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# AGENDA

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## UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

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**DATE:** Wednesday, May 14, 2025  
**TIME:** 9:30 AM  
**PLACE:** Hilton University of Houston Hotel  
Conrad Hilton Ballroom, Second Floor  
4450 University Drive  
Houston, Texas 77204

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**Chair:** Gregory C. King  
**Vice Chair:** John A. McCall Jr.  
**Members:** Alonzo Cantu  
Jack Moore  
Ricky Raven

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- I. **Audit and Compliance Committee**  
*Presenter: Chair Greg C. King*
  - A. Call to Order  
*Presenter: Chair Greg C. King*
  - B. Approval of Committee Minutes  
  
- February 19, 2025, Audit & Compliance Committee Meeting  
  
**Action:** Approval
  - C. Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended April 30, 2025 3  
  
**Action:** Information  
*Presenter: Sergio Leal, System Compliance Officer*
  - D. Report on External Audit Reports - University of Houston System, External Audit Report 12  
  
**Action:** Information  
*Presenter: Phil Hurd, Chief Audit Executive*

- E. Report on External Audit Reports - University of Houston System, 74  
State Audit Reports:  
- State of Texas Federal Portion of the Statewide Single Audit  
Report for the Year Ended August 31, 2024, Report No. 25-315  
(excerpts)  
- State of Texas Financial Portion of the Statewide Single Audit  
Report for the Year Ended August 31, 2024, Report No. 25-555  
(excerpts)

**Action:** Information  
*Presenter: Phil Hurd, Chief Audit Executive*

- F. Report on University of Houston System, Internal Audit Reports 101

**Action:** Information  
*Presenter: Phil Hurd, Chief Audit Executive*

II. **Executive Session**

1. Consultation with System Attorney Regarding Legal Matters and/or contemplated Litigation or Settlement Offers  
TEXAS GOV'T CODE SECTION 551.071
2. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property  
TEXAS GOV'T CODE SECTION 551.072
3. Deliberations Regarding a Prospective Gift  
TEXAS GOV'T CODE SECTION 551.073
4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers, or Employees including but not limited to the Chancellor, Presidents, Vice Chancellors, in the Division of Athletics and members of the Board of Regents.  
TEXAS GOV'T CODE SECTION 551.074
5. Confidentiality of government information related to security or infrastructure issues for computers.  
TEXAS GOV'T CODE SECTION 552.139

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

*Presenter: Chair Greg C. King*

IV. **Adjourn**

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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended April 30, 2025

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

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

**SUPPORTING DOCUMENTATION:** Institutional Compliance Hotline Report

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



\_\_\_\_\_  
**SYSTEM-WIDE COMPLIANCE OFFICER** Sergio V. Leal

4/17/25  
\_\_\_\_\_  
**DATE**



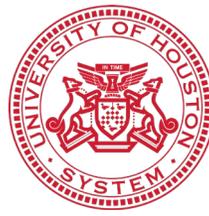
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

5/7/2025  
\_\_\_\_\_  
**DATE**

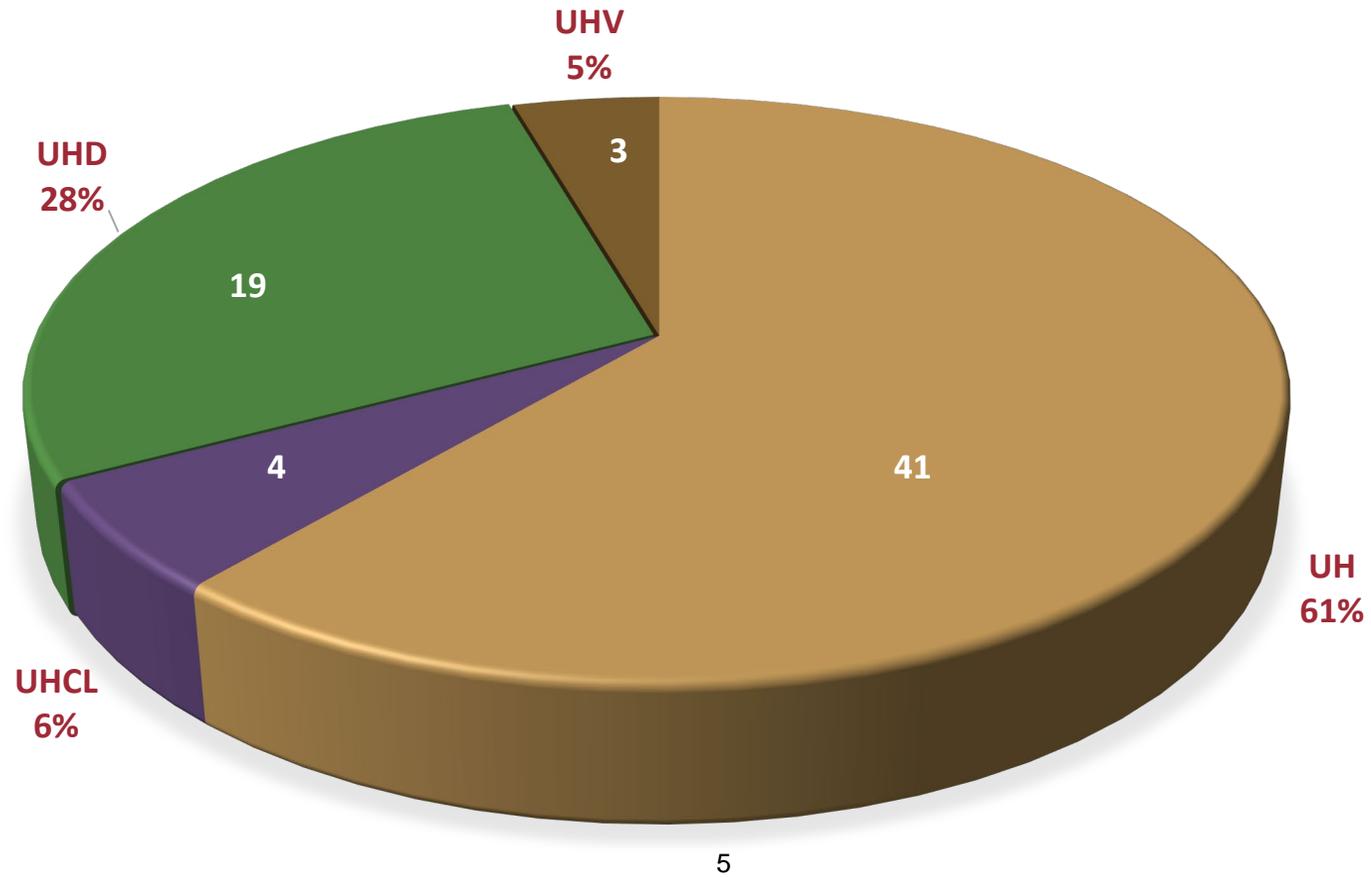


# University of Houston System

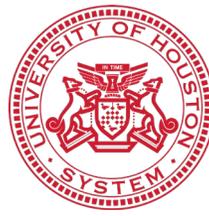
Institutional Compliance Hotline Report  
for the three months ended April 30, 2025



