

Audit and Compliance Committee
Meeting
Thursday, May 19, 2022 10:00 AM

Hilton University of Houston Hotel, Conrad
Hilton Ballroom, Second Floor
4800 Calhoun Rd
Houston, TX 77204

Agenda

I. **Audit and Compliance Committee**

Presenter: Chair Jack Moore

I.A. Call to Order

Presenter: Chair Jack Moore

I.B. Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended April 30, 2022 - University of Houston System

Action: Information

Presenter: Susan Koch, System-wide Compliance Officer

I.C. Report on External Audit Report-University of Houston System, External Audit Report: Houston Public Media (A Division of the University of Houston System), Independent Auditor's Report and Financial Statements, Years Ended August 31, 2021 and 2020- University of Houston System

Action: Information

Presenter: Phil Hurd, Chief Audit Executive

I.D. Report on External Audit Reports- University of Houston System, State Auditor Reports

-State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, Report No. 22-30(excerpts)

-State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, Report No. 22-555(excerpts)

Action: Information

Presenter: Phil Hurd, Chief Audit Executive

I.E. Report on University of Houston System, UH System Support Organizations, FY2021-University of Houston System

-Compliance Review of UH System Support Organizations

-UH Systems Organizations Report

Action: Information

Presenter: Phil Hurd, Chief Audit Executive

I.F. Report on University of Houston System Internal Audit Reports-
University of Houston System

Action: Information

Presenter: Phil Hurd, Chief Audit Executive

Presenter: Phil Hurd, Chief Audit Executive

II. **Executive Session**

1. Consultation with System Attorney Regarding Legal Matters and/or
contemplated Litigation or Settlement Offers

TEXAS GOV'T CODE SECTION 551.071

2. Deliberations regarding the Purchase, Exchange, Sale or Value of Real
Property

TEXAS GOV'T CODE SECTION 551.072

3. Deliberations Regarding a Prospective Gift

TEXAS GOV'T CODE SECTION 551.073

4. Personnel Matters Relating to Appointment, Employment, Evaluation,
Assignment, Duties, Discipline, or Dismissal of Officers, or Employees
including but not limited to the Chancellor, Presidents, Vice Chancellors,
in the Division of Athletics and members of the Board of Regents.

TEXAS GOV'T CODE SECTION 551.074

5. Confidentiality of government information related to security or infrastructure
issues for computers.

TEXAS GOV'T CODE SECTION 552.139

III. **Report and Action from Executive Session**

Presenter: Chair Jack Moore

IV. **Adjourn**

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Institutional Compliance Hotline
Report for the three months ended April 30, 2022

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Institutional Compliance Hotline Report summarizes the fraud and non-compliance hotline reports received for each institution during the applicable quarter, including the primary issue associated with the reports.

SUPPORTING DOCUMENTATION: Institutional Compliance Hotline Report

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



SYSTEM-WIDE COMPLIANCE OFFICER Susan Koch

4-26-2022
DATE



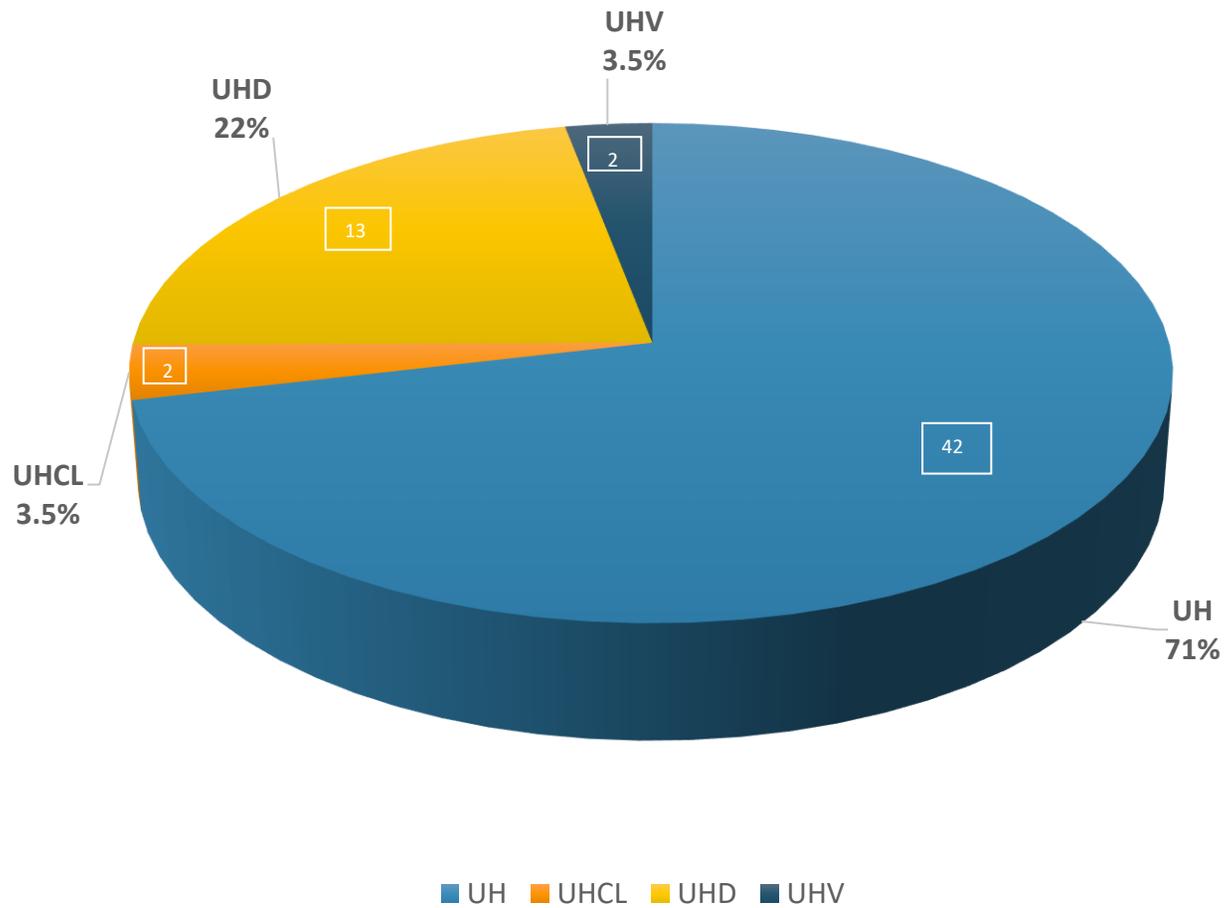
CHANCELLOR Renu Khator

5/13/2022
DATE

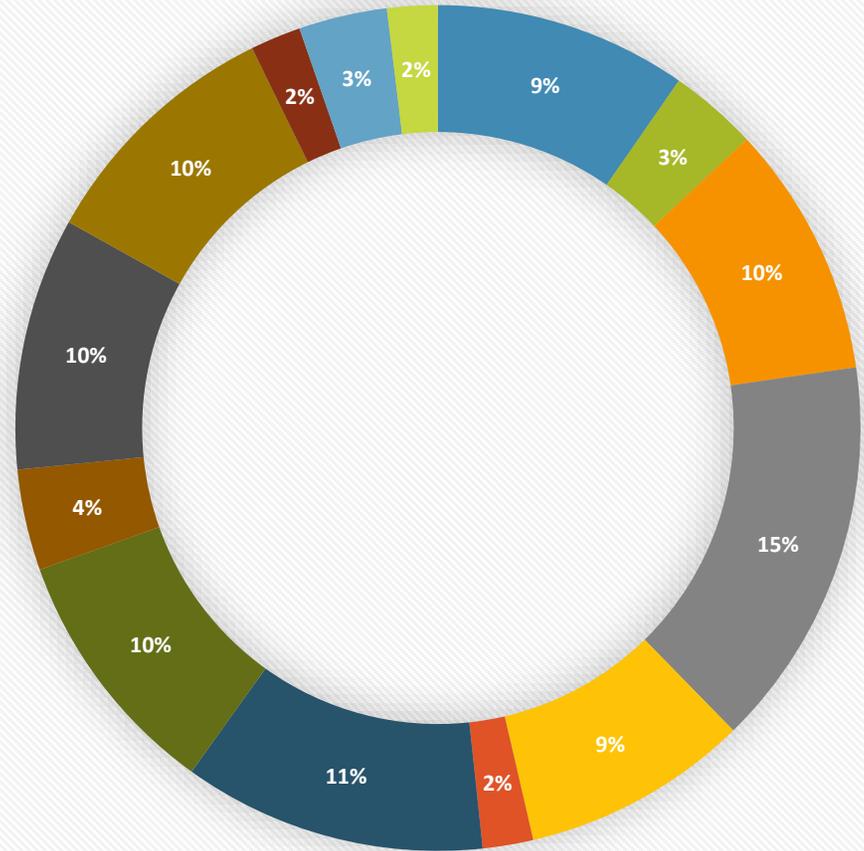
**UNIVERSITY OF HOUSTON SYSTEM
Institutional Compliance Hotline Report
for the three months ended April 30, 2022**

