

Audit and Compliance Committee
Meeting
Thursday, August 25, 2022 10:30 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. Approval of Minutes

- February 24, 2022, Audit & Compliance Committee Meeting
- May 19, 2022, Board of Regents Committee Meeting

Action: Approval

I.C. Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended July 31,2022

Action: Information

Presenter: Susan Koch, System-wide Compliance Officer

I.D. Report on State Legislation-Reporting Incidents of Sexual Harassment, Sexual Assault, Dating Violence, and Stalking

Action: Information

Presenter: Toni Benoit, Assistant Vice Chancellor/Vice President Office of Equal Opportunity Services

I.E. 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.F. Report on University of Houston System, Audit and Compliance Committee Charter and Checklist

Action: Approval
Presenter: Phil Hurd, Chief Audit Executive

I.G. Report on University of Houston System, Audit and Compliance Planner

Action: Approval
Presenter: Phil Hurd, Chief Audit Executive

Presenter: Phil Hurd, Chief Audit Executive

I.H. Report on University of Houston System, Internal Audit Reports

Action: Information
Presenter: Phil Hurd, Chief Audit Executive

I.I. Report on University of Houston System, Internal Audit Plan and Peer Review Status

Action: Approval
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

- Discussion regarding contractual matters

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

TEXAS GOV'T CODE SECTION 551.072

- Discussion regarding real property

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

- Discussion regarding breach

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 July 31, 2022 and Annual Compliance Initiatives

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. The Annual Compliance Initiative Report details the progress made with FY 2022 initiatives and the FY 2023 initiatives to be undertaken.

SUPPORTING

DOCUMENTATION: Institutional Compliance Hotline Report; Annual Compliance Initiatives Report

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



SYSTEM-WIDE COMPLIANCE OFFICER Susan Koch

7/26/22

DATE



CHANCELLOR Renu Khator

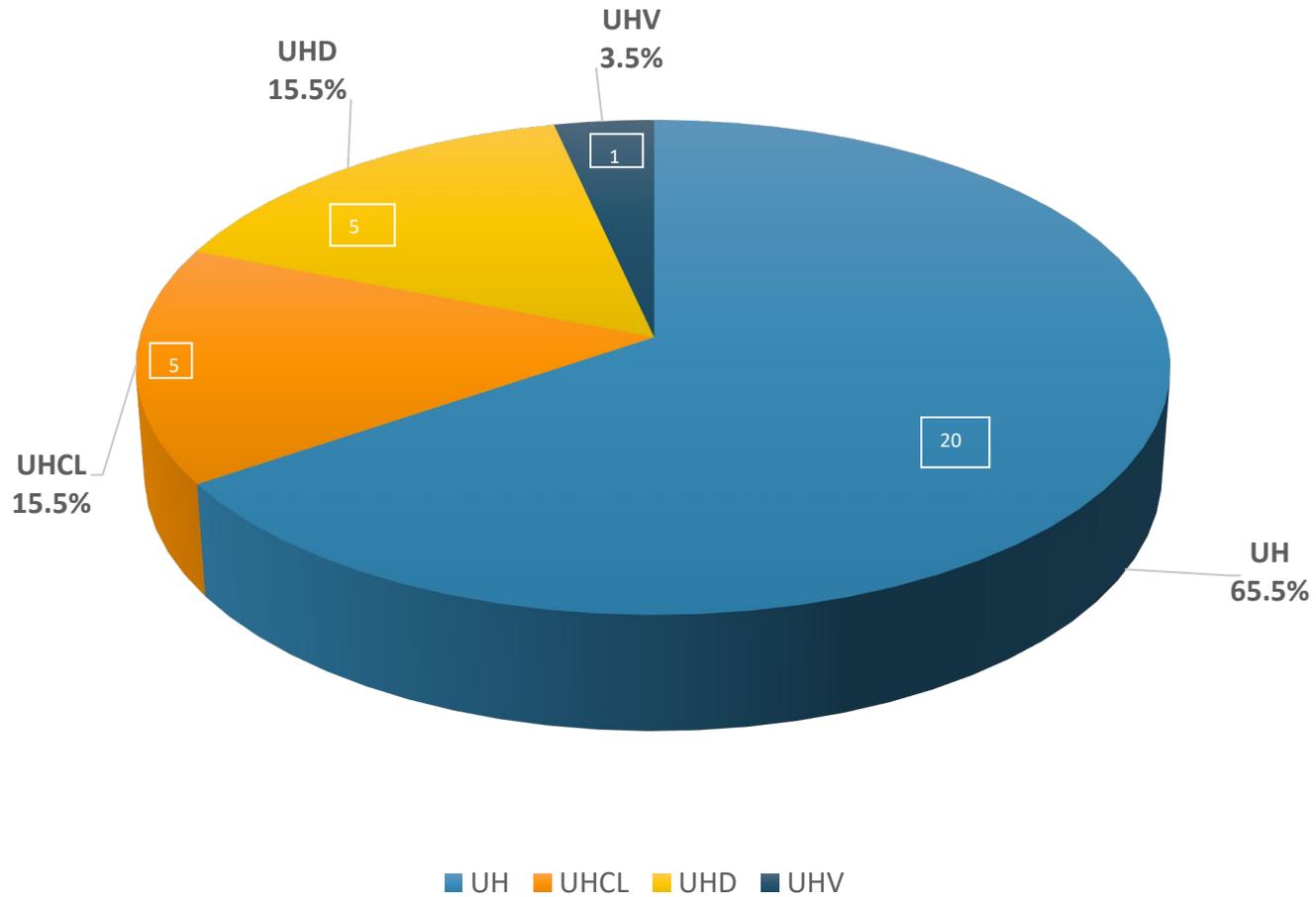
8/18/2022

DATE

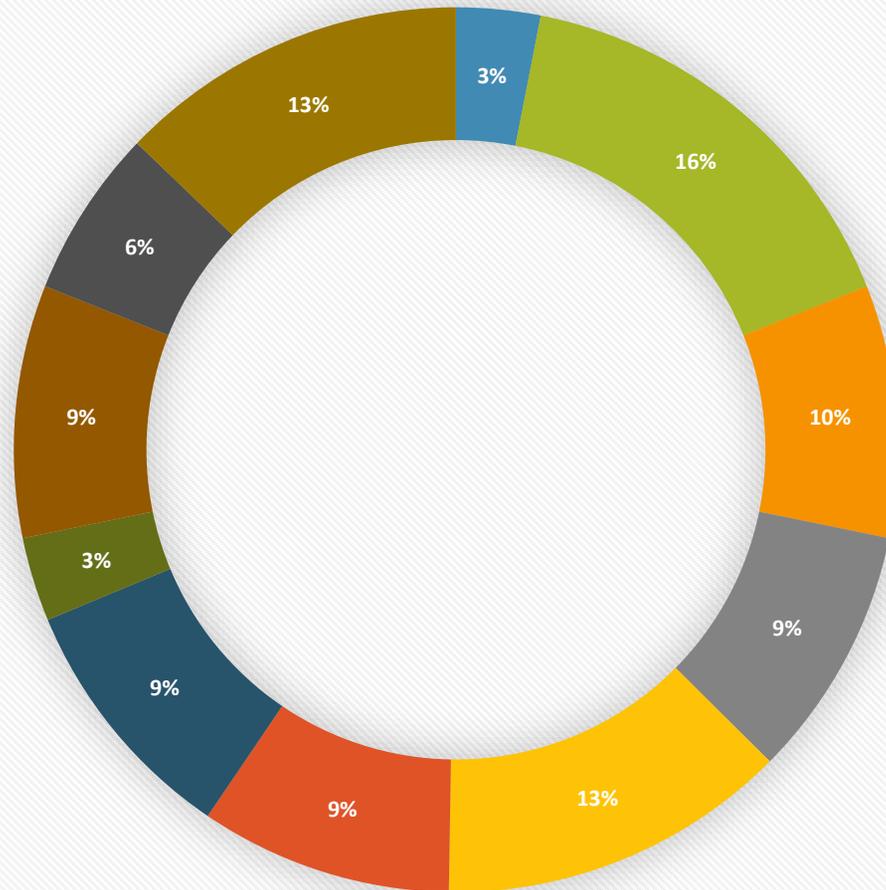
UNIVERSITY OF HOUSTON SYSTEM
Institutional Compliance Hotline Report for the three months ended July 31, 2022
and Annual Compliance Initiatives

Hotline reports for all Universities

Issues Reported by Institution

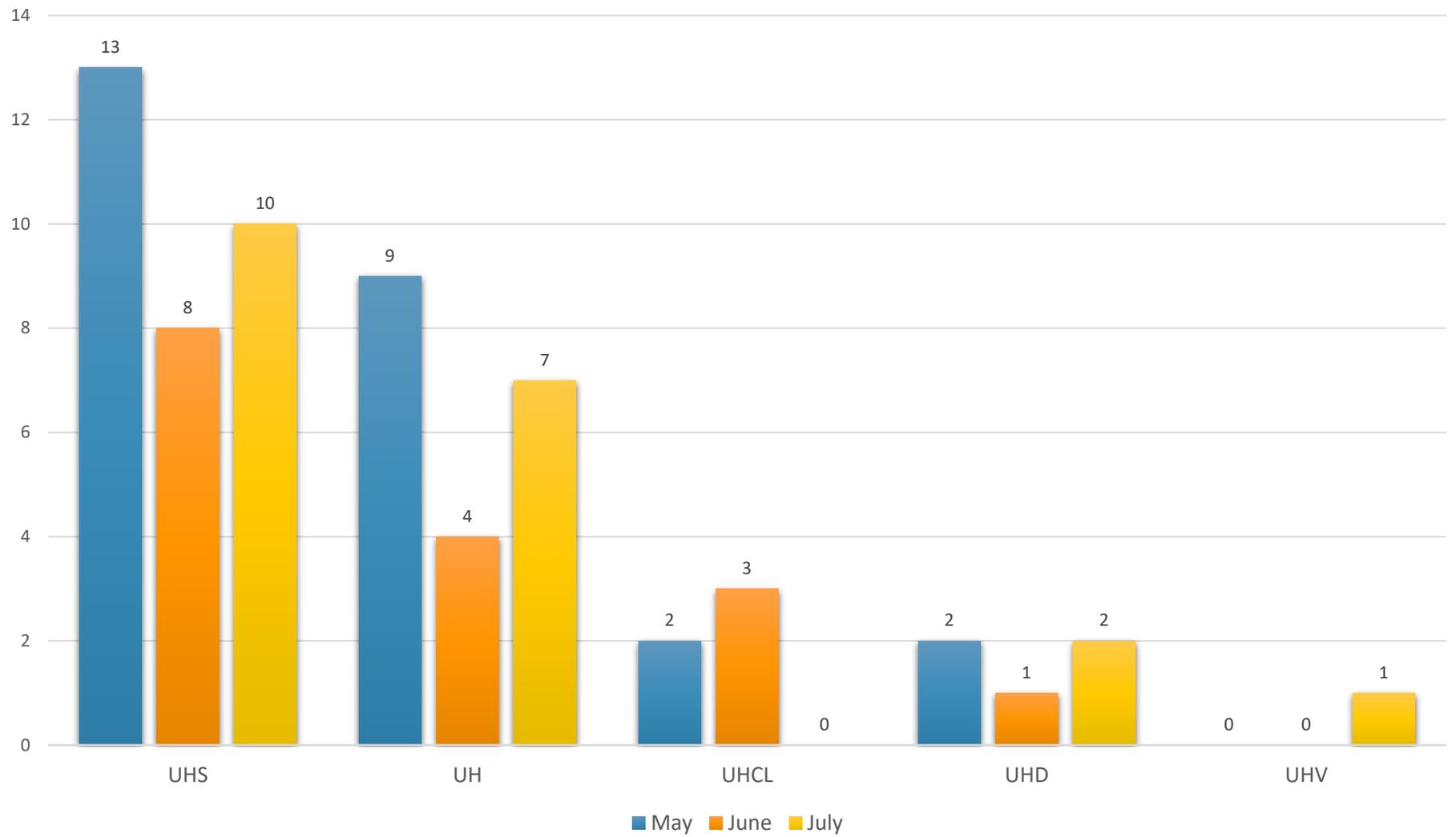


Reported Issues by Type Across UHS

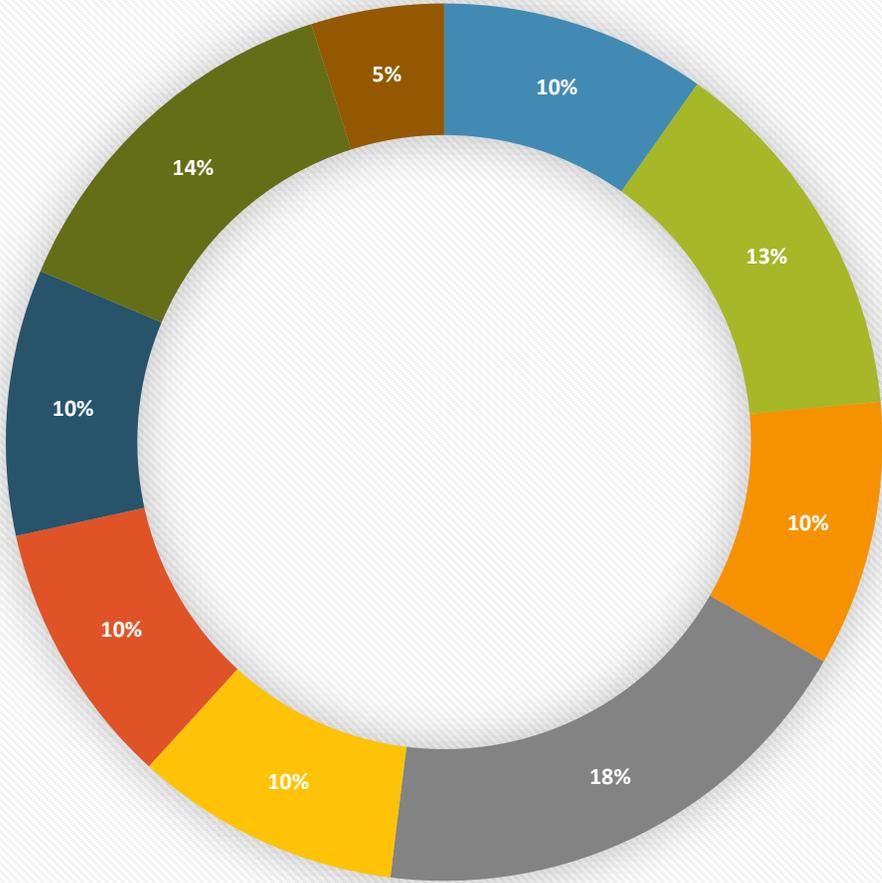


■ Ethics Violation ■ Academic Concerns ■ Abuse of Power ■ Discrimination ■ Employee Relations ■ Harassment
■ Sexual Misconduct ■ Compliance Violations ■ Campus Safety ■ Fraud ■ Information Security

