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A Report on

**State of Texas Compliance with Federal
Requirements for the Education
Stabilization Fund (COVID-19 Relief) for
the Fiscal Year Ended August 31, 2020**

February 2021
Report No. 21-014



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Overall Conclusion

The State of Texas complied in all material respects with the federal requirements for the Education Stabilization Fund in fiscal year 2020. That fund was established to provide assistance to states, schools, and institutions of higher education in response to the COVID-19 pandemic.

As a condition of receiving federal funding, Title 2, Code of Federal Regulations, Section 200.501, 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 reporting. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$142,671,377 in federal funds during fiscal year 2020 and (2) other selected programs.

During the fiscal year (from September 1, 2019, through August 31, 2020), the State of Texas expended \$95.1 billion in federal funds. The State Auditor's Office audited compliance with requirements for the Education Stabilization Fund for (1) the Higher Education Emergency Relief Fund at seven higher education institutions and (2) the Elementary and Secondary School Emergency Relief fund at one agency. Those entities spent \$291.5 million in federal Education Stabilization Funds related to the COVID-19 pandemic during fiscal year 2020.

Auditors identified 7 findings classified as significant deficiencies and non-compliance for the Education Stabilization Fund. (See text box for definitions of finding classifications.)

Education Stabilization Fund

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed on March 27, 2020, which established the Education Stabilization Fund. Four grant programs were created through the CARES Act for the Education Stabilization Fund. Those grants included:

- Education Stabilization Fund Discretionary Grant;
- Governor's Emergency Education Relief Fund;
- Elementary and Secondary School Emergency Relief Fund; and
- Higher Education Emergency Relief Fund.

Source: U.S. Department of Education.

Finding Classifications

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 Education Stabilization Fund as a whole.

Source: *Audit Guide - Government Auditing Standards and Single Audits*, American Institute of Certified Public Accountants, April 1, 2020.

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, First Assistant State Auditor, at (512) 936-9500.

Key Points

Four higher education institutions audited complied with the federal requirements for the Higher Education Emergency Relief Fund. Those higher education institutions were:

- Texas A&M University.
- Texas State University.
- University of North Texas.
- University of Texas at San Antonio.

The one agency audited complied with the federal requirements for the Elementary and Secondary School Emergency Relief Fund. That agency was:

- Texas Education Agency.

Education Stabilization Funds Audited at State Entities

Higher Education Emergency Relief Fund

- Texas A&M University.
- Texas State University.
- Texas Tech University.
- University of Houston.
- University of North Texas.
- University of Texas Rio Grande Valley.
- University of Texas at San Antonio.

Elementary and Secondary School Relief Fund

- Texas Education Agency.

The higher education institutions audited did not always comply with activities allowed or unallowed and allowable costs/cost principles requirements for the Higher Education Emergency Relief Fund.

Three higher education institutions audited did not always ensure that costs were allowable or did not maintain adequate documentation to support the allowability of the cost. Those higher education institutions were:

- Texas Tech University.
- University of Houston.
- University of Texas Rio Grande Valley.

The higher education institutions audited did not always comply with period of performance requirements for the Higher Education Emergency Relief Fund.

Two higher education institutions audited did not always ensure that costs were incurred within the period of performance. Those higher education institutions were:

- University of Houston.
- University of Texas Rio Grande Valley.

One higher education institution audited did not comply with cash management requirements for the Higher Education Emergency Relief Fund.

The University of Texas Rio Grande Valley did not (1) minimize the time between transfer of funds from the U.S. Treasury and the disbursement of those funds and (2) did not identify, track, or remit to the federal government interest earned on federal funds received in advance of program expenses.

One higher education institution audited did not always comply with reporting requirements for the Higher Education Emergency Relief Fund.

Texas Tech University did not maintain documentation to support some of the information it was required to report.

One higher education institution audited did not have adequate controls over key information technology systems used to manage federal programs.

The University of Houston did not always comply with its change management process.

Summary of Management's Response

Management generally concurred 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

With respect to the Education Stabilization Fund, the objectives of this audit were to (1) obtain an understanding of internal controls over compliance, 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 Education Stabilization Fund 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 Education Stabilization Fund for the fiscal year ending August 31, 2020. The audit work included control and compliance tests at seven higher education institutions and one agency.

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Independent Auditor's Report

*State of Texas Compliance with
Federal Requirements for the
Education Stabilization Fund
for the Fiscal Year Ended
August 31, 2020*



Report on Compliance for the Education Stabilization Fund, 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 Education Stabilization Fund

We have audited the State of Texas's (State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Compliance Supplement Addendum* that could have a direct and material effect on the Education Stabilization Fund for the year ended August 31, 2020. 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 Education Stabilization Fund 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 Education Stabilization Fund 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, 2020. As such, the Education Stabilization Fund was selected as a major program based on the State of Texas as a whole for the year ended August 31, 2020. 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 Education Stabilization Fund. However, our audit does not provide a legal determination of the State’s compliance.