Hotline reports for all Universities

Issues Reported by Institution

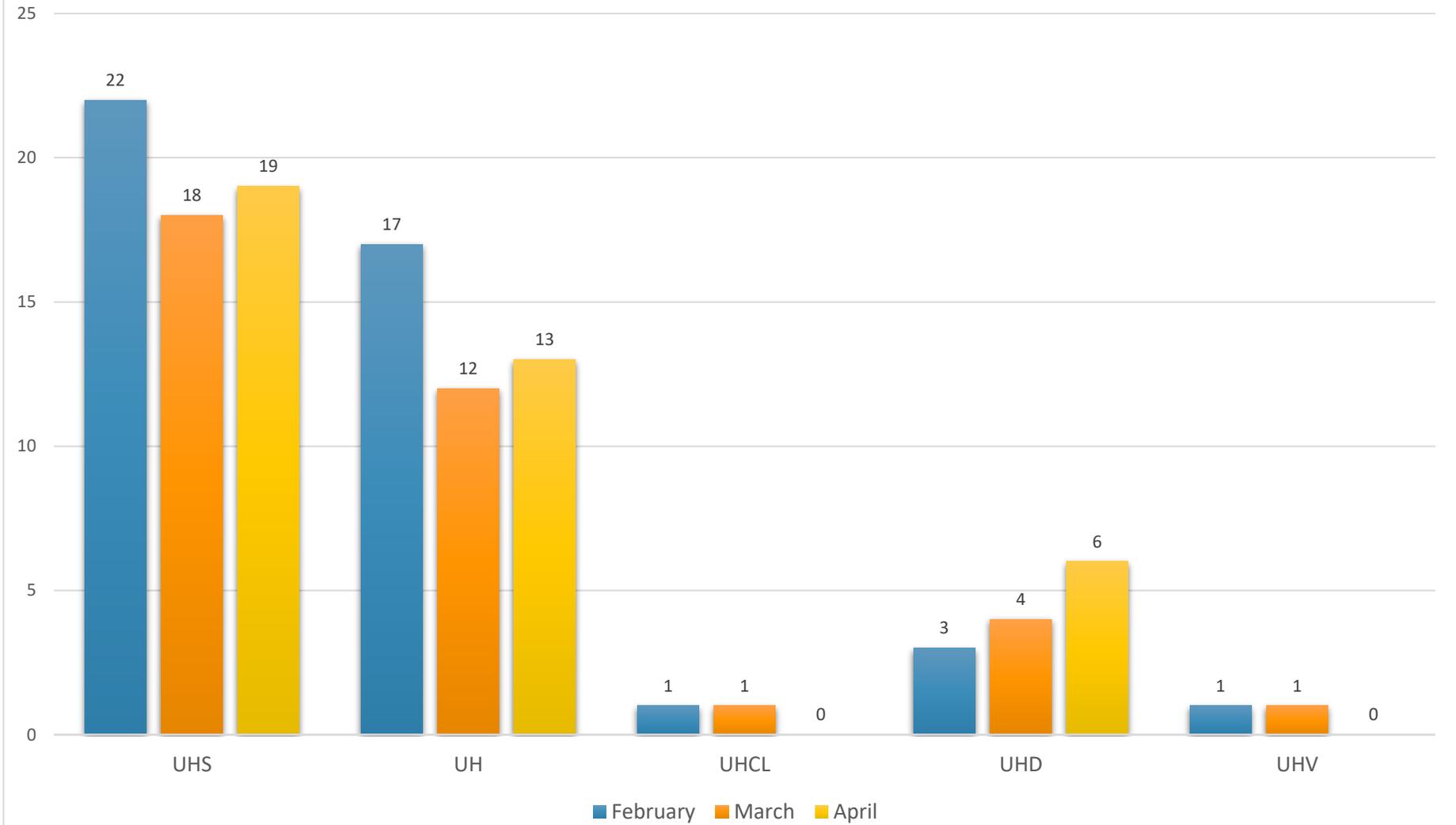


Reported Issues by Type Across UHS

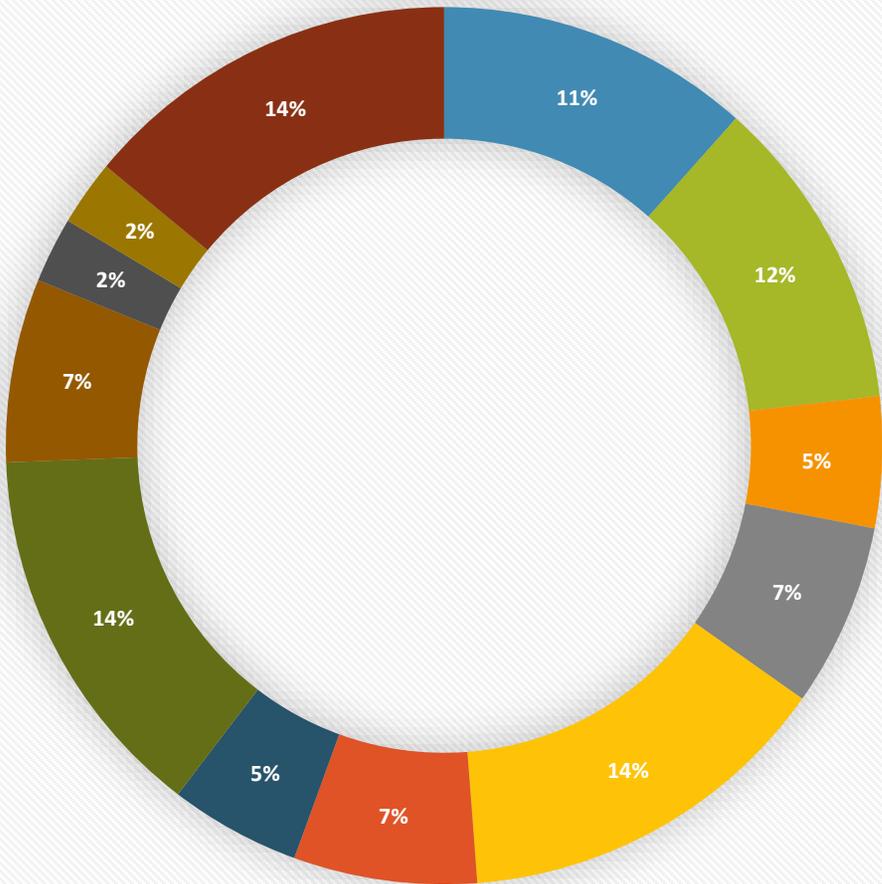


- Ethics Violation
 Academic Concerns
 Abuse of Power
 Discrimination
 Employee Relations
- Conflict of Interest
 Harassment
 Sexual Misconduct
 Waste of Resources
 Compliance Violations
- Campus Safety
 Fraud
 Information Security
 NCAA Rules Violation

Issues Reported by Month

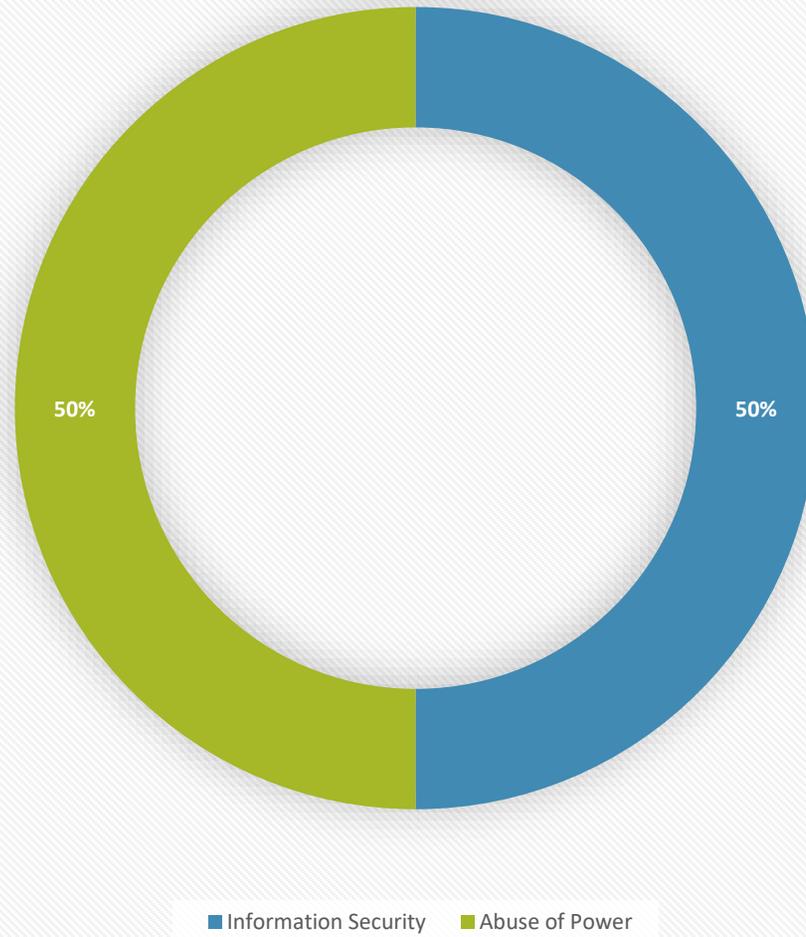


UH Case Breakdown

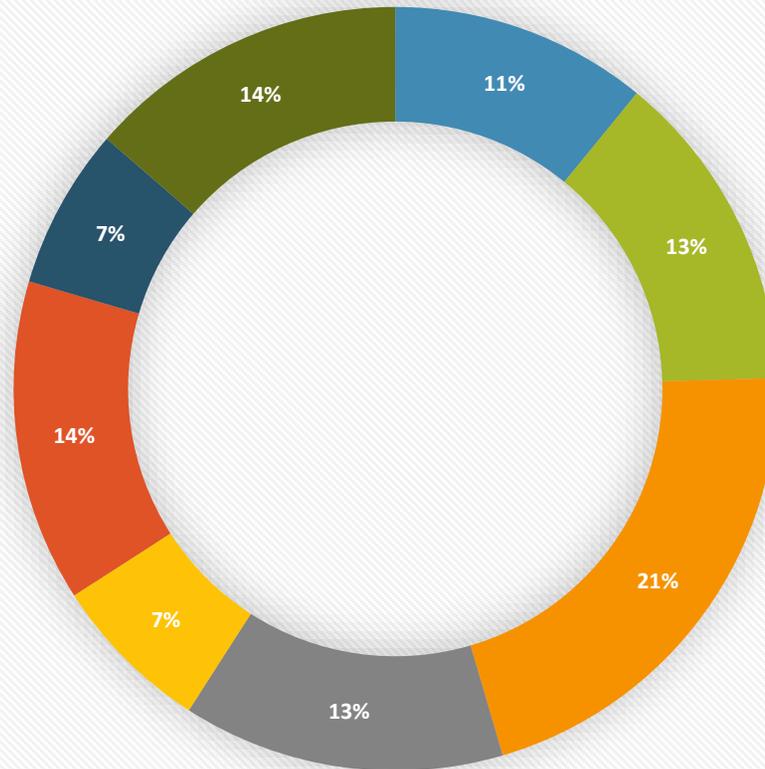


- Ethics Violation
- Harassment
- Conflict of Interest
- Employee Relations
- Campus Safety
- Compliance Violations
- Academic Concerns
- Sexual Misconduct
- Abuse of Power
- Fraud
- NCAA Rules Violations
- Discrimination

UHCL Case Breakdown

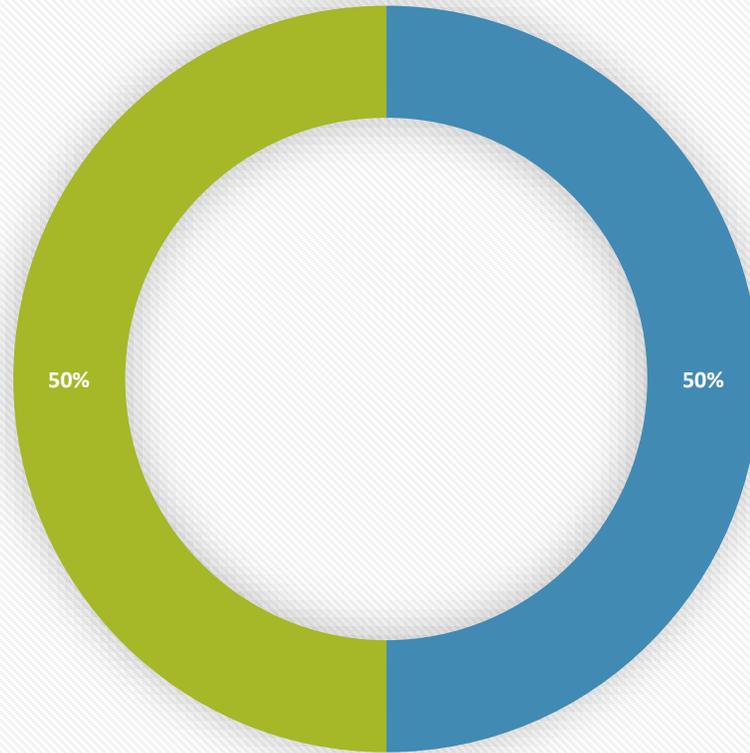


UHD Case Breakdown



■ Abuse of Power ■ Employee Relations ■ Discrimination ■ Harassment ■ Information Security ■ Abuse of Power ■ Conflict of Interest ■ Compliance Violations

UHV Case Breakdown



■ Ethics Violations ■ Compliance Violations

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on External Audit Report: University of Houston System, External Audit Report: Houston Public Media (A Division of the University of Houston System), Independent Auditors' Report and Financial Statements, Years Ended August 31, 2021 and 2020

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or other outside expertise.

The external audit report is required by the Corporation for Public Broadcasting.

SUPPORTING

DOCUMENTATION: Houston Public Media (A Division of the University of Houston System), Financial Statements and Independent Auditors' Report, August 31, 2021 and 2020

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

04/29/22

DATE



CHANCELLOR

Renu Khator

5/13/2022

DATE

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on External Audit Reports - University of Houston System, State Auditor Reports:

- State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, Report No. 22-320 (excerpts)
- State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, Report No. 22-555 (excerpts)

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or other outside expertise.

Attached is a listing of key points in these reports together with excerpts from the reports related to UHS components.

SUPPORTING

DOCUMENTATION: External Audit Reports: SAO Reports 22-320 – State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021 (excerpts) and 22-555 – State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021 (excerpts)

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

04/29/22

DATE



CHANCELLOR

Renu Khator

5/13/2022

DATE

State Auditor Reports

State Auditor Reports	Report No.	Page No.
22-320—State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021		
Key Points of Report No. 22-320	22-320	2
State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, Excerpts of Report No. 22-320		5
22-555—State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021	22-555	
Key Point of Report No. 22-555		31
State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, Excerpts of Report No. 22-555		32

State Auditor Reports
Key Points

#22-320– Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2021

Findings - UH

- 1) #2020-126 Eligibility, Special Tests and Provision, Institutional Eligibility, Activities Allowed or Unhallowed, Cash Management, Verification, Disbursements to or on Behalf of Students, Borrower Data Transmission and Reconciliation (Direct Loan), General Program Eligibility, Distance Program Education
 - Develop and implement procedures to demonstrate its compliance with the incarcerated student limitation. **(May 2022)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 2) #2020-127 Reporting
 - Strengthen its controls to ensure that TEACH Grant origination and disbursement information is reported to Common Origination and Disbursement accurately. **(Action Complete)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 3) #2020-128 Special Tests and Provisions, Return of Title IV Funds
 - Strengthen its controls to ensure that it accurately calculates returns of Title IV funds when required, including review of the variables it uses in those calculations. **(Action Complete)**
 - Develop and implement controls to prevent its student information system from disbursing Title IV assistance to withdrawn students prior to performing a return of Title IV funds calculation. **(Action Complete)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 4) #2020-129 (prior audit issues 2017-134, 2016-131, 2015-124, 2014-140, 2013-165, 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58) Special Tests and Provisions, Enrollment Reporting
 - Develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner. **(Action Complete)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 5) #2020-130 Activities Allowed or Unallowed, Allowed Costs/Cost Principles, Matching, Level of Effort, Earmarking, Reporting
 - Ensure that only allowable costs are charged to federal awards. **(Action Complete)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 6) #2020-131 Period of Performance

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

Findings – UHCL

- 7) #2020-132 Eligibility, Special Tests and Provision, Institutional Eligibility, Activities Allowed or Unhallowed, Cash Management, Reporting, Disbursements to or on Behalf of Students, Borrower Data Transmission and Reconciliation (Direct Loan), General Program Eligibility, Distance Program Education
- Strengthen its controls to ensure that it correctly calculates students' cost of attendance budgets in accordance with its process.
 - Award students the correct amount of Federal Pell Grant assistance for an award year.
 - Award Federal Supplemental Educational Opportunity Grants assistance only to eligible students. **(Action Complete)**
 - Update its ECAR as required, and ensure that it does not disburse financial assistance to students at locations that are not on its Eligibility and Certification Approval Report (ECAR). **(Action Complete)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 8) #2020-133 Special Tests and Provisions, Verification
- Strengthen its controls to ensure that it accurately verifies all required Free Application for Federal Student Aid information for students selected for verification.
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 9) #2020 -134 Special Tests and Provisions, Return of Title IV Funds
- Strengthen its controls to ensure that it accurately calculates returns of Title IV funds when required, including review of the variables it uses in those calculations. **(Scheduled Implementation Date: May 2021)**
 - Return Title IV funds in the order required by the U.S. Department of Education. **(Scheduled Implementation Date: May 2021)**
 - Strengthen its monitoring controls to ensure that it detects and corrects errors in return of Title IV calculations and returns Title IV funds within required time frames. **(Action Complete)**
 - Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**
- 10) #2020-135 Special Tests and Provisions, Enrollment Reporting
- Strengthen its controls to ensure that program-level data elements are reported to National Student Loan Data System (NSLDS) accurately. **(Scheduled Implementation Date: June 2021)**

