



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

A Report on

**State of Texas Compliance with Federal  
Requirements for the Research and  
Development Cluster for the Year Ended  
August 31, 2021**

February 2022  
Report No. 22-019



A Report on

# State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Year Ended August 31, 2021

SAO Report No. 22-019  
February 2022

## Overall Conclusion

The State of Texas complied in all material respects with the federal requirements for the Research and Development Cluster in fiscal year 2021.

As a condition of receiving federal funding, Title 2, Code of Federal Regulations, Section 200, requires non-federal entities that expend \$750,000 or more in federal awards in a fiscal year to obtain annual Single Audits. Those audits test compliance with federal requirements in up to 12 areas that may have a material effect on a federal program at those non-federal entities. Examples of the types of compliance areas include allowable costs/cost principles, cash management, and equipment and real property management. The requirements for 1 of those 12 areas vary by federal program and outline special tests that auditors are required to perform, such as determining whether a non-federal entity adhered to key personnel commitments specified in the application/proposal or award. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$172,578,350 in federal funds during fiscal year 2021 and (2) other selected federal programs.

From September 1, 2020, through August 31, 2021, the State of Texas expended \$115.1 billion in federal funds. The State Auditor's Office audited compliance with requirements for the Research and Development Cluster at seven higher education institutions. Those seven higher education institutions spent \$1.6 billion in federal Research and Development Cluster funds during fiscal year 2021.

### Research and Development Cluster

The Research and Development Cluster is a group of federal programs through which entities receive grants, cooperative agreements, and contracts for a variety of research and development projects. Federal agencies award Research and Development Cluster funds to non-federal entities on the basis of applications or proposals submitted.

Research is directed toward greater scientific knowledge or understanding of a subject, while development is the use of research toward the production of useful materials, devices, systems, or methods.

Source: *OMB Compliance Supplement*.

### Higher Education Institutions Audited


- Texas A&M University.
- The University of Texas at Austin.
- The University of Texas Health Science Center at Houston.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.
- The University of Texas Southwestern Medical Center.

This audit was conducted in accordance with Title 31, United States Code, Section 7502.

For more information regarding this report, please contact James Timberlake, Audit Manager, or Lisa Collier, State Auditor, at (512) 936-9500.

There were no findings identified for The University of Texas Southwestern Medical Center. For the remaining institutions, auditors identified eight findings for the Research and Development Cluster, which are summarized in Table 1.

Table 1

Research and Development Cluster Findings Identified			
Higher Education Institution  	Compliance Requirement and Finding Classification <sup>a</sup>		
	Equipment and Real Property Management	Subrecipient Monitoring	IT General Controls
	<i>Significant Deficiency and Non-Compliance</i>	<i>Significant Deficiency and Non-Compliance</i>	<i>Significant Deficiency</i>
<u>Texas A&amp;M University</u>	✗	✗	
<u>The University of Texas at Austin</u>	✗		
<u>The University of Texas Health Science Center at Houston</u>	✗		
<u>The University of Texas Health Science Center at San Antonio</u>	✗		
<u>The University of Texas M.D. Anderson Cancer Center</u>	✗		✗
<u>The University of Texas Medical Branch at Galveston</u>	✗		

<sup>a</sup> Control weaknesses are classified as either significant deficiencies or material weaknesses:

- A significant deficiency indicates control weaknesses, but those weaknesses would not likely result in material non-compliance.
- A material weakness indicates significant control weaknesses that could potentially result in material non-compliance with the compliance area.

Similarly, compliance findings are classified as either non-compliance or material non-compliance, where material non-compliance indicates a more serious reportable issue.

The auditor's determination of whether an instance of non-compliance or a control weakness was material for the purpose of reporting an audit finding is in relation to each type of compliance requirement for the Research and Development Cluster as a whole.

In addition, auditors followed up on higher education institutions' corrective action plans for four audit findings from prior fiscal years related to the Research and Development Cluster.

Higher education institutions fully implemented corrective action plans for 1 (25 percent) of those 4 findings and partially implemented corrective action plans for 3 (75 percent) of those 4 findings.

## ***Summary of Management's Response***

Management generally agreed with the audit findings. Specific management responses, including the views of responsible officials and corrective action plans, are presented immediately following each finding in this report.

## ***Audit Objectives and Scope***

The objectives of this audit were to (1) obtain an understanding of internal controls over compliance for the Research and Development Cluster, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective, and (2) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Research and Development Cluster in accordance with 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*.

The audit scope covered federal funds that the State spent for the Research and Development Cluster from September 1, 2020, through August 31, 2021. The audit work included control and compliance tests at seven higher education institutions across the state.

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# Independent Auditor's Report

*State of Texas Compliance with  
Federal Requirements for the  
Research and Development Cluster  
for the Year Ended August 31, 2021*

# Report on Compliance for the Research and Development Cluster, and Report on Internal Control Over Compliance Required by the Uniform Guidance

## Independent Auditor's Report

The Honorable Greg Abbott, Governor  
The Honorable Dan Patrick, Lieutenant Governor  
The Honorable Dade Phelan, Speaker of the House of Representatives  
and  
Members of the Texas Legislature, State of Texas

### **Report on Compliance for the Research and Development Cluster**

We have audited the State of Texas's (State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Research and Development Cluster for the year ended August 31, 2021. The State's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the State's compliance for the Research and Development Cluster based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

This audit was conducted as part of the State of Texas Statewide Single Audit for the year ended August 31, 2021. As such, the Research and Development Cluster was selected as a major program based on the State of Texas as a whole for the year ended August 31, 2021. The State does not meet the Uniform Guidance requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the Uniform Guidance Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Research and Development Cluster. However, our audit does not provide a legal determination of the State’s compliance.

**Opinion on the Research and Development Cluster**

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster for the year ended August 31, 2021.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

Higher Education Institution	Compliance Requirement	Finding Number
Texas A&M University	Equipment and Real Property Management	2021-101
	Subrecipient Monitoring	2021-102
The University of Texas at Austin	Equipment and Real Property Management	2021-103
The University of Texas Health Science Center at Houston	Equipment and Real Property Management	2021-104
The University of Texas Health Science Center at San Antonio	Equipment and Real Property Management	2021-105
The University of Texas M.D. Anderson Cancer Center	Equipment and Real Property Management	2021-107
The University of Texas Medical Branch at Galveston	Equipment and Real Property Management	2021-108

Our opinion on the Research and Development Cluster is not modified with respect to these matters.