Issues Reported by Month

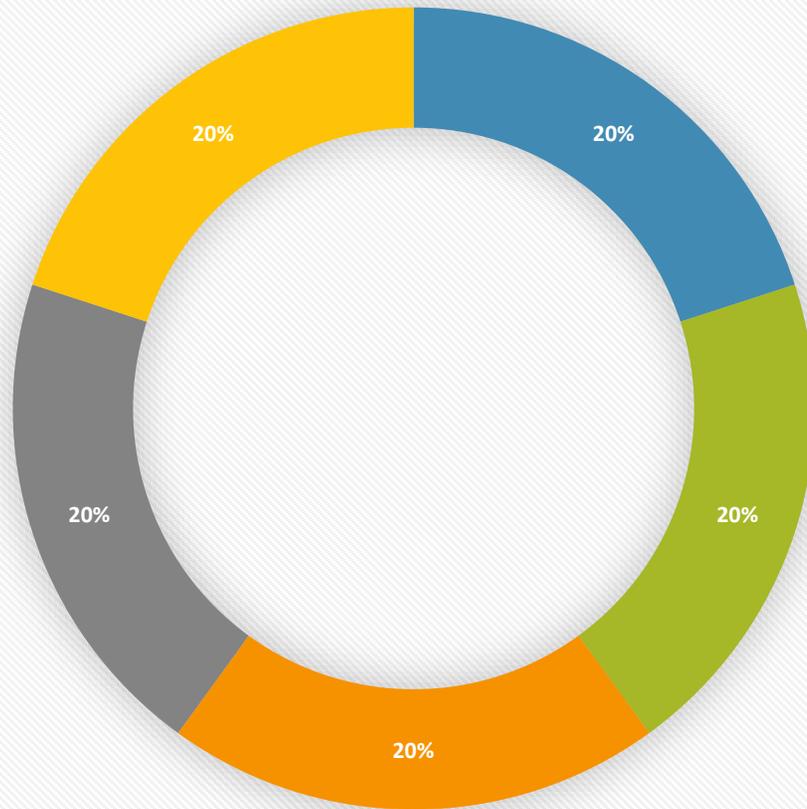


UH Case Breakdown



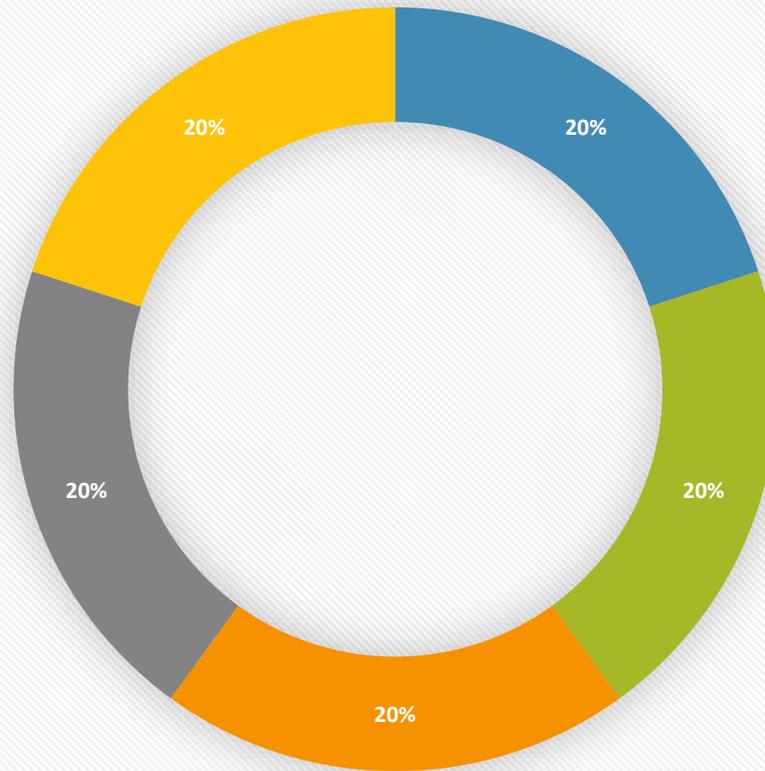
■ Harassment ■ Employee Relations ■ Campus Safety ■ Academic Concerns ■ Sexual Misconduct ■ Abuse of Power ■ Fraud ■ Info Security ■ Discrimination

UHCL Case Breakdown



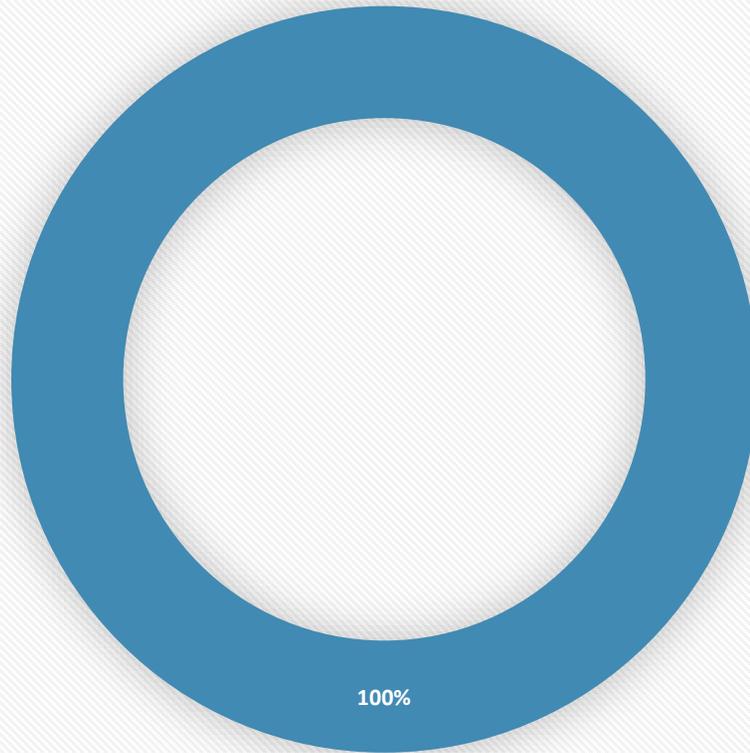
■ Compliance ■ Discrimination ■ Employee Relations ■ Ethics Violations ■ Harassment

UHD Case Breakdown



■ Abuse of Power ■ Discrimination ■ Sexual Misconduct ■ Information Security ■ Academic Concerns

UHV Case Breakdown



■ Campus Safety

Annual Compliance Initiatives

I. Electronic and Information Resources Accessibility (“EIR Accessibility”)

This compliance area involves designing websites, tools and technologies so that people with disabilities can use them. State and federal laws, as well as System and university policies require universities to provide equal access to digital content to ensure an inclusive user experience for individuals with disabilities.

Accomplishments in 2022

- Hired a UH System EIR Accessibility Coordinator/Executive Director, Digital Accessibility
- Executed a contract for a new LMS -- Canvas
- Engaged an external consultant to advise on the EIR Accessibility governance structure, which is currently being implemented

Plans for FY 2023

- Implement the new LMS in time for Fall 2023
- Engage in an RFP for a System-wide web accessibility monitoring tool
- Mandatory online digital accessibility training will be rolled out to all UHS employees during the fall training cycle

II. Conflicts of Interest and Related Disclosures

This compliance area encompasses (a) situations in which an individual’s financial, professional or personal considerations affect the individual’s professional judgment in exercising any university duty, including the conduct or reporting of research (“conflicts of interest”), (b) situations in which an individual engages in external activities that interfere with their primary obligation and commitment of time and intellectual energies to the university (“conflicts of commitment”), and (c) situations involving export control, undue foreign influence, and technology transfer. There are numerous state and federal laws and policies that must be complied with, as well as various approval and disclosure processes, which result in some confusion and inconsistent compliance and increased regulatory requirements and enforcement.

Accomplishments in FY 2022

Conflicts of Interest (COI):

- Formed a COI+ Work Group with representatives from HR, DOR, OGC and Compliance -- evaluated current processes, workflow, policies and outward facing information
- Created a new UHS webpage detailing scope of COI policies and approvals needed
- Developed a new COI reporting form for external activities; in final phase of review before being rolled out

Export Control/Foreign Influence:

- Formed an International Engagement Task Force with members from Academic Affairs, DOR, OGC and Compliance – evaluated gaps and oversight structure
- Developed and implemented a new UHS policy on Export Control
- Engaged an external consultant to assess compliance and develop formalized processes, protocols, forms and training programs

Plans for FY 2023

Conflicts of Interest (COI):

- Implement and train on new external activity reporting form and reporting obligations
- Build out COI webpage
- Update and align policies to reflect anticipated changes in regulatory requirements

Export Control/Foreign Influence:

- Hire 1 FTE to oversee export control program
- Implement recommendations from external consultant -- processes, protocols, forms and training programs

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

COMMITTEE: Audit and Compliance

ITEM: Reporting Incidents of Sexual Harassment, Sexual Assault, Dating Violence, and Stalking

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

This presentation provides an overview of the requirements of recent legislation – Reporting Incidents of Sexual Harassment, Sexual Assault, Dating Violence, and Stalking.

SUPPORTING DOCUMENTATION: Report by Toni Benoit, AVC/AVP, Access, Equity and Diversity, UHS/UH

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



08-05-2022

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

8/18/2022

Chief Executive Officer Report

TO: **University of Houston System – Board of Regents**
VIA: Toni Sanchez Benoit, Assistant VC/VP, Equal Opportunity Services
FROM: **Chancellor Renu Khator**, Chief Executive Officer, University of Houston System and University of Houston
President Loren Blanchard, Chief Executive Officer, University of Houston-Downtown
President Bob Glenn, Chief Executive Officer, University of Houston-Victoria
President Richard Walker, Chief Executive Officer, University of Houston-Clear Lake
DATE: July 26, 2022
RE: Chief Executive Officer Reporting Requirements under Tex. Educ. Code § 51.253(c)

Under the Texas Education Code (TEC), Section 51.253(c), the institution’s Chief Executive Officer is required to submit a data report at least once during each fall or spring semester to the institution’s governing body and post on the institution’s website a report concerning the reports employees received under the TEC, Section 51.252, where the type of incident described in the employee’s report constitutes “sexual harassment,” “sexual assault,” “dating violence,” or “stalking” as defined in the TEC, Section 51.251, and any disciplinary actions taken under TEC, Section 51.255.

For the purpose of complying with the Chief Executive Officer’s reporting requirements under the TEC, Section 51.253(c), the attached summary data reports¹ (Appendices A-D) includes all of the required reporting information to the **University of Houston System – Board of Regents** for the time period of **July 1, 2021 through June 30, 2022**. The reports received may be applicable in multiple reporting categories, and therefore, the summary data in the categories may not add up to the totals of other categories.

The summary data report will also be posted on each campus’s Title IX webpage per the public reporting requirements under the TEC, Section 51.253(c).

Note: Any additional reports received by the Title IX Coordinator that do not meet the required reporting criteria in the TEC have been omitted. A glossary is included in Appendix F.

¹ When identifiable, duplicate reports were consolidated and counted as one report in the summary data. Confidential employee reporting is noted as a sub-set to the total number of reports received.

**Appendix A: University of Houston System
Summary Data Report
July 1, 2021 – June 30, 2022**

Texas Education Code, Section 51.252	
Number of reports received under Section 51.252	6
Number of confidential reports under Section 51.252	0
Number of formal investigations conducted under Section 51.252*	0
Disposition of any disciplinary processes for reports under Section 51.252:	0
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	--
e. SUBTOTAL	--
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	6
a. Unidentified or unaffiliated respondent	2
b. Confidential report (unidentified complainant)	--
c. Insufficient information to investigate	--
d. Complainant requested no investigation	--
e. Other administrative closure or informal resolution	2
f. Preliminary investigation pending	2
g. SUBTOTAL	6

* The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee's failure to report or who submits a false report to the institution under Section 51.255(a)	1
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--
c. Pending investigation	--

**Appendix B: University of Houston
Summary Data Report
July 1, 2021 – June 30, 2022**

Texas Education Code, Section 51.252	
Number of reports received under Section 51.252	544
Number of confidential reports under Section 51.252	201
Number of formal investigations conducted under Section 51.252*	11
Disposition of any disciplinary processes for reports under Section 51.252:	11
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	(1)
d. Pending formal investigation	11
e. SUBTOTAL	11 (1)
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	533
a. Unidentified or unaffiliated respondent	173
b. Confidential report (unidentified complainant)	201
c. Insufficient information to investigate	18
d. Complainant requested no investigation	17
e. Other administrative closure or informal resolution	88
f. Preliminary investigation pending	36
g. SUBTOTAL	533

* The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Cases in “()” were reported in a previous year but concluded during this current year.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee’s failure to report or who submits a false report to the institution under Section 51.255(a)	7
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--
c. Pending investigation	5

**Appendix C: University of Houston-Clear Lake
Summary Data Report
July 1, 2021 – June 30, 2022**

Texas Education Code, Section 51.252	
Number of reports received under Section 51.252	45
Number of confidential reports under Section 51.252	2
Number of formal investigations conducted under Section 51.252*	1
Disposition of any disciplinary processes for reports under Section 51.252:	1
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	1
e. SUBTOTAL	1
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	45
a. Unidentified or unaffiliated respondent	21
b. Confidential report (unidentified complainant)	2
c. Insufficient information to investigate	11
d. Complainant requested no investigation	10
e. Other administrative closure or informal resolution	--
f. Preliminary investigation pending	1
g. SUBTOTAL	45

* The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee's failure to report or who submits a false report to the institution under Section 51.255(a)	1
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	1
c. Pending investigation	--

Appendix D: University of Houston-Downtown
Summary Data Report
July 1, 2021 – June 30, 2022

Texas Education Code, Section 51.252	
Number of reports received under Section 51.252	62
Number of confidential reports under Section 51.252	2
Number of formal investigations conducted under Section 51.252*	1
Disposition of any disciplinary processes for reports under Section 51.252:	1
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	1
e. SUBTOTAL	1
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	61
a. Unidentified or unaffiliated respondent	45
b. Confidential report (unidentified complainant)	2
c. Insufficient information to investigate	2
d. Complainant requested no investigation	8
e. Other administrative closure or informal resolution	3
f. Preliminary investigation pending	1
g. SUBTOTAL	61

* The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee's failure to report or who submits a false report to the institution under Section 51.255(a)	0
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	Not applicable
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--

**Appendix E: University of Houston-Victoria
Summary Data Report
July 1, 2021 – June 30, 2022**

Texas Education Code, Section 51.252	
Number of reports received under Section 51.252	31
Number of confidential reports under Section 51.252	1
Number of formal investigations conducted under Section 51.252*	1
Disposition of any disciplinary processes for reports under Section 51.252:	1
a. Concluded, No Finding of Policy Violation	(1)
b. Concluded, with Employee Disciplinary Sanction	
c. Concluded, with Student Disciplinary Sanction	
d. Pending formal investigation	1
e. SUBTOTAL	1 (1)
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	30
a. Unidentified or unaffiliated respondent	11
b. Confidential report (unidentified complainant)	1
c. Insufficient information to investigate	9
d. Complainant requested no investigation	5
e. Other administrative closure or informal resolution	2
f. Preliminary investigation pending	2
g. SUBTOTAL	30

* The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Cases in “()” were reported in a previous year but concluded during this current year.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee’s failure to report or who submits a false report to the institution under Section 51.255(a)	2
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--
c. Pending investigation	--

Appendix F: Glossary

<p>Number of reports received under Section 51.252</p>	<p>Reports made by students and all other non-employees (including incidents under 3.5(d)(3)) are excluded from Appendices A and B. Additionally, if a Title IX Coordinator determines that the type of incident described in a report, as alleged, does not constitute “sexual harassment,” “sexual assault,” “dating violence,” or “stalking” as defined in the TEC, Section 51.251, the report is excluded from Appendices A and B. It is the responsibility of the Title IX Coordinator to assess each report received and determine whether it is properly included in this report, and if so, to correctly identify the type of incident.</p>
<p>Number of confidential reports under Section 51.252</p>	<p>“Number of confidential reports” is a sub-set of the total number of reports that were received under Section 51.252, by a confidential employee or office (e.g., Student Counseling Services or Student Health Services).</p>
<p>Disposition of any disciplinary processes for reports under Section 51.252</p>	<p>“Disposition” means “final result under the institution’s disciplinary process” as defined in the Texas Higher Education Coordinating Board’s (THECB) rules for the TEC, Section 51.259 [See 19 Texas Administrative Code, Section 3.6(3) (2019)]; therefore, pending disciplinary processes will not be listed until the final result is rendered.</p>
<p>Formal Investigation</p>	<p>Per the UH-System Policy, a formal investigation is initiated when the complainant or University files a formal complaint against the respondent.</p>
<p>No Finding of Policy Violation</p>	<p>“No Finding of a Policy Violation” refers to instances where there is no finding of responsibility after a formal investigation and an appeal process.</p>
<p>Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process</p>	<p>The institution may have determined “not to initiate a disciplinary process.” The reasons for not initiating a discipline process can include, but are not limited to: administrative closure; insufficient information to investigate; confidential employee reporting (no identifiable information); the respondent’s identity was unknown or not reported; the respondent was not university-affiliated; the complainant requested the institution not investigate the report; informal resolution was completed; the investigation is ongoing; or the formal investigation was completed with a preponderance of evidence not met.</p>

**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



08-05-2022

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

8/18/2022

**HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY
OF HOUSTON SYSTEM)**

FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

**HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
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AUGUST 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents,
University of Houston System:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Houston Public Media (the "Stations"), a division of the University of Houston System (the "UH System"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Stations' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Stations' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stations as of August 31, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements of the Stations are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the Stations-related accounts of the UH System that are attributable to the transactions of the Stations. They do not purport to, and do not, present fairly the financial position of the UH System as of August 31, 2021, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

2020 Financial Statements

The financial statements of the Stations for the year ended August 31, 2020, before the restatement described in Note 13, were audited by another auditor whose report dated March 5, 2021, expressed an unmodified opinion on those statements.