- Ensure that students who unofficially withdrew from a term are reported to NSLDS. **(Scheduled Implementation Date: February 2021; partially implemented with new implementation date of Summer 2021)**
- Consistently follow its change management policies and procedures to obtain required approvals for changes to information systems. **(Action Complete)**

Follow-up on Prior Year Audit Findings - UH

- 11) #2017-131 (prior audit issues 2016-128 and 2015-120) Eligibility, Activities Allowed or Unallowed, Special Tests and Provisions – Institutional Eligibility
- Award Federal Supplemental Education Opportunity Grants (FSEOG) assistance only to eligible students **(Action Complete)**
- 12) #2017-132 (prior audit issues 2016-129, 2015-121, and 2014-139) Eligibility, Activities Allowed or Unallowed, Special Tests and Provisions – Verification
- Accurately verify required Free Application for Federal Student Aid (FAFSA) information for students selected for verification and make changes based only on the supporting documentation that students provide. **(Action Complete)**
 - Establish and implement an effective monitoring process for verification. **(Action Complete)**



State of Texas Federal Portion of the

Statewide Single Audit Report for the Year Ended August 31, 2021

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

Internal Audit 05/19/22

February 2022
Report No. 22-320

5 of 34

**STATE OF TEXAS
TABLE OF CONTENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2021**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CLA

DEPARTMENT OF AGRICULTURE	242
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES	249
GENERAL LAND OFFICE	255
HEALTH AND HUMAN SERVICES COMMISSION	263
DEPARTMENT OF STATE HEALTH SERVICES	299
TEXAS DIVISION OF EMERGENCY MANAGEMENT	307
TEXAS EDUCATION AGENCY	316
TEXAS WORKFORCE COMMISSION	318
DEPARTMENT OF TRANSPORTATION	326

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – OTHER AUDITORS

SAM HOUSTON STATE UNIVERSITY	332
STEPHEN F AUSTIN STATE UNIVERSITY	337
TEXAS A&M UNIVERSITY	342
TEXAS A&M UNIVERSITY – CORPUS CHRISTI	350
TEXAS SOUTHERN UNIVERSITY	359
TEXAS TECH UNIVERSITY	369
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER	376
TEXAS WOMAN’S UNIVERSITY	380
UNIVERSITY OF HOUSTON	395
UNIVERSITY OF HOUSTON – CLEAR LAKE	406
UNIVERSITY OF NORTH TEXAS	419
UNIVERSITY OF NORTH TEXAS AT DALLAS	423
UNIVERSITY OF TEXAS AT ARLINGTON	437
UNIVERSITY OF TEXAS AT AUSTIN	443

University of Houston

2020 – 126 Eligibility

- Special Tests and Provisions – Institutional Eligibility**
- Activities Allowed or Unallowed**
- Cash Management**
- Special Tests and Provisions – Verification**
- Special Tests and Provisions – Disbursements To or On Behalf of Students**
- Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)**
- Special Tests and Provisions – General Program Eligibility**
- Special Tests and Provisions – Distance Education Program**

Federal Program Title:	Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award year:	July 1, 2019, to June 30, 2020
Award numbers:	CFDA 84.063, Federal Pell Grant Program, P063P192333; CFDA 84.268, Federal Direct Student Loans, P268K202333; CFDA 84.033, Federal Work-Study Program, P033A194166; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, 5 T08HP30152-04-00
Statistically valid sample:	No and not intended to be a statistically valid sample
Type of finding:	Significant Deficiency and Non-Compliance
Questioned Costs:	\$0
Repeat finding:	No
Initial Year Written:	2020
Status:	Partially Implemented

Incarcerated Students

An institution does not qualify as an eligible institution if, for its latest complete award year, more than 25 percent of its regular enrolled students were incarcerated (Title 34, CFR, Section 600.7(a)(1)(iii)), and institutions must demonstrate compliance with that requirement (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 2, Chapter 1).

The University of Houston (University) did not have procedures to identify incarcerated students, and it was not able to demonstrate that less than 25 percent of its enrolled students were incarcerated for the 2019-2020 award year. The University did not have a process to identify incarcerated students to demonstrate that it is meeting the incarcerated student limitation; however, auditors did not note any evidence of incarceration for the 60 students tested. Not having procedures in place to identify incarcerated students increases the risk that the University may not qualify as an eligible institution.

Recommendation:

The University should develop and implement procedures to demonstrate its compliance with the incarcerated student limitation.

Views of Responsible Officials 2020:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University has developed and will begin to implement corrective action to further improve the process.

2020 – 126 (Continued)

Corrective Action Plan 2020:

The University has identified a process to determine if students in completely online programs are incarcerated to ensure that not more than 25 percent of its regular enrolled students are incarcerated. A short-term, manual process, which would require online-only students who apply for financial aid to confirm they are not incarcerated prior to disbursement of funds, can be implemented rather quickly, but a more accurate, systematic process will require the coordinated efforts of multiple departments across the University and will be pursued as a long-term solution.

Views of Responsible Officials 2021:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University is developing corrective action to further improve the process.

Corrective Action Plan 2021:

The UH Office of Scholarships and Financial Aid is working with the Office of Online & Special Programs and the Office of Institutional Research and Information Management to put in place an automated process that will allow identification of incarcerated students from the population of students enrolled in online programs. Prior to the full implementation of the developing automated process, we continue to routinely run a query to search for key words in addresses that might indicate that a student is possibly incarcerated. The query searched financial aid applicants for both 2021 and 2022 and no students were identified by the query as possibly being incarcerated.

Implementation Date: May 2022

Responsible Persons: Briget Jans and Lety Gallegos

Other Compliance Requirements and Award Numbers

Although the general control weaknesses described below apply to activities allowed or unallowed; cash management; special tests and provisions–verification; special tests and provisions–disbursements to or on behalf of students; special tests and provisions–borrower data transmission and reconciliation (direct loan); special tests and provisions–general program eligibility; and special tests and provisions–distance education program, auditors identified no compliance issues regarding those compliance requirements. The general control weaknesses described below also apply to CFDA 84.033, Federal Work-Study Program, P033A194166 and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, award number 5 T08HP30152-04-00.

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.

Corrective Action:

Corrective action was taken.

2020 – 127 Reporting

Federal Program Title: Student Financial Assistance Cluster
Federal Agency: U.S. Department of Education
Award year: July 1, 2019, to June 30, 2020
Award number: CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T202333
Statistically valid sample: No and not intended to be a statistically valid sample
Type of finding: Significant Deficiency and Non-Compliance
Questioned Costs: \$0
Repeat finding: No
Initial Year Written: 2020
Status: Implemented

COD Reporting

Institutions must submit Teacher Education Assistance for College and Higher Education (TEACH) Grant disbursement records to the Common Origination and Disbursement (COD) system no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. Reporting this information helps ensure that institutions have the most accurate information available about students' federal awards and to help prevent an institution from overawarding students (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 3, Chapter 1; and *Federal Register*, Volume 84, Number 212). Certain data elements are required to be reported as part of a student's origination and disbursement record, including the student's Social Security number, Central Processing System (CPS) transaction number, enrollment date, disbursement amount, and disbursement date (*2019-2020 COD Technical Reference*, Volume II). An institution must report the following information for each TEACH Grant recipient: (1) the student's eligibility for a TEACH Grant, (2) the student's TEACH Grant amounts, and (3) the anticipated and actual disbursement date(s) and disbursement amount(s) of the TEACH Grant funds (Title 34, Code of Federal Regulations, Section 686.37(a)).

The University of Houston (University) incorrectly reported origination and/or disbursement information for all 10 (100 percent) TEACH Grant awards it made for the 2019-2020 award year. For all 10 students, the University reported incorrect disbursement dates for one or more disbursements made to the students during the award year. The incorrect disbursement dates ranged from 161 days prior to 8 days after the actual dates the TEACH Grants were disbursed to the students. In addition, the University reported the incorrect enrollment date for 5 of those students and an incorrect CPS transaction number for 2 of those students.

The University also incorrectly reported disbursement amounts for 3 of those students. Specifically:

- For 2 students, the University disbursed the student's TEACH Grant award in two separate payments: a disbursement for the Fall 2019 term and a disbursement for the Spring 2020 term. However, the University incorrectly reported the total amount paid to the student as one disbursement record in COD.
- For one student, the University inaccurately reported the disbursement amount for each term; however, the overall amount reported as disbursed for the 2019-2020 award year was correct.

The University's process is to manually report TEACH Grant awards on COD's website; the incorrect award and disbursement information reported for all 10 students was a result of manual entry errors made during that process. In addition, the University did not have a process to review the manual data entries for accuracy. Not accurately reporting information to the COD system could result in the institution overawarding federal funds.

Corrective Action:

Corrective action was taken.

2020 – 127 (Continued)

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.

Corrective Action:

Corrective action was taken.

2020 – 128 Special Tests and Provisions – Return of Title IV Funds

Federal Program Title:	Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award year:	July 1, 2019, to June 30, 2020
Award numbers:	CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194166; CFDA 84.063, Federal Pell Grant Program, P063P192333; CFDA 84.268, Federal Direct Student Loans, P268K202333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T202333
Statistically valid sample:	No and not intended to be a statistically valid sample
Type of finding:	Significant Deficiency and Non-Compliance
Questioned Costs:	\$0
Repeat finding:	No
Initial Year Written:	2020
Status:	Implemented

Return of Title IV Calculations

When a student who received Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student’s withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV grant or loan assistance earned by the student is less than the amount that was disbursed to the student or on his/her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)). If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date of the institution’s determination that the student withdrew, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.164(j) (Title 34, CFR, Section 668.22(a)(5)).

2020 – 128 (Continued)

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on his/her behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on his/her behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal) (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 5, Chapter 1, page 5-18).

The University of Houston (University) made errors in the Title IV return calculations for 3 (5 percent) of 66 students tested. Specifically, the University made errors in determining the amount of institutional charges to be used in the return calculation for those students. There were no questioned costs as a result of those errors because (1) the University returned more than the required amount, (2) the error did not affect the amount of Title IV grant or loan assistance to be returned, or (3) a return of Title IV funds was not required per Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Those errors occurred because of manual errors the University made in its calculation; in addition, the University's review of return calculations was not sufficient to identify those errors. Not calculating institutional charges correctly increases the risk that the University will not return the correct amount of Title IV assistance to the U.S. Department of Education or may return funds that students have earned.

In addition, the University did not perform the required Title IV return calculations for 2 (3 percent) of 66 students tested. Specifically:

- For 1 student, the University did not identify that the student withdrew from the Spring 2020 term and had received Title IV assistance for that term. That error occurred because of a staff oversight. After auditors brought the issue to the University's attention, it performed the return calculation and returned Title IV funds as required; therefore, there were no questioned costs.
- For 1 student, the University incorrectly disbursed Title IV assistance for a term in which the student withdrew. Because the student had not completed the University's verification requirements, the student had not received Title IV assistance at the time of withdrawal. As a result, the University did not perform a return calculation. When the student completed the verification requirements, the University incorrectly disbursed Title IV assistance to the student for the term in which the student withdrew, rather than completing a return calculation to determine whether the student was eligible for a post-withdrawal disbursement. After auditors brought the error to the University's attention, it performed a return calculation and returned Title IV funds as required; therefore, there were no questioned costs.

The University did not have sufficient monitoring controls to identify all students requiring a Title IV return calculation. In addition, the University did not have controls to prevent its student information system from disbursing Title IV assistance to withdrawn students.

Corrective Action:

Corrective action was taken.

2020 – 128 (Continued)

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.

Corrective Action:

Corrective action was taken.

2020 – 129 Special Tests and Provisions – Enrollment Reporting

Federal Program Title:	Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award year:	July 1, 2019, to June 30, 2020
Award numbers:	CFDA 84.063, Federal Pell Grant Program, P063P192333; and CFDA 84.268, Federal Direct Student Loans, P268K202333
Statistically valid sample:	No and not intended to be a statistically valid sample
Type of finding:	Significant Deficiency and Non-Compliance
Questioned Costs:	\$0
Repeat finding:	2017-134, 2016-131, 2015-124, 2014-140, 2013-165, 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58
Initial Year Written:	2006
Status:	Implemented

Enrollment Reporting

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2019, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files also must include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

2020 – 129 (Continued)

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment-level changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2019, Chapter 1 and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported. (*NSLDS Enrollment Reporting Guide*, November 2019, Chapters 1 and 4).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS, as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2019, Chapter 3).