The State’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State’s internal control over compliance with the types of requirements that could have a direct and material effect on the Research and Development Cluster to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Research and Development Cluster and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we consider the following deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, to be significant deficiencies:

Higher Education Institution	Compliance Requirement	Finding Number
Texas A&M University	Equipment and Real Property Management	2021-101
	Subrecipient Monitoring	2021-102

Higher Education Institution	Compliance Requirement	Finding Number
The University of Texas at Austin	Equipment and Real Property Management	2021-103
The University of Texas Health Science Center at Houston	Equipment and Real Property Management	2021-104
The University of Texas Health Science Center at San Antonio	Equipment and Real Property Management	2021-105
The University of Texas M.D. Anderson Cancer Center	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Performance Special Tests and Provisions - Key Personnel	2021-106
	Equipment and Real Property Management	2021-107
The University of Texas Medical Branch at Galveston	Equipment and Real Property Management	2021-108

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### Schedule of Federal Program Expenditures

The accompanying Schedule of Federal Program Expenditures for the Research and Development Cluster of the State for the Year Ended August 31, 2021, is presented for purposes of additional analysis. This information is the responsibility of the State's management and has been subjected only to limited auditing procedures and, accordingly, we express no opinion on it. However, we have audited the Statewide Schedule of Expenditures of Federal Awards in a separate audit, and the opinion on the Statewide Schedule of Expenditures of Federal Awards is included in the *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021*.

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

February 22, 2022

**Schedule of Federal Program Expenditures for the  
Research and Development Cluster for the State of Texas  
For the Year Ended August 31, 2021**

Schedule of Federal Program Expenditures			
Higher Education Institution Audited	Federal Pass-through to Non-state Entity	Federal Direct Expenditures	Totals
Texas A&M University	\$106,680,753	\$139,295,135	\$245,975,888
The University of Texas at Austin	33,690,596	439,319,525	473,010,120
The University of Texas Health Science Center at Houston	14,079,529	143,695,846	157,775,375
The University of Texas Health Science Center at San Antonio	11,012,857	94,365,332	105,378,189
The University of Texas M.D. Anderson Cancer Center	15,904,770	223,694,575	239,599,345
The University of Texas Medical Branch at Galveston	11,894,245	103,837,777	115,732,021
The University of Texas Southwestern Medical Center	25,413,885	228,593,433	254,007,318
<b>Total Audited Research and Development Federal Program Expenditures</b>	<b>\$218,676,634</b>	<b>\$1,372,801,624</b>	<b>\$1,591,478,258</b>
<p>Note 1: Total expenditures do not sum exactly due to rounding.</p> <p>Note 2: This schedule of federal program expenditures is presented for informational purposes only. For the State's complete Schedule of Expenditures of Federal Awards, see the <i>State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021</i>.</p> <p>Note 3: Federal expenditures for the Research and Development Cluster at state entities not included in the scope of this audit totaled \$703,048,562 for the year ended August 31, 2021.</p> <p>Note 4: The Research and Development Cluster includes many programs funded by various federal agencies. For a list of Research and Development expenditures by program or by federal awarding agency, see the <i>State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021</i>.</p>			

# **Schedule of Findings and Questioned Costs**

*State of Texas Compliance with  
Federal Requirements for the  
Research and Development Cluster  
for the Year Ended August 31, 2021*

## Summary of Auditor's Results

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### Financial Statements

Issued under separate cover. See State Auditor's Office report entitled State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021.

### Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2, Code of Federal Regulations, Section 200.516(a)? Yes

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
Cluster	Research and Development

Dollar threshold used to distinguish between type A and type B programs: \$172,578,350

Auditee qualified as low-risk auditee? No

Section 2:

## ***Financial Statement Findings***

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Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021*.

Section 3:

**Federal Award Findings and Questioned Costs**

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by Title 2, Code of Federal Regulations, Section 200.516(a).

**Texas A&M University**

Reference No. 2021-101

**Equipment and Real Property Management**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>U.S. Department of Defense, U.S. Department of Health and Human Services, National Science Foundation</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>No</b>

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; who holds the title; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

**Texas A&M University (University) did not maintain accurate and complete property records for 4 (6 percent) of 65 equipment items tested.** Specifically:

- For three items, the property record contained an incorrect location. For one item, the location was not updated before it was deployed to an off-campus location. For the second item, the location in the property record did not match the location where the item was currently in use. That item is mobile; however, the location was not updated in the property record when the item was moved. For the third item, the property record did not reflect the location where the item was stored until it could be installed.
- For one other item, the University did not follow its policy to affix an inventory tag before the item was transferred to an off-campus location. That item also did not have a serial number noted in the property record. While there was not a specific serial number located on the item, there was another number that could have been entered into the property record to help identify the item.

**In addition, the University was unable to locate 1 (2 percent) of 62 equipment items selected for physical inspection.** The University did not identify that the item was missing and file a missing property report until auditors selected that item for testing.

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**TEXAS A&M UNIVERSITY**

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Not maintaining accurate and complete property records and not adequately safeguarding equipment increases the risk that equipment may be misused, lost, or stolen.

The following awards were affected by the equipment issues discussed above:

<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.905	CyberSecurity Core Curriculum	22341-RS012 (the University received award funds via a pass-through from Norwich University)	September 18, 2020, to September 30, 2022
47.050	Geosciences	OCE-1851378	September 15, 2019, to August 31, 2023
47.074	Biological Sciences	DBI-1723266	September 1, 2017, to August 31, 2021
93.242	Mental Health Research Grants	SUBK00011277 (the University received award funds via a pass-through from the University of Michigan)	August 7, 2018, to February 28, 2021
93.389	Research Infrastructure	1 G20 RR14311-01A1	September 1, 2000, to August 31, 2002

Recommendations:

The University should strengthen controls to ensure that it:

- Maintains accurate and complete property records for all equipment acquired with federal funds.
- Adequately safeguards its equipment to prevent loss or theft of equipment.

Views of Responsible Officials:

*The University acknowledges and agrees with the finding. Texas A&M University will work to develop and implement corrective action.*

Corrective Action Plan:

*Texas A&M University Property Management will remind departments of the importance of updating location information, documenting serial numbers or other identifying information, affixing inventory tags, and promptly reporting missing assets. The reminder will include specific policy recommendations or examples of situations that need additional attention. The Property Management office will also work with*



those departments that had exceptions identified in the audit to increase compliance with 2 CFR 200. Property Management will continue the annual spot audit process to verify the accuracy of the location and serial number of federally funded assets.

Implementation Date: January 2022

Responsible Person: Todd Gregory

Reference No. 2021-102

### Subrecipient Monitoring

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>U.S. Department of Education, National Science Foundation</b>
<b>Award year:</b>	<b>See below</b>
<b>Award number:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>No</b>

### Award Identification

At the time of the subaward, the pass-through entity must communicate to the subrecipient: (1) federal award identification information, including the assistance listing number and title, federal award number, subrecipient's unique entity identifier, and whether the award is research and development; (2) all requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award; (3) any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the federal awarding agency; (4) an approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government; (5) a requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements; and (6) appropriate terms and conditions concerning closeout of the subaward (Title 2, Code of Federal Regulations (CFR), Section 200.332(a)).