As part of our audit of the August 31, 2021 financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been appropriately applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

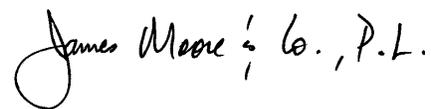
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stations' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A vertical line is positioned to the left of the signature. The signature is written in cursive and reads "James Moore & Co., P.L."

Gainesville, Florida
March 1, 2022

**HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020**

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") provides an overview of the activities and the financial position of Houston Public Media (the "Stations"), a division of the University of Houston ("UH") System (the "UH System"), as of and for the years ended August 31, 2021 and 2020. This MD&A offers a summary of significant current year activities of the Stations, resulting changes in net position and currently known economic conditions and facts. This analysis should be read in conjunction with the Stations' financial statements and the notes to the financial statements. Responsibility for the financial statements, related note disclosures and MD&A rests with the Stations' management.

The Stations, licensed to the Board of Regents of the UH System, are located at the UH System's Central campus and are a division of UH. Houston Public Media Foundation ("HPMF") is a legally separate and tax-exempt entity meeting the criteria to be discretely presented as a component unit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Stations herewith present their financial statements for fiscal years ended August 31, 2021 and 2020. The financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes accounting principles generally accepted in the United States of America for state and local governments. The three primary financial statements presented are the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The information contained in the financial statements of the Stations is incorporated within the UH System's Annual Financial Report.

FINANCIAL STATEMENTS

The financial statements consist of the following:

The *statement of net position* reflects the Stations' assets and liabilities using the accrual basis of accounting, and represents the financial position as of the conclusion of the fiscal year. Net position is equal to assets minus liabilities. Unrestricted net position is available to the Stations for any lawful purpose. Unrestricted net position often has constraints imposed by management, which can be removed or modified. Net investment in capital assets represents the original acquisition value of capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Restricted net position represents net position that can be utilized only in accordance with third-party imposed restrictions.

The *statement of revenues, expenses, and changes in net position* identifies operating revenues received by the Stations. Additionally, the operating expenses incurred by the Stations during the fiscal year are displayed. Any revenues or expenses resulting from other than operations would also be displayed on this statement.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020
(Continued)

The *statement of cash flows* reflects the inflows and outflows of cash and cash equivalents and shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the statement of net position described above. In addition, this statement reconciles cash flows from operating activities to operating income (loss) on the statement of revenues, expenses, and changes in net position described above.

This MD&A uses the prior fiscal year as a reference point in illustrating issues and trends for determining whether the Stations' financial health may have improved or deteriorated.

CONDENSED FINANCIAL INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	\$ 4,831,142	\$ 137,167	\$ 607,299
Capital assets, net	2,679,880	3,318,674	3,970,165
Other non-current assets	2,339,316	1,783,015	1,659,073
Total assets	<u>9,850,338</u>	<u>5,238,856</u>	<u>6,236,537</u>
Liabilities:			
Current liabilities	<u>985,684</u>	<u>887,701</u>	<u>963,949</u>
Net position:			
Net investment in capital assets	2,679,880	3,318,674	3,954,024
Restricted for endowment funds	2,394,143	1,782,266	1,659,073
Unrestricted (deficit)	3,790,631	(749,785)	(340,509)
Total net position	<u>\$ 8,864,654</u>	<u>\$ 4,351,155</u>	<u>\$ 5,272,588</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 21,863,044	\$ 24,521,590	\$ 26,241,679
Operating expenses	<u>18,772,041</u>	<u>25,534,305</u>	<u>22,461,756</u>
Operating income (loss)	<u>3,091,003</u>	<u>(1,012,715)</u>	<u>3,779,923</u>
Nonoperating income (loss):			
American Rescue Plan funds	883,632	-	-
Endowment contributions (distributions)	(33,264)	(58,491)	(57,499)
Gain from endowment	589,129	138,635	46,761
Other nonoperating income (expense)	(17,001)	11,138	92,786
	<u>1,422,496</u>	<u>91,282</u>	<u>82,048</u>
Change in net position	4,513,499	(921,433)	3,861,971
Net position, beginning of year (as restated)	4,351,155	5,272,588	1,410,617
Net position, end of year	<u>\$ 8,864,654</u>	<u>\$ 4,351,155</u>	<u>\$ 5,272,588</u>

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020
(Continued)

Operating revenues include sources that are primarily used to provide services to the Stations' viewers and listeners. The following schedule presents a summary and comparison of revenues for the fiscal years ended August 31, 2021, 2020 and 2019:

Revenues by Source	FY21		FY20		FY19		2021 – 2020 Increase (Decrease)		2020 – 2019 Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
Operating revenues:										
Contributions	\$ 12,754,784	58%	\$ 13,728,142	56%	\$ 15,680,322	60%	\$ (973,358)	37%	\$ (1,952,180)	113%
General support from the UH System	2,558,750	12%	3,534,612	14%	3,352,847	13%	(975,862)	37%	181,765	-11%
Program underwriting	2,595,593	12%	3,458,115	14%	3,312,716	13%	(862,522)	32%	145,399	-8%
Production service Corporation for Public Broadcasting (CPB) grants	883,981	4%	1,080,708	4%	1,250,269	5%	(196,727)	7%	(169,561)	10%
Royalties	2,331,099	11%	2,218,525	9%	1,963,671	7%	112,574	-4%	254,854	-15%
Special events	100,797	0%	-	0%	-	0%	100,797	-4%	-	0%
Other	93	0%	6,834	0%	7,013	0%	(6,741)	0%	(179)	0%
Total operating revenues	637,947	3%	494,654	2%	674,841	3%	143,293	-5%	(180,187)	10%
	<u>\$ 21,863,044</u>	<u>100%</u>	<u>\$ 24,521,590</u>	<u>100%</u>	<u>\$ 26,241,679</u>	<u>100%</u>	<u>\$ (2,658,546)</u>	<u>100%</u>	<u>\$ (1,720,089)</u>	<u>-7%</u>

Operating expenses are the costs necessary to provide those services and to fulfill the mission of the Stations. Alternatively, operating expenses categorized using the natural classification method are disclosed in the schedules of functional expenses. The following schedule presents a summary and comparison of expense for the fiscal years ended August 31, 2021, 2020 and 2019.

Expenses by Function	FY21		FY20		FY19		2021 – 2020 Increase (Decrease)		2020 – 2019 Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
Operating expenses:										
Programming and production (PRD) Broadcasting, engineering and technical (BET)	\$ 7,536,923	40%	\$ 8,928,511	35%	\$ 8,619,318	38%	\$ (1,391,588)	21%	\$ 309,193	10%
Occupancy and physical plant operations (BET)	2,162,307	12%	4,243,601	17%	2,574,406	11%	(2,081,294)	31%	1,669,195	54%
Program information (PGM)	325,429	2%	325,429	1%	325,429	1%	-	0%	-	0%
Fundraising and membership development (FND)	1,435	0%	280	0%	4,967	0%	1,155	0%	(4,687)	0%
Underwriting and grant solicitation (UND)	1,688,065	9%	1,738,467	7%	2,677,282	12%	(50,402)	1%	(938,815)	-31%
Management and general (MGT)	707,776	4%	1,018,271	4%	319,353	1%	(310,495)	5%	698,918	23%
Institutional support (MGT)	3,220,196	17%	5,165,325	20%	3,935,917	18%	(1,945,129)	29%	1,229,408	40%
Depreciation	2,233,321	12%	3,209,183	13%	3,027,418	13%	(975,862)	14%	181,765	6%
Total operating expenses	896,589	5%	905,238	4%	977,666	4%	(8,649)	0%	(72,428)	-2%
	<u>\$ 18,772,041</u>	<u>100%</u>	<u>\$ 25,534,305</u>	<u>100%</u>	<u>\$ 22,461,756</u>	<u>100%</u>	<u>\$(6,762,264)</u>	<u>100%</u>	<u>\$ 3,072,549</u>	<u>100%</u>

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020
(Continued)

FINANCIAL HIGHLIGHTS AND ANALYSIS

Assets and Liabilities - Fiscal Year 2021 Compared to Fiscal Year 2020

- Current assets increased primarily due to a large operating surplus that substantially increased cash and cash equivalents due to significant expense measures put in place for FY21 in anticipation of the pandemic's impact on fundraising.
- There were increases in the market values for the investments restricted for endowments.
- HPM's current liabilities increases are driven by accounts payable and unearned revenue results. Unearned revenue refers to underwriting revenue collected before the broadcast schedule airs that it is funding.

Assets, and Liabilities - Fiscal Year 2020 Compared to Fiscal Year 2019

- Current assets decreased primarily due to large expenditures for Houston Public Media's tower and transmitter consolidation and relocation project. Expenditures flowed through operations and reduced Houston Public Media's final cash position.
- There were increases in the market values for the investments restricted for endowments.
- HPM saw an overall decrease in current liabilities due to decreases in accrued payroll expenses, accrued employee compensable leave and accrued accounts payable. The HPM Chiller note payable balance was fully paid off.

Operating Revenues – Fiscal Year 2021 Compared to Fiscal Year 2020

Houston Public Media's operating revenue was impacted by the pandemic in the recurring revenue channels of contributions, underwriting, and production service. Contributions were also impacted because multi-year commitments to the Tower and Transmitter consolidation project were fully funded in 2020 and are not recurring in 2021. HPM's overall revenue benefited from a one-time American Rescue Plan grant from CPB of \$883,632 that is listed in nonoperating income.

Operating Revenues – Fiscal Year 2020 Compared to Fiscal Year 2019

Houston Public Media's revenue from contributions decreased by \$1,952,180. Other revenue channels remained strong in fiscal year 2020. There were revenue increases to memberships and underwriting and the CPB received additional funds for COVID relief, which was distributed to stations resulting in approximately \$255,000 in additional grant.

Operating Expenses – Fiscal Year 2021 Compared to Fiscal Year 2020

Operating expenses decreased across all departments due to staff reductions at the end of FY20 in anticipation of COVID-19 driven revenue-declines. Broadcasting, engineering, and technical expenses were significantly reduced due to the Tower and Transmitter consolidation project major expense completion in FY20. Additionally, in Management and General, travel expenses were greatly reduced due to COVID-19.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020
(Continued)

Operating Expenses – Fiscal Year 2020 Compared to Fiscal Year 2019

Operating expense variances were primarily driven by the tower and transmitter consolidation/relocation project. This accounts for approximately \$1.5 million increase in 2020. Additionally, programming expenses were up approximately \$300,000 due to vendor increases. Salaries and benefits were flat year over year. Travel and other discretionary expenses were closely managed in response to anticipated revenue impact resulting from COVID-19 business disruptions.

Capital Asset and Debt Administration

As of the end of fiscal 2021 and 2020, the Stations had \$2,679,880 and \$3,318,674 of capital assets, net of accumulated depreciation, respectively. These assets included buildings and building improvements, furniture and equipment, vehicles, land, and indefinite-lived intangible assets.

Title to these assets resides with the UH System, which allocates custody of the assets to the Stations for its operational needs. Accountability for capital assets is consistent with policies established by the State of Texas. Assets are depreciated over their recommended useful lives. The Stations capitalize assets when the acquisition cost exceeds certain threshold values. Funds for the acquisition of capital assets are provided from the Stations' operating revenues.

Requests for Information

Questions regarding the information provided in this Annual Financial Report or requests for additional financial information should be addressed to the Director of Finance, Houston Public Media at: KUHF-FM & KUHT-TV, 4343 Elgin, Houston, Texas 77204-0008.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
STATEMENTS OF NET POSITION
AUGUST 31, 2021 AND 2020

	<u>2021</u>		<u>2020</u>	
	<u>Primary Institution</u>	<u>Component Unit (HPMF)</u>	<u>Primary Institution</u>	<u>Component Unit (HPMF)</u>
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	\$ 3,896,239	\$ 1,001,564	\$ 37,397	\$ 717,900
Accounts receivable	-	688,600	-	554,960
Restricted cash and cash equivalents	883,632	315,027	-	246,940
Film rights, net	51,271	-	99,770	-
Total current assets	<u>4,831,142</u>	<u>2,005,191</u>	<u>137,167</u>	<u>1,519,800</u>
Noncurrent assets				
Capital assets, net	2,679,880	14,100	3,318,674	14,100
Investments	2,339,316	2,053,673	1,783,015	1,672,247
Total noncurrent assets	<u>5,019,196</u>	<u>2,067,773</u>	<u>5,101,689</u>	<u>1,686,347</u>
Total Assets	<u>9,850,338</u>	<u>4,072,964</u>	<u>5,238,856</u>	<u>3,206,147</u>
<u>LIABILITES</u>				
Current liabilities				
Accounts payable	133,214	232,334	15,030	213,716
Accrued payroll	473,637	-	493,838	-
Employees' compensable leave	378,833	-	378,833	-
Unearned revenue	-	249,145	-	273,617
Total liabilities	<u>985,684</u>	<u>481,479</u>	<u>887,701</u>	<u>487,333</u>
<u>NET POSITION</u>				
Net position				
Net investment in capital assets	2,679,880	14,100	3,318,674	14,100
Restricted:				
Nonexpendable	1,510,511	2,053,673	1,547,744	1,678,894
Expendable	883,632	315,027	234,522	264,940
Unrestricted (deficit)	3,790,631	1,208,685	(749,785)	760,880
Total Net Position	<u>\$ 8,864,654</u>	<u>\$ 3,591,485</u>	<u>\$ 4,351,155</u>	<u>\$ 2,718,814</u>

The accompanying notes to financial statements
are an integral part of these statements.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	2021		2020	
	Primary Institution	Component Unit (HPMF)	Primary Institution	Component Unit (HPMF)
Operating revenues				
Contributions	\$ 12,754,784	\$ 12,284,358	\$ 13,728,142	\$ 11,751,349
General support from the UH System	2,558,750	-	3,534,612	-
Program underwriting	2,595,593	3,010,617	3,458,115	4,134,161
Production service	883,981	14,132	1,080,708	4,774
Corporation for Public Broadcasting (CPB) grants	2,331,099	-	2,218,525	-
Royalties	100,797	-	-	-
Special events	93	-	6,834	-
Other	637,947	68,087	494,654	68,650
Total operating revenues	<u>21,863,044</u>	<u>15,377,194</u>	<u>24,521,590</u>	<u>15,958,934</u>
Operating expenses				
Grants to primary institution	-	12,426,907	-	13,698,282
Programming and production (PRD)	7,536,923	95,774	8,928,511	76,648
Broadcasting, engineering and technical (BET)	2,162,307	5,041	4,243,601	10,091
Occupancy and physical plant operations (BET)	325,429	-	325,429	-
Program information (PGM)	1,435	-	280	-
Fundraising and membership development (FND)	1,688,065	1,465,852	1,738,467	1,473,799
Underwriting and grant solicitation (UND)	707,776	707,776	1,018,271	1,071,025
Management and general (MGT)	3,220,196	184,599	5,165,325	400,983
Institutional support (MGT)	2,233,321	-	3,209,183	-
Depreciation	896,589	-	905,238	-
Total operating expenses	<u>18,772,041</u>	<u>14,885,949</u>	<u>25,534,305</u>	<u>16,730,828</u>
Operating income (loss)	<u>3,091,003</u>	<u>491,245</u>	<u>(1,012,715)</u>	<u>(771,894)</u>
Nonoperating income (loss)				
American Rescue Plan funds	883,632	-	-	-
Endowment contributions (distributions)	(33,264)	-	(58,491)	18,000
Gain (loss) from endowment	589,129	381,426	138,635	(24,647)
Other nonoperating income (expense)	(17,001)	-	11,138	-
Total nonoperating income (loss)	<u>1,422,496</u>	<u>381,426</u>	<u>91,282</u>	<u>(6,647)</u>
Change in net position	<u>4,513,499</u>	<u>872,671</u>	<u>(921,433)</u>	<u>(778,541)</u>
Net position , beginning of year, as restated (Note 13)	4,351,155	2,718,814	5,272,588	3,497,355
Net position , end of year	<u>\$ 8,864,654</u>	<u>\$ 3,591,485</u>	<u>\$ 4,351,155</u>	<u>\$ 2,718,814</u>

The accompanying notes to financial statements
are an integral part of these statements.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
	<u>Primary</u>	<u>Primary</u>
	<u>Institution</u>	<u>Institution</u>
Cash flows from operating activities		
Proceeds from contributions	\$ 12,754,784	\$ 13,728,142
Proceeds from CPB grants	2,331,099	2,218,525
Proceeds from program underwriting	2,595,593	3,458,118
Proceeds from other revenues	1,622,818	1,582,196
Payments to suppliers for goods and services	(7,052,270)	(7,228,868)
Payments to employees	(5,965,842)	(9,372,987)
Payments for broadcasting fees	(2,113,808)	(4,442,615)
Net cash provided by (used in) operating activities	<u>4,172,374</u>	<u>(57,489)</u>
Cash flows from noncapital financing activities		
Proceeds from American Rescue Plan funds	883,632	-
Other nonoperating income	-	11,138
Net cash provided by noncapital financing activities	<u>883,632</u>	<u>11,138</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(274,796)	(253,747)
Purchase of film rights	(38,300)	(117,695)
Payments on note payable	-	(16,141)
Net cash used in capital and related financing activities	<u>(313,096)</u>	<u>(387,583)</u>
Cash flows from investing activities		
Endowment distributions	(33,264)	(58,491)
Other	32,828	14,693
Net cash used in investing activities	<u>(436)</u>	<u>(43,798)</u>
Change in cash and cash equivalents	<u>4,742,474</u>	<u>(477,732)</u>
Cash and cash equivalents, beginning of year	37,397	515,129
Cash and cash equivalents, end of year	<u>\$ 4,779,871</u>	<u>\$ 37,397</u>
Cash and cash equivalents are presented on the Statements of Net Position as:		
Cash and cash equivalents	\$ 3,896,239	\$ 37,397
Restricted cash and cash equivalents	883,632	-
	<u>\$ 4,779,871</u>	<u>\$ 37,397</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 3,091,003	\$ (1,012,715)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	896,589	905,238
Amortization of film rights	86,799	110,092
Changes in assets and liabilities:		
Accounts receivable	-	3
Accounts payable	118,184	(2,640)
Accrued payroll	(20,201)	(19,313)
Employees' compensable leave	-	(38,154)
Total adjustments	<u>1,081,371</u>	<u>955,226</u>
Net cash provided by (used in) operating activities	<u>\$ 4,172,374</u>	<u>\$ (57,489)</u>

The accompanying notes to financial statements
are an integral part of these statements.

**HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020**

(1) **Entity:**

Houston Public Media (the “Stations” or “Primary Institution”) of the University of Houston (“UH”) System (the “UH System”), which consists of a noncommercial, listener-supported radio station (“KUHF”) and a viewer-supported television station (“KUHT”), serves as Houston's National Public Radio (“NPR”) affiliate and classical music source and Houston's Public Broadcasting Services (“PBS”) affiliate. KUHF signed on the air in 1950 as a public radio station. KUHT signed on the air on May 25, 1953, as the nation's first noncommercial educational television station. KUHF provides news and cultural programming at both local and national levels. KUHT provides the building blocks for the Stations' schedule with locally produced and acquired programs selected primarily for their appeal to a national audience; programs chosen on the basis of quality and audience interests are presented uninterrupted by commercial announcements. The Stations, licensed to the Board of Regents of the UH System, are located at the UH System's Central campus and are a division of the UH System. As a division of the UH System, the Stations are exempt from federal income taxes other than taxes on unrelated business income, if any. The Stations operate 24 hours a day. The Stations are located in the fourth largest metropolitan area of the United States. These financial statements present financial information that is attributable to the Stations and do not purport to, and do not, present fairly the financial position of the UH System.

The Stations are dedicated to education and outreach through a wide variety of activities, such as community advancement, and expanding and strengthening partnerships and collaborations with key arts organizations in Houston. In pursuing all the dissimilar goals, the Stations have consistently used cutting edge technology to extend the value of its services.

KUHT is a full-service television station licensed to UH. The studio facilities are on the UH campus in the LeRoy and Lucile Melcher Center for Public Broadcasting. The transmitter facilities are located in Missouri City, Texas. The digital video services offered today include one high-definition program service and two standard-definition services. KUHT was the first Houston television station to offer closed captioning for hearing impaired viewers and descriptive video for visually impaired persons. It was the first in Houston to offer stereo broadcasts and the first to make use of the Second Audio Program capabilities to provide additional services to the Greater Houston area, including access to the Houston Taping for the Blind radio service. The broadcast signal reaches 33 counties in southeast Texas and is carried on numerous cable television systems, as well as both the Dish Network and DirecTV satellite services.

KUHF's new media technologies are rapidly developing with the changing landscape of on-demand media around the world. Services include all news and all music internet streams; podcasts; on-demand shows; user interactive event calendars; RSS feeds; and iPhone, Android and iPad applications.

Houston Public Media Foundation (“HPMF”), formerly known as the Association for Community Broadcasting (“ACB”) and as the Association for Community Television (“ACT”), was organized in 1969, as a Texas nonprofit corporation, primarily for the purpose of providing financial and other support to KURT, Channel 8, in Houston, Texas. On January 25, 2005, the Board of Regents of the UH System and ACT agreed that the same services provided to KUHT would also be provided to KUHF and thus adopted the ACB name. On January 30, 2014, ACB changed its name to HPMF to be more aligned with the station's new branding under the newly formed Houston Public Media division of UH.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

(1) **Entity:** (Continued)

The UH System and HPMF, as part of an ongoing agreement, have stipulated that all grants for the Stations' programming and other activities will be deposited with the UH System's Office of Sponsored Programs or, at the discretion of the general manager of the Stations, deposited in accounts maintained by HPMF and immediately and exclusively available to the Stations.

HPMF is directed by a Board of Directors, who are elected by other HPMF Directors, and is managed on a daily basis by a combination of Board Officers and the Stations' employees. There are no separately issued financial statements of HPMF.

HPMF is a legally separate and tax-exempt entity meeting all of the following criteria to be discretely presented as a component unit. These criteria are as follows:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The financial statements of the Primary Institution and its component unit, HPMF, are presented using the same categories in order to provide consistency. HPMF is not a governmental entity, and as such, current year data has been made to conform to reporting under Governmental Accounting Standards Board ("GASB") standards.

(2) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of the Stations, which affect significant elements of the accompanying financial statements:

(a) **Basis of accounting**—The financial accounting records of the Stations and HPMF are maintained by the UH System's Office of the Associate Vice Chancellor for Finance in accordance with accounting principles generally accepted in the United States of America for colleges and universities.

The financial statements for both the Stations and HPMF are presented using the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and all expenses are recorded when they have been incurred.

(b) **Reporting guidelines**—The Stations are reported as a single-purpose business-type activity entity. In addition, the Stations' financial statements have been prepared in accordance with the CPB's *Application Principles of Accounting and Financial Reporting to Public Telecommunications Entities*.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

(2) **Summary of Significant Accounting Policies:** (Continued)

(c) **Net position**—In the statements of net position, net position includes the following:

(i) *Net investment in capital assets*—Represents the Stations' or HPMF's original acquisition value of capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

(ii) *Restricted*—The component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation, reduced by any liabilities to be paid from these assets.

Nonexpendable restricted net position—represents endowment principal which cannot be used for operational purposes and which is restricted in perpetuity.

Expendable restricted net position—represents income received from endowments, which are available for purposes restricted by the donors, and can include grants and gifts restricted by the donor for a specific purpose.

(iii) *Unrestricted*—represents resources that are available for the support of the Stations' or HPMF's operations.

When the Stations or HPMF incur an expense for which both restricted and unrestricted resources may be used, it is the policy of management to use restricted resources first then unrestricted resources.

(d) **Revenue recognition**—Appropriations from the University are recorded as revenues within production services, program underwriting, and other in the statement of revenues, expenses, and changes in net position when an expenditure is recorded.

Unrestricted contributions and gifts do not have binding agreements and are recorded as revenues when received. Unrestricted grants are recorded as revenues at the time the grant awards are received and when eligibility requirements have been met. Restricted support and revenues are recognized upon incurring the appropriate expenses or meeting the eligibility requirements.

Underwriting revenues are contributions and are recognized as support in the period received.

(e) **Accounts receivable**—Accounts receivable are stated at the amount billed to customers or grantors. Accounts receivable are ordinarily due 30 days after the issuance of an invoice. There was no allowance for doubtful accounts recorded at August 31, 2021 and 2020.

(f) **Cash and cash equivalents**—Cash and cash equivalents are considered to be claims on cash, cash on hand and demand deposits with original maturities of three months or less from the date of acquisition.

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(2) **Summary of Significant Accounting Policies:** (Continued)

Cash and equivalents and restricted cash for the Stations represent the Stations' prorated share of commingled cash and cash equivalents held and invested by the UH System acting as the Stations' fiscal agent to optimize the rate of return. All of the funds included in cash and cash equivalents are insured or registered or are securities held by the UH System or its agent in the UH System's name.

Immediately upon formal written notification of an approved appropriation or grant, the UH System permits the Stations to draw cash against the full appropriation or grant (in compliance with the terms of the appropriation or grant) regardless of whether the UH System has received the related funds.

For current accounts, the UH System allocated a percentage of the interest income earned to the Stations at a fixed rate based on its monthly average cash balance.

(g) **Capital assets**—Capital assets represent buildings and equipment acquired primarily for the operation of the Stations. Title of the buildings and equipment rests with the State of Texas (the “State”) in the name of the UH System and, therefore, such assets can be transferred to or from the Stations at the discretion of the UH System. The threshold for capitalization of assets is \$5,000 and over. Capital assets are stated at cost at the date of acquisition or estimated acquisition value at the date of donation. Expenditures for repairs and maintenance are charged to current operating expenses as incurred.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	15-22 years
Furniture and equipment	3-15 years
Intangible and other assets	10 years
Land	Not depreciable
Indefinite-lived intangible assets	Not depreciable

Useful lives are established by a uniform classification system maintained by the State and are measured from the date of acquisition.

(h) **Film rights**—Film rights purchased are amortized over the respective contract periods on a straight-line basis or over the period of expected usage. Estimated useful lives of such rights range from one to five years.

(i) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Stations report gifts of equipment, materials, professional services and other nonmonetary contributions as support in the accompanying statement of revenues, expenses, and changes in net position.

HOUSTON PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS
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(2) **Summary of Significant Accounting Policies:** (Continued)

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

In-kind contributions included in revenues and expenses in the accompanying statements of revenues, expenses, and changes in net position consist of general support from the UH System, which is further described in Note 7.

The fair value of merchandise contributed by third parties in connection with the Stations' fundraising activities is not included in the accompanying financial statements. Donated in-kind contributions of services and other intangibles, as well as promotional merchandise and donated personal services, are also not included in the accompanying financial statements.

(j) **Corporation for Public Broadcasting Community Service Grants**—The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any remaining CSG funds and other restricted CPB grant funds at fiscal year-end are reported as restricted cash and restricted-expendable net position on the statements of net position.

(k) **General support from the UH System**—General support from the UH System consists of allocated institutional support and physical plant costs (indirect administrative support) incurred by the UH System for which the Stations receive benefits.

Indirect administrative support is calculated using the CPB's Standard Method. For purposes of this calculation, expenses for non-broadcasting activities and unrelated business income taxes are removed from the Stations' total operating expenses, along with depreciation, amortization, in-kind contributions, and donated property and equipment to determine the Station's net direct expenses.

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(2) **Summary of Significant Accounting Policies:** (Continued)

For the years ended August 31, 2021 and 2020, there were no non-broadcasting activities or unrelated business income taxes.

(l) **Operating activities**—The Stations’ policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting services to the Stations’ audience or to further HPMF’s exempt purpose. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues. American Rescue Plan Act (“ARPA”) stabilization funds are also included within non-operating activities as these funds did not result from normal operations of the Stations or HPMF.

(m) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

(n) **Employees’ compensable leave**—The liability for employees’ compensable leave represents employees’ accrued annual leave based on length of service subject to certain limitations as defined by state statute and UH System policies.

(o) **Unearned revenues**—Grant and program underwriting revenues received relating to the period after fiscal year-end are reported as unearned revenues.

(p) **Advertising**—Advertising costs are charged to operations when incurred. The Stations’ advertising expense for the year ended August 31, 2021 was \$13,030. There was no advertising expense for the year ended August 31, 2020.

(q) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(r) **Pension and other postemployment benefits**—As the Stations are a department of the UH System, any pension and other postemployment benefits liabilities are reported by the UH System. The UH System Annual Financial Statements may be obtained from: <https://uh.edu/office-of-finance/finance-reporting/>.

(s) **Recent accounting pronouncements**—In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for the Stations’ fiscal year ending August 31, 2022. Earlier application is encouraged. The Stations are currently evaluating the effect that implementation of the new Statement will have on their financial statements.

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(2) **Summary of Significant Accounting Policies:** (Continued)

In June 2018, GASB issued Statement No. 89, *Interest Cost in Construction*. GASB 89 was made to enhance the comparability of information about capital assets and the cost of borrowing for a reported period, and aims to simplify accounting for the interest cost incurred before the end of a construction period. The provisions in GASB 89 are effective for the Stations' fiscal year ending August 31, 2022. The Stations are currently evaluating the impact the Statement will have on their financial statements.

(t) **Income taxes**—The UH System, of which the Stations are a division, is a university established as an agency of the State of Texas prior to 1969, and is qualified as a governmental entity not generally subject to federal income tax by reason of being a state or political subdivision thereof, or an integral part of a state or political subdivision thereof or an entity whose income is excluded from gross income for federal income tax purposes under Section 115 of the Internal Revenue Code of 1986 ("IRC"). However, as a state college or university, the UH System is subject to unrelated business income pursuant to IRC Section 511(a)(2)(B). No material unrelated business income tax was incurred for the years ended August 31, 2021 and 2020.

HPMF, whose purpose is to raise money for the Stations, is exempt from income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). No material unrelated business income tax was incurred by HPMF for the years ended August 31, 2021 and 2020.

Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(u) **Reclassifications**—Certain amounts in the prior year financials have been reclassified to conform to the current year presentation. These reclassifications had no effect on total net position.

(3) **Endowment Funds:**

(i) **Primary institution**—Gifts to the UH System are placed in the UH System's endowment fund (the "Endowment Fund"), which is a pooled investment of individual endowments benefiting the entire UH System.

The Endowment Fund allocated income (net of management fees) to the individual endowments based on an income allocation policy that establishes the income payment rate as a percentage on the average of the outstanding endowment's fair value in the previous 12 fiscal quarters. That percentage was 4% in fiscal years 2021 and 2020. If an endowment was in existence less than 12 quarters, the average was based on the number of quarters in existence.

The deposits and investments of the Stations and HPMF are exposed to certain inherent risks, such as credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The deposits and investments with the Endowment Fund are exposed to risks that have the potential to result in losses.

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(3) **Endowment Funds:** (Continued)

Those risks and their definitions are:

- Credit risk - the risk an insurer or counterparty to an investment will not fulfill its obligation.
- Custodial credit risk - the risk that in the case of default by the counterparty a government will be unable to recover its deposit/investment or collateralizing securities in the possession of an outside party. The Federal Depository Insurance Corporation (“FDIC”) covered cash on deposit up to \$250,000 at each financial institution. As of August 31, 2021 and 2020, HPMF had cash deposits held by Amegy Bank in the amount of approximately \$730,708 and \$468,000, respectively, that were uninsured and uncollateralized. HPM did not have any balances that were uninsured or uncollateralized as of August 31, 2021 and 2020, as all cash balances represent the claim of cash at the UH and not balances held at a financial institution.
- Concentration risk - the risk of loss attributable to the size of a government's investment in a single issuer.
- Interest rate risk - the risk that changes in interest rates will adversely affect the fair value of investments.
- Foreign currency risk - the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment.

During fiscal years 2021 and 2020, the Endowment Management Committee of the UH System Board of Regents continued to review existing objectives, risks, asset allocation and manager structure within the endowment portfolio. The Endowment Fund Statement of Investment Objectives and Policies, among other things, establishes financial objectives for the endowment and an asset allocation with targets and ranges and categorizes each asset class as either a risk reducer or a driver of return. Further information regarding the investment balances and risks with the Endowment Fund, which does not have a credit rating, may be obtained from the UH System Office of the Treasurer.

