



An Audit Report on

**A Selected Contract**

**at the University of North Texas System**

September 2018

Report No. 19-001



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# A Selected Contract at the University of North Texas System

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## Overall Conclusion

The University of North Texas System (System) planned, procured, and formed its contract for the construction of the Interdisciplinary Research Building at the University of North Texas Health Science Center at Fort Worth in accordance with applicable statutes and its *Contracting Handbook* (2012).<sup>1</sup>

The System performed monitoring activities to ensure compliance with contract terms and that payments to the contractor were accurate, allowable, and supported. However, certain aspects of its monitoring should be improved. Specifically, the System should ensure that: (1) dollar amounts paid to subcontractors reconcile with supporting documents; (2) all required bonds are received from the contractor; and (3) contractors use E-Verify to **ensure subcontractors' eligibility to perform work**.

The System has implemented policies and procedures to address most of the applicable contract-related requirements of Texas Education Code, Section 51.9337, and Texas Government Code, Chapter 2261, Subchapter F. However, the System should: (1) continue to develop and approve policies related to the use of institutional resources and ethics training; (2) include all significant contract components in its *Contract Management Handbook*; and (3) ensure that all individuals involved in contract approval processes have completed all required training and maintain documentation of that training.

Although the System reported contract notifications to the Legislative Budget Board (LBB) and posted certain contract documentation on its Web site, it should enhance its reporting process to ensure that it complies with statutes.

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

### Background Information on the Audited Contract

The University of North Texas System (System) entered into a contract on April 25, 2016, with J.T. Vaughn Construction, LLC to provide construction manager-at-risk services to build the Interdisciplinary Research Building for an initial guaranteed maximum price of \$89.4 million at its Health Science Center campus at Fort Worth.

The building includes research laboratories, study areas, seminar rooms, and multimedia and student learning spaces for the System's College of Pharmacy, as well as the North Texas Eye Research Institute and the Institute for Molecular Diagnostic and Therapeutic Development. Building construction is expected to be completed before 2019.

Source: The System.

<sup>1</sup> The System used its *Contracting Handbook* (2012) in the initial stages of this contract process. The handbook was updated in 2016, and it is now called the *Contract Management Handbook*.

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 and Related Issue Ratings		
Chapter	Title	Issue Rating <sup>a</sup>
1	The System Planned, Procured, and Formed the Audited Contract in Accordance with Applicable Requirements	Low
2	The System Complied with Most Contract Monitoring Requirements for the Construction Services Contract, But It Should Strengthen Some Monitoring Activities	Low
3	The System Substantially Complied with Applicable Requirements Related to Contracting Policies, Procedures, and Training	Medium
4	The System Should Enhance Compliance with Statutory Reporting Requirements	Medium

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

### *Summary of **Management’s** Response*

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

### *Audit Objective and Scope*

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

The scope of this audit covered **the System’s contracting processes** for its contract effective April 25, 2016, for construction of the University of North Texas Health **Science Center at Fort Worth’s Interdisciplinary Research Building** through February 28, 2018.

# Contents

## *Detailed Results*

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Chapter 1	
The System Planned, Procured, and Formed the Audited Contract in Accordance with Applicable Requirements .....	1
Chapter 2	
The System Complied with Most Contract Monitoring Requirements for the Construction Services Contract, But It Should Strengthen Some Monitoring Activities .....	3
Chapter 3	
The System Substantially Complied with Applicable Requirements Related to Contracting Policies, Procedures, and Training.....	6
Chapter 4	
The System Should Enhance Compliance with Statutory Reporting Requirements.....	9

## *Appendices*

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Appendix 1	
Objective, Scope, and Methodology.....	12
Appendix 2	
Issue Rating Classifications and Descriptions.....	15

# Detailed Results

Chapter 1

## ***The System Planned, Procured, and Formed the Audited Contract in Accordance with Applicable Requirements***

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Chapter 1  
Rating:  
Low <sup>2</sup>

### Contract Planning, Procurement, and Formation

Planning: Identify contracting objectives and strategy.

Procurement: Fairly and objectively select the most qualified contractors.

Formation: Ensure that the contract contains provisions that hold the contractor accountable for producing desired results, including all relevant terms and conditions, and establish processes that are cost-effective and aligned with the cost of providing the goods and services.

Source: *State of Texas Contract Management Guide*, Version 1.16.

The University of North Texas System (System) complied with applicable statutes and its *Contracting Handbook* (2012)<sup>3</sup> to plan, procure, and form the contract for the construction of its Interdisciplinary Research Building at the University of North Texas Health Science Center at Fort Worth. (See the text box for more information about the audited contract management phases.)