**For 2 (7 percent) of 30 subawards tested, Texas A&M University (University) did not provide all required information to the subrecipient.** Specifically, the University did not communicate one or more of the following required elements: assistance listing number and title, the subrecipient's unique identifier, or whether the award is research and development. For one of those subawards, the pass-through entity did not communicate all of the required information to the University and the University relied on that information when creating its own subaward. In addition, for that same award, the University used an old subaward template that had not been updated to include all of the required information. For the other subaward, the University created the subaward using a generic assistance listing number. Not providing all required award information increases the risk that subrecipients will not comply with all applicable statutes, regulations, and terms and conditions of the federal award.

### Risk Assessment

Pass-through entities are required to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. The pass-through entity may consider such factors as (1) the subrecipient's prior experience with the same or similar subawards, (2) the results of previous audits, (3)

whether the subrecipient has new personnel or new or substantially changed systems, and (4) the extent and results of federal awarding agency monitoring (Title 2, CFR, Section 200.332 (b)).

When establishing a new subaward, the University uses a subrecipient risk assessment template that allows it to assess risk based on criteria such as the amount of a subaward, scope of work, place of performance, and previous audit findings. Based on the results of the risk assessment, the University determines for the subrecipient an overall risk level of acceptable risk or high risk.

**For 1 (3 percent) of 30 subawards tested, the University could not provide evidence that it had performed a risk assessment for the subrecipient.** As a result, auditors were unable to determine whether the University would have needed to perform additional monitoring activities in accordance with its policies. When auditors brought the issue to the University’s attention, it was unable to determine whether the risk assessment had not been performed or if the risk assessment was performed but not documented in the subrecipient’s file.

The following awards were affected by the issues discussed above.

Assistance Listing No.	Assistance Listing Title	Award Number	Award Year
47.041	Engineering	1832187	May 1, 2018, to December 31, 2021
84.002	Adult Education - Basic Grants to States	V002A160044 (the University received award funds via a pass-through from the Texas Workforce Commission)	June 1, 2019, to May 31, 2021
84.324	Research in Special Education	R324A180110	September 1, 2019, to August 31, 2021

Recommendations:

The University should:

- Ensure that it communicates all required information to subrecipients.
- Follow its policies for assessing subrecipient risk and document that assessment in the subrecipient’s file.

Views of Responsible Officials:

*The University acknowledges and agrees with the finding. Texas A&M University will work to develop and implement corrective action.*

Corrective Action Plan:

*Texas A&M Sponsored Research Services (SRS) will ensure that the revised subaward agreement long form is used on all applicable subaward agreements so that subrecipients receive all information required in 2*

*CFR 200. In addition, contract negotiators will be reminded of the requirement to complete and document a subrecipient risk assessment as described in the procedure manual.*

*Implementation Date: March 2022*

*Responsible Person: Crissy Stratta*

**The University of Texas at Austin**

Reference No. 2021-103

**Equipment and Real Property Management**

**Federal Program Title:** Research and Development Cluster  
**Federal Agencies:** U.S. Department of Defense, National Science Foundation, U.S. Department of Energy, U.S. Department of Education, U.S. Department of Health and Human Services  
**Award years:** See below  
**Award numbers:** See below  
**Statistically valid sample:** No and not intended to be a statistically valid sample  
**Type of finding:** Significant Deficiency and Non-Compliance  
**Questioned Costs:** \$0  
**Repeat Finding:** 2018-109, 2015-134, 2014-155, 2013-176, 13-161, and 12-170

Equipment Property Records

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; who holds the title; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)).

**The University of Texas at Austin (University) did not maintain accurate and complete property records for 6 (9 percent) of 64 equipment items tested.** Specifically, for each of those items, the property record was inaccurate or did not contain one of the following elements: serial number or other identification number, cost of equipment, item location, or disposition information. The University relies on unit administrators within each University department to provide the required information in the equipment property records. Those errors occurred because the University either (1) did not enter property records accurately and completely into its asset management system or (2) did not always follow its policies and procedures to update property records as needed.

Not maintaining accurate and complete property records increases the risk that equipment may be misused, lost, or stolen.

The following awards were affected by the equipment issues discussed above:

<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.000	U.S. Department of Defense	N00014-95-1-0885	June 1, 1995, to May 31, 1998
47.041	Engineering	EEC-1160494	September 1, 2012, to August 31, 2017
47.070	Computer and Information Science and Engineering	ACI-1341711	November 1, 2013, to October 31, 2019

<u>Assistance Listing No.</u>	<u>Assistance Listing Title</u>	<u>Award Number</u>	<u>Award Year</u>
47.076	Education and Human Resources	DGE-0549417	July 1, 2006, to October 31, 2012
84.116	Fund for the Improvement of Postsecondary Education	P116Z030032	September 1, 2003, to August 31, 2004
93.867	Vision Research	3R01EY016454-01	May 1, 2005, to April 30, 2025

Physical Inventory

A recipient must conduct a physical inventory of equipment and reconcile the results with its property records at least once every two years. A control system also must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of equipment. Any loss, damage, or theft of equipment must be investigated (Title 2, CFR, Section 200.313(d)(2) and (3)).

The University's *Handbook of Business Procedures* (Handbook) states that an annual physical inventory will be conducted and that when a unit administrator becomes aware that an item of equipment is missing, a diligent search must be performed until the equipment is found or until it is established that it has been lost or stolen.

**The University conducted a physical inventory of equipment during fiscal year 2021; however, 28 (8 percent) of 332 departments did not complete the physical inventory as required.** Specifically:

- For 25 departments, documentation was provided to explain why the physical inventory was not completed, which was generally attributable to the COVID-19 pandemic.
- For three departments, no documentation was provided to explain why the physical inventory was not completed.

Not requiring all departments to complete an annual inventory increases the risk that equipment purchased with federal funds may be lost, stolen, or improperly disposed.

Recommendations:

The University should strengthen controls to ensure that it:

- Maintains accurate and complete property records for all equipment acquired with federal funds.
- Requires departments to conduct an annual physical inventory of equipment.

Views of Responsible Officials:

*The University concurs with the findings.*

Corrective Action Plan:

*The University has implemented significant process enhancements in the areas noted in the findings. Inventory compliance has been emphasized to all departments through one-on-one trainings and frequent communications from inventory services. The Hand Book of Business Policy (HBP) will be revised to include detailed procedures to ensure that the University is in compliance with the requirements.*

*Implementation Date: August 2022*

*Responsible Person: Lori Peterson*

<b>The University of Texas Health Science Center at Houston</b>
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Reference No. 2021-104

**Equipment and Real Property Management**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>No</b>

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; who holds the title; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)).