Opinion on the Education Stabilization Fund

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 Education Stabilization Fund for the year ended August 31, 2020.

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 Tech University	Allowable Costs/Cost Principles	2020-118
	Reporting	2020-119
University of Houston	Activities Allowed or Unallowed	2020-130
	Allowable Costs/Cost Principles	
University of Texas Rio Grande Valley	Period of Performance	2020-131
	Activities Allowed or Unallowed	2020-152
	Allowable Costs/Cost Principles	
	Cash Management	2020-153
	Period of Performance	2020-154

Our opinion on the Education Stabilization Fund 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 Education Stabilization Fund to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Education Stabilization Fund 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 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 Tech University	Allowable Costs/Cost Principles	2020-118
	Reporting	2020-119

Higher Education Institution	Compliance Requirement	Finding Number
University of Houston	Activities Allowed or Unallowed	2020-130
	Allowable Costs/Cost Principles Matching, Level of Effort, Earmarking Reporting	
University of Texas Rio Grande Valley	Period of Performance	2020-131
	Activities Allowed or Unallowed	2020-152
	Allowable Costs/Cost Principles	
	Cash Management	2020-153
	Period of Performance	2020-154

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 Education Stabilization Fund of the State for the Year Ended August 31, 2020, 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 Fiscal Year Ended August 31, 2020*.

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

February 23, 2021

**Schedule of Federal Program Expenditures for the
Education Stabilization Fund for the State of Texas
For the Year Ended August 31, 2020**

Schedule of Federal Program Expenditures		
State Entities Audited	Catalog of Federal Domestic Assistance Number	Federal Program Direct Expenditures
Higher Education Emergency Relief Funds		
Texas A&M University	CFDA 84.425E - Student Portion	\$ 19,859,141
	CFDA 84.425F - Institutional Portion	3,179,604
Texas State University	CFDA 84.425E - Student Portion	15,895,755
	CFDA 84.425F - Institutional Portion	15,895,754
Texas Tech University	CFDA 84.425E - Student Portion	12,757,626
	CFDA 84.425F - Institutional Portion	14,287,273
University of Houston	CFDA 84.425E - Student Portion	16,149,980
	CFDA 84.425F - Institutional Portion	13,852,488
	CFDA 84.425L - Minority Serving Institutions Portion	2,546,211
University of North Texas	CFDA 84.425E - Student Portion	11,716,309
	CFDA 84.425F - Institutional Portion	10,370,622
University of Texas Rio Grande Valley	CFDA 84.425E - Student Portion	12,609,962
	CFDA 84.425F - Institutional Portion	6,798,190
	CFDA 84.425L - Minority Serving Institutions Portion	2,425,833
University of Texas at San Antonio	CFDA 84.425E - Student Portion	10,940,952
	CFDA 84.425F - Institutional Portion	9,446,136
	CFDA 84.425L - Minority Serving Institutions Portion	2,137,372
Elementary and Secondary School Relief Funds		
Texas Education Agency	CFDA 84.425D	110,605,970
Total Audited Education Stabilization Fund Federal Program Expenditures		\$291,475,177
<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 Fiscal Year Ended August 31, 2020</i>.</p> <p>Note 3: Federal expenditures for the Education Stabilization Fund at state entities not included in the scope of this audit totaled \$169,005,876 for the fiscal year ended August 31, 2020.</p> <p>Note 4: The Education Stabilization Fund is administered by the U.S. Department of Education and is divided into grant types or subprograms designated by letters after the Catalog of Federal Domestic Assistance (CFDA) number, as follows:</p> <ul style="list-style-type: none"> ▪ Discretionary Grants <ul style="list-style-type: none"> ○ CFDA 84.425B Rethink K-12 Education Models Grant ○ CFDA 84.425G Reimagining Workforce Preparation Grants ▪ CFDA 84.425C Governor's Emergency Education Relief Fund ▪ CFDA 84.425D Elementary and Secondary School Emergency Relief Fund ▪ Higher Education Emergency Relief Fund <ul style="list-style-type: none"> ○ CFDA 84.425E Student Portion ○ CFDA 84.425F Institutional Portion ○ CFDA 84.425J Historically Black Colleges and Universities ○ CFDA 84.425K Tribally Controlled Colleges and Universities 		

Schedule of Federal Program Expenditures

- CFDA 84.425L Minority Serving Institutions
- CFDA 84.425M Strengthening Institutions Program
- CFDA 84.425N Fund for the Improvement of Postsecondary Education Formula Grant
- CFDA 84.425P Institutional Resilience and Expanded Postsecondary Opportunity
- Education Stabilization Fund to the Outlying Areas (These funds are not applicable to the State of Texas.)
 - CFDA 84.425A State Education Agency
 - CFDA 84.425H Governors

Schedule of Findings and Questioned Costs

*State of Texas Compliance with
Federal Requirements for the
Education Stabilization Fund for the
Fiscal Year Ended
August 31, 2020*

Summary of Auditor's Results

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, 2020.