### Contract Planning

The System performed contract planning activities necessary for identifying the audited contract's objective and procurement strategy. Specifically, the System (1) selected an independent architect to prepare the construction document for the project to comply with Texas Education Code, Section 51.782(c), and (2) developed and approved planning documents, which included a detailed cost estimate, a statement of work, a project schedule, a statement of need, and a space allocation analysis.

### Contract Procurement

The System procured the construction services contract in accordance with its policies and procedures and applicable statutes. For example, the System prepared a request for proposal that included the required information, such as project site, scope, schedule, selection criteria, and estimated budget, in compliance with Texas Education Code, Section 51.782(e). It also ensured that the final evaluation criteria used to score the proposals it received was consistent with the criteria identified in the solicitation. Furthermore, the System reviewed each proposal against the criteria listed in the solicitation, scored all proposal evaluations correctly, and selected the appropriate contractor based on its evaluation criteria.

Additionally, the System ensured that key personnel involved in the audited contract signed nondisclosure and conflict of interest statements prior to contract approval.

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<sup>2</sup> Chapter 1 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 entities' ability to effectively administer the program(s)/function(s) audited.

<sup>3</sup> The System used its *Contracting Handbook* (2012) in the initial stages of this contract process. The handbook was updated in 2016, and it is now called the *Contract Management Handbook*.

## Contract Formation

The audited contract contained key provisions required by the System's *Contracting Handbook*. The appropriate System management and legal personnel signed the Contract Routing and Approval Form, which indicates the contract was reviewed and approved. In addition, the System Chancellor signed the contract. The contractor also submitted a Certificate of Interested Parties, which identified the individuals who had a controlling or intermediary interest in its business, to the Texas Ethics Commission, as required by Texas Government Code, Section 2252.908.

## ***The System Complied with Most Contract Monitoring Requirements for the Construction Services Contract, But It Should Strengthen Some Monitoring Activities***

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Chapter 2  
Rating:  
Low <sup>4</sup>

The System performed monitoring activities to ensure compliance with contract terms related to construction of the Interdisciplinary Research Building. Additionally, payments to the contractor were accurate, allowable, and supported. However, it should improve certain monitoring activities, such as reconciling the dollar amounts paid to subcontractors with corresponding supporting documents, verifying that the contractor obtained all required bonds, and ensuring that the contractor used E-Verify.

The System adequately performed oversight activities related to the **Interdisciplinary Research Building's construction contract**.

The System adequately monitored the construction of the Interdisciplinary Research Building through February 28, 2018. As part of that monitoring, the System contracted with an independent entity for inspection services in accordance with Texas Education Code, Section 51.782(d). In addition to an independent inspector, the System received daily construction activity logs, attended weekly meetings to monitor the construction project status, and received other monitoring reports as required by the contract.

Payments to the contractor were accurate, allowable, and supported; however, the System should ensure that the amounts reported as subcontractor payments reconcile with supporting documentation.

The System reported \$58.9 million in payments to the contractor. The four payments tested totaling \$18.8 million were accurate, allowable, and supported. Those payments were made within 30 days of receiving the invoices and were reviewed and approved by the appropriate individuals as required by statute and internal policy, respectively. The System had proper segregation of duties in its financial system to ensure that the same employee could not enter and approve payments for goods and services.

In addition, for the payments tested, the contractor publically advertised subcontracting opportunities to be competitively bid, as required by Texas Education Code, Section 51.782(i). Also, the System verified that the subcontractors were approved in the Historically Underutilized Businesses (HUB) Subcontracting Plan, as required. However, the System does not have a process to reconcile the amounts the contractor reported it paid to its subcontractors in the HUB Progress Assessment Reports with payment

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<sup>4</sup> Chapter 2 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entities' ability to effectively administer the program(s)/function(s) audited.

documentation. A reconciliation process could help the System verify that contractors are complying with HUB requirements. Specifically, in \$10.9 million of reported subcontractor payment line items tested, auditors identified differences between the contractor’s HUB Progress Assessment Reports and the System’s payment documentation totaling \$50,064.

Performance and Payment Bonds

“The performance bond is solely for the protection of Owner [the System]. The performance bond is to be for the Contract Sum to guarantee the faithful performance of the Work in accordance with the Contract Documents.”

“The payment bond is to be for the Contract Sum and is payable to Owner [the System] solely for the protection and use of payment bond beneficiaries.”

Source: The System’s contract.

The contractor obtained and provided all required insurance policies and performance bonds; however, the System did not verify that the contractor obtained the required payment bond amount.