## Hotline Reports for all UHS Universities

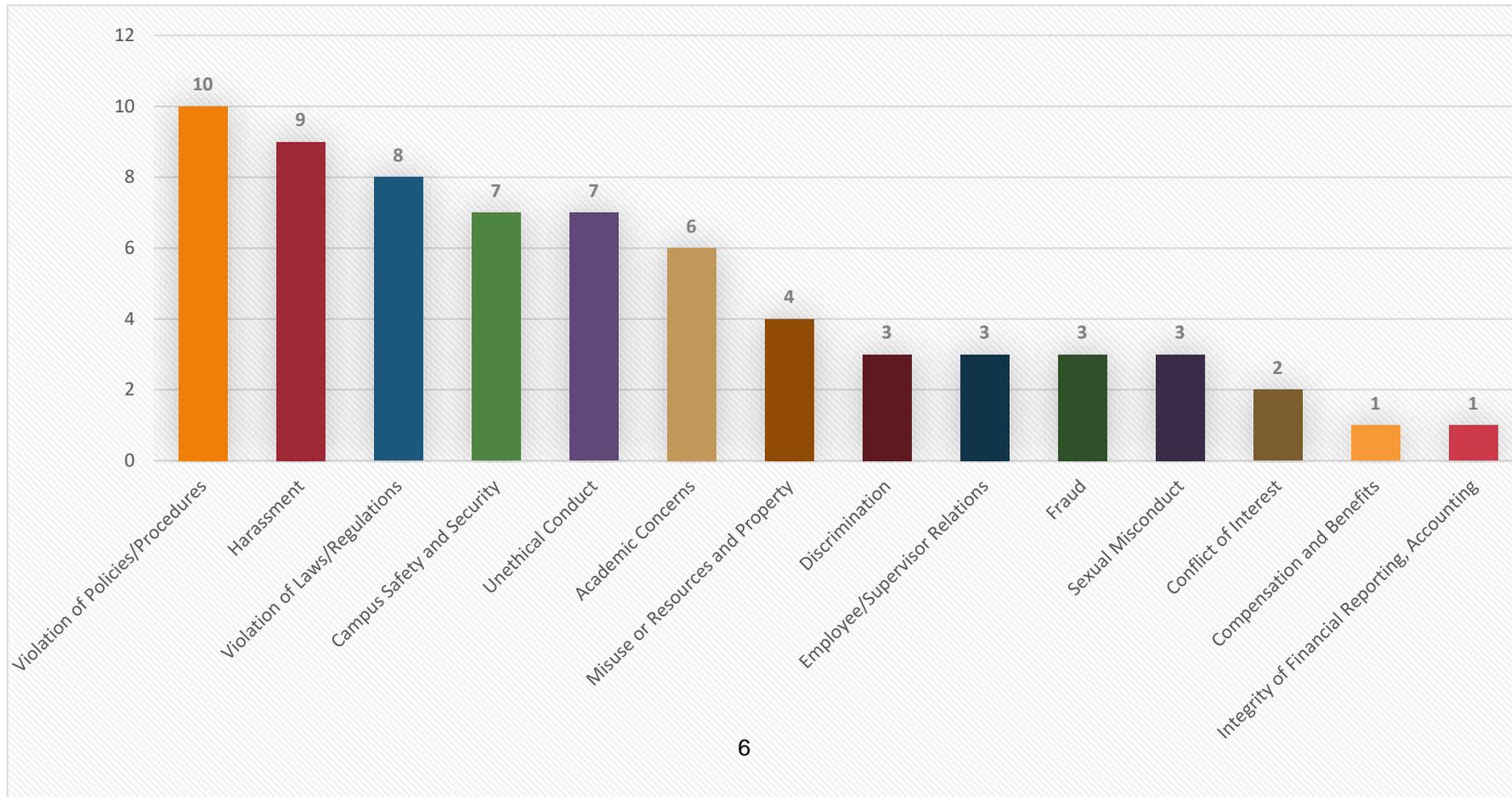


UHS Total: 67



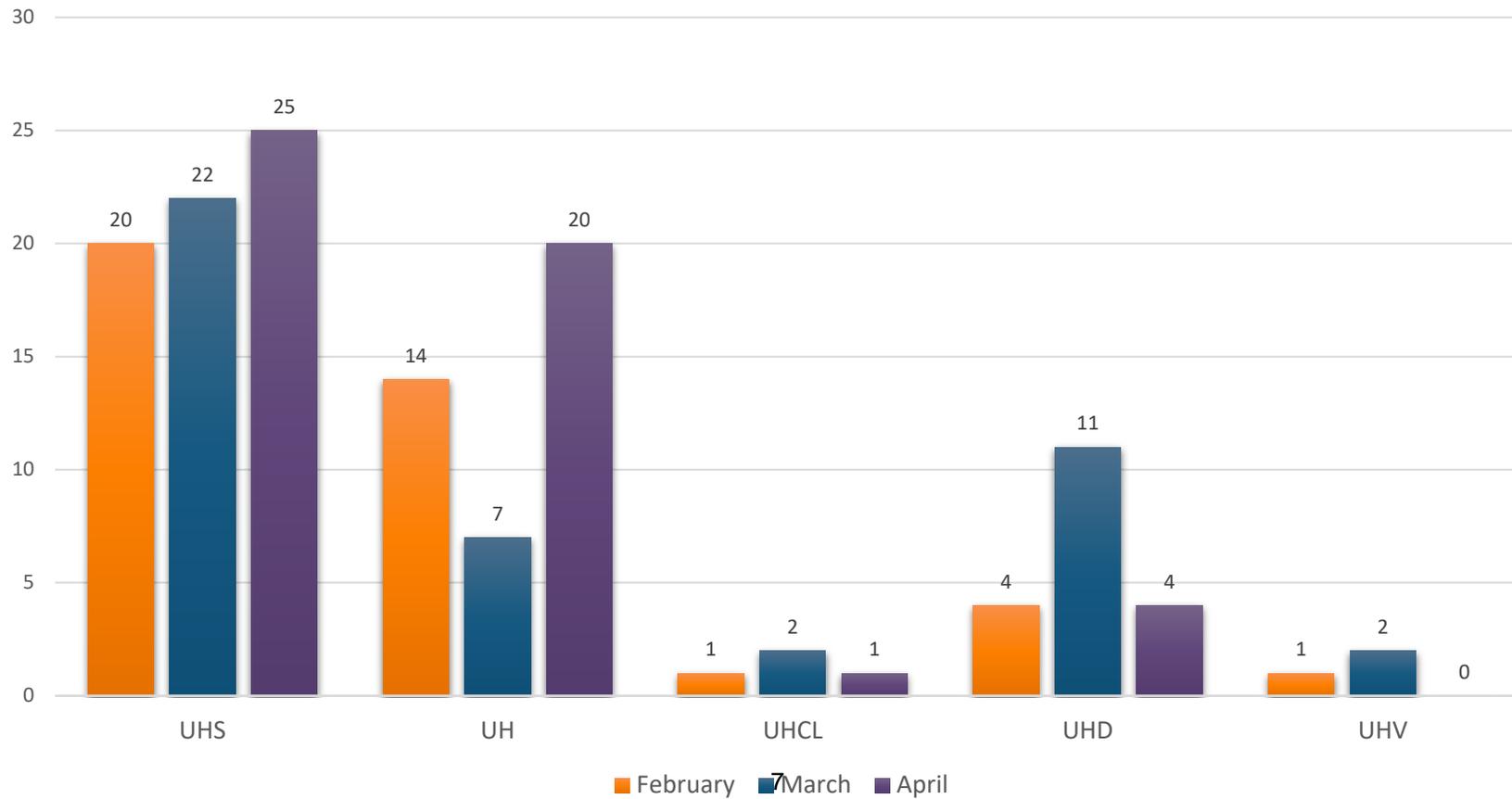
## Reported Issues by Type Across UHS

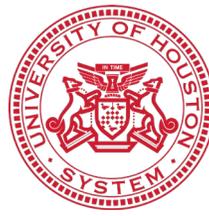
**UHS Total: 67**





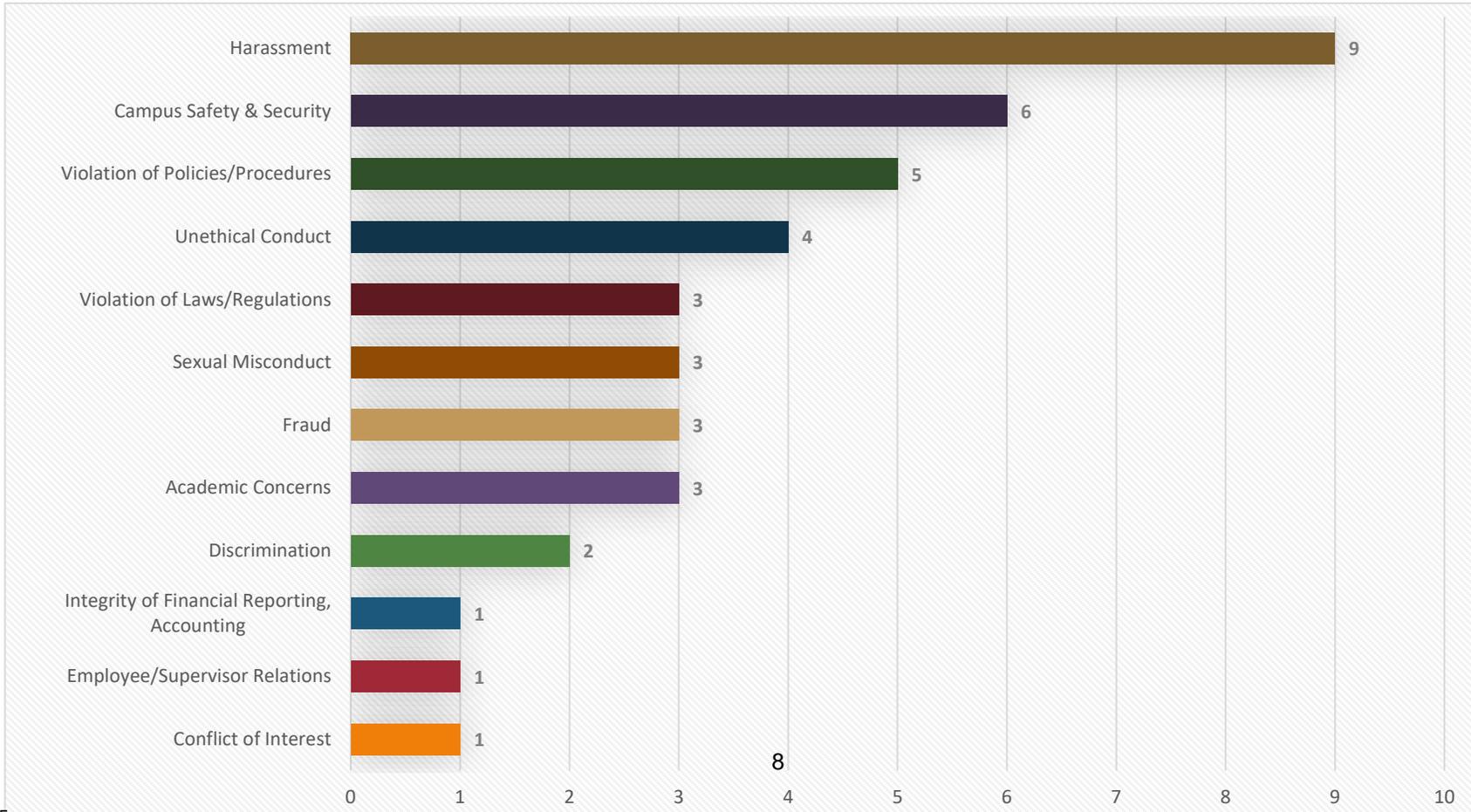
## Issues Reported by Month

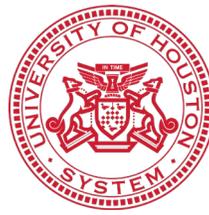




# UH Issue Breakdown

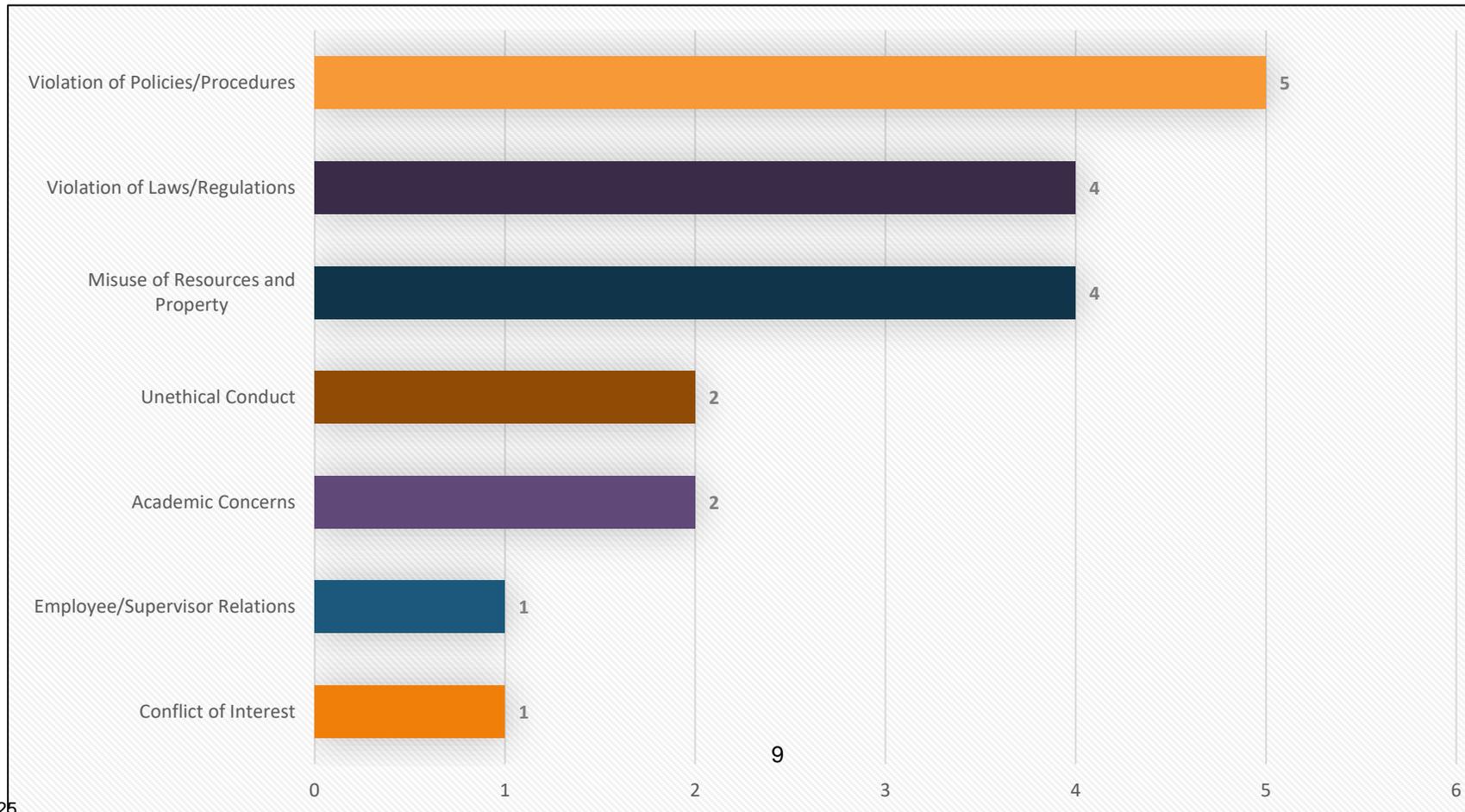
**UH Total: 41**

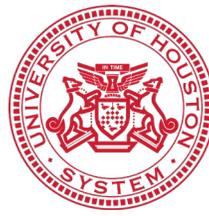




## UHD Issue Breakdown

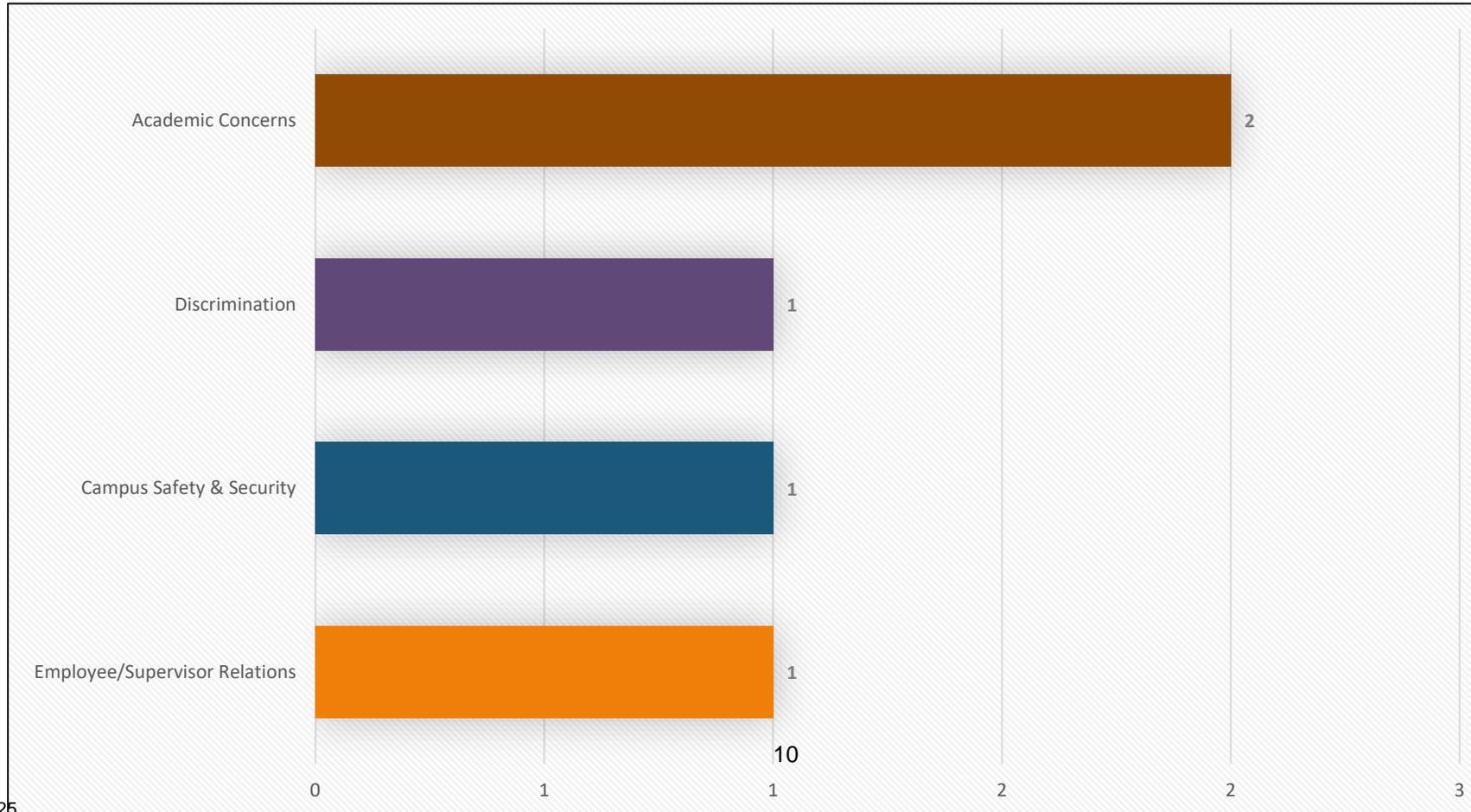
**UHD Total: 19**

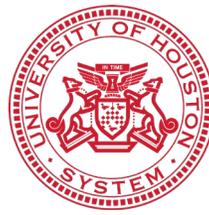




## UHCL Issue Breakdown

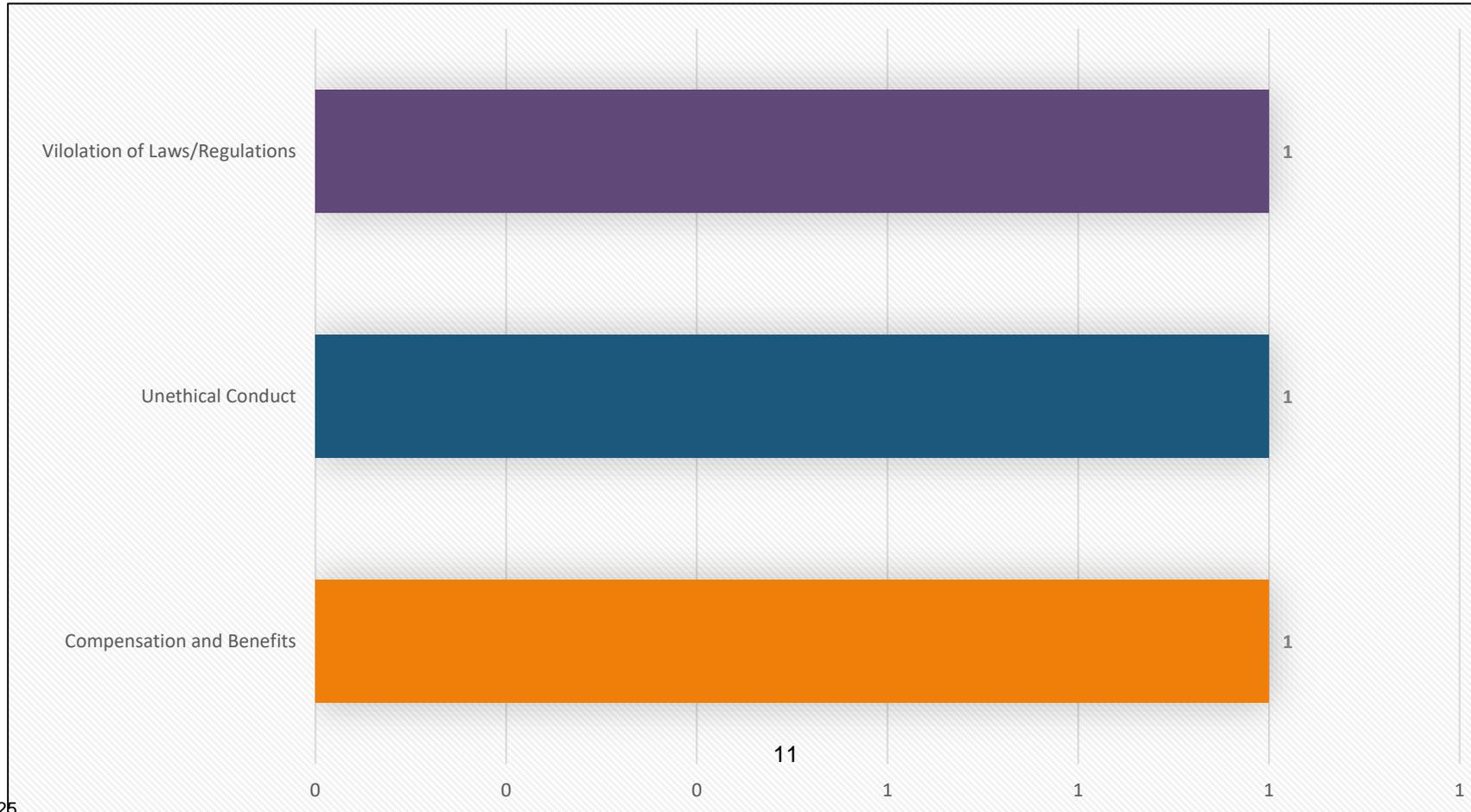
**UHCL Total: 4**





## UHV Issue Breakdown

UHV Total: 3



UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

**COMMITTEE:** Audit and Compliance

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

**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.

**SUPPORTING DOCUMENTATION:** External Audit Reports

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

04/14/2025

DATE



CHANCELLOR

Renu Khator

5/7/2025

DATE

# External Audit Reports

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 outside expertise.

Report Name	Name of Firm	Presenter	IAD Page #s
Houston Public Media (A Division of the University of Houston System), Independent Auditor's Report and Financial Statements, Years Ended August 31, 2024, and 2023	FORVIS, LLP	Shekita Rawls	2 of 61

# Forvis Mazars Report to the Board of Regents, Audit and Compliance Committee, and Management

Houston Public Media and Houston Public Media Foundation

Results of the 2024 Financial Statement Audit, Including Required Communications

August 31, 2024

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"> <li>• As of and for the year ended August 31, 2024.</li> <li>• Conducted in accordance with our contract dated July 23, 2024.</li> </ul>
<b>Our Responsibilities</b>	<p>Forvis Mazars is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>
<b>Your Responsibilities</b>	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>

Matter	Discussion
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• Board of Regents, Audit and Compliance Committee, and Management</li> <li>• Others within the Entity</li> </ul>

## Qualitative Aspects of Significant Accounting Policies & Practices

### Significant Accounting Policies

Significant accounting policies are described in Note 2 of the audited financial statements.

### Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

### Alternative Accounting Treatments

- No matters are reportable

### Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management’s estimation process and our procedures for testing the reasonableness of those estimates include:

- Fair value of endowment investments

### Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Component Unit - Houston Public Media Foundation

### Our Judgment About the Quality of the Entity’s Accounting Principles

- No matters are reportable

## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

## Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Houston Public Media
  - Capital asset additions - increased by \$435,256
  - Net position reclassifications - decreased by \$220,150
  - Accounts payable and expenses - increased by \$21,054
  - Endowment market value - increased by \$133, 223
- Houston Public Media Foundation
  - Accounts payable, tax payable and expenses - net decreased by \$17,556

## Uncorrected Misstatements

- No uncorrected misstatements to report

## Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

## Recent Accounting Pronouncements

GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2025.

GASB Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2025.

GASB Statement No. 103, Financial Reporting Model Improvements, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2026.

GASB Statement No. 104, Disclosure of Certain Capital Assets, focuses on enhancing disclosure requirements for certain capital assets held by state and local governments. It aims to improve transparency regarding new asset types, particularly those created by recent GASB Statements like Nos. 87, 94, and 96, which introduced "right-to-use" assets. Key provisions of Statement 104 include the requirement that certain types of capital assets be disclosed separately in the capital asset note disclosures required by GASB Statement No. 34. These include lease assets reported under Statement 87; intangible right-to-use assets recognized under Statement 94; and subscription assets reported under Statement 96. In addition, this Statement requires intangible assets other than those three types to be disclosed

separately by major class. Statement 104 establishes requirements for capital assets held for sale. An asset qualifies if the government has decided to pursue the sale of the capital assets and the sale is expected to be completed within one year of the financial statement date. Governments should disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Governments must disclose the historical cost and accumulated depreciation of these assets, organized by major asset class. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2026.

# Required Communications Regarding Internal Control (AU-C 265)

## Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Houston Public Media and Houston Public Media Foundation as of and for the year ended August 31, 2024, in accordance with GAAS, we considered the Entity's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **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 Entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- Board of Regents, Audit and Compliance Committee, and Management
- Others within the Entity

## Categorizing Deficiencies by Severity

### Deficiency

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.



### Significant Deficiency

A significant deficiency is a deficiency, or 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.



### Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.



## Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a significant deficiency.