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:

CFDA Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$142,671,377

Auditee qualified as low-risk auditee? No

Section 2:

Financial Statement Findings

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, 2020*.

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 Tech University

Reference No. 2020-118

Allowable Costs/Cost Principles

Federal Program Title: Education Stabilization Fund

Federal Agency: U.S. Department of Education

Award year: May 6, 2020, to May 5, 2021

Award number: CFDA 84.425F, Higher Education Emergency Relief Fund Institutional Portion, P425F200816

Statistically valid sample: No and not intended to be a statistically valid sample

Type of finding: Significant Deficiency and Non-Compliance

Questioned costs: \$4,968

Allowable costs charged to federal programs must (1) be necessary and reasonable; (2) conform to any limitations or exclusions set forth in the cost principles or in the federal award; (3) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity; (4) be accorded consistent treatment; (5) be determined in accordance with generally accepted accounting principles, (6) not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program; and (7) be adequately documented (Title 2, Code of Federal Regulations (CFR), Section 200.403).

Texas Tech University (University) did not ensure that all costs charged to its Higher Education Emergency Relief Fund (HEERF) awards were adequately documented. Specifically, for 12 (18 percent) of 65 transactions tested, the University did not maintain adequate documentation to support the allowability of the cost. The University used a portion of its HEERF awards to reimburse students for costs associated with the cancellation of study abroad programs or other planned trips. The University required students to complete a request for reimbursement and to provide receipts or other evidence of flights purchased or other travel-related costs; however, the University did not always ensure that the documentation the students provided included the dates associated with the travel, whether the flight(s) had been cancelled, and/or if the airlines had issued any credits or refunds to the student. The University expended \$15,375 associated with those 12 reimbursements. After auditors brought those errors to the University's attention, it obtained additional documentation from some of those students to support the cost; therefore, only \$4,968 associated with 4 of those reimbursements were considered questioned costs.

Recommendation:

The University should ensure that it obtains and maintains adequate documentation to support costs charged to federal awards.

Views of Responsible Officials:

The University acknowledges the finding.

Corrective Action Plan:

The University will ensure adequate documentation supports international travel refunds during an emergency situation. While the expenses were in line with the intent of the HEERF funding, we acknowledge that the State Auditor's Office's position is that the documentation does not meet required standards. Out of caution, in addition to the expenses detailed above, the University has removed from the still-currently active award all costs associated with the reimbursements to students for the cancellation of study abroad programs. The University has eligible expenses in excess of the award during the performance period, resulting in full utilization of the HEERF funding on allowable expenditures and no cash on hand.

Implementation Date: February 2021

Responsible Person: Eric Fisher, Controller

Reference No. 2020-119

Reporting

Federal Program Title: Education Stabilization Fund

Federal Agency: U.S. Department of Education

Award year: April 20, 2020, to April 19, 2021

Award number: CFDA 84.425E, Higher Education Stabilization Fund Student Portion, P425E200163

Statistically valid sample: No and not intended to be a statistically valid sample

Type of finding: Significant Deficiency and Non-Compliance

Questioned costs: \$0

An institution receiving funds under Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act was required to report (1) an acknowledgement that the institution signed and returned the Certification and Agreement document; (2) the total amount of funds that the institution will receive for Emergency Financial Aid Grants to Students; (3) the total amount of Emergency Financial Aid Grants distributed to students as of the date of submission; (4) the estimated total number of students at the institution eligible to receive Emergency Financial Aid Grants; (5) the total number of students who have received Emergency Financial Aid Grants; (6) the method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive; and (7) any instructions, directions, or guidance the institution provided to students concerning the Emergency Financial Aid Grants. An initial report was required to be posted publicly on the institution's website within 30 days from the date of the Recipient's Funding Certification and Agreement; subsequent reports are then required to be posted publicly every 45 days after the initial posting. On August 31, 2020, the U.S. Department of Education changed the reporting requirement from every 45 days to quarterly (Public Law 116-136, Section 18004(e); U.S Department of Education Electronic Announcement titled *Higher Education Emergency Relief Fund Reporting - Emergency Financial Aid Grants to Students*, May 6, 2020; and *Federal Register*, Volume 85, Number 169).

