



An Audit Report on

**Selected Contracts at
Stephen F. Austin State University**

July 2017
Report No. 17-042



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Overall Conclusion

Stephen F. Austin State University (University) should strengthen certain contract formation and monitoring processes for the two construction-related contracts audited to ensure that it complies with applicable statutes and contract requirements (see text box for information on the two contracts audited). Specifically:

- During the contract formation phase, the University included most of the terms that its policies and procedures required in the two contracts audited. However, it should ensure that it executes contracts and applicable amendments (1) prior to their effective dates and (2) prior to allowing the contractors to begin work.
- To monitor the contracts audited, the University conducted regular meetings with contractors to discuss the status of the work, and it reviewed proposed and completed work. However, to effectively monitor the contracts in a timely manner, it should ensure that it receives documentation that the contracts require.

Background Information on the Two Contracts Audited

The contracts audited were for architectural services and construction services for the **University's** STEM (science, technology, engineering, and mathematics) Building.

Architectural Services Contract with Kirksey Architecture. The University entered into a contract with Kirksey Architecture to provide architectural services for the STEM Building at a cost of \$2,050,000. As of January 31, 2017, payments on that contract totaled \$1,477,827.

Construction Services Contract with J. E. Kingham Construction Company. The University entered into a contract with J. E. Kingham Construction Company to provide construction manager at risk services for the **STEM Building**. **The contract's guaranteed** maximum price was \$36,782,440. As of January 31, 2017, payments on the contract totaled \$1,489,410.

Both contracts audited were funded by tuition revenue bonds that the 84th Legislature approved. In addition, both contractors used subcontractors.

The anticipated date of substantial completion of the STEM Building project is June 20, 2018.

Source: The University.

In addition, while the University planned and procured the two contracts audited in accordance with most applicable statutes and University policies and procedures, it should ensure that it includes all applicable required terms in its solicitations.

The University complied with the applicable requirements of Texas Education Code, Section 51.9337, which became effective on September 1, 2015, as a result of Senate Bill 20 (84th Legislature). For example, the University complied with requirements to implement a code of ethics, policies for internal investigations, a contract management handbook, contract delegation guidelines, training for officers and employees involved in the contracting process, and internal audit protocols. However, it should maintain documentation to support that members of its board of regents have attended required training related to executing contracts

This audit was conducted in accordance with Texas Government Code, Section 321.0132.

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

or awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies.

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

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

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The University Should Strengthen Certain Contract Formation Processes for the Two Contracts Audited	Medium
1-B	The University Complied with Most Requirements for Contract Monitoring for the Two Contracts Audited, But It Should Strengthen Some of Those Processes	Low
2	The University Complied with Most Requirements for Contract Planning and Procurement for the Two Contracts Audited	Low
3	The University Complied with Applicable Requirements in Texas Education Code, Section 51.9337	Low

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

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

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

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

Summary of Management’s Response

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

Audit Objective and Scope

The objective of this audit was to determine whether higher education entities have administered certain contract management functions for selected contracts in accordance with applicable requirements.

The scope of this audit covered the University's contracting processes related to the following contracts through January 31, 2017:

- The contract with Kirksey Architecture to design and provide oversight for the construction of **the University's** STEM (science, technology, engineering, and mathematics) Building. The University asserted that contract was effective on October 5, 2015.
- The contract with J.E. Kingham Construction Company for construction manager at risk services related to the construction of the STEM Building. That contract was effective on February 22, 2016.

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Detailed Results

Chapter 1

The University Should Strengthen Certain Contract Formation and Monitoring Processes for the Two Contracts Audited

The two contracts the State Auditor’s Office audited at Stephen F. Austin State University (University) were for architectural services and construction services for the University’s STEM (science, technology, engineering, and mathematics) Building. Those two contracts included:

- The University’s contract for architectural services with Kirksey Architecture (architectural services contract).
- The University’s contract for construction services with J.E. Kingham Construction Company (construction services contract).