Management's written response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## Significant Deficiency

### **Accounting for Various Transactions - Lack of Thorough Review**

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Houston Public Media's (the Stations) internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis

Misstatements of various transactions as of August 31, 2024, included:

- The Stations did not record \$290K of equipment additions. An adjustment was proposed and recorded by management to increase capital assets by \$290K.
- The Stations erroneously recorded multiple transactions directly to net position causing a variance of \$220K between August 31, 2023, ending net position and September 1, 2023, beginning net position. Adjustments were proposed and recorded by management to decrease beginning net position by \$220K.
- The Stations did not accrue \$21K for services received during FY2024. An adjustment was proposed and recorded by management to increase accounts payable and expenses by \$21K.
- A \$133K variance was identified between the Stations recorded endowment market value of \$2,665,542 and the University of Houston System Endowment Fund's confirmed market value of \$2,798,765. An adjustment was proposed and recorded by management to increase the endowment market value by \$133K.

We recommend the Stations establish policies and procedures over month-end and year-end close, review the year-end close checklists, and incorporate adjustments made to address any items identified.

### **Management Responses to Significant Deficiency**

- The Stations did not record \$290K of equipment additions. An adjustment was proposed and recorded by management to increase capital assets by \$290K.
  - Corrective Action: The University will transfer responsibility for the preparation of adjusting entries and other financial statement information to the Financial Reporting Department in Finance. Personnel with expertise in accounting and financial reporting will be responsible for ensuring that: annually, each adjusting entry is reviewed with its sources of information evaluated for completeness and updated as needed based on activities during that year; adjusting entries are completed in accordance with a schedule of all required entries; and that all entries are reviewed within the Financial Reporting department prior to being included in the trial balance.
- The Stations erroneously recorded multiple transactions directly to net position causing a variance of \$220K between August 31, 2023, ending net position, and September 1, 2023, beginning net position. Adjustments were proposed and recorded by management to decrease the beginning net position by \$220K.
  - Corrective Action: The University will transfer responsibility for the preparation of adjusting entries and other financial statement information to the Financial Reporting Department in Finance. Personnel with expertise in accounting and financial reporting will be responsible for ensuring that accounting practices for the review of transactions recorded directly to net position are documented procedurally and that such reviews occur on a quarterly basis during the fiscal year to allow time for discussion of the reclassifications with management.

- The Stations did not accrue \$21K for services received during FY2024. An adjustment was proposed and recorded by management to increase accounts payable and expenses by \$21K.
  - Corrective Action: The University will transfer responsibility for the preparation of adjusting entries and other financial statement information to the Financial Reporting Department in Finance. Personnel with expertise in accounting and financial reporting will be responsible for reviewing all invoices paid subsequent to the end of the fiscal year to correctly categorize them for accrual purposes.
- A \$133K variance was identified between the Stations recorded endowment market value of \$2,665,542 and the University of Houston System Endowment Fund's confirmed market value of \$2,798,765. An adjustment was proposed and recorded by management to increase the endowment market value by \$133K.
  - Corrective Action: The University will transfer responsibility for the preparation of adjusting entries and other financial statement information to the Financial Reporting Department in Finance. Personnel with a thorough understanding of the University's accounting structure will both: review the information used to prepare the endowment fund schedules and validate the market value with the Office of the Treasurer; and review the methodology used to summarize accounting information for financial statement presentation to ensure appropriate treatment.



## Attachments

### Management Representation Letter (Attachment A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.



**Attachment A**

**Management Representation Letter**

*Representation of:*  
Houston Public Media  
4343 Elgin Street  
Houston, Texas 77204

*Provided to:*  
**Forvis Mazars, LLP**  
Certified Public Accountants  
2700 Post Oak Boulevard, Suite 1500  
Houston, TX 77056

The undersigned (“We”) are providing this letter in connection with Forvis Mazars’ audits of our financial statements as of and for the years ended August 31, 2024 and 2023..

Our representations are current and effective as of the date of Forvis Mazars’ report: March 10, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: July 23, 2024.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of Forvis Mazars’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### ***Broad Matters***

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

- b. Internal control to prevent and detect fraud.
3. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

***Misappropriation, Misstatements, & Fraud***

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
- a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities or net position.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
- a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, regulators, suppliers, or others.
8. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

***Ongoing Operations***

9. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, , etc., that could negatively impact the entity's ability to maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current

economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc.

### ***Related Parties***

10. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

11. We understand that the term related party refers to:

- Affiliates
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- Board of Trustees and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

### ***Litigation, Laws, Rulings & Regulations***

12. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
13. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
14. We have no reason to believe the entity owes any penalties or payments under the Employer

Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act*, nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

15. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations:

**Nonattest Services**

16. You have provided nonattest services, including the following, during the period of this engagement:

- Preparing a draft of the financial statements and related notes and supplementary information

17. With respect to these services:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
- b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- d. We have evaluated the adequacy of the services performed and any findings that resulted.
- e. We have established and maintained internal controls, including monitoring ongoing activities.
- f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

**Financial Statements & Reports**

18. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

19. With regard to supplementary information:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- d. We believe the significant assumptions or interpretations underlying the measurement

and/or presentation of the supplementary information are reasonable and appropriate.

20. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

***Transactions, Records, & Adjustments***

21. All transactions have been recorded in the accounting records and are reflected in the financial statements.
22. We have everything we need to keep our books and records.
23. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
24. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

***Governmental Accounting & Disclosure Matters***

25. With regard to deposit and investment activities:
- a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Investments held by endowments are properly valued.
  - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
26. The financial statements include all component units.
27. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
29. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance is available and have determined that net position is properly recognized under the policy.
30. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
31. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the

significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

***Accounting & Disclosure***

32. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.
33. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities or net position.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the statement of net position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
  - h. Known or anticipated asset retirement obligations.
34. Except as disclosed in the financial statements, the entity has:
  - a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

***Revenue & Accounts Receivable***

35. Adequate provisions and allowances have been accrued for any material losses from:
  - a. Uncollectible receivables.

***Estimates***

36. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.

37. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

**Fair Value**

38. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated course of action.
  - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
  - c. The significant assumptions appropriately reflect market participant assumptions.
  - d. The disclosures related to fair values are complete, adequate, and in conformity with accounting principles generally accepted in the United States of America.
  - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

  
[Lisa Shumate \(Mar 11, 2025 09:45 CDT\)](#)  
\_\_\_\_\_  
Lisa Shumate, Associate Vice President and  
General Manager of Houston Public Media  
[lshumate@houstonpublicmedia.org](mailto:lshumate@houstonpublicmedia.org)  
\_\_\_\_\_

  
[Derrick Wilson \(Mar 11, 2025 10:31 CDT\)](#)  
\_\_\_\_\_  
Derrick Wilson, Executive Director HPM  
Business Operations  
[dwilson@houstonpublicmedia.org](mailto:dwilson@houstonpublicmedia.org)  
\_\_\_\_\_

# HPM Managementrepresentationletter-HPM

Final Audit Report

2025-03-11

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2025-03-11 - 3:31:24 PM GMT

*Representation of:*  
Houston Public Media Foundation  
4343 Elgin Street  
Houston, Texas 77204

*Provided to:*  
**Forvis Mazars, LLP**  
Certified Public Accountants  
2700 Post Oak Boulevard, Suite 1500  
Houston, TX 77056

The undersigned (“We”) are providing this letter in connection with Forvis Mazars’ audits of our financial statements as of and for the years ended August 31, 2024 and 2023.

Our representations are current and effective as of the date of Forvis Mazars’ report: March 10, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: July 23, 2024.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of Forvis Mazars’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### ***Broad Matters***

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair

presentation of the financial statements, such as financial records and related data, documentation, and other matters.

- b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

***Misappropriation, Misstatements, & Fraud***

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
- a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities, or net position.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
- a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
8. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

***Ongoing Operations***

9. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
10. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity, difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for contributions, capital, etc., that could negatively, etc., that could negatively impact the entity's ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current

economic environment and the resulting impact on the entity's financial statements. Further, management and the board are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans.

***Related Parties***

11. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

12. We understand that the term related party refers to:

- Affiliates
- Board of Directors and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

***Litigation, Laws, Rulings & Regulations***

13. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
14. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
15. There are no regulatory examinations currently in progress for which we have not received examination reports.

16. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act*, nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
17. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

**Nonattest Services**

18. You have provided nonattest services, including the following, during the period of this engagement:
  - Preparing a draft of the financial statements and related notes and supplementary information
  - Preparation of Federal Form 990
19. With respect to these services:
  - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
  - e. We have established and maintained internal controls, including monitoring ongoing activities.
  - f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

**Financial Statements & Reports**

20. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
21. With regard to supplementary information:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the

supplementary information.

- d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

***Transactions, Records, & Adjustments***

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have everything we need to keep our books and records.
24. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
25. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

***Nonprofit Accounting & Disclosure Matters***

26. Adequate provisions and allowances have been accrued for any material losses from uncollectible receivables, including pledges.
27. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.
28. We acknowledge the entity is not a conduit debt obligor whose debt securities are listed, quoted, or traded on an exchange or an over-the-counter market. As a result, we acknowledge the entity does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

***Accounting & Disclosure***

29. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.
30. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities, or net position.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Accounting Standards Codification (ASC) Topic 450, *Contingencies*, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.

- f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
  - h. Known or anticipated asset retirement obligations.
31. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

***Revenue & Accounts Receivable***

32. Adequate provisions and allowances have been accrued for any material losses from:
- a. Uncollectible receivables.

***Estimates***

33. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
34. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

***Fair Value***

35. The determination of fair value of entity and the implied fair value of goodwill were based on reasonable and supportable assumptions.
36. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated course of action.
  - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
  - c. The significant assumptions appropriately reflect market participant assumptions.
  - d. The disclosures related to fair values are complete, adequate, and in conformity with

accounting principles generally accepted in the United States of America.

- e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

**Investments**

- 37. Investments held by endowments are properly valued..

**Tax Matters**

- 38. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to Forvis Mazars any and all known reportable tax transactions.



[Lisa Shumate \(Mar 11, 2025 09:45 CDT\)](#)

\_\_\_\_\_  
Lisa Shumate, Associate Vice President and  
General Manager of Houston Public Media

[lshumate@houstonpublicmedia.org](mailto:lshumate@houstonpublicmedia.org)



[Derrick Wilson \(Mar 11, 2025 12:13 CDT\)](#)

\_\_\_\_\_  
Derrick Wilson, Executive Director HPM  
Business Operations

[dwilson@houstonpublicmedia.org](mailto:dwilson@houstonpublicmedia.org)

# Managementrepresentationletter-HPMF

Final Audit Report

2025-03-11

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**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Independent Auditor's Report and Financial Statements  
August 31, 2024 and 2023

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)

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## Independent Auditor's Report

Board of Regents  
University of Houston System  
Houston, Texas

### ***Opinions***

We have audited the financial statements of the business-type activities and the discretely presented component unit of Houston Public Media (Stations), a division of the University of Houston System, (UH System) as of and for the years ended August 31, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the Stations' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Stations as of August 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter***

As discussed in *Note 1*, the financial statements present only the financial statements of the Stations, and do not purport to, and do not, present fairly the financial position of the UH System as of August 31, 2024 and 2023, or the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Stations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stations' basic financial statements. The Primary Institution Schedule of Functional Expenses, Component Unit Schedule of Functional Expenses, and Combining Schedule of Revenues and Expenses by Station are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit 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 GAAS. In our opinion, the Primary Institution Schedule of Functional Expenses, Component Unit Schedule of Functional Expenses, and Combining Schedule of Revenues and Expenses by Station are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Forvis Mazars, LLP**

**Houston, Texas  
March 10, 2025**

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Management's Discussion and Analysis  
Years Ended August 31, 2024 and 2023

## INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the activities and the financial position of Houston Public Media (Stations), a division of the University of Houston (UH) System (UH System), as of and for the years ended August 31, 2024 and 2023. 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 (Board) 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, 2024 and 2023. 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 including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding debt obligations and lease liabilities 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.