Texas Tech University (University) did not maintain documentation to support some of the information it was required to report for the Student Portion of the Higher Education Emergency Relief Fund (HEERF). Specifically, for both its initial 30-day report and subsequent 45-day report, the University did not maintain support for (1) the total amount of grants disbursed to students, (2) the estimated total number of students eligible to receive grants, and (3) the total number of students who received grant funds. The University used its student information system to generate the data at the time it posted the report on its website; however, it did not maintain that data and it could not recreate the information it reported. As a result, auditors could not verify the accuracy of the information posted on the University's website for the Student Portion of the HEERF award.

Recommendation:

The University should ensure that it maintains documentation to support reports for federal awards.

Views of Responsible Officials:

Texas Tech University acknowledges and agrees with the findings. Texas Tech University has worked to develop and implement corrective action to further improve processes.

Corrective Action Plan:

Texas Tech will maintain all queries and outputs for reports. We were able to provide the SQL queries, but we did not save the outputs from the day that they were run. Going forward, all data will be saved for documentation.

Implementation Date: February 2021

Responsible Persons: Shannon Venezia and Kyle Phillips

University of Houston

Reference No. 2020-130

**Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Matching, Level of Effort, Earmarking
Reporting**

**Federal Program Title: Education Stabilization Fund
Federal Agency: U.S. Department of Education
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**

CFDA No.	Program Name	Award Number	Award Year
84.425E	Higher Education Emergency Relief Fund Student Portion	P425E200642	April 28, 2020, to April 27, 2021
84.425F	Higher Education Emergency Relief Fund Institutional Portion	P425F202865	May 12, 2020, to May 11, 2021
84.425L	Higher Education Emergency Relief Fund Minority Serving Institutions	P425L200374	June 4, 2020, to June 3, 2021

Allowable Costs

Allowable costs charged to federal programs must (1) be necessary and reasonable; (2) conform to any limitations or exclusions set forth in the cost principles or in the federal award; (3) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity; (4) be accorded consistent treatment; (5) be determined in accordance with generally accepted accounting principles, (6) not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program; and (7) be adequately documented (Title 2, Code of Federal Regulations (CFR), Section 200.403).

Section 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act allows recipients to use up to 50 percent of the funds received for the Institutional Portion of the Higher Education Emergency Relief Fund (HEERF) award to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus so long as such costs do not include payment (1) to contractors for the provision of pre-enrollment recruitment activities, (2) to endowments, or (3) for capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship. Section 18004(a)(2) of the CARES Act allows recipients to use funds received for the Minority Serving Institutions portion of the HEERF award under that section to defray expenses incurred by the recipient, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll (Public Law 116-136).

The University of Houston (University) did not ensure that all costs charged to its Higher Education Emergency Relief Fund (HEERF) awards were allowable. For 6 (14 percent) of 42 transactions tested, the University charged \$3,113,517 to its HEERF awards that was not related to the University’s response to the coronavirus. Specifically:

- For one of those transactions, the University was unable to provide evidence that the pre-planned technology improvement project totaling \$39,000 addressed a need directly related to the coronavirus. The University's review process was not sufficient to identify the unallowable cost.
- For the remaining five transactions, the University charged approximately \$3.1 million in lost revenue related to food service commission revenue and uncollected fees to the Institutional Portion of its HEERF award. The University recorded those transactions prior to October 2020 when the U.S Department of Education clarified its guidance to explain that using the Institutional Portion of the HEERF award to defray revenue losses the institution incurred is not allowable per section 18004(c) of the CARES Act.

After auditors brought the errors related to the 6 transactions discussed above to the University's attention, it transferred those costs to an institutional account; therefore, there were no questioned costs.

Other Compliance Requirements and Award Number

Although the general control weaknesses described below apply to matching, level of effort, earmarking, and reporting, auditors identified no compliance issues regarding those compliance requirements. The general control weaknesses described below also apply to CFDA 84.425E, Higher Education Emergency Relief Fund Student Portion, award number P425E200642.

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, CFR, Section 200.303).

The University did not always comply with its change management process for information systems. Specifically, for 2 (25 percent) of 8 changes tested, the University did not ensure that its change manager and/or change management committee formally approved the change prior to migrating that change to the production environment, as required by the University's policies and procedures. The University asserted that occurred due to staff oversight, and that informal approvals had been obtained prior to migrating those changes.

Not obtaining approvals in accordance with University policies and procedures increases the risk of unauthorized programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendations:

The University should:

- Ensure that only allowable costs are charged to federal awards.
- Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems.