Although the University performed contract formation and monitoring processes for the two contracts audited, it should strengthen some of those processes to ensure that it executes contracts in a timely manner and complies with applicable statutes, rules, and contract requirements. The University included most required terms in the two contracts audited, conducted regular meetings to discuss the status of the work, and reviewed and approved proposed and completed work. However, it should ensure that it improves its monitoring of subcontractors.

Chapter 1-A

The University Should Strengthen Certain Contract Formation Processes for the Two Contracts Audited

Chapter 1-A
Rating:
Medium ¹

Although the University performed contract formation processes for the two contracts audited, it should strengthen some of those processes to ensure that it complies with applicable statutes and contract requirements.

Execution of the Construction Services Contract

The only date documented in the construction services contract was the effective date of February 22, 2016. However, the University asserted that the contract had an execution date of May 23, 2016, which was three months after that contract’s effective date.

¹ Chapter 1-A is rated Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

In addition, the University asserted that the contract amendment that finalized the guaranteed maximum price and date of substantial completion for the STEM Building was effective and executed on December 16, 2016. That was approximately one month after construction began on November 8, 2016 (according to the University's assertion). Allowing a contractor to begin work before executing an amendment to finalize the guaranteed maximum price and date of substantial completion increases the risk that the parties to the contract may not have consistent expectations regarding the contract. However, the University did not make any payments to the contractor until after it executed the contract and amendments.

Contract Formation

The construction services contract included all 21 terms that the University's policies and procedures required. The architectural services contract included 22 (96 percent) of the 23 terms that the University's policies and procedures required. However, it did not include a required term for the length of the contract.

For both contracts audited, the University did not include a term requiring contractors to use the E-Verify system to determine the eligibility of all persons employed during the contract term as required by the Governor's Executive Order No. RP-80.

In addition, the University did not post contract information on its Web site for one of the contracts audited as required by Texas Government Code, Section 2261.253. The University's Web site included a list of contracts (which included the construction services contract audited but did not include the architectural services contract audited). Posting applicable contracts on its Web site would enhance transparency.

The University also notified the Legislative Budget Board about the construction services contract on January 13, 2017. However, that notification did not occur at least 10 days before the University made the first payment on the contract on August 31, 2016, as required by Section 7.12, pages IX-40 through IX-42, the General Appropriations Act (84th Legislature).

The University notified the Legislative Budget Board about the architectural services contract on March 29, 2017, in accordance with the requirements of Texas Government Code, Section 2254.006, after auditors brought the notification requirement to the University's attention. However, that notification did not occur within 10 days after the University entered into that contract, as Texas Government Code, Section 2254.006, requires.

Recommendations

The University should:

- Execute contracts and applicable amendments (1) prior to their effective dates and (2) prior to allowing contractors to begin work.
- Include all applicable required terms in its contracts.
- Ensure that it posts contract information on its Web site, as required by Texas Government Code, Section 2261.253.
- Provide notifications regarding contracts to the Legislative Budget Board in accordance with the statutorily required time frame.

Management's Response

Recommendation: The University should execute contracts and applicable amendments (1) prior to their effective dates and (2) prior to allowing contractors to begin work.

Management Response: SFASU agrees that contracts and applicable amendments should be executed prior to their effective dates and prior to allowing contractors to begin work. To strengthen this process, we have requested a policy revision to our Best Value Procurement Policy 17.1 to require that all contracts should be fully executed prior to the effective date and prior to work being performed to the extent possible. This policy revision has been submitted to the July 2017 board of regents' meeting for approval.

Responsible Party: Vice President for Finance and Administration

Implementation Date: July 25, 2017

###

Recommendation: The University should include all applicable required terms in its contracts.

Management Response: SFASU agrees that all applicable required terms should be included in its contracts. To help ensure that all required terms are included in contracts, SFASU is revising contract templates, purchase order terms and conditions and developing a contract addendum for use with third party contracts. Procurement has strengthened and will enhance procedures to help ensure that required contract terms are reviewed and monitored.

Responsible Party: Vice President for Finance and Administration

Implementation Date: October 31, 2017

###

Recommendation: The University should ensure that it posts contract information on its Web site, as required by Texas Government Code, Section 2261.253.