The following summarizes the Stations' activity for the years ended August 31, 2021 and 2020:

Balance, September 1, 2019	\$ 1,659,073
FY20 net contributions (distributions)	(58,491)
FY20 realized/unrealized gain	182,433
Balance, August 31, 2020	1,783,015
FY21 net contributions (distributions)	(33,264)
FY21 realized/unrealized gain	589,565
Balance, August 31, 2021	\$ 2,339,316

Unrealized gains and losses for each year are recorded in the accompanying statements of revenues, expenses and changes in net position.

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(3) **Endowment Funds:** (Continued)

(ii) **Component unit (HPMF)**—The gifts received by HPMF to create endowed accounts are invested in the HPMF Endowment Fund Investment Pool (the “Investment Pool”), which is operated and overseen by the HPMF Endowment Fund (the “Endowment”) and Gift Committee and held by the University of Houston Foundation (the “U of H” “Foundation”) The Investment Pool combines the assets of all endowment fund accounts and is allocated to external investment managers. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Thus, in any given year, any excess over the amount distributed from the Endowment will be reinvested to protect the capital against erosion by inflation.

The Endowment's spending policy is consistent with its investment objective of achieving long-term real growth in its assets. In order to achieve such long-term real growth, the Endowment should have as a goal that its total distributions and expenses not exceed the Endowment's total inflation-adjusted return on investments. Consistent with the Endowment's long-term investment objectives, the Board of Directors established the spending policy, which generally permits total distributions and expenses (including but not limited to investment management fees) not in excess of an amount equal to 4% of the average net asset value of the Endowment over the prior three years (or the life of the Endowment if shorter than three years). The Board of Directors may authorize distributions in excess of the 4% when the Stations have the need to fund one-time capital expenditures.

The Endowment has a related operating account to which annual income distributed from the endowment funds is deposited and to which expenditures, in accordance with the donor's wishes, may be charged. In the event that there is a balance in the Endowment operating account at fiscal year-end, it will automatically be transferred back to the endowment funds on a prorated basis (according to the income distributed). This procedure is called “Endowment Capitalization.” It is in the Endowment's best interests that surplus funds are capitalized, since they will yield new units and thus generate additional income in future years.

The Investment Pool is invested with an external investment manager in commingled funds who invests, for example, in marketable securities, fixed income, alternative investments, real estate and cash equivalents. The Investment Pool reported a fair value of \$2,053,673 and \$1,672,247 as of August 31, 2021 and 2020, respectively, which has been estimated by fund managers in the absence of readily available market values and is not publicly traded. These investments are domestic and international in nature and risks associated with these investments include liquidity risk, market risk, event risk, foreign exchange risk, interest rate risk and investment manager risk.

The U of H Foundation holds the Investment Pool and does not have a credit rating. Further information regarding the investment balances and risks with the U of H Foundation may be obtained from HPMF business offices by calling 713.748.8888.

The following summarizes HPMF's activity for the years ended August 31, 2021 and 2020:

Balance, September 1, 2019	\$ 1,678,894
FY20 distributions	18,000
FY20 realized/unrealized loss	(24,647)
Balance, August 31, 2020	<u>1,672,247</u>
FY21 realized/unrealized gain	381,426
Balance, August 31, 2021	<u>\$ 2,053,673</u>

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(4) Capital Assets:

Capital asset balances and activity for the year ended August 31, 2021, were as follows for the Stations:

	Balance September 1, 2020	Increases	Decreases	Transfers	Balance August 31, 2021
Capital assets:					
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	7,589,261	274,797	(2,738,429)	(283,958)	4,841,671
Intangible and other assets	75,000	-	-	-	75,000
Total capital assets	<u>20,370,722</u>	<u>274,797</u>	<u>(2,738,429)</u>	<u>(283,958)</u>	<u>17,623,132</u>
Less: Accumulated depreciation	17,052,048	896,589	2,721,427	283,958	14,943,252
Net capital assets	<u>\$ 3,318,674</u>	<u>\$ (621,792)</u>	<u>\$ (17,002)</u>	<u>\$ -</u>	<u>\$ 2,679,880</u>

Capital asset balances and activity for the year ended August 31, 2021, were as follows for HPMF:

	Balance September 1, 2020	Increases	Decreases	Transfers	Balance August 31, 2021
Capital assets:					
Land	\$ 14,100	\$ -	\$ -	\$ -	\$ 14,100
Program costs	652,089	-	-	-	652,089
Furniture and equipment	424,249	-	-	-	424,249
Other assets	4,050	-	-	-	4,050
Accounting software - FM	55,105	-	-	-	55,105
Accounting software - TV	55,105	-	-	-	55,105
Total capital assets	<u>1,204,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,204,698</u>
Less: Accumulated depreciation	1,190,598	-	-	-	1,190,598
Net capital assets	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>

Capital asset balances and activity for the year ended August 31, 2020, were as follows for the Stations:

	Balance September 1, 2019	Increases	Decreases	Transfers	Balance August 31, 2020
Capital assets:					
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	8,564,451	253,747	(1,228,937)	-	7,589,261
Intangible and other assets	75,000	-	-	-	75,000
Total capital assets	<u>21,345,912</u>	<u>253,747</u>	<u>(1,228,937)</u>	<u>-</u>	<u>20,370,722</u>
Less: Accumulated depreciation	17,375,747	905,238	1,228,937	-	17,052,048
Net capital assets	<u>\$ 3,970,165</u>	<u>\$ (651,491)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,318,674</u>

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(4) **Capital Assets:** (Continued)

Capital asset balances and activity for the year ended August 31, 2020, were as follows for HPMF:

	Balance September 1, 2019	Increases	Decreases	Transfers	Balance August 31, 2020
Capital assets:					
Land	\$ 14,100	\$ -	\$ -	\$ -	\$ 14,100
Program costs	652,089	-	-	-	652,089
Furniture and equipment	424,249	-	-	-	424,249
Other assets	4,050	-	-	-	4,050
Accounting software - FM	55,105	-	-	-	55,105
Accounting software - TV	55,105	-	-	-	55,105
Total capital assets	<u>1,204,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,204,698</u>
Less: Accumulated depreciation	1,190,598	-	-	-	1,190,598
Net capital assets	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>

The Stations had depreciation expense of \$896,589 and \$905,238 for the fiscal years ended August 31, 2021 and 2020, respectively. All of HPMF's depreciable assets were fully depreciated. Therefore, there was no depreciation expense for HPMF for the fiscal years ended August 31, 2021 and 2020.

(5) **Investments Restricted for Endowment and Programs:**

The Stations' investments restricted for endowment are placed in the Endowment Fund, which is a pooled investment of individual endowments. HPMF has investments restricted for endowment and investments restricted for programs in an external investment pool held with the U of H Foundation. None of the external investment pools are publicly registered and the investments may only be redeemed by action of the Board of Directors. The Endowment Fund attempts to preserve the real (inflation adjusted) purchasing power of endowment assets, when measured over rolling periods of at least five years, and to outperform the capital markets in which the endowment assets are invested, measured over rolling periods of three to five years. The U of H Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The U of H Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Stations' and HPMF's investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with GASB No. 72, *Fair Value Measurement and Application*, for investments in pooled funds, the fair value is determined as the number of units or shares held in the fund multiplied by the price per unit or shares as publicly quoted. Investments restricted for endowment in which a public market does not exist are based on the Stations' and HPMF's ownership interest in the net asset value ("NAV") of each fund as reported by the fund managers. Investments are reported at NAV and are not categorized according to fair value.

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(5) Investments Restricted for Endowment and Programs: (Continued)

The Stations had the following recurring fair value measurements as of August 31, 2021 and 2020:

- Pooled investments of \$2,339,316 and \$1,783,015, respectively, are valued at fair value per share of the pool's underlying portfolio.

HPMF had the following recurring fair value measurements as of August 31, 2021 and 2020:

- Pooled investments of \$2,053,673 and \$1,672,247, respectively, are valued at fair value per share of the pool's underlying portfolio

There were no unfunded commitments related to the endowment funds and the redemption period for the funds is daily.

(6) Film Rights:

KURT pays for the right to use certain films in its broadcasting activities. The costs of those rights are amortized over the purchased periods. Changes in the costs of film rights for the years ended August 31, 2021 and 2020, were as follows:

Balance, September 1, 2019	\$ 92,167
FY20 additions	117,695
FY20 amortization	<u>(110,092)</u>
Balance, August 31, 2020	99,770
FY21 additions	38,300
FY21 amortization	<u>(86,799)</u>
Balance, August 31, 2021	<u>\$ 51,271</u>

(7) General Support from the UH System:

General support from the UH System includes building and related occupancy costs donated by the UH System and is recorded in operating revenues and expenses. The occupancy costs are determined based on the net book value of the building and tower, as well as the square footage of the building and tower utilized by the Stations. Occupancy cost was \$325,429 in fiscal years 2021 and 2020. The UH System also provides indirect administrative support and maintenance support to the Stations, which are recorded in operating revenues and expenses based on the UH System's allocation methods. Indirect administrative support amounted to \$2,233,321 and \$3,209,183 in fiscal years 2021 and 2020, respectively.

(8) Leases:

The Stations have entered into operating leases for various business purposes, including a tower antenna; fundraising software; utility van; fax and copy machine and KUHT server; web host connection in support of their operations; transmitting facility; and other equipment. The Stations have short- and long-term operating leases. During the years ended August 31, 2021 and 2020, lease expense was \$591,795 and \$609,939, respectively.

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(8) **Leases:** (Continued)

Future minimum lease payments under noncancellable operating lease agreements are as follows:

Year Ending August 31	Amount
2022	\$ 332,204
2023	338,576
2024	323,131
2025	327,891
2026	334,853
2027 – 2031	1,786,242
2032 – 2036	1,994,452
2037 – 2039	1,077,305
Total	\$ 6,514,654

(9) **Transactions Between Primary Institution and Component Unit:**

Cash expenditures made by HPMF on behalf of the Stations, such as expenditures associated primarily with fundraising for the Stations and production of the Stations' local programs, are recorded as revenues and expenses for the Stations. Such cash expenditures for the fiscal years ended August 31, 2021 and 2020, amounted to \$4,188,876 and \$2,861,782, respectively, and have been included in the contributions, special events and production service revenues and in operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

(10) **Significant Concentrations:**

Information related to significant concentrations of revenues for the Stations and HPMF, except as otherwise disclosed, is as follows:

(a) **Accounts receivable**—At August 31, 2021, one entity represented approximately 10% of accounts receivable for HPMF. HPMF has no policy requiring collateral or other security to support receivables.

There were no significant concentrations of accounts receivable for the Stations.

(b) **Revenues**—The Stations received significant revenue from three sources in fiscal year 2021 and two sources in fiscal year 2020. The CPB provided approximately 14% of revenues, the University provided approximately 43% in cash, support and donated facilities. For the year ended August 31, 2020, the University provided approximately 40% in cash, support and donated facilities.

There were no significant concentrations of revenues for HPMF.

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(11) Community Service Grants:

The Station receives CSGs from the CPB annually. The CSGs received and expended during the most recent fiscal years were as follows:

<u>Year of Grant</u>	<u>Grants Received</u>	<u>Expended</u>		<u>Uncommitted Balance at August 31, 2021</u>
		<u>2019 – 2020</u>	<u>2020 – 2021</u>	
2019-21	\$ 2,218,525	\$ 2,218,525	\$ -	\$ -
2020-22	\$ 2,331,099	\$ -	\$ 2,331,099	\$ -

(12) Restrictions on Net Position:

Included in restricted expendable net position at August 31, 2020, are endowment earnings totaling \$234,522 and \$264,940 for the Stations and HPMF, respectively. Included in restricted expendable net position at August 31, 2021, are restricted cash from ARPA funds of \$883,632 and endowment earnings of \$315,027 for the Stations and HPMF, respectively. The restricted nonexpendable net position at August 31, 2021 and 2020, contains the endowment balances of \$1,510,511 and \$1,547,744, respectively.

(13) Prior Period Adjustment:

The financial statements for fiscal year 2020 have been restated to remove pension and other postemployment benefits (“OPEB”) related liabilities, deferred inflows and outflows of resources, and related expenses, which have been determined to be the responsibility of the UH System. While the Stations pay into the pension and OPEB funds on behalf of employees that work within the Stations as part of regular payroll, future pension and OPEB benefits are paid by the UH System and those obligations are reflected in the UH System’s financial statements. This correction resulted in the following previously stated items having a zero balance for the fiscal year ended August 31, 2020:

	<u>As Previously Stated</u>
Deferred outflows of resources	
Pension-related	\$ 3,808,899
OPEB	5,869,626
Total deferred outflows of resources	<u>9,678,525</u>
Liabilities	
Net other OPEB liability	271,858
Net pension liability	6,448,647
Net OPEB liability	8,588,607
Total liabilities	<u>15,309,112</u>

**HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020**

(13) **Prior Period Adjustment:** (Continued)

	As Previously Stated
Deferred inflows of resources	
Pension-related	\$ 1,956,065
OPEB related	2,341,807
Total deferred inflows of resources	4,297,872
Net position was restated, as shown below:	
2020 net position, beginning of year as previously stated	(2,371,147)
Add net reclassification of pension liabilities, deferred inflows and outflows of resources, and 2020 pension expense	7,643,735
2020 net position, beginning of year as restated	\$ 5,272,588

Expenses for the fiscal year ended August 31, 2020 were restated by \$2,284,724, as shown below:

	As Restated	As Previously Stated
Operating expenses		
Management and general (MGT)	\$ 5,165,325	\$ 7,450,049
Schedule of Functional Expenses, Fringe benefits:		
Management and general (MGT)	\$ 336,765	\$ 2,621,489

SUPPLEMENTAL INFORMATION

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
PRIMARY INSTITUTION SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Programming and Production (PRD)	Broadcasting, Engineering and Technical (BET)	Program Information (PGM)	Total	Fundraising and Membership Development (FND)	Management and General (MGT)	Underwriting and Grant Solicitation (UND)	Total	Grand Total
Salaries and wages	\$ 2,972,739	\$ 557,071	\$ -	\$ 3,529,810	\$ 217,147	\$ 857,294	\$ -	\$ 1,074,441	\$ 4,604,251
Fringe benefits	903,876	147,286	-	1,051,162	65,586	224,642	-	290,228	1,341,390
Financial and legal services	25,363	5,173	-	30,536	97	247,152	-	247,249	277,785
Fundraising	5,201	2,367	-	7,568	376,989	8,565	-	385,554	393,122
Membership fees	298	2,659	-	2,957	4,510	68,051	-	72,561	75,518
Other expenses	290,011	131,298	-	421,309	481,558	78,757	707,776	1,268,091	1,689,400
Mail services	40	1,310	-	1,350	156,394	27,306	-	183,700	185,050
Printing and reproduction services	-	-	193	193	161,672	875	-	162,547	162,740
Professional services	211,997	151,993	-	363,990	102,717	158,257	-	260,974	624,964
Program rights	3,088,557	786	-	3,089,343	-	1,394,512	-	1,394,512	4,483,855
Rental and leases	15,371	526,080	-	541,451	8,945	41,399	-	50,344	591,795
Repairs and maintenance	14,734	179,189	-	193,923	-	8,370	-	8,370	202,293
Supplies and materials	8,098	158,822	1,242	168,162	112,432	97,696	-	210,128	378,290
Telephone	-	138,577	-	138,577	-	-	-	-	138,577
Travel	638	189	-	827	18	6,665	-	6,683	7,510
Utilities	-	159,507	-	159,507	-	655	-	655	160,162
Total expenses before in-kind	<u>7,536,923</u>	<u>2,162,307</u>	<u>1,435</u>	<u>9,700,665</u>	<u>1,688,065</u>	<u>3,220,196</u>	<u>707,776</u>	<u>5,616,037</u>	<u>15,316,702</u>
In-kind	-	325,429	-	325,429	-	2,233,321	-	2,233,321	2,558,750
Total expenses before depreciation	<u>7,536,923</u>	<u>2,487,736</u>	<u>1,435</u>	<u>10,026,094</u>	<u>1,688,065</u>	<u>5,453,517</u>	<u>707,776</u>	<u>7,849,358</u>	<u>17,875,452</u>
Depreciation	-	-	-	-	-	-	-	-	896,589
Total operating expenses	<u>\$ 7,536,923</u>	<u>\$ 2,487,736</u>	<u>\$ 1,435</u>	<u>\$ 10,026,094</u>	<u>\$ 1,688,065</u>	<u>\$ 5,453,517</u>	<u>\$ 707,776</u>	<u>\$ 7,849,358</u>	<u>\$ 18,772,041</u>
Percentage of total expenses before depreciation	42%	14%	0%	56%	9%	31%	4%	44%	100%

The accompanying notes to financial statements are an integral part of this schedule.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
COMPONENT UNIT (HPMF) SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Grants to Primary Institution	Programming and Production (PRD)	Broadcasting, Engineering and Technical (BET)	Total	Fundraising and Membership Development (FND)	Management and General (MGT)	Underwriting and Grant Solicitation (UND)	Total	Grand Total
Financial and legal services	\$ -	\$ -	\$ -	\$ -	\$ 97	\$ 111,059	\$ -	\$ 111,156	\$ 111,156
Fundraising	-	200	200	400	376,958	6,065	-	383,023	383,423
Grants to KUHF-FM	6,213,454	-	-	6,213,454	-	-	-	-	6,213,454
Grants to KUHT-TV	6,213,454	-	-	6,213,454	-	-	-	-	6,213,454
Membership fees	-	160	-	160	4,510	-	-	4,510	4,670
Other expenses	-	87,225	4,652	91,877	558,175	47,926	707,776	1,313,877	1,405,754
Mail services	-	-	-	-	150,082	-	-	150,082	150,082
Printing and reproduction services	-	-	-	-	161,672	-	-	161,672	161,672
Professional services	-	6,500	-	6,500	92,963	14,000	-	106,963	113,463
Rental and leases	-	1,500	-	1,500	8,945	21	-	8,966	10,466
Repairs and maintenance	-	-	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	112,432	5,528	-	117,960	117,960
Travel	-	189	189	378	18	-	-	18	396
Total operating expenses	<u>\$ 12,426,907</u>	<u>\$ 95,774</u>	<u>\$ 5,041</u>	<u>\$ 12,527,722</u>	<u>\$ 1,465,852</u>	<u>\$ 184,599</u>	<u>\$ 707,776</u>	<u>\$ 2,358,227</u>	<u>\$ 14,885,949</u>

The accompanying notes to financial statements are an integral part of this schedule.

**HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
PRIMARY INSTITUTION SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020**

	Programming and Production (PRD)	Broadcasting, Engineering and Technical (BET)	Program Information (PGM)	Total	Fundraising and Membership Development (FND)	Management and General (MGT)	Underwriting and Grant Solicitation (UND)	Total	Grand Total
Salaries and wages	\$ 3,289,557	\$ 753,823	\$ -	\$ 4,043,380	\$ 212,226	\$ 1,223,330	\$ -	\$ 1,435,556	\$ 5,478,936
Fringe benefits	944,515	205,361	-	1,149,876	65,217	336,765	-	401,982	1,551,858
Financial and legal services	106	21,388	-	21,494	-	275,158	-	275,158	296,652
Fundraising	13,707	5,775	-	19,482	479,933	141,222	240	621,395	640,877
Membership fees	32,205	1,131	-	33,336	4,215	24,792	-	29,007	62,343
Other expenses	160,981	1,582,717	-	1,743,698	591,871	1,237,033	1,015,687	2,844,591	4,588,289
Mail services	61	5,765	4	5,830	118,670	27,519	330	146,519	152,349
Printing and reproduction services	25	-	-	25	101,664	16,813	-	118,477	118,502
Professional services	95,248	2,800	-	98,048	71,933	182,257	-	254,190	352,238
Program rights	4,274,450	110,649	-	4,385,099	-	57,366	-	57,366	4,442,465
Rental and leases	4,080	563,106	-	567,186	3,940	38,813	-	42,753	609,939
Repairs and maintenance	47,923	161,069	-	208,992	-	34,857	-	34,857	243,849
Supplies and materials	55,176	503,388	276	558,840	87,203	1,557,395	1,438	1,646,036	2,204,876
Telephone	-	37,369	-	37,369	-	450	-	450	37,819
Travel	10,327	6,682	-	17,009	1,595	11,555	576	13,726	30,735
Utilities	-	282,578	-	282,578	-	-	-	-	282,578
Broadcasting fees	150	-	-	150	-	-	-	-	150
Total expenses before in-kind	<u>8,928,511</u>	<u>4,243,601</u>	<u>280</u>	<u>13,172,392</u>	<u>1,738,467</u>	<u>5,165,325</u>	<u>1,018,271</u>	<u>7,922,063</u>	<u>21,094,455</u>
In-kind	-	325,429	-	325,429	-	3,209,183	-	3,209,183	3,534,612
Total expenses before depreciation	<u>8,928,511</u>	<u>4,569,030</u>	<u>280</u>	<u>13,497,821</u>	<u>1,738,467</u>	<u>8,374,508</u>	<u>1,018,271</u>	<u>11,131,246</u>	<u>24,629,067</u>
Depreciation	-	-	-	-	-	-	-	-	905,238
Total operating expenses	<u><u>\$ 8,928,511</u></u>	<u><u>\$ 4,569,030</u></u>	<u><u>\$ 280</u></u>	<u><u>\$ 13,497,821</u></u>	<u><u>\$ 1,738,467</u></u>	<u><u>\$ 8,374,508</u></u>	<u><u>\$ 1,018,271</u></u>	<u><u>\$ 11,131,246</u></u>	<u><u>\$ 25,534,305</u></u>
Percentage of total expenses before depreciation	36%	19%	0%	55%	7%	34%	4%	45%	100%

The accompanying notes to financial statements are an integral part of this schedule.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
COMPONENT UNIT (HPMF) SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Grants to Primary Institution	Programming and Production (PRD)	Broadcasting, Engineering and Technical (BET)	Total	Fundraising and Membership Development (FND)	Management and General (MGT)	Underwriting and Grant Solicitation (UND)	Total	Grand Total
Financial and legal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,259	\$ -	\$ 127,259	\$ 127,259
Fundraising	-	-	-	-	488,228	141,143	240	629,611	629,611
Grants to KUHF-FM	6,849,141	-	-	6,849,141	-	-	-	-	6,849,141
Grants to KUHT-TV	6,849,141	-	-	6,849,141	-	-	-	-	6,849,141
Membership fees	-	160	-	160	4,215	77	-	4,292	4,452
Other expenses	-	72,763	6,366	79,129	606,484	107,615	1,069,373	1,783,472	1,862,601
Mail services	-	-	-	-	112,234	-	330	112,564	112,564
Printing and reproduction services	-	-	-	-	100,739	16,223	-	116,962	116,962
Professional services	-	2,800	2,800	5,600	71,933	3,790	-	75,723	81,323
Rental and leases	-	-	-	-	2,816	150	-	2,966	2,966
Repairs and maintenance	-	925	925	1,850	-	677	-	677	2,527
Supplies and materials	-	-	-	-	86,814	3,030	1,082	90,926	90,926
Travel	-	-	-	-	336	1,019	-	1,355	1,355
Total operating expenses	\$ 13,698,282	\$ 76,648	\$ 10,091	\$ 13,785,021	\$ 1,473,799	\$ 400,983	\$ 1,071,025	\$ 2,945,807	\$ 16,730,828

The accompanying notes to financial statements are an integral part of this schedule.

HOUSTON PUBLIC MEDIA
(A DIVISION OF THE UNIVERSITY OF HOUSTON SYSTEM)
COMBINING SCHEDULE OF REVENUES AND EXPENSES BY STATION
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>KUHT-FM</u>	<u>KUHT-TV</u>	<u>Totals</u>
Operating revenues			
Contributions	\$ 6,576,457	\$ 6,178,327	\$ 12,754,784
General support from the UH System	1,026,151	1,532,599	2,558,750
Program underwriting	1,323,685	1,271,908	2,595,593
Production service	530,015	353,966	883,981
Corporation for Public Broadcasting (CPB) grants	571,797	1,759,302	2,331,099
Royalties	-	100,797	100,797
Special events	-	93	93
Other	336,855	301,092	637,947
Total operating revenues	<u>10,364,960</u>	<u>11,498,084</u>	<u>21,863,044</u>
Operating expenses			
Salaries and wages	2,303,596	2,300,655	4,604,251
Fringe benefits	671,129	670,261	1,341,390
Financial and legal services	132,940	144,845	277,785
Fundraising	33,419	359,703	393,122
Membership fees	19,854	55,664	75,518
Other expenses	1,189,679	499,721	1,689,400
Mail services	108,014	77,036	185,050
Printing and reproduction services	81,274	81,466	162,740
Professional services	318,151	306,813	624,964
Program rights	883,238	3,600,617	4,483,855
Rental and leases	231,947	359,848	591,795
Repair and maintenance	89,122	113,171	202,293
Supplies and materials	232,126	146,164	378,290
Telephone	18,507	120,070	138,577
Travel	3,755	3,755	7,510
Utilities	82,229	77,933	160,162
In-kind	1,026,151	1,532,599	2,558,750
Depreciation	360,449	536,140	896,589
Total operating expenses	<u>7,785,580</u>	<u>10,986,461</u>	<u>18,772,041</u>
Operating income	<u>2,579,380</u>	<u>511,623</u>	<u>3,091,003</u>
Nonoperating income (loss)			
American Rescue Plan funds	330,335	553,297	883,632
Endowment contributions (distributions)	-	(33,264)	(33,264)
Gain (loss) from endowment	329,338	259,791	589,129
Other nonoperating loss	(17,001)	-	(17,001)
Total nonoperating income (loss)	<u>642,672</u>	<u>779,824</u>	<u>1,422,496</u>
Change in net position	<u>\$ 3,222,052</u>	<u>\$ 1,291,447</u>	<u>\$ 4,513,499</u>

The accompanying notes to financial statements are an integral part of this schedule.

April 11, 2022

To the Board of Regents,
University of Houston System:

We have audited the financial statements of the business-type activities and discretely presented component unit of Houston Public Media (the “Stations”), a division of the University of Houston System (the “UH System”), as of and for the year ended August 31, 2021, and have issued our report thereon March 1, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 17, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Stations solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Stations is included in Note 2 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Depreciation – Management's estimate of depreciation expense is based on the underlying assets' depreciation calculated using the straight-line method over the assets' useful lives. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Investments – The Stations hold investments for which quoted market prices are not available. The estimated fair value of these investments is based on the net asset value of the UH System's Endowment Fund and the HPMF Endowment Fund Investment Pool. The Stations review and evaluate the values and assesses the valuation methods and assumptions used in determining the fair value of the investments. Because the investment pools are not readily marketable, the estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed and differences could be material. We evaluated the key factors and assumptions used to develop the valuation methods and assumptions used in determining the fair value of the investments and determined that they are reasonable in relation to the financial statements taken as whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Stations' financial statements relate to:

- Note 10 – Significant Concentrations
- Note 12 – Restrictions on Net Position
- Note 13 – Prior Period Adjustment

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management. In response to these misstatements, management has provided us with the following responses and corrective actions.

- To record unrealized gains related to the Houston Public Media Foundation (“HPMF”) endowments \$ 381,426
Management’s Response: HMPF unrealized gains are not finalized until mid-December/early January with audited financials, which prevents HPM from having finalized data prior to the TB submission.
Management’s Corrective Action Plan: Derrick Wilson, Director of Division Business Operations, will continue to work with HPM Foundation to obtain said information as soon as it is made available.

- To record unrealized gains related to the Stations’ endowments \$ 351,517
Management’s Response: Unrealized gains/losses related to endowments are recorded at the institution level rather than at the division level, therefore, the unrealized gain/loss for Houston Public Media’s endowments was not included as income on the initial trial balance. Furthermore, in previous years, the auditor made the adjusting entries related to unrealized gains/losses for HPM. This year, Financial Reporting completed the entries once notified that the new auditor would not make them.
Management’s Corrective Action Plan: Derrick Wilson, Director of Division Business Operations, will be responsible for making the adjusting entries related to unrealized gains/losses for the endowments prior to preparing the trial balance. The Financial Reporting department will be responsible for reviewing and ensuring those adjusting entries are made in a timely manner.

- To correct HPMF program underwriting revenue, accounts receivable, and unearned revenue \$ 232,374
Management’s Response: HMPF program underwriting revenue, accounts receivable, and unearned revenue of \$232,374, were corrected due to the internal timing of the download used to perform the FY reconciliation.

Management's Corrective Action Plan: HPM's Strategic Advancement Department will run the Underwriting Aging Report for the TV (ProTrack) and Radio (Marketron) traffic systems when the August invoices are finalized (August invoices are the last invoices generated for each FY). This report will be used as a final report and not run again. At this point, the department will review and ensure all transactions, credits and payments are applied to the appropriate line items and outstanding invoices within the appropriate fiscal year before sending the final report to the third-party accountant firm.

- To reverse the University of Houston reimbursement entry and increase revenues and expenses \$ 1,327,094

Management's Response: Houston Public Media is a division of the University of Houston, therefore, payments for services provided by the station to the university are recorded as an expense reimbursement on the university's financial system. The station understands that for purposes of preparing its financial statements, this type of transaction must be reclassified into a revenue account on the trial balance before sending to the auditors.

Management's Corrective Action Plan: Derrick Wilson, Director of Division Business Operations, will be responsible for making the adjusting entries related to university reimbursements prior to preparing the trial balance. The Financial Reporting department will be responsible for reviewing and ensuring those adjusting entries are made on a timely manner.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Stations' financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated March 1, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Stations, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Stations' auditors.

Communication of Significant Deficiencies

In planning and performing our audit of the financial statements of the Stations as of and for the year ended August 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Stations' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stations' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Stations' internal control to be significant deficiencies:

Journal Entry Review – During the course of our audit, we identified multiple areas related to journal entries that should be strengthened. The items of note are as follows:

- Evidence of review – During our testing we noted there was no evidence of review of the HPMF Financial Reports, manual journal entries, and related reconciliations in accordance with the internal process narratives.
- Journal entry errors – During our testing we noted two material inaccurate journal entries related to underwriting revenue, accounts receivable, and reimbursements. The resulting audit adjustments were corrected by management as summarized on page three and four of this letter.
- Completeness of manual entries – During our testing we noted manual entries were not being recorded as needed for certain investment balances and related income. The resulting audit adjustments were corrected by management as summarized on page three of this letter.

We recommend that management evaluate their procedures related to journal entries. Review of journal entries should occur regularly, but no less than on a monthly basis. The review process should be designed to detect errors and identify missing entries, and corrections should be made in a timely manner prior to the financial closing process to ensure accuracy of financial reporting. Additionally, evidence of these reviews should be documented to substantiate that management is operating in accordance with applicable policies and procedures.

Management's Response: Due to multiple internal personnel transitions the journal entry review process was not followed consistently, however, all journals are approved by the station staff and the university's accounting staff.

Management's Corrective Action Plan: Derrick Wilson, Director of Division Business Operations, is currently reviewing and updating the HPM internal process narratives which will include review and approval of such items within HPM to include Derrick Wilson and Lisa Shumate (proxy).

Endowment Agreements – During the course of our audit, we noted that management had not retained endowment agreements for both HPMF and the Stations. We recommend that management obtain and retain agreements for all endowment funds to substantiate each endowment's restricted purpose for proper classification in financial reporting. Further, we recommend that management properly track all endowments going forward between the proper net position classes in line with the endowment agreements.

Management's Response: Some of the HPMF endowments had not been scanned and converted digitally (.pdf).

Management's Corrective Action Plan: Derrick Wilson, Director of Division Business Operations, will be responsible for making sure all HPMF endowments are digitalized and housed in the appropriate record depository.

Other Recommendations

During the audit, we noted the following matter that we consider an opportunity for improvement to the operations of the Stations:

Reconciliation of Accounts Receivable, Accounts Payable, and Unearned Revenue to Supporting Documentation – During the course of our audit, we identified multiple areas that were not reconciled to supporting documentation. This included accounts receivable, accounts payable, and unearned revenue. This resulted in incomplete and improper cut off of account balances. Any resulting audit adjustments were corrected by management as summarized on page three and four of this letter. We recommend that management perform a reconciliation of accruals to ensure proper cutoff and completeness of account balances and accuracy of financial reporting.

Management's Response: HMPF program underwriting revenue, accounts receivable, and unearned revenue, were corrected due to the internal timing of the download used to perform the fiscal year reconciliation.

Management's Corrective Action Plan: HPM's Strategic Advancement Department will run the Underwriting Aging Report for the TV (ProTrack) and Radio (Marketron) traffic systems when the August invoices are finalized (August invoices are the last invoices generated for each fiscal year). This report will be used as a final report and not run again. At this point, the department will review and ensure all transactions, credits and payments are applied to the appropriate line items and outstanding invoices within the appropriate fiscal year before sending the final report to the third-party accountant firm.