Views of Responsible Officials:

The University acknowledges and agrees with the finding and will develop a corrective action plan.

Corrective Action Plan:

The University has drafted guidelines for the oversight of Education Stabilization Funds based on review of guidelines issued to date for the HEERF II funds (which are applicable to HEERF funds unspent as of December 27, 2020). These guidelines include the creation of a list of compliance requirements, regularly checking the Department of Education's website for updated guidance, establishing a time frame for corrections required by updated or clarified guidance, identification of allowable costs and time frames, establishment of documentation and approval processes for all uses of funds, and reconciliation processes. This guideline will be finalized once open questions regarding the HEERF II funding are addressed by the Department of Education.

Implementation Date: August 1, 2021

Responsible Person: Karin Livingston, AVC/AVP Finance, University of Houston

We agree that the UHS change management policies and procedures should be consistently followed and the required approvals obtained for changes to university information systems used to administer student financial assistance. In both cases documented in the finding, the requestors have been reminded by their supervisors to follow all proper procedures. Additionally, as was noted in the finding, both of these changes were scheduled and discussed with the PeopleSoft Technical and Support committees (separate groups from the CMC committee) and documented via the "schedule of upcoming changes" spreadsheets prior to the changes being implemented. In cases such as these, the CMC committee approval becomes a formality. But, we agree that it is a formality that is part of the procedures and should be completed. Therefore, UIT Management will ensure that all appropriate staff are reminded of the change management policies and procedures and that required approvals are obtained in accordance with the policies.

Implementation Date: January 29, 2021

Responsible Person: Mary Dickerson, Assistant Vice President/Vice Chancellor and CIO, University of Houston/University of Houston System

Reference No. 2020-131

Period of Performance

Federal Program Title: Education Stabilization Fund

Federal Agency: U.S. Department of Education

Award year: June 4, 2020, to June 3, 2021

Award number: CFDA 84.425L, Higher Education Emergency Relief Fund Minority Serving Institutions, P425L200374

Statistically valid sample: No and not intended to be a statistically valid sample

Type of finding: Significant Deficiency and Non-Compliance

Questioned costs: \$0

Period of Performance

A recipient may charge to a federal award only allowable costs incurred during the period of performance and any costs incurred before the federal award that were authorized by the federal awarding agency or pass-through entity (Title 2, Code of Federal Regulations (CFR), Section 200.309).

Pre-award costs are those incurred prior to the effective date of the federal award or subaward directly pursuant to the negotiation and in anticipation of the federal award for which such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency (Title 2, CFR, 200.458). Pre-award costs incurred on or after March 13, 2020, the date of the Proclamation of National Emergency, are approved per the Recipient's Funding

Certification and Agreement for the Institutional Portion of the Higher Education Emergency Relief Fund (HEERF), as well as for the Minority Serving Institutions portion of the funding (Public Law 116-136).

The University of Houston (University) did not ensure that all costs charged to its HEERF awards were incurred within the period of performance. Specifically, for 8 (19 percent) of 42 expenditures tested, the University incurred the cost between February 12, 2020, and March 12, 2020. The University charged those expenditures totaling \$5,035 to the Minority Serving Institutions portion of its HEERF award. The University had a process to identify costs related to its response to the coronavirus and to transfer those costs to its HEERF awards; however, the University's review process for the transfer of those costs was not sufficient to identify that those expenditures were outside of the period of performance.

After auditors brought those errors to the University's attention, it transferred those expenditures to an institutional account; therefore, there were no questioned costs.

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, CFR, Section 200.303).

The University did not always comply with its change management process for information systems. Specifically, for 2 (25 percent) of 8 changes tested, the University did not ensure that its change manager and/or change management committee formally approved the change prior to migrating that change to the production environment, as required by the University's policies and procedures. The University asserted that occurred due to staff oversight, and that informal approvals had been obtained prior to migrating those changes.

Not obtaining approvals in accordance with University policies and procedures increases the risk of unauthorized programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendations:

The University should:

- Ensure that all costs it charges to federal awards are incurred within the period of performance.
- Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems.

Views of Responsible Officials:

The University acknowledges and agrees with the finding and will develop a corrective action plan.

Corrective Action Plan:

The University has drafted guidelines for the oversight of Education Stabilization Funds based on review of guidelines issued to date for the HEERF II funds (which are applicable to HEERF funds unspent as of December 27, 2020). These guidelines include the creation of a list of compliance requirements, regularly checking the Department of Education's website for updated guidance, establishing a time frame for corrections required by updated or clarified guidance, identification of allowable costs and time frames, establishment of documentation and approval processes for all uses of funds, and reconciliation processes. This guideline will be finalized once open questions regarding the HEERF II funding are addressed by the Department of Education.