**The University of Texas Health Science Center at Houston (Health Science Center) did not maintain accurate property records for 4 (7 percent) of 61 equipment items tested.** Specifically:

- For two items, the property record contained an incorrect location. For those items, the department responsible for the equipment did not update the asset management department when the items were moved.
- For one item, the Health Science Center was not able to locate the item when auditors selected it for testing. As a result, the Health Science Center filed a missing property report; however, that item was subsequently found in a different location.
- For one item, the property record contained an incorrect serial number. That item was replaced under the manufacturer’s warranty, and the Health Science Center did not update the property record to reflect the replacement item’s serial number.

Not maintaining accurate property records increases the risk that equipment may be misused, lost, or stolen.

The following awards were affected by the equipment issues discussed above:

<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.575	Child Care and Development Block Grant	193914017110001  (the Health Science Center received award funds via a pass-through from the Texas Education Agency)	October 1, 2018, to September 30, 2019

**THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON**

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<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.837	Cardiovascular Diseases Research	5R01HL061483-18	December 20, 2017, to November 20, 2021
93.837	Cardiovascular Diseases Research	R01HL148050  (the Health Science Center received award funds via a pass-through from Baylor College of Medicine)	July 19, 2019, to June 30, 2023

One additional award was affected by the issues discussed above; however, due to the age of the asset, the award information was no longer available.

Recommendation:

The Health Science Center should strengthen controls to ensure that it maintains accurate property records for all equipment acquired with federal funds.

Views of Responsible Officials:

*The University of Texas Health Science Center at Houston agrees there is an opportunity for improvement in the strengthening controls of assets. Assets that were found in an incorrect location were found in close proximity to the listed room number, within the same department. Each department within the University is responsible for reporting timely changes or discrepancies regarding location or replacement of assets. Capital Assets Management will work with each department to ensure the most accurate and UpToDate asset information is reflected in our asset tracking system.*

Corrective Action Plan:

*Capital Assets Management will emphasize in its online Inventory Awareness course (Capital Assets Management – Inventory Awareness Course) the department’s responsibility to report changes in location, serial number, and custodian of assets. CAM will reinforce the use of the Inventory Awareness course as the departmental training tool for those responsible for asset oversight. CAM will also reinforce to department leadership in their monthly staff meeting the necessity of reporting timely changes in order to maintain the most accurate asset information.*

*Implementation Date: February 1, 2022*

*Responsible Person: Oscar Ballarta, Assistant Vice President - Finance*



**The University of Texas Health Science Center at San Antonio**

Reference No. 2021-105

**Equipment and Real Property Management**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>No</b>

Equipment

A recipient's property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; who holds the title; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

**The University of Texas Health Science Center at San Antonio (Health Science Center) did not maintain accurate property records for 8 (13 percent) of 62 equipment items tested.** Specifically, for each of those eight equipment items, the property record contained an incorrect location, serial number, or both. Those errors occurred because the Health Science Center did not enter information into its property record accurately or the asset management department was not notified when there were changes to the equipment items, such as relocation.

**In addition, the Health Science Center did not adequately safeguard 2 (3 percent) of 58 equipment items selected for physical inspection.** The property record for each of those items indicated they were in-service; however, the Health Science Center was unable to locate the items when auditors selected them for testing.

Not maintaining accurate property records and not adequately safeguarding equipment increases the risk that equipment may be misused, lost, or stolen.

Equipment Disposition

The Health Science Center's *Handbook of Operating Procedures* requires its departments to submit a Property Deletion Request form to the Health Science Center's property control office when disposing of obsolete, unserviceable, worn out, or surplus equipment.

**For 5 (63 percent) of 8 equipment disposals tested, the Health Science Center did not dispose of equipment in accordance with its policy.** Specifically, the Health Science Center did not complete a Property Deletion Request form for those five equipment items. Those items were left in a building that the Health Science Center was planning to sell. Items left in the building were inventoried and auctioned off; however, the Health Science Center could not provide evidence of the auction proceeds for two of the five items tested. Not disposing of equipment in accordance with its policy increases the risk that the Health Science Center could improperly dispose of equipment purchased with federal funds.

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**THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO**

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The following awards were affected by the equipment issues discussed above:

<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.113	Environmental Health	R01 ES022054	September 1, 2012, to May 31, 2016
93.213	Research and Training in Complementary and Integrative Health	R01 AT004259	January 1, 2008, to May 31, 2014
93.242	Mental Health Research Grants	R01 MH113780	July 1, 2017, to April 30, 2022
93.389	National Center for Research Resources	G20 RR019647	June 1, 2004, to May 31, 2007
93.389	National Center for Research Resources	S10 RR023674	April 1, 2007, to March 31, 2008
93.389	National Center for Research Resources	S10 RR025111	April 6, 2009, to April 5, 2010
93.393	Cancer Cause and Prevention Research	P01 CA81020	May 15, 2000, to May 31, 2004
93.397	Cancer Centers Support Grants	P30 CA54174	December 1, 2003, to July 31, 2009
93.701	Trans-NIH Recovery Act Research Support	P30 MH089868	September 30, 2009, to August 31, 2011
93.837	Cardiovascular Diseases Research	R01 HL63032	August 1, 2000, to July 31, 2004
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	R01 DK14744	August 1, 1997, to August 31, 2002
93.855	Allergy and Infectious Diseases Research	R01 AI043279	September 16, 2010, to August 31, 2015
93.859	Biomedical Research and Research Training	R01 GM25177	April 1, 1999, to March 31, 2003
93.866	Aging Research	R37 AG10486	January 1, 1999, to December 31, 2002
93.866	Aging Research	R01 AG064078	August 1, 2019, to April 30, 2024

Recommendations:

The Health Science Center should strengthen controls to ensure that it:

- Maintains accurate property records for all equipment acquired with federal funds.
- Adequately safeguards its equipment to prevent loss or theft of equipment.
- Disposes of equipment items in accordance with its policy.

Views of Responsible Officials:

*UT Health-San Antonio acknowledges and agrees with the finding.*

Corrective Action Plan:

Equipment:

*UT Health-San Antonio's Property Control group will work with department inventory contacts during the current and subsequent annual inventory processes to ensure asset location identifiers are updated and serial numbers are correct. The University's Property Control group will also communicate with departments by email and virtual annual inventory preparation meetings to reinforce the importance of updating asset location identifiers and reviewing serial numbers, and to notify Property Control when assets are missing or no longer in the department's possession to ensure proper documentation is completed and on file.*

Equipment Disposition:

*UT Health-San Antonio experienced a unique and unprecedented circumstance this fiscal year with preparation efforts to quickly decommission and sell an existing building. These efforts included auctioning obsolete assets that remained in the building first at no cost to internal departments and then to the general public. The institution will review and modify the Handbook of Operating Procedures policy to incorporate the Property Deletion Request process related to retired facilities. The modified policy will include guidance and a special form when a multi-department mass deletion request is required for efficiency.*

*Implementation Date: March 2022*

*Responsible Person: Isaac Almaraz*

**The University of Texas M.D. Anderson Cancer Center**

Reference No. 2021-106

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

**Period of Performance**

**Special Tests and Provisions – Key Personnel**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>Federal agencies that award Research and Development Cluster funds</b>
<b>Award years:</b>	<b>Multiple</b>
<b>Award numbers:</b>	<b>Multiple</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>No</b>

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations (CFR), Section 200.303).