For 40 (66 percent) of 61 students tested, the University did not report enrollment status changes or did not accurately report campus-level or program-level data elements to NSLDS. For many of the students tested, there were one or more data elements reported incorrectly. Specifically:

- For 27 students, the enrollment effective date was reported incorrectly at the program-level. For enrollment level changes and withdrawals occurring in the Fall 2019 term, the program-level effective date was incorrectly backdated to the first day of the term instead of the actual effective date of the status change.
- For 19 students, the program begin date was reported incorrectly. The University reported a date related to an administrative action (for example, the date that the student was approved to enroll in the program or the date the student applied for graduation), instead of the first day of the term in which the student actually began attendance in the program. The University asserted that it had correctly reported the program begin dates to NSC; however, the dates were reported incorrectly to NSLDS.
- For 3 students, the University did not report a graduated status to NSLDS. The University asserted that it reported those graduated statuses to NSC; however, those statuses were not reported to NSLDS.
- For 3 students, a withdrawal status was reported incorrectly. For those students, the University (1) reported an incorrect effective date for the withdrawal, (2) did not report the withdrawal status at the program-level, or (3) incorrectly reported the student's status as withdrawn instead of never attended.

For 4 (11 percent) of 35 students tested who received a Direct Loan and ceased to be enrolled on at least a half-time basis or changed their permanent address, the students' enrollment status was not reported to NSLDS in a timely manner. Those four students either withdrew or dropped to less-than-half-time enrollment. The University asserted that it reported those statuses to NSC in a timely manner; however, NSLDS received those statuses between 67 and 69 days after the effective date of the change.

The errors discussed above occurred because the University (1) has not configured its student information system to accurately report student enrollment and program information to NSLDS and (2) did not have a process to ensure that student enrollment and program information reported to NSC was accurately reported to NSLDS in a timely manner. Not reporting student status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayments schedules, and whether a borrower will retain or lose the interest subsidy under the 150 percent subsidized Direct Loan limit.

Corrective Action:

Corrective action was taken.

2020 – 129 (Continued)

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.

Corrective Action:

Corrective action was taken.

**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
Repeat finding: No
Initial Year Written: 2020
Status: Implemented

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

2020 – 130 (Continued)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.

Corrective Action:

Corrective action was taken.

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).

2020 – 130 (Continued)

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.

Corrective Action:

Corrective action was taken.

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
Repeat finding:	No
Initial Year Written:	2020
Status:	Implemented

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.

2020 – 131 (Continued)

Corrective Action:

Corrective action was taken.

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.

Corrective Action:

Corrective action was taken.

University of Houston – Clear Lake

2020 – 132 Eligibility

- Special Tests and Provisions – Institutional Eligibility
- Activities Allowed or Unallowed
- Cash Management
- Reporting
- Special Tests and Provisions – Disbursements To or On Behalf of Students
- Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)
- Special Tests and Provisions – General Program Eligibility
- Special Tests and Provisions – Distance Education Program

Federal Program Title: Student Financial Assistance Cluster
Federal Agency: U.S. Department of Education
Award year: July 1, 2019, to June 30, 2020
Award numbers: CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194160; CFDA 84.033, Federal Work-Study Program, P033A194160; CFDA 84.063, Federal Pell Grant Program, P063P193465; CFDA 84.268, Federal Direct Student Loans, P268K203465; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T203465

Statistically valid sample: No and not intended to be a statistically valid sample
Type of finding: Significant Deficiency and Non-Compliance
Questioned Costs: \$135,318
Repeat finding: No
Initial Year Written: 2020
Status: Partially Implemented

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus their expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). COA refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Section 1087ll).

For Title IV programs, the EFC is the amount a student and his/her family are expected to pay for educational expenses, and it is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. An overaward exists when a student’s financial aid exceeds his/her need. Therefore, awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 4, Chapter 3; and Title 34, Code of Federal Regulations (CFR), Sections 668.2, 673.5, and 685.301).

The University of Houston – Clear Lake (University) established different COA budgets for each term based on a student’s classification (undergraduate or graduate); residency (in-state or out-of-state); living status (on-campus, off-campus, or living with parents); and enrollment level (full-time, three-quarter-time, half-time, or less-than-half-time).

For 27 (42 percent) of 64 students tested, the University incorrectly calculated the COA. Those errors occurred because the University did not correctly load the budget components for the Summer 2020 term into its student information system. This issue would have affected all students who enrolled in the Summer 2020 term. Auditors did not identify students during testing who were overawarded financial assistance as a result of the COA issue; therefore, there are no questioned costs. However, incorrectly establishing COA budgets increases the risk of overawarding or underawarding financial assistance to students.

2020 – 132 (Continued)

Federal Pell Grant

When awarding Federal Pell Grant assistance to students, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 3, Chapter 3, page 3-56; and Title 34, CFR, Section 690.63(b)).

For 1 (3 percent) of 36 students tested who received Federal Pell Grants, the University did not award the correct amount of Federal Pell Grant assistance. Specifically, the University awarded the student an amount that was less than the amount the student was eligible to receive. That occurred because the University awarded Federal Pell Grants to the student based on three-quarter-time enrollment, instead of the student's actual enrollment (full-time). As a result, the student was underawarded \$774 in Federal Pell Grant assistance.

Recommendations:

The University should:

- Strengthen its controls to ensure that it correctly calculates students' COA budgets in accordance with its process.
- Award students the correct amount of Federal Pell Grant assistance for an award year.

Views of Responsible Officials 2020:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2020:

Recommendation: Strengthen its controls to ensure that it correctly calculates students' COA budgets in accordance with its process.

The department has implemented multi-level review to ensure accuracy and compliance. Upper-level management within Financial Aid will review information input for each budget item, as well as perform testing to ensure accurate values and computations are established within Peoplesoft.

Recommendation: Award students the correct amount of Federal Pell Grant assistance for an award year.

Office of Financial Aid will review a Pell Chart Report available in PeopleSoft as an additional review of all Pell awards. This will provide additional support to a query to find errors in Federal Pell Grant amounts.

Views of Responsible Officials 2021:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2021:

Federal Pell Grant

Office of Financial Aid reviews the Pell Chart Report available in PeopleSoft as an additional review of all Pell awards. This gives additional information not found on our current query, such as Pell Grants that were returned due to Return to Title IV requirements. This provides additional support to a query to find errors in Federal Pell Grant amounts.

Implementation Date: April 2021

Responsible Person: Holly Nolan

2020 – 132 (Continued)

Cost of Attendance

Multi-level review was created to verify and find any potential issues. A query was developed to identify all budget items for each student within the prompted aid year to allow student specific review of cost of attendance. Query name: UHCL_FA_BUDGET_REVIEW_FS and UHCL_FA_BUDGET_REVIEW_summer.

Implementation Date: May 2021

Responsible Person: Holly Nolan

Federal Supplemental Educational Opportunity Grants (FSEOG)

The FSEOG program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to Federal Pell Grant recipients who have the lowest expected family contribution (EFC). If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, CFR, Section 676.10).

Based on a review of the full population of student financial assistance recipients, the University awarded \$7,000 in FSEOG assistance to 5 students who were not eligible for that assistance. The University had not awarded FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG assistance to those 5 students. Those 5 students had already received their lifetime eligibility amount for Federal Pell Grants; therefore, they were no longer eligible to receive Federal Pell Grants. After auditors brought those errors to the University's attention, it corrected the FSEOG awards; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Eligibility and Certification Approval Report

Each institution's most recent *Eligibility and Certification Approval Report* (ECAR) lists the institution's main campus and any additional approved locations. For any other locations at which an institution offers 50 percent or more of an eligible program, the institution must notify the U.S. Department of Education of that location if the institution wants to disburse Title IV funds to students enrolled at that location (Title 34, CFR, Section 600.21(a)(3)). An institution may not disburse Title IV funds to students at that location before it reports to the U.S. Department of Education about that location (Title 34, CFR, Section 600.21(d)).

The University's most recent ECAR did not include all additional locations. Specifically, the University offers eligible programs for incarcerated students at three of the state's prison units. The University reported one of those locations on its ECAR; however, the University did not include the other two locations on its most recent ECAR. That error occurred because the University did not adequately review its ECAR to ensure that it reported all locations at which it offered more than 50 percent of an eligible program. The University disbursed \$135,318 in federal student financial assistance to 27 students at the unreported locations during the 2019-2020 award year. Those disbursements were associated with CFDA 84.063, Federal Pell Grant Program, award number P063P193465, and they were considered questioned costs.

Corrective Action:

Corrective action was taken.

2020 – 132 (Continued)

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed; cash management; reporting; special tests and provisions–disbursements to or on behalf of students, special tests and provisions–borrower data transmission and reconciliation (direct loan), special tests and provisions–general program eligibility, and special tests and provisions–distance education program, auditors identified no compliance issues regarding those compliance requirements.

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.

Corrective Action:

Corrective action was taken.

2020 – 133 Special Tests and Provisions – Verification

Federal Program Title:	Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award year:	July 1, 2019, to June 30, 2020
Award number:	CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194160; CFDA 84.033, Federal Work-Study Program, P033A194160; CFDA 84.063, Federal Pell Grant Program, P063P193465; CFDA 84.268, Federal Direct Student Loans, P268K203465; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T203465
Statistically valid sample:	No and not intended to be a statistically valid sample
Type of finding:	Significant Deficiency and Non-Compliance
Questioned Costs:	\$0
Repeat finding:	No
Initial Year Written:	2020
Status:	Partially Implemented

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, education credits, individual retirement account deductions, high school completion, the student’s identity, and the statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56; and *Federal Register*, Volume 83, Number 60).

2020 – 133 (Continued)

When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the applicant's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's subsidized financial aid awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

For 2 (3 percent) of 62 students tested, the University of Houston – Clear Lake (University) did not accurately verify certain required items on the students' FAFSAs. For one of those students, the University did not accurately verify the student's U.S. income taxes paid. For the other student, the University did not accurately verify the parent's AGI. Those errors occurred because of manual errors the University made during its verification process.

When auditors brought those errors to the University's attention, the University made corrections to the students' ISIRs. Although those errors caused the EFC to be incorrect for both students, there was no impact on the amount of student financial assistance the student received; therefore, there were no questioned costs. However, not verifying FAFSA information accurately could result in the University overawarding or underawarding student financial assistance.

Recommendation:

The University should strengthen its controls to ensure that it accurately verifies all required FAFSA information for students selected for verification.

Views of Responsible Officials 2020:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2020:

Recommendation: Strengthen its controls to ensure that it accurately verifies all required FAFSA information for students selected for verification.

Additional training and webinars will be provided to Financial Aid staff on required documentation and verification procedures. Sample files will be selected for upper-level management to review for accuracy. Any issues will be resolved in a timely manner if identified.

Views of Responsible Officials 2021:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2021:

Additional training and webinars were provided to Financial Aid staff on required documentation and verification procedures. They participated in viewing NASFAA webinars on verification and updates. UHCL staff members also participated in the Federal Student Aid Conference to receive the most up to date information on verification. Sample files were selected for upper-level management to review for accuracy. Any issues were resolved in a timely manner if identified and additional training made available if there are particular issues.

Implementation Date: June 2021

Responsible Person: Holly Nolan

2020 – 133 (Continued)

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.

Corrective Action:

Corrective action was taken.

2020 – 134 Special Tests and Provisions – Return of Title IV Funds

Federal Program Title:	Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award year:	July 1, 2019, to June 30, 2020
Award numbers:	CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194160; CFDA 84.063, Federal Pell Grant Program, P063P193465; CFDA 84.268, Federal Direct Student Loans, P268K203465; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T203465
Statistically valid sample:	No and not intended to be a statistically valid sample
Type of finding:	Significant Deficiency and Non-Compliance
Questioned Costs:	\$0
Repeat finding:	No
Initial Year Written:	2020
Status:	Partially Implemented

Return of Title IV Calculations

When a student who received Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student’s withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV grant or loan assistance earned by the student is less than the amount that was disbursed to the student or on his/her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

2020 – 134 (Continued)

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on his/her behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on his/her behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal) (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 5, Chapter 1, page 5-18).

The total number of calendar days in a payment period or period of enrollment includes all days within the payment period or period of enrollment that the student was scheduled to complete, excluding scheduled breaks of at least five consecutive days. Scheduled breaks of at least five consecutive days are also excluded from the number of calendar days the student completed in that period (Title 34, CFR, Section 668.22(f)(2)(i)).