Implementation Date: August 1, 2021

Responsible Person: Karin Livingston, AVC/AVP Finance, University of Houston

We agree that the UHS change management policies and procedures should be consistently followed and the required approvals obtained for changes to university information systems used to administer student financial assistance. In both cases documented in the finding, the requestors have been reminded by their supervisors to follow all proper procedures. Additionally, as was noted in the finding, both of these changes were scheduled and discussed with the PeopleSoft Technical and Support committees (separate groups from the CMC committee) and documented via the "schedule of upcoming changes" spreadsheets prior to the changes being implemented. In cases such as these, the CMC committee approval becomes a formality. But, we agree that it is a formality that is part of the procedures and should be completed. Therefore, UIT Management will ensure that all appropriate staff are reminded of the change management policies and procedures and that required approvals are obtained in accordance with the policies.

Implementation Date: January 29, 2021

Responsible Person: Mary Dickerson, Assistant Vice President/Vice Chancellor and CIO, University of Houston/University of Houston System

University of Texas Rio Grande Valley
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Reference No. 2020-152

**Activities Allowed or Unallowed
Allowable Costs/Cost Principles**

Federal Program Title: Education Stabilization Fund

Federal Agency: U.S. Department of Education

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

<u>CFDA No.</u>	<u>Program Name</u>	<u>Award Number</u>	<u>Award Year</u>
84.425F	Higher Education Emergency Relief Fund Institutional Portion	P425F201597	May 6, 2020, to May 5, 2021
84.425L	Higher Education Emergency Relief Fund Minority Serving Institutions	P425L200083	June 1, 2020, to May 31, 2021

Direct Costs

Allowable costs charged to federal programs must (1) be necessary and reasonable; (2) conform to any limitations or exclusions set forth in the cost principles or in the federal award; (3) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity; (4) be accorded consistent treatment; (5) be determined in accordance with generally accepted accounting principles, (6) not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program; and (7) be adequately documented (Title 2, Code of Federal Regulations (CFR), Section 200.403).

Section 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act allows recipients to use up to 50 percent of the funds received for the Institutional Portion of the Higher Education Emergency Relief Fund (HEERF) award to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus so long as such costs do not include payment (1) to contractors for the provision of pre-enrollment recruitment activities, (2) to endowments, or (3) for capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship. Section 18004(a)(2) of the CARES Act allows recipients to use funds received for the Minority Serving Institutions portion of the HEERF award under that section to defray expenses incurred by the recipient, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll (Public Law 116-136).

The University of Texas Rio Grande Valley (University) did not ensure that all costs charged to its Higher Education Emergency Relief Fund (HEERF) awards were allowable. Specifically, for 2 (3 percent) of 61 non-payroll expenditures tested, the University expended \$1,836 on floor mats and live streaming software that were not related to the University’s response to the coronavirus. In addition, for 3 (5 percent) of 60 payroll expenditures tested, the University allocated payroll expenditures totaling \$5,232 for unallowable activities. While the University’s review and approval process identified those costs as unallowable, the University recorded the expenditures in its financial system as a result of staff oversight.

After auditors brought those errors to the University’s attention, it transferred those expenditures to an institutional account and reversed the associated indirect costs; therefore, there were no questioned costs.

After correcting those errors, the University performed a self-review and identified and corrected other unallowable non-payroll expenditures totaling \$3,972 and payroll expenditures totaling \$4,495.

Indirect Costs

Indirect costs are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Indirect costs shall be distributed to applicable federal awards on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward. Modified total direct costs excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, and participant support costs, as well as the portion of each subaward in excess of \$25,000 (Title 2, CFR, Part 200, Section 200.68 and Appendix III).

For 2 (20 percent) of 10 indirect cost charges tested, the University included unallowable costs in the direct cost base it used to calculate the indirect cost charge. Specifically, the University included a capital equipment expense of \$10,710 and a rental cost expense of \$2,170 in the direct cost base. As a result, the University overcharged \$2,872 in indirect costs for those two charges tested. After auditors brought those errors to the University's attention, the University removed those expenses from the direct cost base and reversed the \$2,872 in indirect costs; therefore, there were no questioned costs.

Recommendations:

The University should:

- Strengthen its review and approval process to ensure that only allowable costs are charged to federal awards.
- Use the correct modified total direct cost base to calculate indirect cost charges.

Views of Responsible Officials:

The University of Texas Rio Grande Valley (UTRGV) concurs with the recommendations to strengthen reviews of expenditures charged to federal awards, including using the correct modified total direct cost base to calculate indirect cost charges.