The audited construction services contract required the contractor to provide the System insurance and performance and payment bonds (see text box for information about the bonds). While the contractor obtained the appropriate insurance policies and performance bonds, it obtained only a portion of the required payment bond amount. The System did not verify that the contractor had purchased the full amount of the bonds required to ensure adequate coverage prior to commencing the work. Specifically, during the early stages of the construction project, the contractor obtained a payment bond for \$2.38 million when it was required to obtain a \$3.25 million payment bond. Without verifying that its contractors obtain the required payment bond amount, the System cannot ensure that its interest is fully protected if a contractor defaults.

The System did not ensure that its contractor used the state-mandated verification system to ensure that all employees were eligible to perform contracted work duties.

The System did not ensure that the contractor verified the eligibility of all employees, including subcontractors, to work in Texas. The audited construction services contract terms required the contractor to use E-Verify to check the work eligibility of all employees in accordance with Executive Order RP-80 (see text box for more information). However, the System did not request that the contractor provide evidence of this verification. Not ensuring that the contractor has verified the work eligibility of its employees and subcontractors increases the risk that ineligible individuals could be employed under the contract.

E-Verify

Executive Order RP-80 became effective December 3, 2014. That order requires all agencies under the governor’s direction to include, as a condition of all state contracts for services, a requirement that contractors utilize the U.S. Department of Homeland Security’s E-Verify system to determine the eligibility of:

- (1) All persons employed during the contract term to perform duties in Texas; and
- (2) All persons (including subcontractors) assigned by the contractor to perform work pursuant to the contract.

Source: Executive Order RP-80 relating to state agencies using the U.S. Department of Homeland Security’s E-Verify System.

## Recommendations

The System should develop and implement a process to:

- Reconcile the amounts reported as paid to subcontractors in the HUB Progress Assessment Reports with the amounts in the request for payment that the contractors submit.
- Ensure that contractors obtain the appropriate bond coverage that a contract requires.
- Confirm that contractors are using E-Verify.

## Management's Response

*The System should develop and implement a process to:*

- *Reconcile the amounts reported as paid to subcontractors in the HUB Progress Assessment Reports with the amounts in the request for payment that the contractors submit.*

*The UNT System agrees with this recommendation. Amounts paid to subcontractors are reconciled to the HUB Progress Assessment Reports. For large contracts, the final reconciliation is completed at the end of the project. Responsible party: Senior Director of Procurement Services.*

- *Ensure that contractors obtain the appropriate bond coverage that a contract requires.*

*The UNT System agrees with this recommendation and now requires a payment bond even if the Municipality where the work is being performed does not. This issue was addressed as of July 31, 2018. Responsible party: Executive Director of System Facilities.*

- *Confirm that contractors are using E-Verify.*

*The UNT System agrees with the recommendation and will modify its competitive solicitation boilerplates by August 31, 2018 to include a confirmation from the proposers that the E-Verify system will be used during performance of the contract. Responsible party: Senior Director of Procurement Services.*

## ***The System Substantially Complied with Applicable Requirements Related to Contracting Policies, Procedures, and Training***

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Chapter 3  
Rating:  
Medium <sup>5</sup>

The System implemented policies and procedures to address most of the applicable contract-related requirements in Texas Education Code, Section 51.9337, and Texas Government Code, Chapter 2261, Subchapter F. However, the System should ensure that it (1) continues to develop and approve policies related to the use of institutional resources and ethics training; (2) includes all significant contract components in its *Contract Management Handbook*; and (3) maintains documentation to support that all individuals involved in the contracting approval process received all required training.

### Contracting Requirements

Higher education institutions are required to establish a code of ethics, a contract management handbook, contracting delegation guidelines, training for officers and employees involved in the contracting process, policies and procedures governing conflicts of interest, and internal audit protocols.

Additionally, employees of those institutions must disclose potential conflicts of interest, and the institutions must have an accountability and risk analysis procedure.

Sources: Texas Education Code, Section 51.9337, and Texas Government Code, Chapter 2261, Subchapter F.

Policies and procedures. The System implemented policies and procedures to address most of the contracting requirements of Texas Education Code, Section 51.9337, and Texas Government Code, Chapter 2261, Subchapter F (see text box for more information), which both became effective September 1, 2015 . As part of the implementation of those statutes, the System’s Board of Regents Rules, established August 2015, included a requirement for the System to develop additional policies and procedures related to the use of institutional resources and regular ethics training for required staff. Senate Bill 20 (84th Legislature, Regular Session) stated that entities should implement changes resulting from those statutes “as soon as is practicable.” However, as of June 2018, the System had not developed those additional policies and procedures.