**The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not appropriately update certain systems it uses to manage its federal research and development awards.** The Cancer Center asserted that the updates were not made due to other competing priorities. Not ensuring that systems are updated and supported increases the risk of data loss or breach. After auditors brought the issue to the Cancer Center’s attention, it updated those systems.

Recommendation:

The Cancer Center should update and support all systems it uses to manage federal awards.

Views of Responsible Officials:

*MD Anderson Cancer Center (MDACC) acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, MDACC will work to develop and implement a corrective action to further improve the processes.*

Corrective Action Plan:

*MDACC has implemented process enhancements to help ensure that our systems stay updated. Information Systems (IT Engineering) will send an annual report by August 31<sup>st</sup> to the Information Systems application owners and Information Security of any server operating systems that need to be updated in the upcoming fiscal year.*

*Implementation Date: January 2022*

*Responsible Person: Emil Patel*

Reference No. 2021-107

**Equipment and Real Property Management**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>U.S. Department of Defense, U.S. Department of Veterans Affairs, U.S. Department of Health and Human Services</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>2018-119</b>

A recipient's property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; who holds the title; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

**The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not maintain accurate and complete property records for 22 (36 percent) of 61 equipment items tested.** Specifically:

- For 17 items, the property record contained an incorrect location. The Cancer Center relies on its annual inventory process to verify that the property record accurately reflects the location of equipment items. Due to the COVID-19 pandemic, the Cancer Center did not complete the fiscal year 2020 inventory and was in the process of performing the fiscal year 2021 inventory at the time of the audit. As a result, the property records were not updated to reflect the items' current locations.
- For two items, the property record indicated that the items were in-service; however, those items were no longer in use. After auditors selected those items for testing, the Cancer Center submitted a request for disposal.
- For two items, the property record did not contain the item's serial number or the serial number was recorded incorrectly.
- For one item, the property record did not contain the item's serial number and the location of the item was also incorrect.

**In addition, the Cancer Center was unable to locate 1 (2 percent) of 61 equipment items selected for inspection.** The Cancer Center did not file a missing property report until auditors selected that item for testing.

The errors discussed above occurred because the Cancer Center (1) did not enter information accurately or completely when creating the property records or (2) did not update the property records when changes to the items were made. Not maintaining accurate and complete property records and not adequately safeguarding equipment increases the risk that equipment may be misused, lost, or stolen.

**THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER**

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The following awards were affected by the equipment issues discussed above:

<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.420	Military Medical Research and Development	W81XWH-04-1-0142 05	December 15, 2003, to July 14, 2011
64.000	U.S. Department of Veterans Affairs	VA74115C0021	September 30, 2015, to September 29, 2018
93.113	Environmental Health	5R01ES015888-04	August 1, 2007, to January 30, 2012
93.306	Comparative Medicine	5U42RR015090-02	September 1, 2000, to August 31, 2005
93.353	21st Century Cures Act - Beau Biden Cancer Moonshot	1U24CA224020-01	September 30, 2017, to August 31, 2020
93.389	Research Infrastructure	5U42RR015090-10	September 10, 2006, to August 31, 2011
93.393	Cancer Cause and Prevention Research	5P01CA034936-18	July 1, 1984, to September 30, 2012
93.394	Cancer Detection and Diagnosis Research	5U24CA126577-05	March 26, 2007, to February 28, 2013
93.395	Cancer Treatment Research	5U10CA010953-45	March 18, 2011, to December 31, 2014
93.395	Cancer Treatment Research	5U01CA080098-06 (the Cancer Center received funds as a pass-through from the American College of Radiology)	January 1, 2006, to December 31, 2011
93.395	Cancer Treatment Research	5U10CA180820-03 (the Cancer Center received funds as a pass-through from the ECOG - ACRIN Medical Research Foundation)	March 1, 2016, to February 28, 2017
93.395	Cancer Treatment Research	5R33CA116127-04	June 25, 2007, to May 31, 2013

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**THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER**

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<u>Assistance Listing No.</u>	<u>Assistance Listing Title</u>	<u>Award Number</u>	<u>Award Year</u>
93.395	Cancer Treatment Research	3U10CA021661-32 (the Cancer Center received funds as a pass-through from the American College of Radiology)	February 20, 1979, to December 31, 2012
93.396	Cancer Biology Research	5R01CA154998-03 (the Cancer Center received funds as a pass-through from the University of Minnesota)	August 1, 2011, to May 31, 2016
93.397	Cancer Centers Support Grants	3P30CA016672-42	July 1, 2016, to June 30, 2019
93.701	Trans-NIH Recovery Act Research Support	5RC2AR059010-02	September 29, 2009, to August 31, 2012
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	5P01AR042919-08	April 1, 1997, to May 31, 2005
93.859	Biomedical Research and Research Training	5R01GM124043-03	April 1, 2018, to March 31, 2023
93.887	Health Care and Other Facilities	1C76GH09986-01	June 1, 2008, to September 30, 2013

Recommendations:

The Cancer Center should strengthen controls to ensure that it:

- Maintains accurate and complete property records for all equipment acquired with federal funds.
- Adequately safeguards its equipment to prevent loss, or theft of equipment.

Views of Responsible Officials:

*MD Anderson Cancer Center (MDACC) acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, MDACC will work to develop and implement a corrective action to further improve the processes.*

Corrective Action Plan:

- *The Cancer Center will emphasize bi-annually via communication to Property Officers and Administrators the importance on capturing correct and timely asset information. This includes keeping accurate and timely information on the location, serial number and disposition of assets.*
- *The Cancer Center will communicate during the annual inventory process the importance of validating current data in the system and request updates via the Asset Control team.*

*Implementation Date: Ongoing throughout FY 2022*

*Responsible Person: Freddy Garcia*



<b>The University of Texas Medical Branch at Galveston</b>
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Reference No. 2021-108

**Equipment and Real Property Management**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>2018-123</b>

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; who holds the title; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

**The University of Texas Medical Branch at Galveston (Medical Branch) did not maintain accurate and complete property records for 2 (3 percent) of 60 equipment items tested.** Specifically, the property record for each item either did not contain the item’s serial number or the serial number was incorrect. Those errors occurred because the Medical Branch did not enter property records accurately and completely into its asset management system.

