system controls and quality reviews within the entry process.

Views of Responsible Officials 2018

- *Overstated \$176,270 in expenditures related to 2 CFDAs. That occurred because UT Southwestern included non-federal expenditures on its SEFA. As a result, UT Southwestern overstated federal revenue by \$176,270 in Note 2 to its SEFA.*

UT Southwestern acknowledges that the above referenced expenditures were reported on its SEFA, with likely insufficient support. In particular and for the respective expenditures, the correlating agreement included a multitude of federal requirements, typically required and present within a federal flow through agreement. However, UT Southwestern acknowledges that there was also no specific reference to a CFDA therein.

Corrective Action Plan 2018

We recently realigned SPA personnel to create a dedicated award set-up team, and have reiterated the importance for each individual to assure any assignment of a CFDA requires sufficient and appropriate support narrated within the award—original and/or as amended. Further, we are reviewing options as to how we can enhance system controls and quality reviews within the entry process.

Views of Responsible Officials 2019

The University acknowledges and agrees with the finding that its corrective action plan is partially implemented. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve compliance.

Corrective Action Plan 2019

The University will implement additional processes to more effectively monitor the necessary attributes to properly report expenditures incurred against the University's federal awards. Combined with this monitoring, we will update our reporting template via auto-population of specific attributes, rather than the manual input, which had been deployed previously. These enhanced processes and quality control measures will assure proper expense categorization, by sponsor, within the various aspects of the SEFA, as well as Note 2.

Implementation Date: May 31, 2020

Responsible Person: Assistant Vice President of Sponsored Programs

During fiscal year 2018, two higher education institutions had uncorrected recommendations from issues identified during the audit of its fiscal year 2017 Schedule of Expenditures of Federal Awards (SEFA). Auditors conducted limited procedures to follow up on the status of the findings related to the preparation of its SEFAs in fiscal years 2017 and 2018. Both Universities fully implemented the recommendations from the prior audit.

Reference No. 18-555-04

Type of finding: Significant Deficiency

The higher education institutions discussed below did not appropriately prepare or adequately review its fiscal year 2017 SEFA.

The University of Texas at El Paso

The University of Texas at El Paso (UTEP) understated expenditures on its fiscal year 2017 SEFA by \$967,373 for 4 Student Financial Assistance CFDA programs. That occurred because UTEP (1) incorrectly excluded fiscal year 2017 expenditures from its SEFA and (2) incorrectly included prior period adjustments not associated with fiscal year 2017 disbursement activity on its SEFA. As a result, UTEP understated federal revenue by \$967,373 in Note 2 to its SEFA.

Implementation Status

Corrective action was implemented.

The University of Texas at San Antonio

The University of Texas at San Antonio (UTSA) understated expenditures on its fiscal year 2017 SEFA by \$198,775 for 1 Student Financial Assistance CFDA program. That occurred because UTSA incorrectly excluded fiscal year 2017 expenditures from its SEFA. As a result, UTSA understated federal revenue by \$198,775 in Note 2 to its SEFA.

Implementation Status

Corrective action was implemented.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The audit objective was to determine whether the State's basic financial statements present fairly, in all material respects, the consolidated balances and activities for the State of Texas for the fiscal year ended August 31, 2019.

The Statewide Single Audit is an annual audit for the State of Texas. It is conducted so that the State complies with (1) the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and (2) state statute requiring that an audited Comprehensive Annual Financial Report be provided to the Governor (Texas Government Code, Section 403.013(c)).

Scope

The scope of the financial portion of the Statewide Single Audit included an audit of the State's basic financial statements and a review of significant controls over financial reporting and compliance with applicable requirements. The opinion on the basic financial statements, published in the Comprehensive Annual Financial Report for the fiscal year ended August 31, 2019, was dated February 25, 2020.

The scope of the federal compliance portion of the Statewide Single Audit included an audit of the State's Schedule of Expenditures of Federal Awards (SEFA), a review of compliance for each major program, and a review of significant controls over federal compliance. The State Auditor's Office contracted with CliftonLarsonAllen LLP (CLA) to provide an opinion on compliance for each major program and internal control over compliance. The State Auditor's Office provided an opinion on the State's SEFA, in relation to its opinion on the CAFR. Information on the federal compliance portion of the Statewide Single Audit is included in a separate report entitled *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019*, by CLA.

Methodology

The audit methodology included collecting information, verifying certain information collected, conducting data analyses, performing selected audit tests, and other procedures, and analyzing and evaluating the results against established criteria.

To avoid duplication of effort, the State Auditor's Office relied on CLA's testing of the internal controls over certain systems and processes as they related to the financial portion of the Statewide Single Audit.

Auditors assessed the reliability of the State's data by (1) performing electronic tests of required data elements, (2) reviewing existing information about data and the systems that produced the data, and (3) interviewing agency and higher education institution officials knowledgeable about data. Auditors determined that the data was sufficiently reliable for the purposes of the audit.

Sampling Methodology

As part of the audit procedures performed on the SEFA, auditors selected a risk-based sample of generic Catalog of Federal Domestic Assistance numbers (CFDAs) to test that the correct unique identifying number was reported.