Management Response: SFASU agrees that posting applicable contracts as required by Texas Government Code, Section 2261.253 enhances transparency. The university website has been updated to include the architectural contract. Additionally, the procurement manual has been updated to include procedures to monitor contract posting to help ensure compliance with Texas Government Code, Section 2261.253.

Responsible Party: Vice President for Finance and Administration

Implementation Date: July 14, 2017

###

Recommendation: The University should provide notifications regarding contracts to the Legislative Budget Board in accordance with the statutorily required time frame.

Management Response: SFASU agrees that notifications regarding contracts to the Legislative Budget Board (LBB) should be in accordance with statutorily required timeframes. The university is currently updating the contract review checklist and procedures to strengthen this process to help ensure that notifications to the LBB are within statutorily required period of 10 days of entering into contract.

Responsible Party: Vice President for Finance and Administration

Implementation Date: October 31, 2017

The University Complied with Most Requirements for Contract Monitoring for the Two Contracts Audited, But It Should Strengthen Some of Those Processes

Chapter 1-B
Rating:
Low²

Although the University performed contract monitoring processes, it should strengthen some of those processes to ensure that it complies with applicable statutes, rules, and contract requirements.

Monitoring of the Construction Services Contract Audited

For the construction services contract, the University conducted contractually required weekly meetings to discuss and update the status of the work after construction had begun. In addition, it reviewed and approved the contractor's completed and proposed work, and it provided clarification on construction documents.

However, the University did not ensure that the construction services contractor submitted all contractually required documentation in a timely manner or as specified in the contract. For example, none of the four payment requests that the contractor had submitted as of the time of this audit contained contractually required worker wage rate notification forms or required lien releases from subcontractors that had performed work. In addition, the contractor did not submit the initial submittal register, initial work progress schedule, schedule of values, and performance and payment bonds within the time frames specified in the contract; it submitted those documents between 2 and 50 days late.

Monitoring of the Architectural Services Contract Audited

For the architectural services contract, the University conducted contractually required regular meetings to discuss and update the status of the work as the plans progressed through the various phases of the project. In addition, it reviewed the contractor's proposed and completed designs throughout the project.

² Chapter 1-B is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Historically Underutilized Business (HUB) Monitoring

The University did not comply with requirements in Title 34, Texas Administrative Code, Section 20.285, to obtain updated HUB subcontracting plans when the contractors added new subcontractors to the projects. Specifically:

- For the construction services contract, the contractor stated that it intended to use eight subcontractors for the project that it had not identified on a HUB subcontracting plan.
- For the architectural services contract, five subcontractors that received payment for work done on the project had not been identified on a HUB subcontracting plan.

Recommendations

The University should:

- Implement a process to ensure that it receives required documentation that it uses to monitor contracts in a timely manner.
- Implement a process to ensure that contractors identify and report all subcontractors on HUB subcontracting plans.

Management's Response

Recommendation: The University should implement a process to ensure that it receives required documentation that it uses to monitor contracts in a timely manner.

Management Response: SFASU agrees and contract monitoring processes have been strengthened to help ensure compliance with applicable statutes, rules, and contract requirements. The Director of Financial Services has updated the Construction Project Analysis Procedure to include monitoring required wage rate notification forms, lien releases, and other required submittals in accordance with contractor agreement. This procedure includes a checklist to help ensure timely receipt of all required documentation. The University has received all wage rate notification forms and lien releases from subcontractors and contractor through June 30, 2017. The Director of Procurement has also implemented procedures to help ensure timely receipt of the schedule of values and performance and payment bonds.

Responsible Party: Vice President for Finance and Administration

Implementation Date: July 14, 2017

###

Recommendation: The University should implement a process to ensure that contractors identify and report all subcontractors on HUB subcontracting plans.

Management Response: Regarding HUB subcontracting plans, SFASU agrees and a process has been implemented to help ensure that contractors identify and report all subcontractors on HUB subcontracting plans. To help ensure compliance, the updated HUB procedure manual requires the following statement to be included in monthly email reminders requesting HSP Progress reports: "a revised HSP must be submitted anytime new subcontractors are added to the Project". Additionally, for all Projects requiring an HSP, Procurement on a quarterly basis will contact the prime contractor directly to confirm the HSP is up-to-date.