For 13 (48 percent) of 27 students tested, the University of Houston – Clear Lake (University) incorrectly calculated the amount of Title IV funds to be returned or returned the incorrect amount of funds. For a majority of the students discussed below, there were multiple errors in the return calculation. Specifically:

- For 10 students, the University incorrectly determined the total number of days in the payment period for the Spring 2020 or Summer 2020 terms. Specifically, the University used start and end dates for the payment period that did not correspond to the actual start and end dates for the specific parts of the term that each student was scheduled to complete. Although the amount of unearned Title IV assistance calculated for those students was incorrect, funds were not required to be returned per Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act; therefore, there were no questioned costs.
- For five students, the University did not exclude any break days from the Spring 2020 term as required. Those errors occurred because the University did not load the break days into its student information system when setting up the payment period; therefore, this issue would have affected all students who withdrew from the Spring 2020 term. Although the amount of unearned Title IV assistance calculated for those five students was incorrect, there were no questioned costs because (1) the University returned more funds than required or (2) funds were not required to be returned per Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- For three students, the University made a manual error in determining the amount of institutional charges to be used in the return calculation. For two of those students who withdrew from the Summer 2020 term, a return of Title IV funds was not required per Section 3508 of the CARES Act; therefore, there are no questioned costs. However, for one student who withdrew from the Fall 2019 term, the University returned \$949 less than it should have returned. After auditors brought the error to the University's attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.
- For one student, the University returned the incorrect amount of Title IV funds due to a manual entry error. Specifically, the University returned \$36 less than it should have returned. After auditors brought the error to the University's attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.

2020 – 134 (Continued)

- For one student, the University incorrectly included a loan in the return calculation that had not been originated at the time the student withdrew. As a result, the amount of unearned Title IV assistance calculated for that student was incorrect. However, a return of Title IV funds was not required per Section 3508 of the CARES Act; therefore, there were no questioned costs.

In addition, for 6 (17 percent) of 36 students tested who did not have a return of Title IV funds made, the University did not perform a return calculation as required. Specifically:

- For five students who withdrew from the Spring 2020 or Summer 2020 terms, the University did not perform a return calculation as required. After auditors brought those errors to the University’s attention, it performed return calculations as required. However, returns of Title IV funds were not required per Section 3508 of the CARES Act; therefore, there were no questioned costs.
- For one student, the University did not perform a return calculation and return funds as required due to a staff oversight. That student did not begin attendance in the Spring 2020 term; therefore, the student did not earn any Title IV funds for that term. After auditors brought the error to the University’s attention, it returned the \$12,218 in Federal Direct Student Loans for which the student was not eligible to the U.S. Department of Education; therefore, there were no questioned costs.

The University did not have an effective monitoring process to identify those errors. Having a process that does not consistently calculate and return the correct amount of Title IV funds increases the risk that the University could return less Title IV funds than it is required to return.

Returning Funds in the Required Order

Unearned funds returned by the institution or the student must be credited to outstanding balances on Title IV loans made to the student or on behalf of the student for the payment period or period of enrollment for which a return of funds is required. Those funds must be credited to outstanding balances for the payment period or period of enrollment for which a return of funds is required in the following order: (1) Unsubsidized Federal Direct Loans; (2) Subsidized Federal Direct Loans; and (3) Federal Direct PLUS received on behalf of the student. If unearned funds remain to be returned after repayment of all outstanding loan amounts, the remaining excess must be credited to any amount awarded for the payment period or period of enrollment for which a return of funds is required in the following order: (1) Federal Pell Grants; (2) FSEOG Program aid; and (3) TEACH Grants (Title 34, CFR, Section 668.22(i)).

For 2 (10 percent) of 20 students tested who withdrew and required a return of Title IV funds, the University did not return the Title IV funds in the required order. Specifically:

- For one student, the University incorrectly returned the student’s Federal Pell Grant and did not return any of the student’s unsubsidized or subsidized Federal Direct Student Loan funds as required. As a result, the student was overawarded \$3,030 in Federal Direct Student Loan funds. After auditors brought the error to the University’s attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.
- For one student, the University correctly returned the student’s unsubsidized Federal Direct Student Loan amount; however, it incorrectly returned \$34 from the student’s Federal Pell Grant instead of returning that amount from the student’s subsidized Federal Direct Student Loan. After auditors brought the error to the University’s attention, it returned the \$34 in Federal Direct Student Loans to the U.S. Department of Education; therefore, there were no questioned costs.

Those errors occurred because the University (1) made manual errors in interpreting the return calculation for those students and should have returned the students’ loan funds prior to returning Federal Pell Grant funds and (2) did not have an effective monitoring process to identify those errors.

2020 – 134 (Continued)

Timeliness of Returns

An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(j)).

For 2 (10 percent) of 20 students tested who withdrew and required a return of Title IV funds, the University did not return the funds within the required time frame. Specifically, for those students, the University determined the withdrawal dates and performed the return calculations; however, it did not return the Title IV funds within the required 45-day time frame due to an oversight in processing the return of those funds. The University returned the funds for those two students 62 and 208 days after it had determined that those students had withdrawn. Not making returns within required time frames reduces the information available to the U.S. Department of Education for its program management.

Recommendations:

The University should:

- Strengthen its controls to ensure that it accurately calculates returns of Title IV funds when required, including review of the variables it uses in those calculations.
- Return Title IV funds in the order required by the U.S. Department of Education.
- Strengthen its monitoring controls to ensure that it detects and corrects errors in return of Title IV calculations and returns Title IV funds within required time frames.

Views of Responsible Officials 2020:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2020:

Recommendation: Strengthen its controls to ensure that it accurately calculates returns of Title IV funds when required, including review of the variables it uses in those calculations.

Peoplesoft system is being reviewed to update some functions to automatically calculate certain variables of the Return to Title IV worksheet. The institutional charges will automatically calculate, eliminating manual processing errors. Days and number of days will be checked prior to term by upper-level management to ensure accurate calculations. Business Process documents will be reviewed and updated accordingly to serve as how-to-guide for staff.

Recommendation: Return Title IV funds in the order required by the U.S. Department of Education.

Training will be provided to staff for Return to Title IV processes and procedures. Any additional webinars or NASFAA credential testing will be offered to update skills in processing returns. A new Assistant Director has been hired to process Return to Title IV. She will be trained and returns reviewed and monitored for accuracy by upper-level administration.

Recommendation: Strengthen its monitoring controls to ensure that it detects and corrects errors in return of Title IV calculations and returns Title IV funds within required time frames.

A new Assistant Director has been hired to process calculations, upper-level management will review completed calculations to ensure accuracy. Any issues that come about will be review and discussed with the staff to ensure understanding and on-going compliance. Reports will be reviewed to ensure timeliness of the returns.

2020 – 134 (Continued)

Views of Responsible Officials 2021:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2021:

Peoplesoft system was reviewed and the additional feature was added/set-up to automatically pull and calculate the total eligible charges into the Return to Title IV worksheet. The counselor processing the return still manually adds up the eligible charges to double-check all calculations on the returns. Days and number of days, as with all calculations are checked at the beginning of the term by upper-level-management to make sure they are accurate at the term start. Random checks of returns during the term are reviewed for quality assurance by upper-level management.

Implementation Date: May 2021

Responsible Person: Holly Nolan

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.

Corrective Action:

Corrective action was taken.

2020 – 135 Special Tests and Provisions – Enrollment Reporting

Federal Program Title:	Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award year:	July 1, 2019, to June 30, 2020
Award numbers:	CFDA 84.063, Federal Pell Grant Program, P063P193465; and CFDA 84.268, Federal Direct Student Loans, P268K203465
Statistically valid sample:	No and not intended to be a statistically valid sample
Type of finding:	Significant Deficiency and Non-Compliance
Questioned Costs:	\$0
Repeat finding:	No
Initial Year Written:	2020
Status:	Partially Implemented

Enrollment Reporting

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2019, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment level changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2019, Chapter 1 and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported (*NSLDS Enrollment Reporting Guide*, November 2019, Chapters 1 and 4).

The University of Houston – Clear Lake (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS, as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2019, Chapter 3).

For 22 (35 percent) of 62 students tested, the University did not report the enrollment status change or did not accurately report program-level data elements to NSLDS. Specifically:

- For 13 students, the program begin date was reported incorrectly. The University reported the date that the students declared their majors or changed their academic programs, instead of the first day of the term in which the student actually began attendance in the program. Those errors were caused by issues related to the configuration of the enrollment reporting processes in the University’s student information system.
- For 6 students, the enrollment effective date was reported correctly to NSLDS at the campus-level; however, a different enrollment effective date was incorrectly reported at the program-level for the same enrollment status. The effective date reported at the program-level should be the same date reported at the campus-level because those dates reflect the same enrollment status change. The University did not have a process to ensure that information was reported accurately at the program-level.

2020 – 135 (Continued)

- For 2 students, both the program begin date and the program-level enrollment status effective date were reported incorrectly because of the issues discussed above.
- For 1 student, the University did not report the student's withdrawal status to NSLDS. That student unofficially withdrew from the Spring 2020 term. The University did not report any students who were determined to have unofficially withdrawn from the Spring 2020 term. The University asserted that it did not report the student withdrawals because it had been waiting on guidance for reporting requirements under Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which waived the statutory requirement for institutions to return Title IV funds as the result of student withdrawals related to a qualifying emergency. The CARES Act did not waive the requirement for institutions to report student withdrawals to NSLDS.

Not reporting student enrollment and program information accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and whether a borrower will retain or lose the interest subsidy under the 150 percent subsidized Direct Loan limit.

Recommendations:

The University should:

- Strengthen its controls to ensure that program-level data elements are reported to NSLDS accurately.
- Ensure that students who unofficially withdrew from a term are reported to NSLDS.

Views of Responsible Officials 2020:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2020:

Recommendation: Strengthen its controls to ensure that program-level data elements are reported to NSLDS accurately.

The University will adjust the business process for program changes and implement a methodology for review of program dates reported.

Recommendation: Ensure that students who unofficially withdrew from a term are reported to NSLDS.

A process for reporting unofficial withdrawals is in place and will be followed.

Views of Responsible Officials 2021:

The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2021:

We have reviewed our process for updating program changes and will ensure that any changes made after the first day of the term are future dated to be effective the next term.

Implementation Date: November 2021

Responsible Persons: Bryan Heard and Deanna Clark

2020 – 135 (Continued)

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.

Corrective Action:

Corrective action was taken.

State Auditor Reports
Key Points

#22-555– Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2021

Findings - UH

On its fiscal year 2020 SEFA, the University of Houston:

- Overstated expenditures by \$739,755 for Note 8. The overstatement occurred because the University of Houston incorrectly included expenditures associated with project worksheets that FEMA approved prior to fiscal year 2020.
- Misclassified \$2,546,211 in expenditures between two CFDA's. As a result of the misclassification, expenditures were overstated for CFDA 84.424 and understated for CFDA 84.425 by that amount. The misclassification occurred because the University of Houston did not have an adequate review process to verify that federal awards were properly categorized.

Implementation Status: **Corrective action was implemented.**



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

State of Texas Financial Portion of the
**Statewide Single Audit Report for the
Year Ended August 31, 2021**

February 2022
Report No. 22-555

State Auditor's Office reports are available on the Internet at <http://www.sao.texas.gov/>.



State of Texas Financial Portion of the
**Statewide Single Audit Report for the Year
Ended August 31, 2021**

SAO Report No. 22-555
February 2022

Overall Conclusion

In our audit opinion dated February 22, 2022, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2021. The Office of the Comptroller of Public Accounts (Comptroller's Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2021, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

The consolidated financial statements provide a comprehensive view of the State's financial activities during the fiscal year and an overall picture of the financial position of the State at the end of the fiscal year. Compiling the State's consolidated financial statements is a major undertaking; those financial statements combine financial information for more than 200 state agencies and higher education institutions.

Figure 1 on the next page summarizes the State's key financial information for fiscal year 2021.

Basic Financial Statements

The State's basic financial statements include both government-wide and fund financial statements:

- Government-wide financial statements display information about the State as a whole, except for its fiduciary activities.
- Fund financial statements for the State's governmental and proprietary funds provide information on the major funds individually and nonmajor funds in the aggregate. Fiduciary statements include financial information for fiduciary funds.

Source: Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

This audit was conducted in accordance with Texas Government Code, Section 403.013(c), and Title 31, United States Code, Section 7502.

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

University of Houston

On its fiscal year 2020 SEFA, the University of Houston:

- Overstated expenditures by \$739,755 for Note 8. The overstatement occurred because the University of Houston incorrectly included expenditures associated with project worksheets that FEMA approved prior to fiscal year 2020.
- Misclassified \$2,546,211 in expenditures between two CFDA's. As a result of the misclassification, expenditures were overstated for CFDA 84.424 and understated for CFDA 84.425 by that amount. The misclassification occurred because the University of Houston did not have an adequate review process to verify that federal awards were properly categorized.

Implementation Status

Corrective action was implemented.

The University of Texas at Arlington

The University of Texas at Arlington (UTA) understated expenditures on its fiscal year 2020 SEFA by \$247,954 for 1 Student Financial Assistance (SFA) CFDA program. That occurred because UTA incorrectly classified some SFA disbursements as "prepaid expenses" and excluded them from the fiscal year 2020 SEFA. However, SFA disbursements should be reported on the SEFA for the fiscal year in which they are made; therefore, those disbursements should have been included on UTA's fiscal year 2020 SEFA.

Implementation Status

Corrective action was implemented.

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, UH System Support Organizations, FY 2021

- Compliance Review of UH System Support Organizations
- UH System Support Organizations Report

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Board of Regents Policy 32.06 requires an annual report on compliance of private support organizations and foundations. The attached Compliance Review of UH System Support Organizations identifies all required annual information that has been received by UHS. The attached UHS System Support Organizations Report summarizes the investment activity and financial activity of each of the foundations.

