



Lawrence F. Alwin, CPA

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**Special Investigations Unit
Report Regarding a Texas Education Agency
Grant Administrator**

June 7, 2000

Members of the Legislative Audit Committee:

An investigation by the State Auditor's Office Special Investigations Unit (Unit) identified more than \$20,000 in questioned travel expenses incurred by a Baylor University (University) professor and his associates under grants funded by the Texas Education Agency (TEA). We referred our findings to TEA with a recommendation that costs determined to be unallowable under the grant agreements be recovered from the University. In accordance with a request from TEA, the University immediately remitted the questioned costs but sought further review. We reviewed additional documentation provided by the University and reduced questioned travel expenses by approximately \$1,800. TEA agrees with our conclusions.

The University professor was the project manager for 11 federal grants funded through TEA. We reviewed 207 Travel Expense Reports submitted by the professor from August 1993 through March 1997, representing \$54,772 in reimbursed expenditures. We determined that 198 of these vouchers contained questioned expenses totaling \$20,600. (See table below.)

| Type of Receipts | Total |
|----------------------------------|------------------|
| Lodging | \$ 5,834 |
| Meal | 11,301 |
| Transportation | 3,356 |
| Incidental | 109 |
| Total Questioned Expenses | \$ 20,600 |

The investigation identified various irregularities. We questioned the validity of numerous receipts that were provided to support travel expenses. For example, the details on some receipts were altered. Some receipts were submitted on more than one occasion. The dates on other receipts did not match travel dates reported on the vouchers. Some meal receipts originated from a bar that apparently did not serve food. Other meal receipts were from a restaurant located in a city that was not a trip destination.

In other cases, reimbursement for lodging expenses was claimed by both the professor and his wife, who was also an employee under the grant; however, hotel receipts indicated that only one guest was registered. Other vouchers claimed reimbursement for costs which appear to be unallowable under the grants, such as gratuities, room service fees, alcoholic beverages, and flight change fees lacking appropriate documentation.

SAO Report No. 00-013

Members of the Legislative Audit Committee
June 7, 2000
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Some of the items of costs that we questioned complied with the University's travel policies but did not comply with stricter requirements in the TEA grant agreements. We recommend that TEA work to ensure that its grantees are fully informed concerning all restrictions on the use of grant funds for which they will be held accountable.

The University's Internal Audit Department and Office of Sponsored Programs were very helpful during the investigation. If you have questions, contact Linda Newsom or John Weber, Special Investigations Unit, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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Attachment

cc: Mr. Jim Nelson, Commissioner,
Texas Education Agency
Mr. Bill Wilson, Director, Internal Audit,
Texas Education Agency
Dr. Robert Sloan, President, Baylor University
Mr. Juan Alejandro, Director Internal Audit, Baylor University
Mr. Noley Bice, General Counsel, Baylor University
Ms. Patty Robertson, Assistant District Attorney, Travis County
District Attorney's Office
Mr. Gail Keller, Office of Inspector General, U.S. Department of Education

Special Investigations Unit

The State Auditor's Special Investigations Unit investigates reports of fraud, abuse, and other malfeasance involving state agencies or universities. The Unit refers the results of investigations to prosecuting authorities, as warranted.

The public can report suspected illegal activity through the Unit's hotline (1-800-TX-AUDIT or 892-8348), the State Auditor's website (www.sao.state.tx.us), or by mailing information to the address below.

State Auditor's Office
Attn: SIU
P.O. Box 12067
Austin, TX 78711

University Management Responses

BAYLOR

U N I V E R S I T Y

May 16, 2000

Mr. Lawrence F. Alwin, CPA
State Auditor
Two Commodore Plaza
206 East Ninth Street, Suite 1900
Austin, Texas 78701

Dear Mr. Alwin:

Enclosed please find Baylor's response to the Special Investigations Unit Report Regarding a Texas Education Agency Grant Administrator addressed to the members of the Legislative Audit Committee. It is our understanding that our response will be included with the Report so that our position will be a matter of record as well.

We appreciate your willingness to allow Baylor to review this matter with you.

Sincerely,



Charles D. Beckenhauer
Associate General Counsel

OFFICE OF GENERAL COUNSEL
PO BOX 97034 · WACO, TEXAS 76798-7034 · (254) 710-3821 · FAX (254) 710-3843

ATTACHMENT

SPECIAL INVESTIGATIONS UNIT
REPORT REGARDING A TEXAS EDUCATION AGENCY
GRANT ADMINISTRATOR

Baylor University's Response to the State Auditor's Report:

Baylor University concurs that certain irregularities occurred in the administration of 11 Texas Education Agency (TEA) grants totaling approximately \$1.6 million that spanned from 1993 to 1997. Upon learning of the State's audit results and receiving a request for reimbursement from TEA for the expenses in question, the university immediately complied and remitted the funds. Subsequently, Baylor University began its own internal review and determined, based on the information and documentation available to the internal reviewers, that the majority of the expenses or \$16,287.65 of the \$20,600 in question were reasonable, legitimate, and fully documented expenses incurred for the benefit of the State. The internal review also identified \$2,242.75 in travel expenses that were in accordance with Baylor University's travel policy but exceeded the State travel requirements and \$2,069.60 in travel expenses that were at variance with both Baylor University and the State travel requirements.

Baylor University is taking the State's audit very seriously and will be resolving the situation internally and in accordance with the university's personnel policies.

We appreciate the opportunity to respond to the State Auditor's report.

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SPECIAL INVESTIGATIONS UNIT
REPORT REGARDING A TEXAS EDUCATION AGENCY
GRANT ADMINISTRATOR

Texas Education Agency Management Responses



TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Jim Nelson
Commissioner of Education

May 10, 2000

Lawrence F. Alwin, CPA
State Auditor
The State Auditor's Office
P.O. Box 12067
Austin, TX 78711-2067

Dear Mr. Alwin:

We have received your draft investigation report titled "Special Investigations Unit Report Regarding a Texas Education Agency Grant Administrator." Following is the Texas Education Agency's response to this report. This letter is an acknowledgment that our response will be incorporated into the final report.

Texas Education Agency Management Response

The Texas Education Agency (TEA) agrees with the conclusions reached by the State Auditor's Office (SAO) in their investigation of travel expense irregularities incurred by a Baylor University professor and his associates under grants funded by TEA. The SAO recommended to TEA in September 1999, that \$22,393 in questioned travel expenses be reimbursed by Baylor University due to substantial noncompliance with applicable state and local travel regulations. In response to the recommendation made by the SAO, TEA requested and received this amount from Baylor University in October 1999.

In March 2000, Baylor University submitted additional travel documentation to the SAO for costs previously questioned. As a result, the SAO reduced associated costs from \$22,394 to \$20,600, a difference of \$1,794. In a letter to Baylor University's General Counsel dated May 2, 2000, TEA reiterated to Baylor University that TEA accepts the SAO assumptions used to identify travel costs in substantial noncompliance with travel regulations and that TEA concurs with the SAO final recommendation.

The TEA will review its practices and procedures to ensure that grantees are fully aware of grant requirements and restrictions on the use of grant funds.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Flathouse", written over a horizontal line.

Ed Flathouse

Associate Commissioner for Finance and Operations

Celebrating 50 Years of Service to Public Education

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SPECIAL INVESTIGATIONS UNIT
REPORT REGARDING A TEXAS EDUCATION AGENCY
GRANT ADMINISTRATOR