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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>2024</u>	<u>2023</u>	<u>2022</u>
<b>Assets:</b>			
Current assets	\$ 8,167,448	\$ 9,128,474	\$ 8,239,346
Capital assets, net	4,933,821	4,888,082	5,641,592
Other noncurrent assets	2,798,765	2,189,902	2,110,619
Total assets	<u>15,900,034</u>	<u>16,206,458</u>	<u>15,991,557</u>
<b>Liabilities:</b>			
Current liabilities	1,637,174	1,332,220	1,180,826
Noncurrent liabilities	3,500,481	3,673,061	3,836,123
Total liabilities	<u>5,137,655</u>	<u>5,005,281</u>	<u>5,016,949</u>
<b>Net position:</b>			
Net investment in capital assets	1,260,761	1,051,958	1,651,255
Restricted for endowment funds	1,363,888	822,064	757,242
Unrestricted	8,137,730	9,327,155	8,566,111
Total net position	<u>\$ 10,762,379</u>	<u>\$ 11,201,177</u>	<u>\$ 10,974,608</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 23,793,236	\$ 22,525,307	\$ 21,877,024
Operating expenses	24,412,446	22,653,185	19,340,683
Operating income (loss)	<u>(619,210)</u>	<u>(127,878)</u>	<u>2,536,341</u>
<b>Nonoperating income (loss):</b>			
Endowment distributions	(69,496)	(67,081)	(63,463)
Gain (loss) from endowment	261,221	142,569	(165,234)
Interest expense on lease obligations	(59,772)	(62,135)	(64,523)
Other nonoperating income	48,459	341,094	(34,593)
Change in net position	(438,798)	226,569	2,208,528
Net position, beginning of year	11,201,177	10,974,608	8,766,080
Net position, end of year	<u>\$ 10,762,379</u>	<u>\$ 11,201,177</u>	<u>\$ 10,974,608</u>

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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, 2024, 2023, and 2022:

Revenues by Source	FY24		FY23		FY22		2024–2023 Increase (Decrease)		2023–2022 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	\$ 10,693,695	45.000%	\$ 12,247,242	54%	\$ 12,875,056	59%	\$ (1,553,547)	-123%	\$ (627,814)	-97%
General support from the UH System	3,377,552	15.000%	3,280,515	15%	2,114,868	10%	97,037	9%	1,165,647	180%
Program underwriting	6,137,778	26.000%	3,201,009	14%	3,037,105	14%	2,936,769	233%	163,904	25%
Production service Corporation for Public Broadcasting (CPB) grants	766,254	3.000%	1,067,333	5%	1,011,817	5%	(301,079)	-24%	55,516	9%
Broadcasting (CPB) grants	2,213,129	9.000%	2,143,861	9%	2,307,717	11%	69,268	5%	(163,856)	-25%
Special events	-	0.000%	-	0%	2,460	0%	-	0%	(2,460)	0%
Other	604,828	3.000%	585,347	3%	528,001	2%	19,481	2%	57,346	9%
	<u>\$ 23,793,236</u>	<u>101.0%</u>	<u>\$ 22,525,307</u>	<u>100%</u>	<u>\$ 21,877,024</u>	<u>100%</u>	<u>\$ 1,267,929</u>	<u>101%</u>	<u>\$ 648,283</u>	<u>100%</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 expenses for the fiscal years ended August 31, 2024, 2023 and 2022:

Expenses by Function	FY24		FY23		FY22		Increase (Decrease)		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)	\$ 11,048,944	45%	\$ 9,908,287	45%	\$ 9,144,247	47%	\$ 1,140,657	65%	\$ 764,040	23%
Broadcasting, engineering and technical (BET)	2,805,330	11%	2,768,209	12%	1,859,134	10%	37,121	2%	909,075	27%
Occupancy and physical plant operations (BET)	325,429	1%	325,429	1%	325,429	2%	-	0%	-	0%
Program information (PGM)	-	0%	19	0%	382	0%	(19)	0%	(363)	0%
Fundraising and membership development (FND)	1,341,682	5%	1,397,178	6%	1,291,693	7%	(55,496)	-3%	105,485	3%
Underwriting and grant solicitation (UND)	1,011,370	4%	1,124,345	5%	1,074,090	5%	(112,975)	-6%	50,255	2%
Management and general (MGT)	4,438,051	18%	3,257,627	14%	2,778,371	14%	1,180,424	67%	479,256	14%
Institutional support (MGT)	3,052,123	13%	2,955,086	13%	1,789,439	9%	97,037	6%	1,165,647	35%
Depreciation/amortization	389,517	2%	917,005	4%	1,077,898	6%	(527,488)	-30%	(160,893)	-5%
Total operating expenses	<u>\$ 24,412,446</u>	<u>99%</u>	<u>\$ 22,653,185</u>	<u>100%</u>	<u>\$ 19,340,683</u>	<u>100%</u>	<u>\$ 1,759,261</u>	<u>101%</u>	<u>\$ 3,312,502</u>	<u>100%</u>

**FINANCIAL HIGHLIGHTS AND ANALYSIS**

**Assets and Liabilities – Fiscal Year 2024 Compared to Fiscal Year 2023**

- Current assets (cash and cash equivalent) slightly decreased due to one-time initiatives. Year over year fundraising increased in program underwriting. Staffing levels increased as vacancies were filled in several departments, and HPM's Advancement and Digital teams expanded to meet the strategic goals of digital and financial growth.
- Current liabilities increased slightly due to advanced payment of an annual underwriting schedule.

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***Assets and Liabilities – Fiscal Year 2023 Compared to Fiscal Year 2022***

- Current assets increased due to funding set aside for capital projects. Year over year fundraising increased in program underwriting and production services. Staffing levels increased as vacancies were filled in several departments, and the Stations' Executive and Digital teams expanded to meet the strategic goals of digital and financial growth.
- Current liabilities increased slightly due to accrued payroll and compensated absences.

***Operating Revenues – Fiscal Year 2024 Compared to Fiscal Year 2023***

The Station's revenue increased year over year in underwriting and decreased in contributions due to strategic advancement initiatives and overall giving commitments. Revenue from UH General Support and CPB grants increased. In FY24, total operating revenue was slightly ahead of FY23 revenue.

***Operating Revenues – Fiscal Year 2023 Compared to Fiscal Year 2022***

The Stations' revenue increased year over year in underwriting by 2% and production services by 5%. This increase is due to increased revenue from current clients, new business, and significant growth from Community Catalyst. Revenue from UH General Support increased and CPB grants decreased. In FY23, total operating revenue increased by 3% from FY22.

***Operating Expenses – Fiscal Year 2024 Compared to Fiscal Year 2023***

The Stations' expenses in FY24 increased due to several initiatives that were associated with FY23 "continuation" (staffing, technical and studio production upgrades).

***Operating Expenses – Fiscal Year 2023 Compared to Fiscal Year 2022***

The Stations' expenses in FY23 increased due to several initiatives (staffing, technical, and studio production upgrades).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of the end of fiscal 2024 and 2023, the Stations had \$4,933,821 and \$4,888,082, respectively, of capital assets, net of accumulated depreciation. 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 Executive Director – HPM Business Operations, Houston Public Media at: KUHF-FM & KUHT-TV, 4343 Elgin, Houston, Texas 77204-0008.

## **BASIC FINANCIAL STATEMENTS**

**HOUSTON PUBLIC MEDIA**  
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Statements of Net Position  
August 31, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Primary institution</u>	<u>Component unit (HPMF)</u>	<u>Primary institution</u>	<u>Component unit (HPMF)</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 4,587,091	\$ 593,779	\$ 5,053,769	\$ 812,662
Accounts receivable	-	390,128	293	610,388
Restricted cash and cash equivalents for capital projects	3,210,593	-	3,806,330	-
Restricted cash and cash equivalents	110,002	531,972	120,936	459,038
Film rights, net	259,762	-	147,146	-
Total current assets	<u>8,167,448</u>	<u>1,515,879</u>	<u>9,128,474</u>	<u>1,882,088</u>
Noncurrent assets:				
Capital assets, net	4,933,821	14,100	4,888,082	14,100
Investments restricted for endowment	2,798,765	1,988,951	2,189,902	1,746,218
Total noncurrent assets	<u>7,732,586</u>	<u>2,003,051</u>	<u>7,077,984</u>	<u>1,760,318</u>
<b>Total assets</b>	<u>15,900,034</u>	<u>3,518,930</u>	<u>16,206,458</u>	<u>3,642,406</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	282,831	115,454	47,519	154,583
Accrued payroll	667,265	-	649,823	-
Employees' compensable leave	509,699	-	466,802	-
Unearned revenue	-	245,995	-	210,840
Lease liability - current portion	172,579	-	163,063	-
Interest payable	4,800	-	5,013	-
Total current liabilities	<u>1,637,174</u>	<u>361,449</u>	<u>1,332,220</u>	<u>365,423</u>
Noncurrent liabilities:				
Lease liability, less current portion	3,500,481	-	3,673,061	-
<b>Total liabilities</b>	<u>5,137,655</u>	<u>361,449</u>	<u>5,005,281</u>	<u>365,423</u>
<b>Net Position</b>				
Net investment in capital assets	1,260,761	14,100	1,051,958	14,100
Restricted:				
Nonexpendable	1,015,930	1,462,489	595,000	1,462,489
Expendable	347,958	551,726	227,064	343,833
Unrestricted	8,137,730	1,129,166	9,327,155	1,456,561
<b>Total net position</b>	<u>\$ 10,762,379</u>	<u>\$ 3,157,481</u>	<u>\$ 11,201,177</u>	<u>\$ 3,276,983</u>

See accompanying notes to basic financial statements.