SUPPORTING

DOCUMENTATION: UH System Support Organizations, FY 2021

- Compliance Review of UH System Support Organizations
- UH System Support Organizations Report

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

04/29/22

DATE



CHANCELLOR

Renu Khator

5/13/2022

DATE

**SYSTEM SUPPORT ORGANIZATIONS
As of May 6, 2022**

	University of Houston Foundation	UH College of Business Foundation	UH Law Foundation	Houston Public Media Foundation	Foundation for Education & Research in Vision	UH Alumni Association	Houston Cougar Foundation
Articles of Incorporation and Bylaws (1)	✓	✓	✓	✓	✓	✓	✓
Current List of Board Members (2)	✓	✓	✓	✓	✓	✓	✓
Audited Financial Report for FY2021 (3) (Date Completed)	Feb-22	Expected May 2022	Jan-22	Mar-22	Mar-22	Dec-21	Expected May 2022
IRS Form 990 for FY2021 (Calendar Year 2020) (4) (Date Completed)	Expected May 2022	Expected by end of May 2022	Expected by July 2022	Expected by end of May 2022	Expected by June 15	Feb-22	Expected May 2022
Donor Gift Information (5)	✓	✓	✓	✓	✓	✓	✓
Written Investment Policies (6)	✓	✓	✓	✓	✓	✓	✓
Updated State Disclosure Statement for Outside Financial Advisors (7)	Apr-22	Expected May 2022	Apr-22	Does Not Use External Advisors	Apr-22	Apr-22	Does Not Use External Advisors
Date of Most Recent Signed Agreement And/or Extension Agreement	Extension Agrmt - Sept. 2020	Extension Agrmt - Oct. 2019	Extension Agrmt - Sept. 2021	Extension Agrmt - Sept. 2021	Extension Agrmt - Sept. 2021	Extension Agrmt - May 2022	Extension Agrmt - May 2022
Conflicts of interest policy and certification of Trustee/Director compliance (8)	✓	✓	✓	✓	✓	✓	✓

✓ Indicates compliance item has been satisfied.

Note 1: SAM 08.A.02 reporting requirement:

- (1) At the time the original agreement is established and whenever there are changes to either document. [§ 4.1.1]
- (2) At the time the original agreement is established and whenever there is a change to the membership. [§ 4.1.2]
- (3) Within 120 days of the end of the support organization's fiscal year. [§ 4.1.4]
- (4) Within 30 days after its filing. [§ 4.1.5]
- (5) Each month or as directed otherwise by the System Office of Development. [§ 4.1.9]
- (6) Annually by January 31. [§ 4.1.6]
- (7) No later than January 31 of each year, consistent with the Texas State Auditor's Office Uniform Disclosure Form. [§ 4.1.7]
- (8) Annually by October 31 of each year, within 60 days of appointment

University of Houston System Support Organizations Report For the Fiscal Year 2021

All of the recognized support organizations of the University of Houston System are organized as nonprofit corporations under the Internal Revenue Code §501(c)(3), the Texas Business Organizations Code Chapter 22, and the Texas Government Code §2255.001. The Regents of the University of Houston System have a fiduciary duty of obedience, loyalty, and due care to the System. Though the Regents do not have an independent fiduciary duty to independent support organizations, their existing fiduciary duty extends by agreement to the policies controlling the funds and activities of these organizations. The provisions we have included in the support organization agreements help ensure that the Regents meet these responsibilities. The agreements contain provisions addressing areas such as ethical conduct, conflict of interest, auditing, gift reporting, adherence to federal, state, and local laws, as well as adherence to UH policies and procedures. Board of Regents Policy 32.06 sets forth the specific items to be included.

The University of Houston System has seven active support organizations: University of Houston Foundation, University of Houston College of Business Foundation, University of Houston Law Foundation, Houston Public Media Foundation (formerly Association for Community Broadcasting), Foundation for Education and Research in Vision, University of Houston Alumni Association Foundation (formerly University of Houston Alumni Association), and Houston Cougars Foundation (formerly Houston Athletics Foundation). The Board of Regents policy on private support organizations and foundations provides that such entities must enter into a written agreement with the Board that addresses various administrative, reporting, and accountability requirements. The system policy on private support organizations and foundations requires for such entities to annually provide financial reports, tax returns, gift information, and other financial information as requested. These policies and the Board of Regents Audit and Compliance Committee charter require an annual compliance report from the UH System to the Board on the compliance of the support organizations with the agreements. This annual compliance report is presented at the Audit and Compliance Committee meeting in May of each year. This report indicates the status of the receipt of all requested information. The Office of University Advancement performs follow-up procedures to help ensure that all requested information is received. During summer of each year, the UH System Treasurer's Office requests information on each support organization's investment activity and returns in order to respond to the annual survey conducted by the National Association of College and University Business Officers. The Treasurer's Office also annually requests from the foundations the financial advisor disclosure requirements that are in the format prescribed by the State Auditor's Office.

The attached analysis summarizes the investment activity and the financial activity. A review of these analyses and the underlying investment reports, financial reports, and tax returns reveal the following:

- Each of the foundations manages their own investments. The total amount of investments managed by these foundations was approximately \$305 million as of August 31, 2021. The investment returns of the foundations range from 13.51% to 32.20% for the year ending August 31, 2021.
- The foundations paid professional investment fees during fiscal year 2021.
- Four Foundations have full or part-time employees: UH College of Business Foundation, Foundation for Education and Research in Vision, Houston Public Media Foundation and UH Law Foundation.
- All of the foundations have fiscal years ending on August 31st, the University's state-mandated fiscal year end.
- The accounting and auditing firms did not consistently classify expenditures in the same category on their financial statements or in the tax returns, thus making comparability rather difficult in some situations.

University of Houston System
Affiliated Support Organizations and Foundations
Summary of Operations
For The Fiscal Year 2021
As of May 6, 2022

Support Organization Name	University of Houston Foundation	University of Houston College of Business Foundation	University of Houston Law Foundation	Houston Public Media Foundation	Foundation for Education and Research in Vision	University of Houston Alumni Association Foundation	Houston Cougars Foundation
Auditor	Blazek & Vetterling; Houston		Blazek & Vetterling; Houston	James Moore & Co., P.L.; Gainesville, FL	PWR CPA, LLP Houston	Briggs & Veselka Co.; Houston	
Tax Accountant						Crowe LLP	
Financial Data, as of	<u>8/31/2021</u>	<u>8/31/2021</u>	<u>8/31/2021</u>	<u>8/31/2021</u>	<u>8/31/2021</u>	<u>8/31/2021</u>	<u>8/31/2021</u>
Assets							
Cash & investments	\$ 206,466,181	\$	\$ 39,111,348	\$ 3,370,264	\$ 10,007,741	\$ 11,452,999	\$
Other assets	382,269	<u></u>	6,803,107	702,700	15,950	376,934	<u></u>
Total Assets	<u>\$ 206,848,450</u>	<u>\$</u>	<u>\$ 45,914,455</u>	<u>\$ 4,072,964</u>	<u>\$ 10,023,691</u>	<u>\$ 11,829,933</u>	<u>\$</u>
Liabilities	\$ 11,548,206	\$	\$ 6,405,095	\$ 481,479	\$ 54,927	\$ 118,430	\$
Net Assets	<u>\$ 195,300,244</u>	<u>\$</u>	<u>\$ 39,509,360</u>	<u>\$ 3,591,485</u>	<u>\$ 9,968,764</u>	<u>\$ 11,711,503</u>	<u>\$</u>
Revenues							
Contributions (gifts)	\$ 13,447,588	\$	\$ 9,284,060	\$ 12,284,358	\$ 340,340	\$ 554,387	\$
Investment income	40,663,466	<u></u>	6,642,083	381,426	1,484,010	2,297,135	<u></u>
Other	819,656	<u></u>	(507,581)	3,092,836	870,664	2,087,763	<u></u>
Total Revenues	<u>\$ 54,930,710</u>	<u>\$</u>	<u>\$ 15,418,562</u>	<u>\$ 15,758,620</u>	<u>\$ 2,695,014</u>	<u>\$ 4,939,285</u>	<u>\$</u>
Expenses, including gifts-in-kind	<u>\$ 7,657,509</u>	<u>\$</u>	<u>\$ 8,483,932</u>	<u>\$ 14,885,949</u>	<u>\$ 1,052,100</u>	<u>\$ 2,566,841</u>	<u>\$</u>
Investments – MV as of August 31, 2021 (1)							
Investments	\$ 187,042,876	\$ 57,550,662	\$ 36,625,100	\$ 2,053,673	\$ 7,653,295	\$ 10,047,525	\$ 4,290,513
Return (1-yr)*	32.20%	22.52%	21.95%	32.20%	17.80%	29.18%	13.51%
Management Fees	\$ 647,551	\$ 0	\$ 199,276	\$ 7,189	\$ 67,274	\$ 60,315	\$ 0
Mgt Fees as a % of total investment	0.346%	0	0.544%	0.350%	0.879%	0.600%	0.000%
Investment Return FY19*	4.4%	3.9%	10.9%	4.4%	11.8%	10.1%	6.7%
Investment Return FY20*	2.38%	12.68%	12.50%	2.38%	4.30%	4.60%	1.20%
Gifts and Pledges to Foundation⁽²⁾							
Received in FY21	\$ 14,232,039	\$ 3,050,502	\$ 2,129,678	\$ 20,167,348	\$ 599,786	\$ 651,049	\$ 3,189

(1) Source: Data provided by UHS Treasurer's Office.

(2) Source: Data provided by University Advancement Division.

(3) FY2021 IRS Form 990 not available at this time.

* Percentage provided by Foundation

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Internal Audit Reports

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The FY 2022 Internal Audit Activity as of May 19, 2022 and Internal Audit Reports issued since the February 24, 2022 Audit & Compliance Committee meeting of the Board of Regents of the University of Houston System are provided.

The Internal Audit Reports included will be filed with the Governor's Office of Budget, Planning, and Policy; the State Auditor's Office; and the Legislative Budget Board, within the next 30 days, as required by the Texas Government Code, Section 2102.0091.

SUPPORTING

DOCUMENTATION: Internal Audit Activity and Internal Audit Reports

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



04/29/22

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

5/13/2022

Report to the Audit and Compliance Committee
of the University of Houston System
Board of Regents
May 19, 2022

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

FY22 INTERNAL AUDIT ACTIVITY
since February 24, 2022

and

INTERNAL AUDIT REPORTS

AR2022-12 Contracts Requiring Board of Regents' Approval
AR2022-13 UHD Research Governance and Process Overview Board Report

Note: This internal audit report is submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. This internal audit report is also submitted to the Governor's Office of Budget, Planning, and Policy; the State Auditor; and the Legislative Budget Board in order to comply with the Texas Government Code, Section 2102.0091.

FY22 Internal Audit Activity

Since February 24, 2022 Board of Regents Meeting

Audits Completed

- Contracts Requiring Board of Regents Approval (UHS)
AR2022-01
AR2022-10
AR2022-12
- Board of Regents Travel and Entertainment FY21
AR2022-02
- Chancellor/President's Travel and Entertainment FY21 (UHS/UH)
AR2022-03
- UHCL President's Travel and Entertainment FY21
AR2022-04
- UHD President's Travel and Entertainment FY21
AR2022-05
- UHV President's Travel and Entertainment FY21
AR2022-06
- UHV Joint Admission Medical Program FY21
AR2022-07
- UH Export Controls
AR2022-08
- UHS Compliance with Education Code 51.9337
AR2022-09
- Annual Procurement Report
- UH Education Research
AR2022-11
- UHD Research Governance and Process Overview
AR2022-13
- UHS Emergency Management Safety & Security

Internal Audit 05/19/22

Special Projects Completed

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (~38 Reports)
- UHV Procurement Card Issue
- UH Business School Contract Issue

Audits in Progress

- Research Governance and Process Overview (UH, UHD and UHCL)
- Intellectual Property, Oversight and Protection (UH)
- Compliance with Federal Sentencing Guidelines (UH, UHCL, UHD and UHV)
- Travel Expense (UH, UHCL, UHD and UHV)
- Board of Regents Travel and Entertainment FY22
- President's Travel and Entertainment FY22 (UH, UHCL, UHD and UHV)
- Contracts Requiring Board of Regents Approval (UHS)
- Procurement Card Management (UH, UHCL, UHD, and UHV)

Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UHD/UH Formula Funding issue – referred by THECB

Audits in Planning

- UHS Payroll
- Lab Safety (UH, UHCL, UHD, and UHV)
- State Benefits Proportionality (UHS/UH, UHCL, UHD and UHV)



Report to the Audit and Compliance Committee of the
UHS Board of Regents on:

CONTRACTS REQUIRING BOARD OF REGENTS APPROVAL
AR2022-12

UNIVERSITY of **HOUSTON** SYSTEM

INTERNAL AUDITING DEPARTMENT



UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
Fax: (713)743-8015

MEMORANDUM

TO: Mr. Jack B. Moore
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Phillip W. Hurd
Chief Audit Executive

DATE: April 12, 2022

SUBJ: Internal Audit Report – Contracts Requiring Board of Regents Approval

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston System. This report is summarized as follows:

Executive Summary:

The internal audit review of procurement of contracts requiring Board of Regents approval covers the time period from January 1, 2022, through March 31, 2022. For each project, we review the following: 1. the solicitation documents posted on the State Comptroller's Electronic State Business Daily, the solicitation requirements checklist, subcontracting probability form, and the HUB subcontracting compliance form to determine whether the appropriate evaluation criteria was used by the Purchasing Department/selection team evaluation members; 2. the Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP and evaluation criteria provided to selected firms in instances where RFP's were not applicable; 3. the Purchasing Department's recommendation of RFQ / RFP evaluations to the VC/VP for reasonableness; 4. the VC/VP evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness; 5. the invitation to bid or sole source justification form, if applicable, for reasonableness/completion. We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

This audit report is scheduled to be included in the agenda materials for the May 19, 2022 meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachments

University of Houston System
Internal Auditing Department
Contracts Requiring Board of Regents Approval
January 1, 2022 through March 31, 2022

Background: UHS procures construction services under the provisions of the Texas Education Code, Sections 51.778 – 51.785. These statutes address the following construction contract methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The Internal Auditing Department reviews the construction RFQ / RFP evaluation process on an ongoing basis. The Internal Audit Department also reviews the procurement process for other contracts requiring Board of Regents approval (RFQ/RFP, Invitation to Bid, and Sole Source).