Corrective Action Plan:

As noted in the audit report, UTRGV implemented additional control procedures during the review process and self-identified and corrected other unallowable costs. These internal procedures include:

- *Re-educating staff and supervisors on existing internal control procedures when verifying and approving financial transactions.*
- *Implementing weekly review and reconciliation process to ensure financial transactions are accurate, valid (include period of performance), coded correctly, complete, and have the proper approvals. This incorporates validating the correct modified total direct cost base, prior to calculating indirect cost charges.*
- *Reaffirming the importance of the existing monthly mandatory financial activity reconciliation process, where the cost center/project manager approves the transactions for allowability through workflow and the reconciler reviews/validates the transactions as posted before the cost center/project manager certifies the reconciliation.*

- *Re-educating UTRGV campus community of the Grants and Contracts process to ensure financial transactions have been reviewed properly through internal workflow approval. Ensure Grants and Contracts' will review and approve financial transactions charged and submitted through the workflow to a specific sponsored project and determine if costs are allowable to the grant.*

Implementation Date: December 2020

Responsible Persons: Michael Mueller, Senior Associate Vice President Planning & Resource Development, Geoffrey Scarpelli, Associate Vice President for Financial Services, and Mari Perez, Executive Director of Research Administration

Reference No. 2020-153

Cash Management

Federal Program Title: Education Stabilization Fund

Federal Agency: U.S. Department of Education

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: Unknown

CFDA No.	Program Name	Award Number	Award Year
84.425E	Higher Education Emergency Relief Fund Student Portion	P425E202806	April 25, 2020, to April 24, 2021
84.425F	Higher Education Emergency Relief Fund Institutional Portion	P425F201597	May 6, 2020, to May 5, 2021
84.425L	Higher Education Emergency Relief Fund Minority Serving Institutions	P425L200083	June 1, 2020, to May 31, 2021

Cash Draws

For non-federal entities, payments methods must minimize the time between the transfer of funds from the United States Treasury and the disbursement of those funds by the non-federal entity. Advance payments to a non-federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-federal entity for any direct program or project costs and the proportionate share of any allowable indirect costs (Title 2, Code of Federal Regulations (CFR), Section 200.305(b)).

The University of Texas Rio Grande Valley (University) did not minimize the time between transfer of funds from the U.S. Treasury and the disbursement of those funds. The University drew down its full allocation of Higher Education Emergency Relief Fund (HEERF) awards upon authorization from the U.S. Department of Education; however, it did not have actual or immediate cash requirements at the time it drew down those funds. Specifically:

- For the HEERF Student Portion, the University drew down \$17,167,129 on April 28, 2020; however, it had expended only approximately \$476,000 at the time of the draw. As of the end of the fiscal year (August 31, 2020), the University still had not expended approximately \$4.5 million of those funds.

- For the HEERF Institutional Portion, the University drew down \$17,167,129 on May 11, 2020; however, it did not begin expending those funds until 42 days later. As of the end of the fiscal year (August 31, 2020), the University still had not expended approximately \$10 million of those funds.
- For the HEERF Minority Serving Institutions Portion, the University drew down \$2,425,833 on June 2, 2020; however, it did not begin expending those funds until 20 days later. The University expended all of those funds as of the end of the fiscal year (August 31, 2020).

The University had established policies and procedures for managing federal funds and for requesting and documenting cash draws; however, it did not follow those procedures when it drew down its HEERF awards.

Interest on Advances

A non-federal entity must maintain advances of federal funds in interest-bearing accounts unless: (1) the non-federal entity receives less than \$120,000 in federal awards per year, (2) the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on federal cash balances, or (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources (Title 2, CFR, Section 200.305(b)(8)). Interest earned up to \$500 per year may be retained by the non-federal entity for administrative expense. Any additional interest earned on federal advance payments deposited in interest-bearing accounts must be remitted annually to the U.S. Department of Health and Human Services Payment Management System (Title 2, CFR, Section 200.305(b)(9)).

The University did not identify, track, or remit to the U.S. Department of Health and Human Services interest it earned on federal funds received in advance of program expenses for fiscal year 2020. The University did not maintain its advances of HEERF funds, as described above, in interest-bearing accounts. As a result, auditors were unable to determine the amount of interest that it would have been required to remit, if any, to the federal government for fiscal year 2020.

Recommendations:

The University should:

- Return unexpended funds to the U.S. Department of Education.
- Follow its established cash management policies and procedures when requesting cash draws for all federal funds.
- Maintain advances of federal funds in interest-bearing accounts.

Views of Responsible Officials:

UTRGV concurs with the recommendations of returning unexpended funds to the U.S. Department of Education, following our established cash management policies and procedures when requesting cash draws for all federal funds, and maintaining advances of federal funds in interest-bearing accounts.