*Contract Management Handbook.* The System has a *Contract Management Handbook* that documents contract management processes and practices, in accordance with Texas Education Code, Section 51.9337, and Texas Government Code, Chapter 2261, Subchapter F. That handbook includes a description of the procedures needed to plan, procure, form, and administer contracts; however, it does not include specific information pertaining to contract negotiation and closeout processes. By not including negotiation processes in the System handbook, staff may not be aware of allowable negotiation techniques. Additionally, by not including closeout processes in its handbook, the System does not have consistent administrative procedures to verify that contract terms are met.

Contract training. Eleven (85 percent) of 13 individuals tested completed required training on (1) the selection of appropriate procurement methods

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<sup>5</sup> Chapter 3 is rated as 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.

and (2) information resources purchasing technologies. However, 1 of those 11 did not complete the required training prior to being involved in the approval process for the audited contract.

While the System asserted that all 13 individuals also participated in ethics training, it was able to provide documentation to support that only 1 of them completed that training.

#### Recommendations

##### The System should:

- Continue to implement policies and procedures as required by its Board of Regents Rules.
- Update its *Contract Management Handbook* to include the negotiation and closeout processes.
- Ensure that all individuals involved in the contracts approval processes have completed all required training and maintain documentation of that training.

#### Management's Response

##### *The System should:*

- *Continue to implement policies and procedures as required by its Board of Regents Rules.*

*The UNT System agrees with this recommendation and has revised its training to include ethics, procurement methods and purchasing technology as of July 31, 2018. Responsible party: Senior Director of Procurement Services.*

- *Update its Contract Management Handbook to include the negotiation and closeout processes.*

*The UNT System agrees with this recommendation. The UNT System Office of General Counsel and Procurement Services will update the Contract Management Handbook to include contract negotiation and closeout processes by October 31, 2018. Responsible parties are the Assistant General Counsel and the Senior Director of Procurement Services.*

- *Ensure that all individuals involved in the contracts approval processes have completed all required training and maintain documentation of that training.*

*The UNT System agrees with this recommendation and will complete an audit during Fiscal Year 2019 to identify any individuals with contract approval authority who have not completed the required training. Those individuals will be required to fulfill this training by August 31, 2019. Responsible party: Senior Director of Procurement Services.*

## **The System Should Enhance Compliance with Statutory Reporting Requirements**

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Chapter 4  
Rating:  
Medium <sup>6</sup>

Although the System reported contract notifications to the Legislative Budget Board (LBB) and posted certain contract documentation on its Web site, it should enhance its reporting process to ensure that it complies with applicable statutes.

### LBB Reporting

The System did not notify the LBB within 10 days of signing the audited contract, as required by Texas Government Code, Section 2166.2551. The System signed the audited contract on April 25, 2016, but it submitted the notification to the LBB approximately eight months later on December 16, 2016. Additionally, specific information related to the contract, such as milestone dates and contract value, was not accurate in that notification.

Additionally, the General Appropriations Act (84th Legislature) required the System to submit a notice to the LBB containing specific details about the audited contract. The LBB calls this an Attestation Letter. Review of the System's Attestation Letter indicated that: (1) it was not submitted at least 10 days prior to making the first payment on the contract as required; instead, it was submitted 15 months after the first payment was made, and (2) the information contained in that letter was not complete and accurate. For example, the letter did not include the nature of the contract, and the reported maximum amount of the contract was associated with a specific purchase order and did not reflect the full value of the audited contract.

Although the System has a process to notify the LBB about its contracts, it should strengthen that process to ensure that all required information is reported completely, accurately, and within the required timeframes. Not reporting accurate or timely contract information may prevent the LBB from effectively monitoring compliance with requirements and identifying risks.

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<sup>6</sup> Chapter 4 is rated as 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.

## Required Posting of Certain Contracts

The System is required to post certain contract information in full on its Web site as soon as practicable to comply with Texas Government Code, Section 2261.253(a) (see text box for more information). As of April 2018, the System had posted some required contract documents on its Web site. It also asserted that it was in the process of reviewing its contracts to determine what should be posted on its Web site. In addition, the System had not posted the authority (statutory or otherwise) it exercised to enter into certain contracts without complying with competitive bidding procedures, as required by statute.

### Texas Government Code, Section 2261.253(a)

Each state agency is required to post on its Web site:

- (1) each contract the agency enters into, including contracts entered into without inviting, advertising for, or otherwise requiring competitive bidding before selection of the contractor, until the contract expires or is completed;
- (2) the statutory or other authority under which a contract that is not competitively bid under Subdivision (1) is entered into without compliance with competitive bidding procedures; and
- (3) the request for proposals related to a competitively bid contract included under Subdivision (1) until the contract expires or is completed.