Responsible Party: Vice President for Finance and Administration.

Implementation Date: October 31, 2017

The University Complied with Most Requirements for Contract Planning and Procurement for the Two Contracts Audited

Chapter 2
Rating:
Low ³

The University planned and procured the two contracts audited in accordance with most applicable statutes and University policies and procedures. However, it should ensure that it includes all applicable required terms in its solicitations. In addition, it should implement a procedure to assess the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods.

Contract Planning

The University included in its solicitation for the architectural services contract all applicable terms that its policies and procedures required.

The University also included in its solicitation for the construction services contract 12 (80 percent) of 15 applicable terms that its policies and procedures required. It did not include terms for open records, liquidated damages, and parking on campus that its policies and procedures required.

However, the University did not develop a procedure to assess the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods as required by Texas Government Code, Section 2261.256.

Contract Procurement

The University complied with applicable procurement requirements in Texas Education Code, Chapter 51, and the University's policies and procedures for both contracts audited. For example, it complied with applicable requirements related to conflicts of interest, bid opening and evaluation, and contractor selection.

In addition, the University ensured that (1) applicable personnel involved in the two contracts audited signed required disclosure statements prior to contract approval and (2) it submitted to the Office of the Comptroller of Public Accounts a link to its contract management handbook.

³ Chapter 2 is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Recommendations

The University should:

- Include all applicable required terms in its solicitations.
- Implement a procedure to assess the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods.

Management's Response

Recommendation: The University should include all applicable required terms in its solicitations.

Management Response: SFASU agrees that solicitations should include all applicable required terms. The university is currently revising the Contract Solicitations Clause manual to help ensure that solicitations include applicable required terms.

Responsible Party: Vice President for Finance and Administration

Implementation Date: October 31, 2017

###

Recommendation: The University should implement a procedure to assess the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods.

Management Response: SFASU agrees a procedure should be implemented to assess the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods. A purchasing accountability and risk analysis procedure was developed and added to the Procurement Manual as of June 1, 2017. Additional procedures will be added if necessary.

Responsible Party: Vice President for Finance and Administration

Implementation Date: October 31, 2017

The University Complied with Applicable Requirements in Texas Education Code, Section 51.9337

Chapter 3
Rating:
Low ⁴

Senate Bill 20 (84th Legislature), which became effective on September 1, 2015, imposed certain requirements on higher education institutions. Specifically, a higher education institution may not exercise the acquisition authority granted by Texas Education Code, Section 51.9335 (see text box), unless it complies with the requirements of Texas Education Code, Section 51.9337.

The University complied with Texas Education Code, Section 51.9337, which included requirements to implement a code of ethics, policies for internal investigations, a contract management handbook, contract delegation guidelines, training for officers and employees involved in the contracting process, and internal audit protocols.

The University also implemented policies to address the training requirements in Texas Education Code, Section 51.9337(b)(5). In addition, the University asserted that members of its board of regents had received training related to executing contracts or awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies (as the University's policies required). However, the University did not provide documentation to support that all members of its board of regents had attended required training in each of those areas. While the board members attended ethics training that the Higher Education Coordinating Board provided, that training did not cover contracting-related topics.

The University purchaser involved in the contracting process for the two contracts audited received required training prior to procuring the contracts.

Texas Education Code,
Section 51.9335

Texas Education Code, Section 51.9335, allows a higher education institution to acquire goods or services by the method that provides best value. It also exempts the higher education institution from the following:

- The state purchasing requirements of Subtitle D, Title 10, Texas Government Code.
- State requirements for the procurement of professional and consulting services in Subchapter B, Chapter 2254, Texas Government Code, except for requirements related to contracting with historically underutilized businesses or procurement of goods and services from persons with disabilities.

However, a higher education institution must comply with the requirements of Texas Education Code, Section 51.9337, for those exemptions to apply.

Source: Texas Education Code, Section 51.9335.