To the Board of Regents,
University of Houston System
April 11, 2022
Page 7

This report is intended solely for the information and use of the Board of Regents and management of the Stations and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, circular initial "J" at the beginning.

JAMES MOORE & CO., P.L.

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

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Audit and Compliance Committee Charter and Checklist

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Attached for your review and approval is the Audit and Compliance Committee Charter and Checklist. The Audit and Compliance Committee Charter and Checklist are recommended guidelines for the operation of the Audit & Compliance Committee. The Board of Regents Bylaw 5.2.1 and the Audit and Compliance Committee Charter and Checklist, item number 26, requires an annual review and update. There are no suggested changes to this document.

SUPPORTING DOCUMENTATION: Audit and Compliance Committee Charter and Checklist

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

COMPONENT: University of Houston System



08-05-2022

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

8/18/2022

University of Houston System

Audit & Compliance Committee Charter of the Board of Regents of The University of Houston System

Role

The Audit & Compliance Committee (“the Committee”) of the Board of Regents (“the Board”) of The University of Houston (“U. H.”) System assists the Board in fulfilling its responsibilities for:

- ◆ Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- ◆ Oversight and direction of the internal auditing function, any external auditors or other outside expertise whom the Committee may employ, and engagements with the State Auditor;
- ◆ Oversight and direction for the System-wide institutional compliance function;
- ◆ Oversight of the review of effective institutional management practices which provide for effective risk management, accountability and stewardship at all U. H. System components; and
- ◆ Other duties as directed by the Board.

The Committee’s role includes a particular focus on U. H. System’s processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

Membership

The membership of the Committee shall consist of not less than three regents, nor more than four. The Committee will have a committee chair, vice chair, and one or two additional regents, all of whom shall be appointed by the chair of the board. The chair of the board will serve as ex-officio for the Committee and will count for purposes of determining a quorum. A quorum is three for the Committee. One to four advisory members may be appointed to the Committee with the unanimous approval of the chair of the board, the chancellor, and the chair of the Committee. The advisory members will serve one-year terms from September 1 through August 31 and may be reappointed each year. Advisory members will not have voting authority.

Reporting

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm or other outside expertise employed by the Committee shall report directly to the Committee. The State Auditor’s reports will be submitted to this committee. The Committee is expected to maintain free and open communications, which shall include private

University of Houston System

executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit & Compliance Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee's discharge of its responsibilities.

Education

U. H. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. H. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

Authority

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. H. System employees and operations as necessary to carry out this authority. The Committee through its chair is authorized to engage outside expertise, to the extent permitted by applicable law, should it choose to do so.

Responsibilities

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit & Compliance Committee Responsibilities Checklist. The responsibilities checklist will be updated annually by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm or other outside expertise they may employ in carrying out its oversight responsibilities. U. H. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm or other outside expertise hired by the Committee is responsible for performing the services specified in the hiring contract.

University of Houston System

CHECKLIST

Responsibilities Checklist for the Audit & Compliance Committee of the Board of Regents of The University of Houston System

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Houston System (“the Board”).
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chair (with input from the Committee members), U. H. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee’s Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm or other outside expertise employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting) or

University of Houston System

other outside expertise. This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.

10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. H. System's engagements with public accounting firms.
11. The Committee shall review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm or other outside expertise about significant risks or exposures and assess the steps management has taken to minimize such risk to U. H. System.
13. The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm or other outside expertise:
 - a. The adequacy of U. H. System's internal controls including computerized information system controls and security;
 - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions;
 - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U.H. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
 - a. U. H. System's annual financial statements and related footnotes;
 - b. Any audit and assurance work performed on components of the annual financial statements;
 - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
 - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;

University of Houston System

- e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the U. H. System Chancellor and U.H. System Chief Financial Officer certify the annual financial statements for the U. H. System as a whole, and that each component President and Chief Financial Officer certify the annual financial statements for their respective component institution.
 16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
 17. The Committee shall review with executive management and the Chief Audit Executive at least annually U. H. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Bylaws and Policies, and/or operating policies or standards.
 18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours and internal audit budget and staffing.
 19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
 - a. Significant findings during the year and management's responses thereto;
 - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
 - c. Any changes required in the planned scope of the audit plan.
 20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive.
 21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
 22. The Committee shall monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
 - a. Significant institutional risks identified during the year and mitigating actions taken;

University of Houston System

- b. Significant findings during the year and management's responses thereto;
 - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
 - d. Any changes required in planned scope of the compliance action plan.
23. The Committee shall conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities and receive a status update on the annual regent certification statements.
24. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
25. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors or other outside expertise in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
26. The Committee shall review and update the Audit & Compliance Committee Responsibilities Checklist annually.
27. The Committee shall conduct an annual review of the report on compliance of each support organization.
28. The Committee shall receive an annual fraud prevention and awareness report which summarizes the fraud risk analyses and related risk mitigation strategies.
29. The Committee shall receive an annual report of all activities of the Identity Theft Prevention program.
30. The Committee shall receive an annual report to the Board listing all professional services and consulting contracts to a single entity greater than \$250,000 and for all other procurements (except investment agreements) where total compensation for system-wide sources to a single entity is expected to exceed \$1,000,000.
31. The Committee shall receive an annual report on the activities of the Internal Auditing Department in the format prescribed by the State Auditor's Office (Texas Government Code 2102.009).

University of Houston System

32. The Committee shall receive an audit report on the safety and security of the institution's facilities at least once every three years (Texas Education Code 51.217).

| Last reviewed ~~08/26/21~~ 08/25/22

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

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Audit and Compliance Committee
Planner

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit and Compliance Committee Planner lists all actions required of the Audit and Compliance Committee with recommended schedules for these activities. Item 2.04 of the Planner requires the Audit and Compliance Committee to approve the Planner for the upcoming year.

SUPPORTING DOCUMENTATION: Audit and Compliance Committee Planner

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

COMPONENT: University of Houston System



08-05-2022

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

8/18/2022

University of Houston System Audit & Compliance Committee Planner

Item	Frequency	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec
Note: (#'s) The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.	Q - Quarterly A - Annually AN - As needed				

1. General & Administrative:						
.01	Meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary. (2)	Q	X	X	X	X
.02	Prepare agenda for Committee meetings in consultation between the Committee chair (with input from the Committee members), U. H. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer. (3)	Q	X	X	X	X
.03	Approve minutes of previous meeting.	Q	X	X	X	X
2. Audit & Compliance Committee:						
.01	Verify that membership is familiar with the Committee's Charter, goals, and objectives. (4)	AN				
.02	Review the independence of each Committee member based on applicable independence laws and regulations. (5)	AN				
.03	Review and update the Audit & Compliance Committee Charter and Responsibilities Checklist annually. (26)	A			X	
.04	Approve Audit & Compliance Committee planner for upcoming year.	A			X	
.05	Provide orientation for new members.	AN				
.06	Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. (7)	AN				
.07	Provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm or other outside expertise employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate. (8)	AN				
3. Audit:						
.01	Review and approve the appointment or change in the Chief Audit Executive. (6)	AN				
.02	Conduct an annual performance review and evaluation of the Chief Audit Executive. (20)	A		X		
.03	Review Board of Regents policies on Internal Audit and Institutional Compliance; approve any changes.	A	X			
.04	Review, recommend, and approve the annual audit plan, including the allocation of audit hours and internal audit budget and staffing. (18)	A			X	

University of Houston System Audit & Compliance Committee Planner

Item		Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Note: (#'s) The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.						
.05	Consider and review with executive management and the Chief Audit Executive any changes required in the planned scope of the audit plan. (19c)	AN				
.06	Review the status of actual work performed relative to the approved annual plan.	Q A	X	X	X	X X
.07	Review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources. (11)	AN				
.08	Review the effectiveness of the internal audit function including compliance with <u>The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing</u> and the Texas Internal Auditing Act.	At least every 3 years				
.09	For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting) or other outside expertise. This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level. (9)	AN				
.10	Review the external Auditors' proposed audit scope and approach (for audits and consulting projects), including coordination of audit effort with internal audit.	AN				
.11	Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.	AN				
.12	Regarding the U.H. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive: a. U. H. System's annual financial statements and related footnotes; b. Any audit and assurance work performed on components of the annual financial statements; c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants; d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements; e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards. (14)	A	X			

University of Houston System Audit & Compliance Committee Planner

Item		Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Note: (#'s) The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.						
.13	The Committee shall require the U. H. System Chancellor and U.H. System Chief Financial Officer certify the annual financial statements for the U. H. System as a whole, and that each component President and Chief Financial Officer certify the annual financial statements for their respective component institution. (Effective 2/1/07) (15)	A	X			
.14	Review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities. (16)	AN				
.15	Review with executive management and the Chief Audit Executive at least annually U. H. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Bylaws and Policies, and/or operating policies or standards. (17)	A	X			
.16	Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information. (19b)	AN				
.17	The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm or other outside expertise any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto. (13c) & (19a)	Q	X	X	X	X
.18	The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of The University of Houston System's engagements with public accounting firms. (10)	AN				
.19	The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters. (21)	Q	X	X	X	X
.20	The Committee shall receive an annual report on the activities of the Internal Auditing Department in the format prescribed by the State Auditor's Office (Texas Government Code 2102.009). (31)	A				X
4. Compliance:						
.01	Review the annual compliance plan completed by the Compliance Officer and/or Compliance Office.	A			X	

University of Houston System Audit & Compliance Committee Planner

Item Note: (#'s) The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.	Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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.02	Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including significant institutional risks identified during the year and mitigating actions taken. (22a)	Q	X	X	X	X
.03	Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including significant findings during the year and management's responses thereto. (22b)	Q	X	X	X	X
.04	Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information. (22c)	Q	X	X	X	X
.05	Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including any changes required in planned scope of the compliance action plan. (22d)	Q	X	X	X	X
.06	The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters. (24)	Q	X	X	X	X
.07	The Committee shall conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities and receive a status update on the annual regent certification statements. (23)	A				X
.08	The Committee shall conduct an annual review of the report on compliance of each support organization. (27)	A		X		

5. Other:						
.01	The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors or other outside expertise in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law. (25)	A & AN				X

University of Houston System Audit & Compliance Committee Planner

Item		Frequency	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec
Note: (#'s) The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.		Q - Quarterly A - Annually AN - As needed				
.02	Inquire of and discuss with executive management, the Chief Audit Executive, and the System-wide Compliance Officer any instances of fraud, errors, and illegal acts.	AN				
.03	The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm or other outside expertise about significant risks or exposures and assess the steps management has taken to minimize such risk to The University of Houston System. (12)	A			X	
.04	The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm or other outside expertise: a. The adequacy of U. H. System's internal controls including computerized information system controls and security; and b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions. (13a & b)	A		X		
.05	The Committee shall evaluate management's identification of fraud risks, the implementation of antifraud prevention and detection measures, and the creation of the appropriate "tone at the top" by reviewing an annual report which summarizes the fraud risk analyses and related risk mitigation strategies. (28)	A				X
.06	The Committee shall receive an annual report of the Identity Theft Prevention program. (29)	A				X
.07	The Committee shall receive an annual procurement report. (30)	A				X
.08	The Committee shall receive an audit report on the safety and security of the institution's facilities at least once every three years (Texas Education Code 51.217) (32)	Every 3 years	X			

Legend:

Q - Quarterly
A - Annually
AN - As Needed

Frequency indicates a minimum requirement. If issues arise that require attention, they should be addressed regardless of the frequency or time period indicated.

X - indicates the month/s in which the activity occurs

(#'s)

The numbers noted in parenthesis at the bottom right of the item description refer to the number of the item in the Responsibilities Checklist for the Audit & Compliance

University of Houston System Audit & Compliance Committee Planner

Item Note: (#'s) The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.	Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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Committee (AC Checklist).

Last reviewed ~~08/26/21~~ 08/25/22

**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 August 25, 2022 and Internal Audit Reports issued since the May 19, 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



08-05-2022

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

8/18/2022

Report to the Audit and Compliance Committee
of the University of Houston System
Board of Regents
August 25, 2022

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

FY22 INTERNAL AUDIT ACTIVITY
since May 19, 2022

and

INTERNAL AUDIT REPORTS

AR2022-14 Contracts Requiring Board of Regents' Approval
AR2022-15 UHS State Benefits Proportionality, Fiscal Years 2020-2021

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 May 19, 2022 Board of Regents Meeting

Audits Completed

- Contracts Requiring Board of Regents Approval (UHS)
AR2022-01, AR2022-10, AR2022-12, AR2022-14
- 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
- UHS State Benefits Proportionality FY2021
AR2022-15

Internal Audit 08/25/22

Special Projects Completed

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (~24 Reports)
- UHV Procurement Card Issue
- UH Business School Contract Issue
- UHD Procurement Card Issue

Audits in Progress

- Research Governance and Process Overview (UH)
- Compliance Program Analysis (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)
- Research Lab Safety (UH, UHCL, UHD, and UHV)

Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UH/UHD Formula Funding issue – referred by THECB
- UH information security (multiple reports)
- UHCL Apartment Contract

Audits in Planning

- UH Education Research Center



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

CONTRACTS REQUIRING BOARD OF REGENTS APPROVAL
AR2022-14

UNIVERSITY of **HOUSTON** SYSTEM

INTERNAL AUDITING DEPARTMENT

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: July 7, 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 April 1, 2022, through June 30, 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 August 25, 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
April 1, 2022 through June 30, 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 April 1, 2022 through June 30, 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 considered non-compliant with university policies and procedures or state statutes.



Phillip W. Hurd
Chief Audit Executive
June 30, 2022

Contracts Requiring Board of Regents Approval
Internal Audit Activity
April 1, 2022 to June 30, 2022

BOR Approval Internal Audit Review

BOR Approval

Project or Contract Description	Solicitation Type	(\$ Millions) Amount	BOR Approval		Internal Audit Review	
			FCMP Comm. (Scope) Date	F&A Comm. (Financing) Date	Initiated	Completed
<u>Construction Projects \$10 Million and Over</u>						
UHS - System-Wide Energy Supply	RFP	200.0	12/2/2021	12/2/2021	✓	
UH - CMAR Football Development Center	RFQ	75.0	2/24/2022	2/24/2022	✓	
<u>Construction Projects Over \$1 Million and Under \$10 Million</u>						
UH - Campus Lighting & Security	RFP	3.8	N/A	8/20/2020	✓	✓
UH - Campus Cabling, AV, and Security Systems Infrastructure	RFP	9.0	N/A	5/20/2021	✓	✓
UH - A/E Services For The New College of Technology Building at UH Sugar Land	RFQ	4.4	N/A	12/2/2021	✓	✓
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	✓	✓
UH - Cougar Woods Generator Replacement	RFP	1.8	N/A	2/24/2022	✓	✓
UH - Lab HVAC Maintenance Repairs	RFP	3.0	N/A	2/24/2022	✓	✓
<u>Non-Construction Contracts Over \$1 Million</u>						
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	✓	✓
UH - Athletic Department Event Management Operations	RFP	5.0	N/A	5/19/2022	✓	✓
UH - Ambulatory Surgery Center Management	RFP	17.0	N/A	5/19/2022	✓	✓

CMAR - Construction Manager at Risk

AE - Architectural and Engineering Services (RFQ only)