**In addition, the Medical Branch did not adequately safeguard 4 (7 percent) of 60 equipment items selected for physical inspection.** Specifically:

- For three items, the Medical Branch asserted that the items were transferred to a warehouse in preparation for disposal; however, it was not able to locate those items or provide documentation supporting those relocations.
- For one item, the property record indicated the item was in-service; however, the Medical Branch was not able to locate that item when auditors selected it for testing.

Not maintaining accurate and complete property records and not adequately safeguarding equipment increases the risk that equipment may be misused, lost, or stolen.

The following award was affected by the issues discussed above:

<b>Assistance Listing No.</b>	<b>Assistance Listing Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS010161	July 1, 1999, to July 31, 2005

Other awards were affected by the issues discussed above; however, due to the age of the assets, the award information was no longer available.

Recommendations:

The Medical Branch should strengthen controls to ensure that it:

- Maintains accurate and complete property records for all equipment acquired with federal funds.
- Adequately safeguards its equipment to prevent loss or theft of equipment.

Views of Responsible Officials:

*Management agrees with the auditor's recommendation.*

Corrective Action Plan:

*UTMB will perform a review of its property records for accuracy. UTMB will also perform a review of its procedures and processes related to surplus assets to determine if any improvements could be made. Also of note, subsequent to the completion of the auditor's fieldwork, UTMB found two of the four assets reported as unable to locate.*

*Implementation Date: October 2022*

*Responsible Person: Mike Linton*

## Summary Schedule of Prior Year Audit Findings

Federal regulations (Title 2, Code of Federal Regulations, Section 200.511(a)) states, “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditee reports the corrective action it has taken for each finding in the 2020 Summary Schedule of Prior Audit Findings that was not identified as implemented.

The Summary Schedule of Prior Audit Findings (year ended August 31, 2021) has been prepared to address these responsibilities.

### The University of Texas at Austin

Reference No. 2018-109

#### Equipment and Real Property Management

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>U.S. Department of Defense, U.S. Department of Transportation, National Science Foundation, and U.S. Department of Health and Human Services</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat finding:</b>	<b>2015-134, 2014-155, 2013-176, 13-161, and 12-170</b>
<b>Initial Year Written:</b>	<b>2011</b>
<b>Status:</b>	<b>Partially Implemented</b>

#### Equipment

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)).

In addition, the University of Texas at Austin’s (University) Handbook of Business Procedures requires that a university inventory barcode tag be affixed to new equipment items that are capitalized or controlled.

**The University did not maintain accurate property records for 18 (23 percent) of 77 equipment items tested.** Specifically, for each of those 18 items, the property record was inaccurate for 1 or more of the following elements: item location, item condition, serial number or other identification number, or disposition information. In addition, the University did not follow its policy to affix inventory barcode tags to equipment items for 1 of those items. The University relies on its departments to ensure that property records are updated accurately. The errors for those 18 items occurred because the University either (1) did not enter property records accurately and completely into its asset management system or (2) did not always follow its policies and procedures to update property records as needed. Not maintaining accurate property records increases the risk that equipment may be lost or stolen.

**THE UNIVERSITY OF TEXAS AT AUSTIN**

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The following awards were affected by the equipment issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.000	U.S. Department of Defense	DABK39-03-C-0062	July 1, 2003, to June 30, 2007
12.300	Basic and Applied Scientific Research	N00024-07-D-6200-0530	January 29, 2013, to July 28, 2015
12.300	Basic and Applied Scientific Research	N00024-07-D-6200-0781	May 15, 2015, to May 14, 2017
12.300	Basic and Applied Scientific Research	N00024-07-D-6200-0902	September 27, 2016, to September 26, 2018
12.800	Air Force Defense Research Sciences Program	FA9550-11-1-0296	September 30, 2011, to September 29, 2012
12.800	Air Force Defense Research Sciences Program	FA9550-12-1-0494	September 30, 2012, to September 29, 2017
12.910	Research and Technology Development	N66001-01-1-8964	January 1, 2002, to February 27, 2005
12.910	Research and Technology Development	2003377937 (the University received funds as a pass-through from Johns Hopkins University)	March 2, 2017, to March 1, 2018
20.000	U.S Department of Transportation	DTFR53-99-H00006	January 20, 2005, to December 31, 2007
47.041	Engineering Grants	NEES-4101-31903	October 1, 2009, to October 31, 2014
47.049	Mathematical and Physical Sciences	PHY-0854960	August 1, 2009, to July 31, 2013
47.070	Computer and Information Science and Engineering	OCI-1134872	September 1, 2011, to September 30, 2017
47.074	Biological Sciences	DEB-0419615	August 16, 2001, to August 31, 2006
47.074	Biological Sciences	DBI-0130647	February 1, 2002, to January 31, 2007
47.074	Biological Sciences	1714555	August 1, 2017, to July 31, 2020
93.464	ACL Assistive Technology	90AG0019-01-00	January 1, 2015, to September 30, 2016
93.859	Biomedical Research and Research Training	5R01GM087562-04	April 1, 2009, to March 31, 2014
93.859	Biomedical Research and Research Training	5DP1GM106408-04	September 30, 2012, to July 31, 2016

Physical Inventory

A recipient must conduct a physical inventory of equipment and reconcile the results with its property records at least once every two years. A control system also must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of equipment. Any loss, damage, or theft of equipment must be investigated (Title 2, CFR, Section 200.313(d)(2) and (3)).

The University's *Handbook of Business Procedures* states that an annual physical inventory will be conducted and that when a unit administrator becomes aware that an item of equipment is missing, a diligent search must be performed until the item is found or until it is established that the equipment has been lost or stolen. The *Handbook of Business Procedures* also specifies that a fine may be assessed for a department whose total missing and stolen property is in excess of 2 percent of the department's total depreciated inventory value.

The University conducted a physical inventory of equipment during fiscal year 2018 in eight cycles, which staggered the time frames between department inventories. Auditors reviewed the fiscal year 2018 physical inventory and identified one department that did not complete an inventory during fiscal year 2018. In addition, the inventory results for 29 departments documented total missing equipment that exceeded the 2 percent threshold of the department's total depreciated inventory value. The University did not have a consistent, documented process in place to follow up on discrepancies and missing equipment identified during the physical inventory. The University also did not impose the sanctions described in its policy.

Not following up on discrepancies and not requiring all departments to complete an annual inventory increases the risk that equipment purchased with federal funds may be lost, stolen, or improperly disposed.

Corrective Action:

This finding was reissued as current year reference number 2021-103.