⁴ Chapter 3 is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Recommendation

The University should maintain documentation to support that members of its board of regents have attended training related to executing contracts or awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies.

Management's Response

Recommendation: The University should maintain documentation to support that members of its board of regents have attended training related to executing contracts or awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies.

Management Response: SFASU agrees and will develop and implement a method with supporting documentation for board of regents' training.

Responsible Party: Vice President for Finance and Administration

Implementation Date: January 31, 2018

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether higher education entities have administered certain contract management functions for selected contracts in accordance with applicable requirements.

Scope

The scope of this audit covered Stephen F. Austin State University's (University) contracting processes related to the following contracts through January 31, 2017:

- The contract with Kirksey Architecture to design and provide oversight for the construction of the University's STEM (science, technology, engineering, and mathematics) Building. The University asserted that contract was effective on October 5, 2015.
- The contract with J.E. Kingham Construction Company for construction manager at risk services related to the construction of the STEM Building. That contract was effective on February 22, 2016.

Methodology

The audit methodology included collecting and reviewing contract management background, planning, procurement, formation, and monitoring documentation, including the STEM Building contracts; conducting interviews with University staff; reviewing applicable statutes, rules, and University policies and procedures; and performing selected tests and other procedures.

Data Reliability and Completeness

Auditors reviewed contract expenditure data from the University's accounting system, Banner, from the contract inception dates through January 31, 2017, to test the University's payment of contractor invoices for both contracts. Auditors relied on previous State Auditor's Office audit work that tested general controls and conducted additional testing of general and application controls to determine that data was sufficiently reliable for the purposes of this audit.

In addition, auditors reviewed contract expenditure data from the contractors' accounting systems for payments to subcontractors, from the contract inception dates through January 31, 2017. Auditors assessed completeness and validity of the data and determined that it was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors tested all STEM Building contract payments through January 31, 2017, and reviewed applicable documentation related to monitoring activities for the deliverables identified in the two STEM Building contracts audited.

Information collected and reviewed included the following:

- The architectural services contract with Kirksey Architecture.
- The construction services contract with J.E. Kingham Construction Company.
- University solicitation and bid documentation, evaluation criteria and documentation, approvals, and related supporting documentation.
- University personnel training records, conflict of interest disclosure statements, and nondisclosure statements.
- University payment documentation, including contractor payment requests, approvals, and other supporting documentation.

Procedures and tests conducted included the following:

- Interviewed University staff.
- Reviewed the University's contracting policies and procedures for compliance with applicable state requirements.
- Determined whether the University's officers and employees authorized to execute contracts met the training requirements.
- Reviewed documentation to determine whether the University performed appropriate planning procedures.
- Reviewed applicable conflict of interest disclosure statements and nondisclosure statements.
- Tested whether the University properly approved and advertised the solicitations.

- Tested whether the University used fair and impartial bid evaluation criteria when selecting contractors.
- Determined whether the University included in the selected contracts the terms that its policies and procedures and statute required.
- Tested contract expenditures for accuracy, proper approvals, and compliance with applicable requirements.
- Tested the University's monitoring activities for compliance with contract terms, including contract deliverables.

Criteria used included the following:

- Texas Education Code, Chapters 51, 55, and 61.
- Texas Government Code, Chapters 572, 2161, 2251, 2252, 2254, 2261, and 2262.
- Title 34, Texas Administrative Code, Chapter 20.
- Governor's Executive Order No. RP-80.
- University policies and procedures, manuals, and monitoring tools.
- Contract terms in the audited contracts.
- The General Appropriations Act (84th Legislature).

Project Information

Audit fieldwork was conducted from January 2017 through June 2017. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

- Shahpar Michelle Hernandez, CPA, M/SBT, CISA (Project Manager)
- Tony White, CFE (Assistant Project Manager)
- Melissa M. Prompuntagorn
- Armando Sanchez, MBA

- Joseph Smith, MBA, MS
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Hillary Eckford, CIA (Audit Manager)

Issue Rating Classifications and Descriptions

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

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

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

Table 2

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

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Stephen F. Austin State University

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