**HOUSTON PUBLIC MEDIA**  
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Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended August 31, 2024 and 2023

	<b>2024</b>		<b>2023</b>	
	<b>Primary institution</b>	<b>Component unit (HPMF)</b>	<b>Primary institution</b>	<b>Component unit (HPMF)</b>
Operating revenues:				
Contributions	10,693,695	11,997,104	12,247,242	11,311,733
General support from the UH System	3,377,552	-	3,280,515	-
Program underwriting	6,137,778	4,289,622	3,201,009	3,614,909
Production service	766,254	112,912	1,067,333	91,310
Corporation for Public Broadcasting (CPB) grants	2,213,129	-	2,143,861	-
Royalties	136	-	-	-
Other	604,692	72,934	585,347	71,946
Total operating revenues	<u>23,793,236</u>	<u>16,472,572</u>	<u>22,525,307</u>	<u>15,089,898</u>
Operating expenses:				
Grants to primary institution	-	13,975,110	-	12,288,616
Programming and production (PRD)	11,048,944	184,913	9,908,287	250,835
Broadcasting, engineering, and technical (BET)	2,805,330	247,736	2,768,209	50,242
Occupancy and physical plant operations (BET)	325,429	-	325,429	-
Program information (PGM)	-	-	19	-
Fundraising and membership development (FND)	1,341,682	1,065,693	1,397,178	1,185,767
Underwriting and grant solicitation (UND)	1,011,370	1,011,370	1,124,345	1,124,345
Management and general (MGT)	4,438,051	349,985	3,257,627	385,806
Institutional support (MGT)	3,052,123	-	2,955,086	-
Depreciation and amortization	389,517	-	917,005	-
Total operating expenses	<u>24,412,446</u>	<u>16,834,807</u>	<u>22,653,185</u>	<u>15,285,611</u>
Operating loss	<u>(619,210)</u>	<u>(362,235)</u>	<u>(127,878)</u>	<u>(195,713)</u>
Nonoperating income (expense):				
Endowment distributions	(69,496)	-	(67,081)	-
Gain from endowment	261,221	242,733	142,569	76,071
Interest expense on lease obligations	(59,772)	-	(62,135)	-
Other nonoperating income	48,459	-	341,094	-
Total nonoperating income	<u>180,412</u>	<u>242,733</u>	<u>354,447</u>	<u>76,071</u>
Change in net position	<u>(438,798)</u>	<u>(119,502)</u>	<u>226,569</u>	<u>(119,642)</u>
Net position, beginning of year	<u>11,201,177</u>	<u>3,276,983</u>	<u>10,974,608</u>	<u>3,396,625</u>
Net position, end of year	<u>\$ 10,762,379</u>	<u>\$ 3,157,481</u>	<u>\$ 11,201,177</u>	<u>\$ 3,276,983</u>

See accompanying notes to basic financial statements.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Statements of Cash Flows  
Years Ended August 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
	<b>Primary institution</b>	<b>Primary institution</b>
Cash flows from operating activities:		
Proceeds from contributions	\$ 10,693,695	\$ 12,247,241
Proceeds from CPB grant	2,213,129	2,143,861
Proceeds from program underwriting	6,138,071	3,200,716
Proceeds from other revenues	1,371,082	1,652,680
Payments to suppliers for goods and services	(7,005,324)	(5,924,360)
Payments to employees	(8,446,405)	(7,319,132)
Payments for broadcasting fees	(4,785,991)	(4,342,414)
Net cash provided by operating activities	178,257	1,658,592
Cash flows from capital and related financing activities:		
Purchase of capital assets	(435,256)	(163,495)
Purchase of film rights	(224,622)	(215,749)
Interest paid on lease obligations	(59,771)	(62,336)
Payments for right-to-use lease asset	(163,063)	(154,214)
Net cash used in capital and related financing activities	(882,712)	(595,794)
Cash flows from (used in) non-capital and related financing activities:		
Proceeds from UH System	100,000	337,299
Payments to UH System	(468,894)	-
Net cash provided by (used in) non-capital and related financing activities	(368,894)	337,299
Change in cash and cash equivalents	(1,073,349)	1,400,097
Cash and cash equivalents, beginning of year	8,981,035	7,580,938
Cash and cash equivalents, end of year	\$ 7,907,686	\$ 8,981,035
Cash and cash equivalents are presented on the Statement of Net Position as:		
Cash and cash equivalents	\$ 4,587,091	\$ 5,053,769
Restricted cash and cash equivalents for capital projects	3,210,593	3,806,330
Restricted cash and cash equivalents	110,002	120,936
	\$ 7,907,686	\$ 8,981,035
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (619,210)	\$ (127,878)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	389,517	917,005
Amortization of film rights	112,006	77,011
Decrease (increase) in accounts receivable	293	(293)
Increase in prepaid expenses	-	650,000
Increase (decrease) in accounts payable	235,312	(58,832)
Increase in accrued payroll	17,442	113,610
Increase in employees' compensable leave	42,897	87,969
Total adjustments	797,467	1,786,470
Net cash provided by operating activities	\$ 178,257	\$ 1,658,592

See accompanying notes to basic financial statements.

**HOUSTON PUBLIC MEDIA**  
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Notes to Basic Financial Statements  
August 31, 2024 and 2023

**(1) Entity**

Houston Public Media (Stations or Primary Institution) of the University of Houston (UH) System (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 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 KUHT, Channel 8, in Houston, Texas. On January 25, 2005, the Board 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.

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.

**HOUSTON PUBLIC MEDIA**  
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Notes to Basic Financial Statements  
August 31, 2024 and 2023

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*.

**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, including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding debt obligations and lease liabilities 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.

**HOUSTON PUBLIC MEDIA**  
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Notes to Basic Financial Statements  
August 31, 2024 and 2023

(ii) *Restricted* – reports the constraints placed on the use of net position by either 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 an endowment, 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 net position* – 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. Revenues**

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, 2024 and 2023.

**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.

Cash and cash 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.

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**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 (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.

Right-of-use (ROU) lease assets are included in capital assets and amortized over the shorter of the lease term or the useful life of the underlying asset.

**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 non-monetary contributions as support in the accompanying statement of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expenses 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.

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**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.

For the years ended August 31, 2024 and 2023, 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 nonoperating revenues. *American Rescue Plan Act* (ARPA) stabilization funds are also included within nonoperating 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.

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**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 years ended August 31, 2024 and 2023 was \$196,531 and \$172,347, respectively.

**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***

GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2026.

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GASB Statement No. 104, *Disclosure of Certain Capital Assets*, focuses on enhancing disclosure requirements for certain capital assets held by state and local governments. It aims to improve transparency regarding new asset types, particularly those created by recent GASB Statements like Nos. 87, 94, and 96, which introduced "right-to-use" assets. Key provisions of Statement 104 include the requirement that certain types of capital assets be disclosed separately in the capital asset note disclosures required by GASB Statement No. 34. These include lease assets reported under Statement 87; intangible right-to-use assets recognized under Statement 94; and subscription assets reported under Statement 96. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Statement 104 establishes requirements for capital assets held for sale. An asset qualifies if the government has decided to pursue the sale of the capital assets and the sale is expected to be completed within one year of the financial statement date. Governments should disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Governments must disclose the historical cost and accumulated depreciation of these assets, organized by major asset class. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2026.

**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, 2024 and 2023.

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, 2024 and 2023.

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

**(3) Endowment Funds**

**a. Primary Institution**

Gifts to the UH System are placed in the UH System's endowment fund (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 of the average of the outstanding endowment's fair value in the previous 12 fiscal quarters. That percentage was 4% in fiscal years 2024 and 2023. 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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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, 2024 and 2023, HPMF had cash deposits held by Amegy Bank in the amount of approximately \$875,751 and \$583,518, respectively, that were uninsured and uncollateralized. The Stations did not have any balances that were uninsured or uncollateralized as of August 31, 2024 or 2023, as all cash balances represent the claim of cash at 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 2024 and 2023, the Endowment Management Committee of the UH System Board 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' investment activity for the years ended August 31, 2024 and 2023:

Balance, September 1, 2022	\$	2,110,619
FY23 distributions		(67,081)
FY23 realized/unrealized gains		<u>146,364</u>
Balance, August 31, 2023		2,189,902
FY24 distributions		(69,496)
FY24 contributions		417,138
FY24 realized/unrealized gains		<u>261,221</u>
Balance, August 31, 2024	\$	<u><u>2,798,765</u></u>

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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**b. 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 (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 U of H 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 interest 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 \$1,988,951 and \$1,746,218 as of August 31, 2024 and 2023, 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.

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The following summarizes HPMF's activity for the years ended August 31, 2024 and 2023:

Balance, September 1, 2022	\$ 1,670,148
FY23 realized/unrealized gains	<u>76,070</u>
Balance, August 31, 2023	1,746,218
FY24 realized/unrealized gains	<u>242,733</u>
Balance, August 31, 2024	<u><u>\$ 1,988,951</u></u>

**(4) Capital Assets**

Capital asset balances and activity for the year ended August 31, 2024 were as follows for the Stations:

	<b>2023</b>	<b>Additions</b>	<b>Dispositions</b>	<b>2024</b>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	8,957,722	289,516	252,528	8,994,710
Intangible and other assets	75,000	-	-	75,000
Construction in progress	<u>163,495</u>	<u>145,740</u>	<u>-</u>	<u>309,235</u>
Total capital assets	21,902,678	435,256	252,528	22,085,406
Less accumulated depreciation and amortization	<u>17,014,596</u>	<u>389,517</u>	<u>252,528</u>	<u>17,151,585</u>
Net capital assets	<u><u>\$ 4,888,082</u></u>	<u><u>\$ 45,739</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,933,821</u></u>

Capital asset balances and activity for the year ended August 31, 2024 were as follows for HPMF:

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	<u>55,105</u>	<u>-</u>	<u>-</u>	<u>55,105</u>
Total capital assets	1,204,698	-	-	1,204,698
Less accumulated depreciation	<u>1,190,598</u>	<u>-</u>	<u>-</u>	<u>1,190,598</u>
Net capital assets	<u><u>\$ 14,100</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,100</u></u>

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Capital asset balances and activity for the year ended August 31, 2023 were as follows for the Stations:

	<u>2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2023</u>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	8,986,060		28,338	8,957,722
Intangible and other assets	75,000		-	75,000
Construction in progress	-	163,495	-	163,495
	<u>21,767,521</u>	<u>163,495</u>	<u>28,338</u>	<u>21,902,678</u>
Total capital assets				
Less accumulated depreciation and amortization	<u>16,125,929</u>	<u>917,005</u>	<u>28,338</u>	<u>17,014,596</u>
Net capital assets	<u>\$ 5,641,592</u>	<u>(753,510)</u>	<u>-</u>	<u>4,888,082</u>

Capital asset balances and activity for the year ended August 31, 2023 were as follows for HPMF:

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
	<u>1,204,698</u>	<u>-</u>	<u>-</u>	<u>1,204,698</u>
Total capital assets				
Less accumulated depreciation	<u>1,190,598</u>	<u>-</u>	<u>-</u>	<u>1,190,598</u>
Net capital assets	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>

**(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.

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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.

The Stations had the following recurring fair value measurements as of August 31, 2024 and 2023:

- Pooled investments of \$2,798,765 and \$2,189,902, 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, 2024 and 2023:

- Pooled investments of \$1,988,951 and \$1,746,218, 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**

KUHT 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, 2024 and 2023 were as follows:

Balance, September 1, 2022	\$	8,408
FY23 additions		215,749
FY23 amortization		<u>(77,011)</u>
Balance, August 31, 2023		147,146
FY24 additions		224,622
FY24 amortization		<u>(112,006)</u>
Balance, August 31, 2024	\$	<u><u>259,762</u></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 2024 and 2023. 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 \$3,377,552 and \$3,280,515 in 2024 and 2023, respectively.

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**(8) Leases**

The Stations recognize ROU assets and corresponding lease liabilities for all significant leases that are not considered short-term. The Stations lease tower and antenna usage through a lease agreement that extends through the Stations' fiscal year 2039. The ROU lease asset has been discounted at a rate of 1.59%. As of August 31, 2024 and 2023, the ROU asset was \$4,271,530, and accumulated amortization was \$915,328 and \$686,496, respectively. The ROU lease asset is included in note (4) Capital Assets and categorized in furniture and equipment.

Future maturities of lease payments are as follows:

<u>Year Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2025	172,579	57,159	229,738
2026	182,286	54,345	236,631
2027	192,356	51,374	243,730
2028	202,669	48,372	251,041
2029–2033	1,184,637	188,159	1,372,796
2034–2038	1,509,836	81,610	1,591,446
2039	228,699	1,371	230,070
	<u>\$ 3,673,062</u>	<u>\$ 482,390</u>	<u>\$ 4,155,452</u>

**(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, 2024 and 2023 amounted to \$2,859,697 and \$2,996,996 respectively, and have been included in the contributions, 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. Revenues**

The Stations received significant revenue from two sources in 2024 and 2023. The CPB provided approximately 14% of revenues, and UH provided approximately 9% in cash, support, and donated facilities. For the year ended August 31, 2023, the CPB provided approximately 10% of revenues, and UH provided approximately 15% in cash, support, and donated facilities.