Information collected and reviewed included the following:

- Agency and higher education institution policies and procedures.
- Agency and higher education institution systems documentation.
- Agency and higher education institution accounting data, which consisted of accounting data from agency and higher education institution internal accounting systems and accounting data from the Uniform Statewide Accounting System.
- Agency and higher education institution year-end accounting adjustments.
- Agency and higher education institution fiscal year 2019 annual financial reports.
- Agency and higher education institution fiscal year 2019 SEFA submissions to the Office of the Comptroller of Public Accounts.

Information systems reviewed included the following:

- Agency internal accounting systems.
- Uniform Statewide Accounting System.

Procedures and tests conducted included the following:

- Evaluating automated systems controls.
- Performing analytical tests of account balances.
- Evaluating agency and higher education institution transactions.
- Comparing agency and higher education institution accounting practices with Office of the Comptroller of Public Accounts' reporting requirements.

Criteria used included the following:

- Texas Statutes.
- Texas Administrative Code.
- General Appropriations Act (85th Legislature).
- The Office of the Comptroller of Public Accounts' policies and procedures.
- The Office of the Comptroller of Public Accounts' *Reporting Requirements for the Annual Financial Reports of State Agencies and Universities*.
- Agency and higher education institution policies and procedures.
- Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- Generally accepted accounting principles as established by existing authoritative literature including, but not limited to, literature published by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

Project Information

Audit fieldwork was conducted from August 2019 through February 2020. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the State Auditor's Office and those performing the audit be independent, and 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. The State Auditor's Office implemented safeguards to maintain its independence to perform this audit. 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 of the Comprehensive Annual Financial Report:

- Jeannette Quiñonez Garcia, CPA (Project Manager)
- Philip Stringer, CPA (Assistant Project Manager)
- Nimita Azam, M.Sc. Finance
- Robert H. (Rob) Bollinger, CPA, CGMA, CFE
- Justin Brister
- Morgan Burandt, CPA
- Robert Burg, MPA, CPA, CFE
- Chase Dierschke, Macy, CIA
- Lauren Futch, CPA
- Elizabeth Gallegos, MAcc
- Jennifer Grant
- Taylor L. Huff, CFE
- Teri Lynn Incremona, CFE
- Joyce Inman, CGFM
- Douglas Jarnagan, MAcc

- Alana Montoro
- Robert Pagenkopf, MBA, CFE
- Anca Pinchas, CPA, CISA, CIDA
- Fabienne Robin, MBA
- Nakeesa Shahparasti, CPA, CFE, CISA
- Alexander Summers
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Michael Owen Clayton, CPA, CISA, CFE, CIDA (Audit Manager)

The following members of the State Auditor's staff performed the audit of the Schedule of Expenditures of Federal Awards:

- Adam K. Ryan (Project Manager)
- Adam Berry, CFE (Assistant Project Manager)
- Charlotte Carpenter, CPA
- James Collins
- Rebecca Franklin, CFE, CISA, CGAP
- Ann E. Karnes, CPA (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (Audit Manager)

Agencies and Higher Education Institutions Audited

Financial accounts were audited at the following agencies:

- Health and Human Services Commission.
- Office of the Comptroller of Public Accounts.
- Texas Education Agency.
- Texas Workforce Commission.

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

- Department of Agriculture.
- Department of Family and Protective Services.
- Department of Housing and Community Affairs.
- Department of Public Safety.
- Department of State Health Services.
- Department of Transportation.
- Health and Human Services Commission.
- Higher Education Coordinating Board.
- Office of the Attorney General.
- Office of the Governor.
- Parks and Wildlife Department.
- Texas Education Agency.
- Texas Workforce Commission.
- The University of Texas at Austin (auditors performed only prior-year finding follow-up work).
- The University of Texas at El Paso (auditors performed only prior-year finding follow-up work).

- The University of Texas at San Antonio (auditors performed only prior-year finding follow-up work).
- The University of Texas Health Science Center at Houston (auditors performed only prior-year finding follow-up work).
- The University of Texas M.D. Anderson Cancer Center (auditors performed only prior-year finding follow-up work).
- The University of Texas Medical Branch at Galveston (auditors performed only prior-year finding follow-up work).
- The University of Texas Southwestern Medical Center (auditors performed only prior-year finding follow-up work).

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

Boards, Commissions, Chancellors, Executive Directors, and Presidents of the Following Agencies and Higher Education Institutions

Department of Agriculture
Department of Housing and Community Affairs
Department of Family and Protective Services
Department of Public Safety
Department of State Health Services
Department of Transportation
Health and Human Services Commission
Higher Education Coordinating Board
Office of the Attorney General
Office of the Comptroller of Public Accounts
Parks and Wildlife Department
Texas Education Agency
Texas Workforce Commission
The University of Texas at Austin
The University of Texas at El Paso
The University of Texas at San Antonio
The University of Texas Health Science Center at Houston
The University of Texas M.D. Anderson Cancer Center
The University of Texas Medical Branch at Galveston
The University of Texas Southwestern Medical Center



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