SS - Sole Source

ITB - Invitation to Bid

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

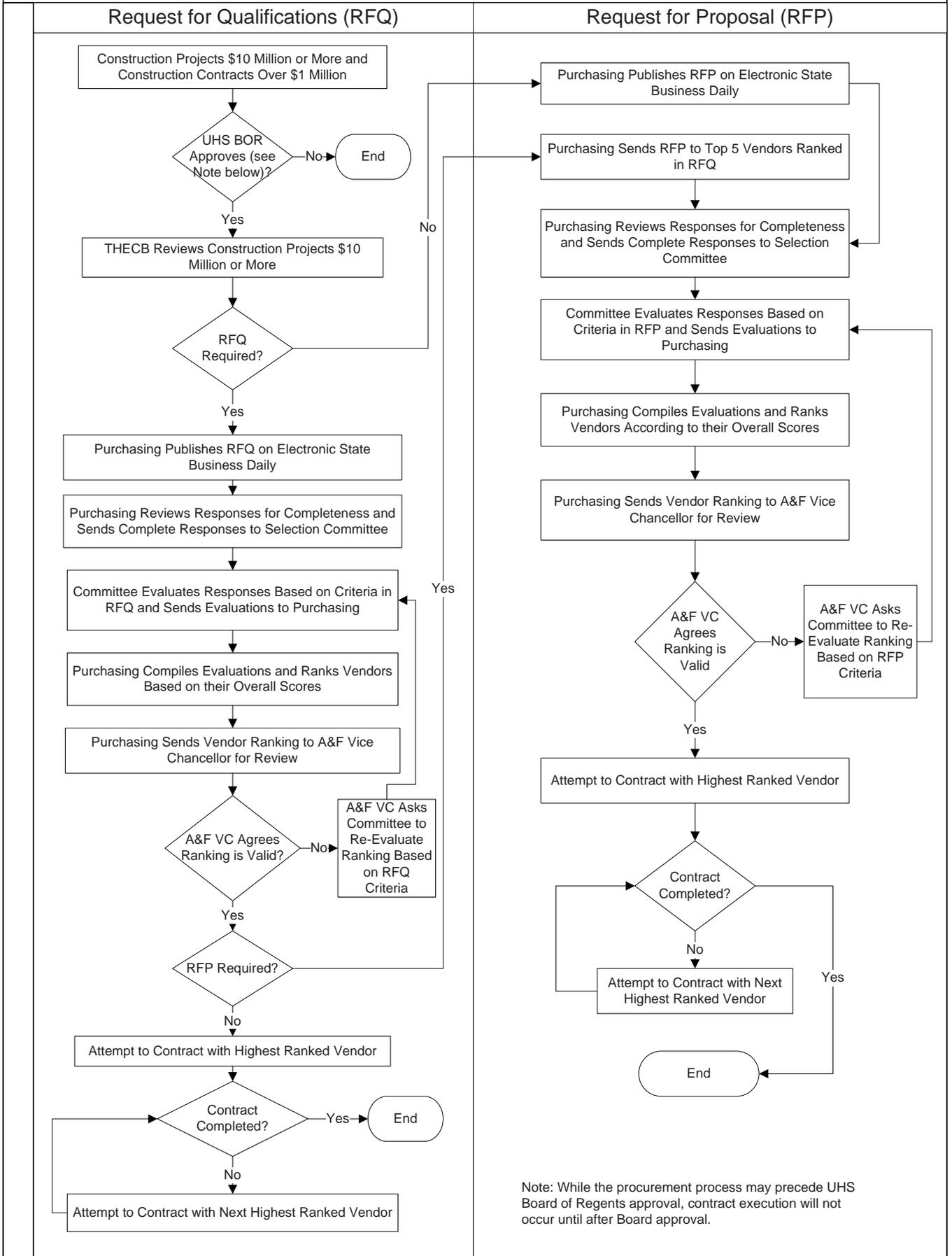
RFP - Request for Proposal

RFQ - Request for Qualifications

FE - Furnishings and Equipment

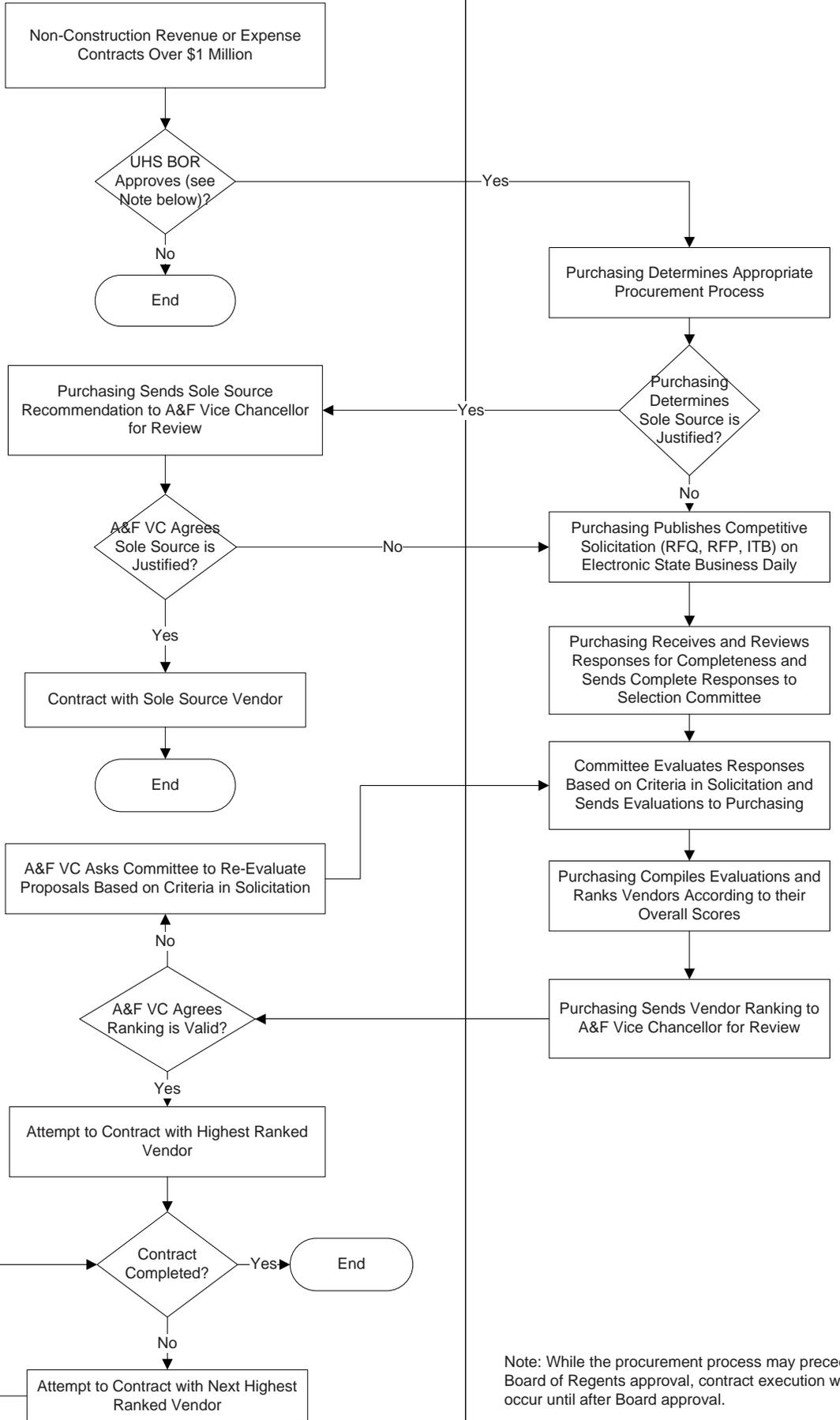
CSP - Competitive Sealed Proposal

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



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:

STATE BENEFITS PROPORTIONALITY FOR UNIVERSITY OF HOUSTON
SYSTEM

FOR FISCAL YEARS 2020 - 2021

AR2022-15

UNIVERSITY of
HOUSTON

INTERNAL AUDITING DEPARTMENT

**UNIVERSITY OF HOUSTON SYSTEM
STATE BENEFITS PROPORTIONALITY
AUDIT
TABLE OF CONTENTS AND SUMMARY**

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AUDIT SUMMARY

Overview and Scope

The General Appropriations Act (GAA) and the State Auditor's Office (SAO) requires an internal audit of benefits proportionality. The GAA requires employee benefit payments to be proportional to funding source (appropriated general and net tuition revenue). The university or the state may overpay benefit expenses if benefit payments are not incurred in proportion to funding source. The Texas Comptroller of Public Accounts provides instructions for completing the Benefits Proportional by Fund APS 011 Report (the report). Each UHS university is required to report the state and university benefit payment amounts annually by November 19.

The Internal Auditing Department (IAD) must certify the accuracy and timely submission of the report. IAD reviewed fiscal year 2020 and 2021 reports for all UHS universities. Information relevant to this audit was obtained through the following procedures:

- Reviewed State regulations, Texas Comptroller of Public Accounts guidelines, and university procedures
- Interviewed Finance personnel
- Reconciled the reports to the PeopleSoft Finance accounting system
- Compared the UHS accounting system and the Uniform Statewide Accounting System (USAS)

Observations

All UHS universities filed their reports timely. The UHS, UHCL, and UHV APS011 reports were accurately submitted.

UH Observations

The UHS policies and procedures for the report state that the General Revenue Group Insurance Actual Benefits Paid figure is determined by the GAA. For UH, that figure was \$16,934,867 for fiscal year 2020. However, UH used an amount from PeopleSoft Finance, \$16,773,001, which resulted in an understatement of \$161,866. The Texas Comptroller of Public Accounts identified the understatement, which had no impact on the benefit expenses paid by the State. The corrected report was resubmitted in September 2021 and approved by the Comptroller.

UHD Observations

UH System State Benefits Proportional by Fund Policy requires consistency between USAS and PeopleSoft Finance. General Revenue – Dedicated (GR-D) net revenue per the finance system should reconcile with the GR-D amount reported on the reports. General accounting should reconcile the GR-D net revenue from the finance system with the cash transferred to USAS to ensure cash remitted does not exceed net GR-D.

Internal Audit compared the figures on the reports to the figures in finance system. The GR-D figures did not reconcile, and the GR-D amount on the reports were higher than the finance system.

There was an immaterial overstatement in the GR-D proportion calculation that resulted in the University overpaying benefits.

Overall Audit Opinion

There were no moderate or significant findings. However, UH and UHD can improve the completion process by reviewing UH System Benefits by Proportional Fund Policy prior to completing the report.

Recommendation

UH management must ensure that employees follow the policies and procedures developed by UHS when completing the report.

UHD management should follow policies and procedures developed by UHS and perform an annual reconciliation and true-up of GR-D net revenue. Journal entry support for payments made to the state should reflect reports from PeopleSoft Finance used to reconcile GR-D funds, waivers, exemptions, TPEG, interest and bad debt.

Management Response

UH management has reminded all personnel of the importance of following the UHS policies and procedures, including continuing to utilize reconciliations to identify and correct errors.

UHD management will follow the UHS policies and procedures and perform an annual reconciliation and true-up of GR-D net revenue. Journal entry support for payments made to the state will reflect reports from PeopleSoft Finance, including the reconciliations of GR-D funds, waivers, exemptions, TPEG, interest and bad debt.

* * * * *

The UHS Department of Internal Auditing would like to thank the UHS Finance Departments for their cooperation and assistance during this audit process.

Sincerely,

A handwritten signature in black ink that reads "Phillip W. Hurd". The signature is written in a cursive style with a large, sweeping initial "P".

Phillip W. Hurd
Chief Audit Executive
University of Houston System

PWH/pwh/AP Audit

Participating Auditors: Brandee O'Neal, Kim Gerry, and Jeff Collier

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

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Annual Internal Audit Plan and Peer Review Status

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Attached for your review and approval is the UHS Internal Auditing Department Annual Internal Audit Plan for Fiscal Year 2023 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents policy and the Texas Internal Auditing Act (Texas Government Code, Sec. 2102), as amended. The Texas Internal Auditing Act requires the Board of Regents to approve the Audit Plan and periodically review the resources dedicated to the Internal Audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.

Since last year's reorganization, the Internal Audit Department has been undergoing the integration of analytics, computer assisted auditing techniques (CAAT), Robotic Process Automation (RPA), and basic artificial intelligence (AI) into the audit processes. In addition, the internal processes have been modernized to better serve the UHS community with better audits and reporting process. Some of these projects will be revealed in Fiscal Year 2023.

The Peer Review team is in the process of being coordinated and scheduled for some time this upcoming fiscal year as schedules allow.

SUPPORTING

DOCUMENTATION: Annual Internal Audit Plan, FY 2023

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

COMPONENT: University of Houston System



08-05-2022

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

DATE

8/18/2022

Annual Internal Audit Plan and
Peer Review Status
FY 2023

August 25, 2022

Overview

1. Internal Audit Definition
2. Staff Members and Certified Competencies
3. Proposed Audit Plan
4. Additional Points

Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Staff Members and Certified Competencies

Name	Job Title	Certifications
White, Barbara Carol	Asst, Administrative, Exec	
Dahlke, Sandra Wells	Working Retiree	CAP
McClellan, Elias Jacob	Auditor II	CFE
Gerry, Kim A.	Auditor IV	CFE
Porter, Eric	Auditor II	CFE
Davis, Tamara T	Auditor II	
Applebach, Connie C	Auditor III	CISA
Tran, Emily Kim	Auditor II	
Collier, Jeff A.	Auditor III	CFE
Moreno, Cesario Anthony	Auditor IV	CFE, CGAP
O'Neal, Brandee M	Director	CIA
Johnnie Buoy	Computer Support Analyst	
Hurd, Phillip Wayne	Chief Audit Executive	CIA, CISSP, CCEP

Existing Year Projects that are in Process

TITLE	STATUS <small>(select from drop-down list)</small>	COMMENTS
Procurement Card Management (UH, UHCL, UHD and UHV)	Project Currently In Progress	In fieldwork
Research Governance and Process Overview (UH and UHCL)	Project Currently In Progress	In fieldwork (UH) and In reporting (UHCL)
Travel Expense (UH, UHCL, UHD, and UHV)	Project Currently In Progress	In fieldwork
Education Resource Center (UH)	Project Currently In Progress	In fieldwork
Compliance Program Analysis (UH, UHCL, UHD and UHV)	Project Currently In Progress	In reporting
Travel & Entertainment Expenditures - Board, FY22	Project Currently In Progress	Board Requested - Continual -Report in November
Travel & Entertainment expenditures - President, FY22 (UH, UHCL, UHD, and UHV)	Project Currently In Progress	Board Requested - Continual -Report in November
Contracts Requiring Board Approval	Project Currently In Progress	In fieldwork
Houston Public Media - Financial Statement Review	Project Currently In Progress	In planning
Lab Safety (UH, UHCL, and UHD)	Project Currently In Progress	In fieldwork
IA Data Analytics and Value Enhancements	Project Currently In Progress	This is on ongoing skills enhancement project to integrate data analytics and increase sample size through integration of AI and RPA into the audit process.

Additions to Audit Plan Based on Risk Assessment and Risk Register

ENGAGEMENT TITLE	GROUPING	TYPE	SCOPE	TIME FRAME	INCLUSION RATIONAL	Entity to be Audited				
						UHS	UH	UHCL	UHD	UHV
Title of the audit engagement.	Assurance Blended Consulting Special Project	Compliance Financial Information Technology Investigation Operational	Controls Review Full Review Limited Review	Near Term - 1-6 Months Medium Term - 7-12 Months Long Term - 13-18 Months	Information describing why this project is included on the audit plan.					
Annual Procurement Report	Assurance	Compliance	Limited Review	Near Term - 1-6 Months	Mandatory Audit		x			
Athletics - Football Attendance	Assurance	Compliance	Limited Review	Near Term - 1-6 Months	Mandatory Audit		x			
Board of Regents Travel & Entertainment, FY 2023	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x				
Chancellor/President's Travel & Entertainment, FY 2023	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x	x	x	x
Contracts Requiring Board of Regents Approval	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	X				
Compliance with Education Code 51.9337	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x				
Fiscal Controls and Cost Center Management	Mgt. Request	Compliance	Controls Review	Near Term - 1-6 Months	Mgt. Request			X		
HIPPA Compliance	Assurance	Compliance	Controls Review	Near Term - 1-6 Months	Mgt. Request		X			
NCAA-Rules Compliance	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Ensure compliance		x			
PeopleSoft/Banner Data Integrity	Mgt. Request	Information Technology	Limited Review	Medium Term - 7-12 Months	Mgt. Request				X	
Clinical Health Services	Mgt. Request	Compliance	Controls Review	Medium Term - 7-12 Months	Ensure compliance		X			
Research Data Security	Mgt. Request	Compliance	Limited Review	Medium Term - 7-12 Months	Mgt. Request		X	X	X	
Quality Assurance Reviews - Internal/External	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
Scholarships and Financial Aid	Assurance	Compliance	Controls Review	Near Term - 1-6 Months	Ensure compliance					X
State Benefits Proportionality	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x	x	x	x
Education Resource Center (UH)	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			

Additional Points

- 20% of available talent hours are reserved for Management/Board requests and investigations.
- Improvements in efficiencies which result in additional talent hours will be applied to near-term audits first, then to mid-term audits.
- Internal audit will go through a peer review in FY 2023.