There were no significant concentrations of revenues for HPMF.

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**(11) Community Service Grants (CSG)**

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, 2024</u>
		<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	
2022-23	\$ 2,404,872	\$ 2,123,837	\$ 17,869	\$ 153,164	\$ 110,002

**(12) Restrictions on Net Position**

Included in restricted expendable net position at August 31, 2024 are restricted cash from unspent CSG grants of \$110,002 and endowment earnings of \$237,956 for the Stations and endowment earnings of \$551,726 for HPMF. Included in restricted expendable net position at August 31, 2023 are restricted cash from unspent CSG grants of \$120,936 and endowment earnings of \$106,128 for the Stations and endowment earnings of \$343,833 for HPMF. The restricted nonexpendable net position at August 31, 2024 and 2023 contains the endowment balances of \$1,015,930 and \$1,462,489 for the Stations and HPMF, respectively.

## **SUPPLEMENTARY INFORMATION**

**HOUSTON PUBLIC MEDIA**  
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Primary Institution Schedule of Functional Expenses  
Year Ended August 31, 2024

Schedule 1

Class	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	\$ 3,988,839	\$ 664,165	\$ -	\$ 4,653,004	\$ 201,846	\$ 1,801,633	\$ -	\$ 2,003,479	\$ 6,656,483
Fringe benefits	1,145,143	170,488	-	1,315,631	61,515	473,115	-	534,630	1,850,261
Financial and legal services	2,296	409	-	2,705	8	315,357	-	315,365	318,070
Fundraising	25,608	1,588	-	27,196	164,723	200,373	578	365,674	392,870
Membership fees	547	80	-	627	35,294	74,765	-	110,059	110,686
Other expenses	444,268	516,910	-	961,178	534,923	299,003	1,010,303	1,844,229	2,805,407
Mail services	665	307	-	972	80,162	648	489	81,299	82,271
Printing and reproduction services	2,048	-	-	2,048	128,591	1,585	-	130,176	132,224
Professional services	1,148,682	59,876	-	1,208,558	35,923	1,263,223	-	1,299,146	2,507,704
Program rights	4,206,935	388,726	-	4,595,661	(13,434)	52,862	-	39,428	4,635,089
Rental and leases	24,323	286,866	-	311,189	-	(192,066)	-	(192,066)	119,123
Repairs and maintenance	107	246,891	-	246,998	-	65,810	-	65,810	312,808
Supplies and materials	27,630	187,312	-	214,942	111,980	53,655	-	165,635	380,577
Telephone	-	119,953	-	119,953	-	-	-	-	119,953
Travel	31,853	10,857	-	42,710	151	28,088	-	28,239	70,949
Utilities	-	150,902	-	150,902	-	-	-	-	150,902
Total expenses before in-kind	11,048,944	2,805,330	-	13,854,274	1,341,682	4,438,051	1,011,370	6,791,103	20,645,377
In-kind	-	325,429	-	325,429	-	3,052,123	-	3,052,123	3,377,552
Total expenses before depreciation and amortization	11,048,944	3,130,759	-	14,179,703	1,341,682	7,490,174	1,011,370	9,843,226	24,022,929
Depreciation and amortization	-	-	-	-	-	389,517	-	389,517	389,517
Total operating expenses	<u>\$ 11,048,944</u>	<u>\$ 3,130,759</u>	<u>\$ -</u>	<u>\$ 14,179,703</u>	<u>\$ 1,341,682</u>	<u>\$ 7,879,691</u>	<u>\$ 1,011,370</u>	<u>\$ 10,232,743</u>	<u>\$ 24,412,446</u>
Percentage of total expenses before depreciation	46%	13%	0%	59%	6%	31%	4%	41%	100%

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Component Unit (HPMF) Schedule of Functional Expenses  
Year Ended August 31, 2024

Schedule 2

Class	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	\$ -	2	-	2	8	82,986	-	82,994	82,996
Fundraising	-	25,087	1,588	26,675	164,723	199,629	578	364,930	391,605
Grants to KUHF-FM	6,987,555	-	-	6,987,555	-	-	-	-	6,987,555
Grants to KUHT-TV	6,987,555	-	-	6,987,555	-	-	-	-	6,987,555
Membership fees	-	80	80	160	35,294	1,577	-	36,871	37,031
Other expenses	-	141,786	242,193	383,979	534,649	45,974	1,010,303	1,590,926	1,974,905
Mail services	-	100	-	100	67,877	86	489	68,452	68,552
Printing and reproduction services	-	2,048	-	2,048	128,590	1,495	-	130,085	132,133
Professional services	-	520	-	520	35,924	-	-	35,924	36,444
Program rights	-	-	-	-	(13,434)	-	-	(13,434)	(13,434)
Supplies and materials	-	15,179	3,875	19,054	111,911	17,433	-	129,344	148,398
Travel	-	111	-	111	151	805	-	956	1,067
	-	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>\$ 13,975,110</b>	<b>\$ 184,913</b>	<b>\$ 247,736</b>	<b>\$ 14,407,759</b>	<b>\$ 1,065,693</b>	<b>\$ 349,985</b>	<b>\$ 1,011,370</b>	<b>\$ 2,427,048</b>	<b>\$ 16,834,807</b>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Primary Institution Schedule of Functional Expenses  
Year Ended August 31, 2023

Schedule 3

Class	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	\$ 3,745,672	\$ 636,336	\$ -	\$ 4,382,008	\$ 149,645	\$ 1,368,949	\$ -	\$ 1,518,594	\$ 5,900,602
Fringe benefits	1,065,222	159,368	-	1,224,590	44,905	350,524	-	395,429	1,620,019
Financial and legal services	764	17	-	781	-	200,218	-	200,218	200,999
Fundraising	15,259	-	-	15,259	246,830	193,675	1,346	441,851	457,110
Membership fees	1,000	118	-	1,118	34,420	83,420	-	117,840	118,958
Other expenses	408,029	298,226	-	706,255	513,540	735,909	1,122,134	2,371,583	3,077,838
Mail services	207	15	19	241	42,302	1,071	865	44,238	44,479
Printing and reproduction services	892	-	-	892	216,825	15,530	-	232,355	233,247
Professional services	805,749	21,299	-	827,048	47,173	336,357	-	383,530	1,210,578
Program rights	3,799,505	500,000	-	4,299,505	-	42,909	-	42,909	4,342,414
Rental and leases	20,865	248,928	-	269,793	-	(172,610)	-	(172,610)	97,183
Repairs and maintenance	476	172,273	-	172,749	-	45,142	-	45,142	217,891
Supplies and materials	27,065	394,534	-	421,599	98,051	35,264	-	133,315	554,914
Telephone	-	126,762	-	126,762	-	294	-	294	127,056
Travel	17,582	5,935	-	23,517	3,487	16,555	-	20,042	43,559
Utilities	-	204,398	-	204,398	-	4,420	-	4,420	208,818
<b>Total expenses before in-kind</b>	<b>9,908,287</b>	<b>2,768,209</b>	<b>19</b>	<b>12,676,515</b>	<b>1,397,178</b>	<b>3,257,627</b>	<b>1,124,345</b>	<b>5,779,150</b>	<b>18,455,665</b>
In-kind	-	325,429	-	325,429	-	2,955,086	-	2,955,086	3,280,515
<b>Total expenses before depreciation and amortization</b>	<b>9,908,287</b>	<b>3,093,638</b>	<b>19</b>	<b>13,001,944</b>	<b>1,397,178</b>	<b>6,212,713</b>	<b>1,124,345</b>	<b>8,734,236</b>	<b>21,736,180</b>
Depreciation and amortization	-	-	-	-	-	917,005	-	917,005	917,005
<b>Total operating expenses</b>	<b>\$ 9,908,287</b>	<b>\$ 3,093,638</b>	<b>\$ 19</b>	<b>\$ 13,001,944</b>	<b>\$ 1,397,178</b>	<b>\$ 7,129,718</b>	<b>\$ 1,124,345</b>	<b>\$ 9,651,241</b>	<b>\$ 22,653,185</b>
Percentage of total expenses before depreciation	46%	14%	0%	60%	6%	29%	5%	40%	100%

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Component Unit (HPMF) Schedule of Functional Expenses  
Year Ended August 31, 2023

Schedule 4

Class	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	\$ -	\$ -	\$ -	\$ -	\$ -	71,615	\$ -	71,615	\$ 71,615
Fundraising	-	7,871	-	7,871	245,936	193,465	1,346	440,747	448,618
Grants to KUHF-FM	6,144,308	-	-	6,144,308	-	-	-	-	6,144,308
Grants to KUHT-TV	6,144,308	-	-	6,144,308	-	-	-	-	6,144,308
Membership fees	-	930	118	1,048	34,420	1,250	-	35,670	36,718
Other expenses	-	229,565	50,097	279,662	513,531	96,687	1,122,134	1,732,352	2,012,014
Mail services	-	205	-	205	29,734	188	865	30,787	30,992
Printing and reproduction services	-	860	-	860	216,825	6,386	-	223,211	224,071
Professional services	-	6,540	-	6,540	47,173	1,500	-	48,673	55,213
Rental and leases	-	-	-	-	-	930	-	930	930
Supplies and materials	-	4,768	27	4,795	98,051	10,224	-	108,275	113,070
Travel	-	96	-	96	97	3,561	-	3,658	3,754
<b>Total operating expenses</b>	<b>\$ 12,288,616</b>	<b>\$ 250,835</b>	<b>\$ 50,242</b>	<b>\$ 12,589,693</b>	<b>\$ 1,185,767</b>	<b>\$ 385,806</b>	<b>\$ 1,124,345</b>	<b>\$ 2,695,918</b>	<b>\$ 15,285,611</b>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Combining Schedule of Revenues and Expenses by Station  
Year Ended August 31, 2024

**Schedule 5**

	<b>KUHF-FM</b>	<b>KUHT-TV</b>	<b>Totals</b>
<b>Operating revenues:</b>			
Contributions	\$ 5,340,809	\$ 5,352,886	\$ 10,693,695
General support from the UH System	1,607,395	1,770,157	3,377,552
Program underwriting	3,290,399	2,847,379	6,137,778
Production service	275,559	490,695	766,254
Corporation for Public Broadcasting grants	540,385	1,672,744	2,213,129
Royalties	68	68	136
Other	323,740	280,952	604,692
Total operating revenues	11,378,355	12,414,881	23,793,236
<b>Operating expenses:</b>			
Financial and legal services	159,548	158,522	318,070
Fringe benefits	925,140	925,121	1,850,261
Fundraising	134,410	258,460	392,870
Mail services	41,220	41,051	82,271
Membership fees	49,561	61,125	110,686
Other expenses	1,485,613	1,319,794	2,805,407
Printing and reproduction services	66,112	66,112	132,224
Professional services	1,216,961	1,290,743	2,507,704
Program rights	2,186,196	2,448,893	4,635,089
Rental and leases	125,673	(6,550)	119,123
Repairs and maintenance	133,797	179,011	312,808
Salaries and wages	3,326,100	3,330,383	6,656,483
Supplies and materials	204,345	176,232	380,577
Telephone	59,976	59,977	119,953
Travel	51,817	19,132	70,949
Utilities	76,498	74,404	150,902
In-kind	1,607,395	1,770,157	3,377,552
Depreciation	114,416	275,101	389,517
Total operating expenses	11,964,778	12,447,668	24,412,446
Operating loss	(586,423)	(32,787)	(619,210)
<b>Nonoperating income (expense):</b>			
Interest expense on lease obligations	(29,886)	(29,886)	(59,772)
Endowment distribution	(61,490)	(8,006)	(69,496)
Gain on endowments	73,044	67,067	140,111
Realized gain on endowments, net	63,770	57,340	121,110
Other nonoperating income	24,228	24,231	48,459
Total nonoperating income	69,666	110,746	180,412
Change in net position	\$ (516,757)	\$ 77,959	\$ (438,798)

## Independent Accountant's Report

Board of Regents  
University of Houston System  
Houston, Texas

We have examined management of Houston Public Media's (the Stations) assertion, included in the accompanying Corporation for Public Broadcasting (CPB) Schedules of Nonfederal Financial Support (NFFS), that the Stations, comprised of KUHF-FM and KUHT-TV, complied with CPB's *Financial Reporting Guidelines* Fiscal Year 2024 governing the amounts reported as NFFS during the fiscal year ended August 31, 2024. The Station's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the Stations complied, in all material respects, with the aforementioned requirements for the fiscal year ended August 31, 2024 is fairly stated, in all material respects.