Objective: The objectives of this review are to determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for its major construction projects and other contracts requiring Board of Regents approval.

Scope of Work: The internal audit review of procurement of construction and other contracts requiring Board of Regents approval covers the time period from January 1, 2022 through March 31, 2022.

Audit Procedures: For each solicitation we review the following:

1. The solicitation documents posted on the State Comptroller's Electronic State Business Daily and the solicitation requirements checklist and subcontracting probability form and HUB subcontracting compliance form to determine whether the appropriate evaluation criteria was used by the Purchasing Department/selection team evaluation members.
2. The Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP and evaluation criteria provided to selected firms in instances where RFP's were not applicable.
3. The Purchasing Department's recommendation of RFQ / RFP evaluations to the VC/VP for reasonableness.
4. The VC/VP evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness.
5. The invitation to bid or sole source justification form, if applicable, for reasonableness/completion.

Appendices: Attached is an analysis of internal audit activity related to the construction projects and other contracts requiring Board of Regents approval award evaluations (Appendix 1), the Purchasing Department Flowchart for major construction projects (Appendix 2), the Purchasing Department Flowchart for other contracts requiring board approval (Appendix 3).

Conclusion: We noted no unusual items or other matters that we consider non-compliant with university policies and procedures or state statutes.



Phillip W. Hurd
Chief Audit Executive
March 31, 2022

Contracts Requiring Board of Regents Approval
Internal Audit Activity
January 1, 2022 to March 31, 2022

BOR Approval Internal Audit Review

BOR Approval

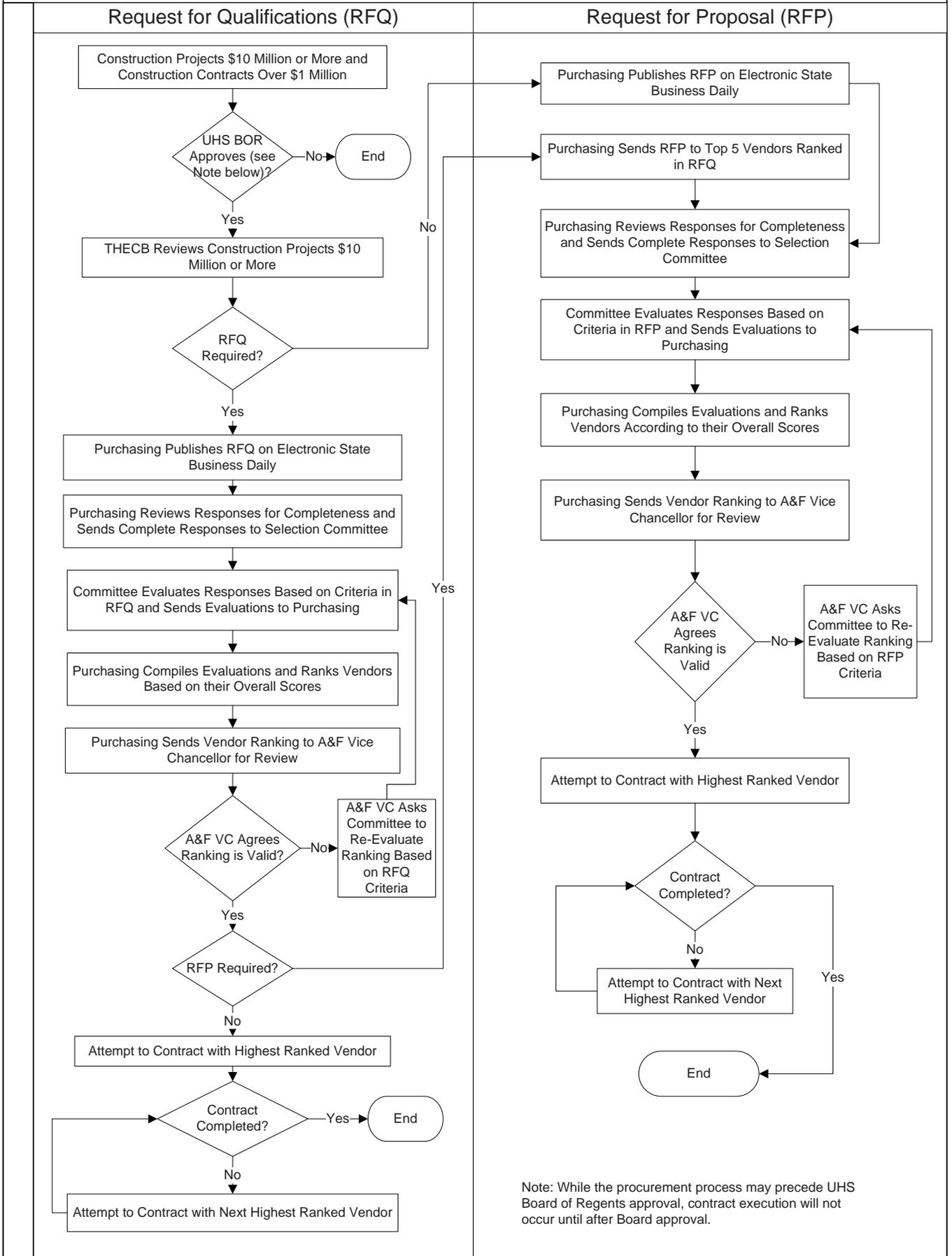
<u>Project or Contract Description</u>	<u>Solicitation Type</u>	(\$ Millions) <u>Amount</u>	<u>BOR Approval</u>		<u>Initiated</u>	<u>Completed</u>
			FCMP Comm. (Scope) <u>Date</u>	F&A Comm. (Financing) <u>Date</u>		
<u>Construction Projects \$10 Million and Over</u>						
UHS - System-Wide Energy Supply	RFP	200.0	12/2/2021	12/2/2021		
<u>Construction Projects Over \$1 Million and Under \$10 Million</u>						
UH - Campus Lighting & Security	RFP	3.8	N/A	8/20/2020		
UH - Architectural Services Continuing Services Agreement (up to 10 awards)	RFP	15.0	N/A	12/3/2020	✓	✓
UH - Campus Cabling, AV, and Security Systems Infrastructure	RFP	9.0	N/A	5/20/2021		
UH - CMAR CRWC Flooring Replacement	RFP	7.5	N/A	12/2/2021		
UHS - MEP Engineering Design Services On As-Needed Basis (up to 4 awards)	RFQ	4.0	N/A	2/24/2022		
UHS - Civil Engineering Design Services On As-Needed Basis (up to 4 awards)	RFQ	2.9	N/A	2/24/2022		
UH - A/E The New Football Operations Building	RFQ	6.5	N/A	2/24/2022		
<u>Non-Construction Contracts Over \$1 Million</u>						
UH - College of Medicine Furniture	ITB	1.4	N/A	11/15/2018	✓	✓
UH - John M. O'Quinn Law Building - FE	ITB	1.5	N/A	8/22/2019	✓	✓
UH - Custodial Services (up to 2 awards - 1 E&G and 1 Auxiliary)	RFP	31.5	N/A	5/20/2021	✓	✓
UHS - Staffing Agency Services	RFP	15.0	N/A	2/24/2022		
UH - Continuing Education Course Development, Production, Marketing, and Recruitment - Bauer College	RFP	3.3	N/A	5/19/2022	✓	

CMAR - Construction Manager at Risk
AE - Architectural and Engineering Services (RFQ only)
SS - Sole Source
ITB - Invitation to Bid

RFP - Request for Proposal
RFQ - Request for Qualifications
FE - Furnishings and Equipment
CSP - Competitive Sealed Proposal

✓ - Initiated or Completed audit procedures, as specified in report.

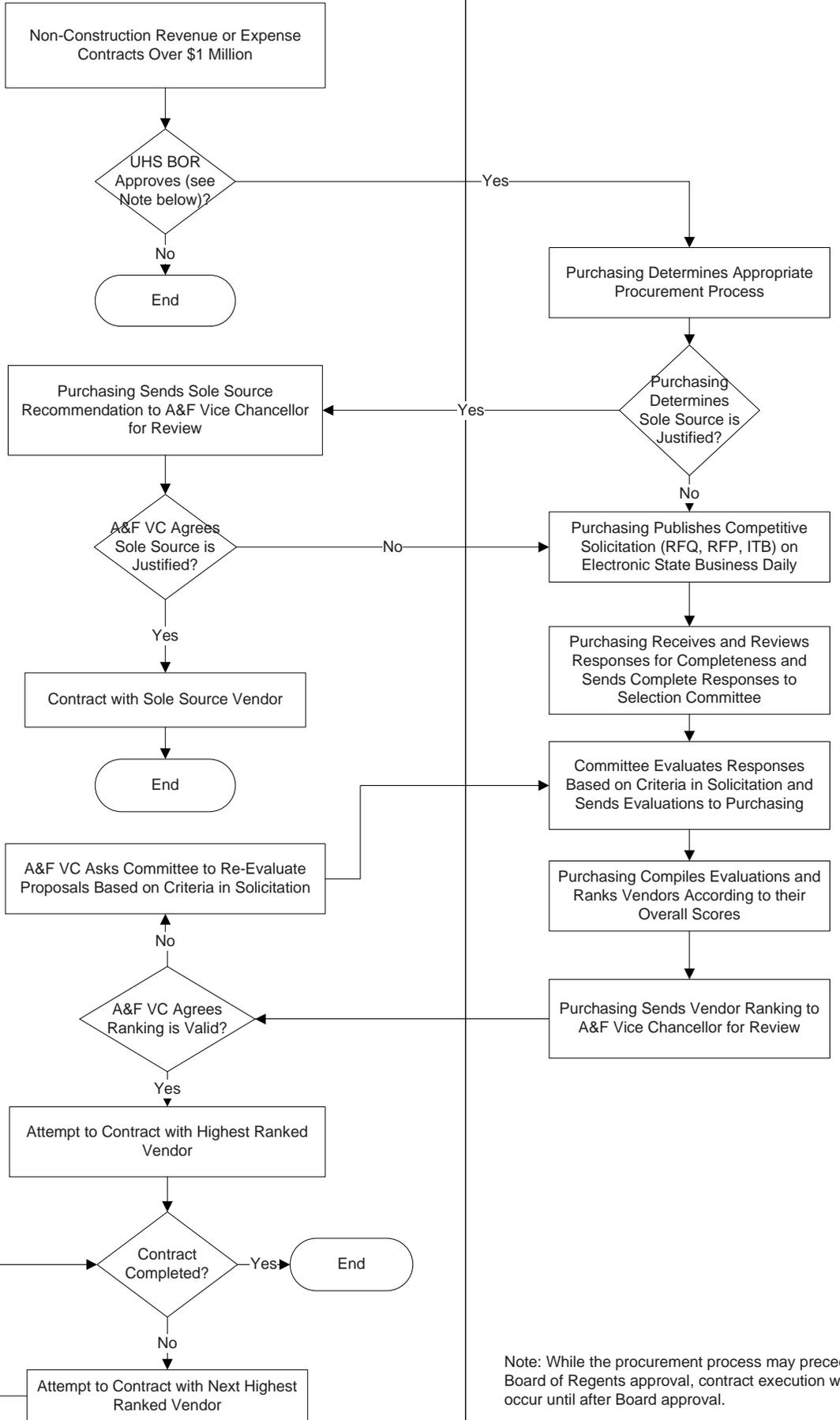
University of Houston System Construction Projects \$10 Million or More and Construction Contracts Over \$1 Million



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.

Approval Process

Procurement Process



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.