Corrective Action Plan:

UTRGV returned all unexpended funds to the U.S. Department of Education in December 2020. Additionally, UTRGV will follow the institution's established cash management policies and procedures when requesting cash draws for all federal awards, including the timely refund of any excess federal funds, as well as maintaining any federal funds provided in advance in an interest-bearing account.

Implementation Date: December 2020

UNIVERSITY OF TEXAS RIO GRANDE VALLEY

Responsible Persons: Michael Mueller, Senior Associate Vice President Planning & Resource Development, Geoffrey Scarpelli, Associate Vice President for Financial Services, and Mari Perez, Executive Director of Research Administration

Reference No. 2020-154
Period of Performance

Federal Program Title: Education Stabilization Fund
Federal Agency: U.S. Department of Education
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

Table with 4 columns: CFDA No., Program Name, Award Number, Award Year. Rows include 84.425F (Higher Education Emergency Relief Fund Institutional Portion) and 84.425L (Higher Education Emergency Relief Fund Minority Serving Institutions).

A recipient may charge to a federal award only allowable costs incurred during the period of performance and any costs incurred before the federal award that were authorized by the federal awarding agency or pass-through entity (Title 2, Code of Federal Regulations (CFR), Section 200.309).

Pre-award costs are those incurred prior to the effective date of the federal award or subaward directly pursuant to the negotiation and in anticipation of the federal award for which such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency (Title 2, CFR, 200.458).

The University of Texas Rio Grande Valley (University) did not ensure that all costs charged to its HEERF awards were incurred within the period of performance. Specifically, for 10 (16 percent) of 61 expenditures tested, the University incurred the costs between March 4, 2020, and March 12, 2020, before the date of the Proclamation of National Emergency.

In addition, based on an analysis of the full population of the University's HEERF expenditures, auditors identified 15 additional expenditures and associated indirect costs that were incurred prior to March 13, 2020, totaling \$34,684. However, the University independently identified and corrected those errors in October 2020 prior to being notified by the auditors.

Recommendation:

The University should ensure that all costs it charges to federal awards are incurred within the period of performance.

Views of Responsible Officials:

UTRGV concurs with the recommendation that all costs charged to federal awards be incurred within the period of performance.

Corrective Action Plan:

UTRGV implemented the following additional control procedures during the review process:

- Re-educating staff and supervisors on existing internal control procedures when verifying and approving financial transactions.
- Implementing weekly review and reconciliation process to ensure financial transactions are accurate, valid (include period of performance), coded correctly, complete, and have the proper approvals.
- Reaffirming the importance of the existing monthly mandatory financial activity reconciliation process, where the cost center/project manager approves the transactions for allowability through workflow and the reconciler reviews/validates the transactions as posted before the cost center/project manager certifies the reconciliation.
- Re-educating UTRGV campus community of the Grants and Contracts process to ensure financial transactions have been reviewed properly through internal workflow approval. This will provide Grants and Contracts' oversight on the expenditures processed through the workflow verifying that costs fall within the period of performance, ultimately determining that they are allowable expenses.

Implementation Date: December 2020

Responsible Persons: Michael Mueller, Senior Associate Vice President Planning & Resource Development, Geoffrey Scarpelli, Associate Vice President for Financial Services, and Mari Perez, Executive Director of Research Administration

Appendix

Appendix

Objective, Scope, and Methodology

Objective

With respect to the Education Stabilization Fund, the objectives of this audit were to (1) obtain an understanding of internal controls over compliance, 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 Education Stabilization Fund 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 Education Stabilization Fund for the fiscal year ending August 31, 2020. The audit work included control and compliance tests at seven higher education institutions across the state and one agency.

Methodology

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Education Stabilization Fund at each State entity 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' (AICPA) audit guide entitled *Government Auditing Standards and Single Audits* dated April 1, 2020. 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 performed analytical procedures when appropriate.

Information collected and reviewed included the following:

- Higher education institution expenditure, procurement, and reporting data.
- Agency expenditure, cash draw, and subrecipient data.
- Transaction support related to expenditures, procurements, and revenues.
- Reports and data used to support reports, revenues, and other compliance areas.
- 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 noncompliance.
- 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 entity'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.
- Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law 116-136.
- Federal notices of award and award agreements.
- *Federal Register*, Volume 85, Number 169.

- U.S. Department of Education frequently asked questions and electronic announcements.
- Entity 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 September 2020 through January 2021. 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:

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- Robert G. Kiker, CGAP (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)

Copies of this report have been distributed to the following:

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The Honorable Dade Phelan, Speaker of the House, Joint Chair
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The Honorable Robert Nichols, Member, Texas Senate
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The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

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