Source: Texas Government Code, Section 2261.253(a).

## Recommendations

The System should:

- Report accurately its contracts to the LBB in accordance with the statutorily required timeframe.
- Update its policies and procedures to include detailed information on contract reporting requirements for the LBB, including the required submission due dates and instructions for completing required documentation.
- Continue posting the required contract information, including the authority it exercised to enter into certain contracts without complying with competitive bidding procedures, on its Web site.

## Management's Response

*The System should:*

- *Report accurately its contracts to the LBB in accordance with the statutorily required timeframe.*

*The UNT System is now current on all contract reporting to the LBB as required and will continue to report in the required timeframe.  
Responsible party: Senior Director of Procurement Services.*

- *Update its policies and procedures to include detailed information on contract reporting requirements for the LBB, including the required submission due dates and instructions for completing required documentation.*

*The UNT System agrees with this recommendation and has updated its procedures to include detailed information on contract reporting requirements for the LBB, including the required submission due dates and instructions for completing the required information. Responsible party: Senior Director of Procurement Services.*

- *Continue posting the required contract information, including the authority it exercised to enter into certain contracts without complying with competitive bidding procedures on its Web site.*

*The UNT System will continue posting the required contract information. Responsible party: Senior Director of Procurement Services.*

# Appendices

Appendix 1

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

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### Objective

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

### Scope

The scope of this audit covered the University of North Texas System's (System) contracting processes for its contract effective April 25, 2016, for construction of the University of North Texas Health Science Center at Fort Worth's Interdisciplinary Research Building through February 28, 2018.

### Methodology

The audit methodology included collecting and reviewing administration, planning, procurement, formation, and monitoring documentation for the System's contract to construct the Interdisciplinary Research Building. Activities included conducting interviews with System staff; reviewing applicable statutes, rules, and System policies and procedures; and performing selected tests and procedures.

### Data Reliability and Completeness

Auditors reviewed contractor payment data from the System's accounting application (PeopleSoft) from the contract inception date through February 28, 2018. Auditors' procedures to review that payment data for completeness included (1) generating queries for both the purchase orders and project identification number associated with the contract; (2) observing the data extract for both queries; (3) reviewing the parameters used to extract the data; and (4) comparing the results of each query. In addition, auditors tested the segregation of duties for payments in PeopleSoft. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

### Sampling Methodology

Auditors selected risk-based samples of payments to the contractor for testing, which included a subset of a risk-based selection of expenditures. Those sample items were not representative of the population and, therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- The construction services contract with the contractor.
- System solicitation and bid documentation, evaluation criteria and documentation, approvals, and related supporting documentation.
- System personnel training records, conflict of interest disclosure statements, and nondisclosure statements.
- System payment documentation, including contractor payment requests, approvals, and other supporting documentation.

Procedures and tests conducted included the following:

- Interviewed System staff.
- Reviewed the System's contracting policies and procedures for compliance with applicable state requirements.
- Determined whether the System's employees authorized to execute contracts met the training requirements.
- Reviewed documentation to determine whether the System performed appropriate contract planning, procurement, formation, and monitoring procedures.
- Reviewed applicable conflict of interest disclosure statements and nondisclosure statements.
- Tested whether the System reported contract notifications to the Legislative Budget Board accurately and within the required timeframes.
- Tested contract payments for accuracy, proper approvals, and compliance with applicable requirements.

Criteria used included the following:

- Texas Education Code, Chapter 51.
- Texas Government Code, Chapters 572, 2166, 2251, 2252, 2261, and 2262.
- Governor's Executive Order No. RP-80.
- System policies and procedures, manuals, and monitoring tools.

- Contract terms in the audited contract.
- The General Appropriations Act (84th Legislature).

#### Project Information

Audit fieldwork was conducted from January 2018 through June 2018. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

- Amadou Ngaide, MBA, CFE, CIDA, CICA (Project Manager)
- Ryan Marshall Belcik, MBA (Assistant Project Manager)
- Elizabeth Gallegos
- Douglas Jarnagan, MAcc
- Alexander Summers
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (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)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

### Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable 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

### The University of North Texas System

Members of the University of North Texas System Board of Regents

Mr. Brint Ryan, Chairman

Ms. Laura Wright, Vice Chairman

Ms. Mary Denny

Mr. Milton B. Lee

Mr. A.K. Mago

Mr. Carlos Munguia

Mr. Rusty Reid

Ms. Gwyn Shea

Mr. Glen Whitley

Ms. Amanda Pajares, Student Regent

### The University of North Texas Health Science Center

Mr. Michael Williams, President



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