**The University of Texas M.D. Anderson Cancer Center**

Reference No. 2018-119

**Equipment and Real Property Management**

**Federal Program Title:** Research and Development Cluster  
**Federal Agencies:** U.S. Department of Defense and U.S. Department of Health and Human Services  
**Award years:** See below  
**Award numbers:** See below  
**Statistically valid sample:** No and not intended to be a statistically valid sample  
**Type of finding:** Significant Deficiency and Non-Compliance  
**Questioned Costs:** \$0  
**Repeat Finding:** No  
**Initial Year Written:** 2018  
**Status:** Partially Implemented

Equipment

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

**The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not maintain adequate property records for 15 (22 percent) of 68 equipment items tested.** Specifically, for 9 items tested, the property records contained an inaccurate serial number for each item and for 6 items tested, the property records contained an incorrect location for each item. Those errors occurred because the Cancer Center either (1) did not enter information into its property records accurately or (2) because it did not always appropriately update its property records when conducting its annual inventory.

**In addition, the Cancer Center did not always adequately safeguard its equipment.** For 1 (1 percent) of 68 equipment items selected for physical inspection, the Cancer Center was unable to locate the item. The Cancer Center did not identify that the item was missing until auditors selected that item for testing.

Not maintaining accurate property records and not adequately safeguarding equipment increases the risk that equipment may be lost or stolen.

The following awards were affected by the equipment issues discussed above:

CFDA No.	CFDA Title	Award Number	Award Year
12.420	Military Medical Research and Development	W81XWH-14-1-0218	July 15, 2014 to April 14, 2016

**THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER**

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	UTA07-816 (the Cancer Center received funds as a pass-through from the University of Texas at Austin)	September 1, 2007 to February 28, 2013
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	5R01EB000117-04	June 1, 2002 to March 31, 2008
93.393	Cancer Cause and Prevention Research	5R01CA160394-04	May 1, 2012 to March 31, 2016
93.395	Cancer Treatment Research	5P01CA124787-05	September 18, 2008 to August 31, 2014
93.395	Cancer Treatment Research	5UG1CA189828-03-MDA1 (the Cancer Center received funds as a pass-through from ECOG - ACRIN Medical Research Foundation, Inc.)	July 1, 2017 to July 31, 2019
93.395	Cancer Treatment Research	5U10CA010953-45	September 1, 1978 to December 31, 2014
93.395	Cancer Treatment Research	5R01CA182450-03	August 1, 2014 to July 31, 2018
93.395	Cancer Treatment Research	CBPO361W-00 (the Cancer Center received funds as a pass-through from the Frontier Science and Technology Research Foundation, Inc.)	August 1, 2014 to February 28, 2016
93.395	Cancer Treatment Research	5R01CA061508-15	September 17, 1993 to March 31, 2010
93.396	Cancer Biology Research	5R01CA111999-05	June 19, 2006 to April 30, 2011
93.397	Cancer Centers Support Grants	5P50CA097007-10	September 30, 2002 to July 31, 2015
93.397	Cancer Centers Support Grants	5P30CA016672-27	July 1, 1978 to June 30, 2003
93.701	Trans-NIH Recovery Act Research Support	5R01NS045602-07	April 1, 2003 to June 30, 2012
93.855	Allergy and Infectious Diseases Research	5R01AI063063-06	December 15, 2004 to November 30, 2009

**Corrective Action:**

This finding was reissued as current year reference number 2021-107.

**The University of Texas Medical Branch at Galveston**

Reference No. 2018-123

**Equipment and Real Property Management**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>National Aeronautics and Space Administration, National Science Foundation, U.S. Department of Health and Human Services, U.S. Agency for International Development</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat Finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2018</b>
<b>Status:</b>	<b>Partially Implemented</b>

Equipment

A recipient's property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

Equipment is defined as tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient for financial statement purposes or \$5,000. Information technology systems are defined to include computing hardware, firmware, and software (Title 2, CFR, Sections 200.33 and 200.58).

**The University of Texas Medical Branch at Galveston (Medical Branch) did not maintain complete and accurate property records.** Specifically:

- The Medical Branch did not include in its property records the use and condition of the equipment and whether title vests in the Medical Branch or federal government for all equipment items tested. The Medical Branch asserted that it does not track this information in its asset management system.
- For 16 (22 percent) of 72 equipment items tested, the property record was inaccurate for one or more of the following required elements: item location, serial number or other identification number, or disposition information. Those errors occurred because the Medical Branch either (1) did not enter property records accurately and completely into its asset management system or (2) did not always follow its policies and procedures to update property records as needed.
- For 5 (42 percent) of 12 equipment disposals tested, the Medical Branch improperly removed the items from its property records. Those items were all computer software items purchased with federal awards. The Medical Branch removed those items from its asset management system because it incorrectly identified them as not having to be tracked as equipment. The Medical Branch provided a



list of computer software it removed from its asset management system, and auditors identified an additional 13 items purchased with federal funds that the Medical Branch removed from its property records.

- For 4 (33 percent) of 12 equipment disposals reviewed, the Medical Branch did not maintain in its property records the funding source information, including the catalog of federal domestic assistance (CFDA) number, federal awarding agency, and federal award number. Without federal award information, auditors were unable to determine if the Medical Branch followed any applicable federal awarding agency disposition instructions.

**In addition, the Medical Branch did not always adequately safeguard its equipment.** For 5 (7 percent) of 72 equipment items selected for physical inspection, the Medical Branch was unable to locate the item. The Medical Branch asserted that 4 of those items were moved to other locations; however, it was unable to provide documentation supporting those relocations. Auditors were unable to confirm that those items were adequately safeguarded. The Medical Branch did not identify that 1 item was missing until auditors selected that item for testing.

Not maintaining complete and accurate property records and not adequately safeguarding equipment increases the risk that equipment may be lost, stolen, or improperly disposed.

The following awards were affected by the issues discussed above.

CFDA No.	CFDA Title	Award Number	Award Year
43.001	Science	Unknown	Unknown
47.000	National Science Foundation	NSFDACS119442 (the Medical Branch received funds as a pass-through from Lockheed Martin Corporation)	March 31, 2012 to March 30, 2025
93.000	U.S. Department of Health and Human Services	N01-AI-40097/HHSN266	September 30, 2004 to September 30, 2010
93.084	Prevention of Disease, Disability, and Death by Infectious Diseases	5U01CK000512-02	December 30, 2016 to December 29, 2021
93.242	Mental Health Research Grants	5U01MH083507-05	June 5, 2008 to April 30, 2013
93.350	National Center for Advancing Translational Sciences	5UL1TR001439-04	August 18, 2015 to March 31, 2020
93.837	Cardiovascular Diseases Research	5R01HL119869-05	August 9, 2013 to July 1, 2017
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5P01NS39161	January 11, 2001 to December 31, 2007
93.855	Allergy and Infectious Diseases Research	5UC7AI094660-07	May 1, 2016 to April 30, 2021
93.855	Allergy and Infectious Diseases Research	5R01AI087643	December 15, 2010 to November 30, 2016

**THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON**

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CFDA No.	CFDA Title	Award Number	Award Year
93.855	Allergy and Infectious Diseases Research	5UC7AI1070083-05	May 3, 2006 to April 20, 2012
93.866	Aging Research	5P30AG024832-05	June 15, 2005 to May 31, 2010
98.001	USAID Foreign Assistance for Programs Overseas	AID0AAA1300084 (the Medical Branch received funds as a pass-through from the University of Texas at El Paso)	September 27, 2013 to September 26, 2017

Other awards were affected by the issues discussed above; however, because the Medical Branch did not maintain the award information, a complete list of awards affected could not be determined.