Report to the Audit and Compliance Committee of the
UHS Board of Regents on:

The University of Houston-Downtown
Research Governance and Process Overview
AR2022-13

UNIVERSITY of **HOUSTON** SYSTEM
INTERNAL AUDITING DEPARTMENT

TABLE OF CONTENTS AND SUMMARY

EXECUTIVE SUMMARY.....	3
INTRODUCTION.....	4
BACKGROUND	4
OBJECTIVE AND SCOPE	4
ISSUE 1 – HIGH PERFORMANCE COMPUTER SYSTEM.....	5
RECOMMENDATIONS:.....	6
MANAGEMENTS RESPONSE:.....	7

EXECUTIVE SUMMARY

Overview and Scope Summary

The Office of Research and Sponsored Programs (ORSP) of the University of Houston-Downtown (UHD) supports faculty, staff and students in the creation and dissemination of new knowledge through ethical scholarship, research, and creative activities. The ORSP provides pre-award support, post-award accounting and compliance oversight for contracts and grants. The scope for this audit was a review of the current controls and procedures in place that are used to help ensure research related activities are properly managed and monitored and comply with applicable regulations.

Observations

The University of Houston System (UHS) Internal Auditing Department focused on evaluating the various processes related to managing research related activities. The audit identified the need for the ORSP to develop a written data management and sharing policy and utilize the services of the UHD Information Security Officer in research related activities; for the UHD Information Security Officer to improve the lines of communication with ORSP and UHD Information Technology (UHD IT); and for UHD IT to develop and document a governance model to address recommendations presented in a platform security assessment and rebuild a High- Performance Computing environment, in response to a security incident.

Overall Audit Opinion

The ORSP has adequate processes in place for managing research related activities. However, the audit noted areas for improvement, which include the development of a data management and sharing policy; participation of the UHD Information Security Officer in research related activities; and enhanced lines of communication between the UHD Information Security Officer, ORSP and UHD IT.

Recommendations

1. The ORSP should develop a university research data management and sharing policy, including the requirement for a formalized, written data management plan for all university projects.
2. The ORSP should involve the UHD Information Security Officer in research related activities, including, but not limited to, trainings, award kick-off meetings and data management plan reviews.
3. The UHD Information Security Officer should regularly meet with the ORSP and UHD IT to improve lines of communication, prevent communication breakdowns, and misunderstandings.
4. The High-Performance Computing Environment managed within the Department of Computer Science and Engineering Technology should be placed out of service until a formal governance model has been developed in coordination with the UHD IT department and the Department of Computer Science and Engineering Technology. In addition, the governance model must be approved by the UHS Chief Information Officer.
5. UHD IT and the Department of Computer Science and Engineering Technology should coordinate to rebuild the High-Performance Computing environment based on the recommendations made in the June 9, 2021 assessment from the Office of the UHS Chief Information Security Officer and submit confirmation to the UHS Chief Information Security Officer when completed.

UNIVERSITY OF HOUSTON-DOWNTOWN RESEARCH GOVERNANCE AND PROCESS OVERVIEW

INTRODUCTION

The UHS Department of Internal Auditing developed an annual audit plan based upon a system-wide risk assessment to identify significant areas of risk facing the University of Houston System. All the audits on the audit plan are conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), and the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors (IIA).

BACKGROUND

The Office of Research and Sponsored Programs of the University of Houston-Downtown (ORSP) serves to expand the educational opportunities available to undergraduate students at the University, support research related activities, encourage scholarly inquiry and support the development of new knowledge to enhance the academic structure of the University.

The ORSP serves as the designated office for the submission of proposals to potential sponsors; for the administration of grants, contracts and other agreements awarded to UHD by these sponsors; and for compliance with applicable federal, state and sponsor regulations. While awards for successful proposals are made to UHD, the Principal Investigator is responsible for the management, execution, and completion of the project, including submission of all required reports. The ORSP provides information, assistance, and technical support to the Principal Investigator during the administration of the project.

OBJECTIVE AND SCOPE

The audit objectives were to:

- Determine whether there is adequate oversight in place to ensure research related activities are properly managed and monitored.
- Determine whether there are adequate controls and procedures in place to ensure that research related activities comply with applicable policies, procedures, regulations, statutes, and laws.
- Determine whether standardization is utilized for efficiency among departments and universities.

Information relevant to this audit was obtained through:

- Interviewing research and information security personnel.

- Conducting walkthroughs over key processes.
- Reviewing laws and regulations.
- Reviewing UHS and UHD policies and procedures.

ISSUE 1 – HIGH PERFORMANCE COMPUTER SYSTEM

Objective: To determine whether there are adequate controls and procedures in place to ensure that research related activities comply with applicable policies, procedures, regulations, statutes, and laws.

Criteria: System Administration Memorandum (SAM) 07.A.08 (Data Classification and Protection) and System Administration Memorandum 01.D.06 (Protection of Confidential Information)

Risk: Establishing clear roles, responsibilities and appropriate controls for the security of information prevents information subject to local and federal laws from being copied or removed from secure servers. The copying or removal of such data can lead to fines, loss of research, and loss of confidence in the university and faculty members abilities to protect and secure data.

Observation: The ORSP serves as the designated office for the submission of proposals to potential sponsors; for the administration of grants, contracts and other agreements awarded to UHD by these sponsors; and for compliance with applicable federal, state and sponsor regulations. According to the Sponsored Program Guide, the ORSP is responsible for providing information, assistance, and technical support to the Principal Investigator during the administration of the project.

System Administration Memorandums 07.A.08 (Data Classification and Protection) and 01.D.06 (Protection of Confidential Information) require appropriate classification of data; technical and physical security safeguards; data protection requirements; and guidelines, safeguards, and controls to protect confidential information. While the information owner (in this case the Principal Investigator) holds ultimate responsibility for these requirements, the ORSP and UHD Information Security Officer hold unique positions to coordinate with the Principal Investigator to ensure that this is appropriately managed.

UHD does not currently have a data management and sharing policy to help ensure consistency in the appropriate handling, storage, and dissemination of research data. In addition, and a formalized, written data management plan is prepared for university projects only when required by the sponsoring agency.

A High-Performance Computer (HPC) was secured in 2016 by grant funding and is used by UHD faculty for research and academic coursework. According to the UHD AVP for Faculty, Research and Sponsored Programs, the HPC grant proposal was managed by previous ORSP administration and was submitted without adequate oversight. Elements were missing from the funded proposal that should have been addressed during the grant development process. The grant proposal did

not include funding for staffing the HPC; did not contemplate HPC space and infrastructure requirements; and did not contain a written data management plan.

The HPC is managed by two UHD Department of Computer Science and Engineering Technology professors. The professors partnered with a team from UHD Information Technology (UHD IT) to build the HPC environment; however, UHS Information Security was not consulted to ensure all appropriate security best practices for the System were followed.

On November 7, 2019, a coin miner installed on the HPC environment with a connection to a C2 server in the Netherlands was detected. The connection was successfully blocked, and communications ceased. At the time of the security incident, there were no back-ups of the environment, which is in violation of SAM 07A.08 (Data Classification and Protection). UHS Information Security was unable to proceed with remediation due to concerns of potential data loss and damage to the environment.

As a result of the security incident, two reports were prepared by UHS Information Security: an investigation report and a computing environment and platform security assessment. The investigation report, dated November 20, 2019, contained a detailed explanation of the incident and timeline of events, and included findings and recommendations; specifically, the need to rebuild the HPC environment. The assessment, dated June 9, 2021, contained review summaries and comments over aspects of the HPC environment, and included recommendations, specifically the need for an effective, documented governance model.

The ORSP and UHD IT stated that they recently received the November 20, 2019, report and the ORSP received the June 9, 2021, on July 9, 2021. The breakdown in communication between the UHD Information Security Officer, ORSP and UHD IT, has resulted in misunderstandings regarding required actions to be taken to address the issues noted on the two reports.

RECOMMENDATIONS:

1. The ORSP should develop a university research data management and sharing policy, including the requirement for a formalized, written data management plan for all university projects.
2. The ORSP should involve the UHD Information Security Officer in research related activities, including, but not limited to, trainings, award kick-off meetings and data management plan reviews.
3. The UHD Information Security Officer should regularly meet with the ORSP and UHD IT to improve lines of communication, prevent communication breakdowns, and misunderstandings.
4. The High-Performance Computing Environment managed within the Department of Computer Science and Engineering Technology should be placed out of service until a formal governance model has been developed in coordination with the UHD IT department and the Department of Computer Science and Engineering Technology. In addition, the governance model must be approved by the UHS Chief Information Officer.
5. UHD IT and the Department of Computer Science and Engineering Technology should

coordinate to rebuild the High-Performance Computing environment based on the recommendations made in the June 9, 2021 assessment from the Office of the UHS Chief Information Security Officer and submit confirmation to the UHS Chief Information Security Officer when completed.

MANAGEMENTS RESPONSE:

ORSP will review UH MAPP 08.03.01 and SAM 07.A.08 to draft a Research Data Management and Sharing Policy that meets all minimum requirements and is operational within our institutional context.

ORSP will engage with the UHD Information Security Officer (ISO) to: invite the ISO into award kick-off meetings; plan participation in data management plan reviews; and plan regular trainings around data management and security.

Beginning in Spring 2022, UHD IT leadership will coordinate regularly scheduled meetings between UHD ORSP, UHD ISO and UHD IT to discuss how best to work together to protect UHD's research technology systems and infrastructure including data.

The High-Performance Computing Environment managed within the Department of Computer Science and Engineering Technology has been placed out of service since January 18, 2022. It will be kept off-line until a formal governance model has been approved by the UHS Chief Information Officer. A Formal Governance document has been completed and awaiting final approvals.

UHD IT and the Department of Computer Science and Engineering Technology have coordinated the rebuild of the High-Performance Computing environment based on the recommendations made in the June 9, 2021 assessment from the Office of the UHS Chief Information Security Officer. This was completed on February 15, 2022 and confirmation of the status will be submitted to the UHS Chief Information Security Officer.

* * * * *

The UHS Department of Internal Auditing would like to thank the Office of Research and Sponsored Programs of the University of Houston-Downtown, UHD Information Technology and UHS Information Security for their cooperation and assistance during this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip W. Hurd". The signature is fluid and cursive, with a large initial "P" and "H".

Phillip W. Hurd
Chief Audit Executive
University of Houston System

Participating Auditors: Brandee O'Neal, Tony Moreno and Elias McClellan

UNIVERSITY of HOUSTON
INTERNAL AUDITING DEPARTMENT

Action Item Number	Audit Area	University	Recommendation Summary	Task	Responsible Person	Targeted Date	Status
1	Policies and Procedures	UHD	The ORSP should develop a university research data management and sharing policy, including the requirement for a formalized, written data management plan for all university projects.	ORSP will review UHMAP 08.03.01 and SAM 07.A.08 to draft a Research Data Management and Sharing Policy that meets all minimum requirements and is operational within our institutional context.	Jerry Johnson (AVPFRSP); Brandi Smith-Irving (Exec.Dir.ORSP); Damian Walsh (Asst.Dir.Res.Compliance)	30-Jun-22	In-Progress
2	Policies and Procedures	UHD	The ORSP should involve the UHD Information Security Officer in research related activities, including, but not limited to, trainings, award kick-off meetings and data management plan reviews.	ORSP will engage with the UHD Information Security Officer (ISO) to: invite the ISO into award kick-off meetings; plan participation in data management plan reviews; and plan regular trainings around data management and security.	Jerry Johnson (AVPFRSP); Brandi Smith-Irving (Exec.Dir.ORSP); Damian Walsh (Asst.Dir.Res.Compliance)	30-Apr-22	In-Progress
3	Policies and Procedures	UHD	The UHD Information Security Officer should regularly meet with the ORSP and UHD IT to improve lines of communication, prevent communication breakdowns, and misunderstandings.	Beginning in Spring 2022, UHD IT leadership will coordinate regularly scheduled meetings between UHD ORSP, UHD ISO and UHD IT to discuss how best to work together to protect UHD's research technology systems and infrastructure including data.	Hossein Shahrokhi (AVP, IT and CIO)	15-Mar-22	Completed
4	Policies and Procedures	UHD	The High-Performance Computing Environment managed within the Department of Computer Science and Engineering Technology should be placed out of service until a formal governance model has been developed in coordination with the UHD IT department and the Department of Computer Science and Engineering Technology. In addition, the governance model must be approved by the UHS Chief Information Officer.	The High-Performance Computing Environment managed within the Department of Computer Science and Engineering Technology has been placed out of service since January 18, 2022. It will be kept off-line until a formal governance model has been approved by the UHS Chief Information Officer. A Formal Governance document has been completed and awaiting final approvals.	Hossein Shahrokhi (AVP, IT and CIO)	15-Mar-22	Completed
5	Policies and Procedures	UHD	UHD IT and the Department of Computer Science and Engineering Technology should coordinate to rebuild the High-Performance Computing environment based on the recommendations made in the June 9, 2021 assessment from the Office of the UHS Chief Information Security Officer and submit confirmation to the UHS Chief Information Security Officer when completed.	UHD IT and the Department of Computer Science and Engineering Technology have coordinated the rebuild of the High-Performance Computing environment based on the recommendations made in the June 9, 2021 assessment from the Office of the UHS Chief Information Security Officer. This was completed on February 15, 2022 and confirmation of the status will be submitted to the UHS Chief Information Security Officer.	Hossein Shahrokhi (AVP, IT and CIO)	1-Mar-22	Completed