Corrective Action:

This finding was reissued as current year reference number 2021-108.

Reference No. 2018-125

**Special Tests and Provisions – Key Personnel  
Activities Allowed or Unallowed  
Allowable Costs/Cost Principles**

<b>Federal Program Title:</b>	<b>Research and Development Cluster</b>
<b>Federal Agencies:</b>	<b>U.S. Department of Defense, National Science Foundation, and U.S. Department of Health and Human Services</b>
<b>Award years:</b>	<b>See below</b>
<b>Award numbers:</b>	<b>See below</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat finding:</b>	<b>2017-040 and 2016-043</b>
<b>Initial Year Written:</b>	<b>2016</b>
<b>Status:</b>	<b>Implemented</b>

Key Personnel

A recipient of federal awards must obtain approval from federal awarding agencies for (1) changes to a key person specified in the application or the federal award, or (2) the disengagement from the project for more than three months or a 25 percent reduction in time devoted to the project by the approved project director or principal investigator (Title 2, Code of Federal Regulations (CFR), Section 200.308(c)(1)).

**The University of Texas Medical Branch at Galveston (Medical Branch) did not consistently ensure that key personnel were involved in projects as required.** Specifically, for 8 (13 percent) of 60 projects tested, the key personnel specified in the award agreement did not meet the identified level of involvement for fiscal year 2018. The Medical Branch did not obtain approval from the federal awarding agency for changes to the level of involvement for the key personnel for all 8 of those projects. Those errors occurred because the Medical Branch did not have an adequate process in place to monitor changes in the level of involvement for key personnel.

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**THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON**

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Not obtaining prior approval for reductions in the level of involvement, or disengagement from the project, for key personnel may result in federal sponsors being unaware of changes to key personnel.

The following awards were affected by the issue discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.420	Military Medical Research and Development	W81XWH-09-2-0194 (the Medical Branch received funds as a pass-through from the American Burn Association)	September 30, 2009 to October 29, 2018
12.800	Air Force Defense Research Sciences Program	010847-003 (the Medical Branch received funds as a pass-through from the University of Cincinnati)	March 21, 2017 to March 20, 2019
47.049	Mathematical and Physical Sciences	DMS-1361318	September 1, 2014 to August 31, 2018
93.279	Drug Abuse and Addiction Research Programs	5R01DA040621-03	July 1, 2016 to June 30, 2021
93.350	National Center for Advancing Translational Sciences	5UL1TR001439-04	August 18, 2015 to March 31, 2020
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS096305-03	February 1, 2016 to January 31, 2021
93.855	Allergy and Infectious Diseases Research	5P01AI062885-10	July 1, 2005 to August 31, 2018
93.866	Aging Research	5R01AG054025-03	July 15, 2016 to March 31, 2021

**Corrective Action:**

Corrective action was taken.

# Appendix

Appendix

## **Objective, Scope, and Methodology**

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### **Objective**

The objectives of this audit were to (1) obtain an understanding of internal controls over compliance for the Research and Development Cluster, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective, and (2) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Research and Development Cluster in accordance with 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*.

### **Scope**

The audit scope covered federal funds that the State spent for the Research and Development Cluster from September 1, 2020, through August 31, 2021. The audit work included control and compliance tests at seven higher education institutions across the state.

### **Methodology**

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Research and Development Cluster at each higher education institution audited.

### **Sampling Methodology**

Auditors selected nonstatistical samples for tests of compliance and controls for each direct and material compliance area identified based on the American Institute of Certified Public Accountants' audit guide entitled *Government Auditing Standards and Single Audits* dated April 1, 2021. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected nonstatistical samples primarily through random selection. In some cases, auditors selected additional items for compliance testing based on risk.

Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area, and performed analytical procedures when appropriate.

Information collected and reviewed included the following:

- Higher education institution expenditure, procurement, equipment, cash draw, and subrecipient data.
- Federal notices of award, award agreements, and award proposals.
- Transactional support related to expenditures.
- Information system support related to general controls over information systems that affect the control structure related to federal compliance.

Procedures and tests conducted included the following:

- Analytical procedures performed on expenditure data to identify instances of non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and operating effectiveness of key controls and tests of design of controls to assess the sufficiency of each higher education institution's control structure.
- Tests of design and effectiveness of general controls over information systems that supported the control structure related to federal compliance.

Criteria used included the following:

- Title 2, Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- Federal notices of award, award agreements, and award proposals.
- Higher education institution policies and procedures, including disclosure statements (DS-2 statements) and indirect cost rate plans.
- Federal sponsor agency policies and procedures.

## Project Information

Audit fieldwork was conducted from October 2021 through January 2022. Except as discussed above in the Independent Auditor's Report, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2, Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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

- Kelsey A. Arnold, MEd, CIA, CFE, CGAP (Project Manager)
- Ryan Marshall Belcik, MBA, CISA (Assistant Project Manager)
- Valerie W. Bogan, CFE (Assistant Project Manager)
- Ro Amonett, MPA (Team Lead)
- Pamela A. Bradley, CPA, CFE (Team Lead)
- James Collins (Team Lead)
- John Felchak (Team Lead)
- Jessica McGuire, MSA (Team Lead)
- Tony White, CFE (Team Lead)
- Brenda Zamarripa, CIA, CGAP (Team Lead)
- Kirstin Adamcik, MBA, CFE
- Brady Bennett, MBA, CFE, CGAP
- Michael Bennett
- Justin Brister
- Lance Cofield
- Brandy Corbin
- Lindsay Escalante, MPSA
- Rebecca Franklin, CISA, CFE, CGAP, CICA

- Alexander Grunstein, CFE, CFCS
- Anna Howe, CFE
- Douglas Jarnagan, MAcc
- Elijah Marchlewski
- Austin McCarthy, CPA
- Sterling Pape
- Venus Santos
- Mark Snyder, CFE
- Daniel Spencer, MSA, CFE
- Daniel Thu
- Ryan Walther
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)

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The Honorable Dade Phelan, Speaker of the House, Joint Chair  
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The Honorable Morgan Meyer, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Boards, Chancellors, and Presidents of the Following Higher Education Institutions**

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The University of Texas at Austin  
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The University of Texas Health Science Center at San Antonio  
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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