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

**Forvis Mazars, LLP**

**Houston, Texas**  
**March 10, 2025**

**Houston Public Media**  
**KUHF-FM**  
Corporation for Public Broadcasting  
Schedule of Nonfederal Financial Support  
Year Ended August 31, 2024

Schedule A	\$ 9,870,513
Schedule B	1,607,394
Schedule C	-
Schedule D	-
	<hr/>
Total nonfederal financial support	<u>\$ 11,477,907</u>

**Houston Public Media  
KUHT-TV**  
Corporation for Public Broadcasting  
Schedule of Nonfederal Financial Support  
Year Ended August 31, 2024

Schedule A	\$ 10,785,356
Schedule B	1,770,156
Schedule C	-
Schedule D	<u>-</u>
Total nonfederal financial support	<u>\$ 12,555,512</u>

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

**COMMITTEE:** Audit and Compliance

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

- State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024, Report No. 25-315 (excerpts)
- State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024, Report No. 25-555 (excerpts)

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

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

Attached is the summary of “University of Houston System, Identified Findings from Federal and Financial Portions of the State of Texas Statewide Single Audit Report for the Year Ended August 31, 2024” together with excerpts from the reports related to University of Houston System universities.

**SUPPORTING DOCUMENTATION:**

External Audit Reports: SAO Reports 25-315 – State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024 (excerpts) and 25-555 – State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024 (excerpts)

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE**

Phillip W. Hurd

04/14/2025

\_\_\_\_\_  
**DATE**



\_\_\_\_\_  
**CHANCELLOR**

Renu Khator

5/7/2025

\_\_\_\_\_  
**DATE**

## State Auditor Reports

<b>State Auditor Reports</b>	<b>Report No.</b>	<b>Page No.</b>
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Report No. 25-315-State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024	25-315	3 of 26
Report No. 25-555-State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024	25-555	16 of 26

**University of Houston System**  
**Identified Findings from Federal and Financial Portions of the State of Texas Statewide Single Audit Report**  
**for the Year Ended August 31, 2024**

Finding Report Number	University	Testing Area	Recommendation	Corrective Action Plan	Estimated Implementation Date	Implementation Status	Repeat Finding	Questioned Costs	Type of Finding
2023-153	UH	Eligibility	Award Federal Supplemental Educational Opportunity Grants (FSEOG) only to eligible students and complete post-withdrawal disbursements within a timely manner.	The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSC EOG recipients for a given aid year. This reconciliation process will include a report/query they can be distributed weekly and on demand to identify any discrepancies that will be worked timely. The office will also assign a staff member to conduct R2T4 for quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e. - standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.	March 2024	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-154	UH	Special Tests and Provisions - Disbursement to or On Behalf of Students	The University should strengthen its controls to ensure that it does not credit student ledger accounts for unallowable charges and obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.	There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026. The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.	February 2025	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-155	UH	Special Tests and Provisions - Return of Title IV Funds	The University should calculate institutional charges in accordance with U.S. Department of Education requirements; ensure that evidence of academic engagement is consistently documented for students in distance education courses, and; strengthen its monitoring controls to ensure that it detects and corrects errors in its calculation of Title IV funds to return.	The University will: 1) Develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV. (2) Coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework. (3) Establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.	March 2024	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-156	UH	Special Tests and Provisions - Enrollment Reporting	The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.	The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.	February 2025	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-157	UH	Special Tests and Provisions - Gramm-Leach-Bliley Act - Student Information Security	The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.	The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.	June 2024	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
24-555-09	UH	Schedules of Expenditures of Federal Awards (SEFA)	The University of Houston should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.	The University of Houston has already implemented significant process enhancements to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. The SEFA Standard Operating Procedures have been further revised to include updated instruction on the confirmation process and the inclusion of accruals, particularly when confirming pass-through paid to the University from TDEM for Federal Disaster Relief Grants. These updated instructions include guidance on how to calculate amounts to be accrued in order to accurately report incurred expenditures related to Federal Disaster Relief Grants for the reporting fiscal year. In addition to verifying the 'Date Awarded' on the PW, the preparer will verify the amount paid by TDEM on the PW and the total amount of expenditures posted on the cost center. If the amount paid by TDEM is less than the total award amount listed on the PW and total to date expenditures posted to the cost center exceed the amount paid, the preparer will request an accrual from TDEM up to the total amount of posted expenses or up to the total award amount, whichever is the lesser amount.	January 2024	Partially Implemented	Not Applicable	Not Applicable	Significant Deficiency



State of Texas Federal Portion of the

# Statewide Single Audit Report for the Year Ended August 31, 2024



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

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February 2025  
Report No. 25-315

**STATE OF TEXAS  
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University of Houston

**2023-153**

**Eligibility**

**Federal Agency:** U.S. Department of Education  
**Federal Program Title:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.007; and 84.063  
**Pass-Through Agency:** N/A  
**Award Number:** Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; and Federal Pell Grant Program, P063P222333  
**Award Period:** July 1, 2022, to June 30, 2023  
**Statistically Valid Sample:** No and not intended to be a statistically valid sample  
**Type of Finding:** Significant Deficiency and Noncompliance  
**Questioned Costs:** None  
**Repeat Finding:** No  
**Initial Year Written:** 2023  
**Status:** Partially Implemented

Federal Supplemental Educational Opportunity Grants (FSEOG)

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

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date that the institution determines that the student has withdrawn, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.22(a)(6) and Section 668.164(i) (Title 34, CFR, Section 668.22(a)(5)).

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student’s account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(a)(6)(ii)(B)(1)).

**Based on a review of the full population of student financial assistance recipients, the University of Houston (University) awarded a total of \$6,500 in FSEOG assistance to 5 students who did not also receive a Federal Pell Grant. Specifically:**

- For three students, the University did not award Federal Pell Grants to those students because the students reported on their Free Application for Federal Student Aid (FAFSA) that they had earned a bachelor’s degree or were working on a degree beyond a bachelor's degree. After auditors brought these errors to the University’s attention, the University canceled the FSEOG awards to those students; therefore there were no questioned costs.
- For one student, the University did not award a Federal Pell Grant to the student for the term in which the student received FSEOG funds. Due to a manual error, the University applied the student’s Federal Pell Grant to the wrong term. After auditors brought the error to the University’s attention, the University corrected the Federal Pell Grant award to the correct term; therefore there were no questioned costs.

- For one student, the University did not award a Federal Pell Grant to the student due to a hold that was placed on the student's account for an incomplete task. After auditors brought the error to the University's attention, the University reviewed the student's account and determined the hold should be removed. The University processed a post-withdrawal disbursement of Federal Pell Grant funds 324 days after the date of the University's determination that the student withdrew. There were no questioned costs as a result of this error.

Although the University had monitoring controls in place to ensure accurate awarding of federal funds, it did not have an adequate process to identify the errors discussed above.

Recommendation:

The University should:

- Award FSEOG funds only to eligible students.
- Complete post-withdrawal disbursements within a timely manner.

Views of Responsible Officials 2023:

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

Corrective Action Plan 2023:

The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSEOG recipients for a given aid year. This reconciliation process will include a report/query that can be distributed weekly and on demand to identify any discrepancies that will be worked timely.

The office will also assign a staff member to conduct R2T4 quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e., standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.

Views of Responsible Officials 2024:

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

Corrective Action Plan 2024:

The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSEOG recipients for a given aid year. This reconciliation process will include a report/query that can be distributed weekly and on demand to identify any discrepancies that will be worked timely.

The office will also assign a staff member to conduct R2T4 quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e. – standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.

Implementation Date: March 2024

Responsible Person: Frank Gomez, Associate Director, SFA

**2023-154**

**Special Tests and Provisions – Disbursements To or On Behalf of Students**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>84.063; 84.268; and 84.379</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2023</b>
<b>Status:</b>	<b>Partially Implemented</b>

Allowable Charges

An institution may credit a student's ledger account with Title IV, Higher Education Act of 1965 (HEA) program funds to pay for allowable charges associated with the current payment period. Allowable charges are: (1) the amount of tuition, fees, and institutionally provided room and board assessed the student for the payment period or the prorated amount of those charges if the institution debits the student's ledger account for more than the charges associated with the payment period; and (2) the amount incurred by the student for the payment period for purchasing books, supplies, and other educationally related goods and services provided by the institution for which the institution obtains the student's or parent's authorization under Section 668.165(b) (Title 34, Code of Federal Regulations (CFR), Section 668.164(c)(1)).

If an institution obtains written authorization from a student or parent, as applicable, the institution may: (1) use the student's or parent's Title IV, HEA program funds to pay for charges that are included in that authorization, and (2) hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent as a credit balance, unless the Secretary provides funds to the institution under the reimbursement payment method or the heightened cash monitoring payment method (Title 34, CFR, Section 668.165(b)(1)).

An institution may not use Title IV funds to pay finance charges or fees that are incurred because a student uses a financing method provided by the school to pay for educational expenses over time. Because students or families choose to incur these additional expenses rather than paying the balance due at registration, the additional charges are not considered educational expenses, and may not be included in a student's cost of attendance. (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 3, Chapter 2).

**For 13 (21 percent) of 62 students tested, the University of Houston (University) used Title IV funds to pay unallowable charges.** Some of those students were affected by both errors discussed below. Specifically:

- For eight students, the University credited student ledger accounts during the payment period for unallowable charges unrelated to tuition, fees, or institutionally provided room and board. The unallowable finance charges paid with Title IV funds included various fees (credit card processing, severance of service, installment origination, and late fees), and various loan charges. Those charges are unallowable whether the University obtains student or parent authorization or not. The University asserted it is conducting a comprehensive review of all charges to determine allowability for Title IV funds.

- For eight students, the University credited student ledger accounts during the payment period for charges other than tuition, fees, or institutionally provided room and board without obtaining the authorization of the student or parent. The unallowable charges paid with Title IV funds included various parking and garage related fees, meal plan tax charges, and book loan university fund charges. Those errors occurred because the University did not have a process to obtain written authorization from a student or parent to apply Title IV funds to charges other than tuition, fees, and institutionally provided room and board.

Not receiving all Title IV funds a student is entitled to impairs students' and parents' ability to budget for the cost of attending.

Recommendation:

The University should strengthen its controls to ensure that:

- It does not credit student ledger accounts for unallowable charges.
- It obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Views of Responsible Officials 2023:

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

Corrective Action Plan 2023:

There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Views of Responsible Officials 2024:

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

Corrective Action Plan 2024:

There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Implementation Date: February 2025

Responsible Person: Kevin Burns, Bursar  
Ben Montecillo, Executive Director Scholarship & Financial Aid  
Gretta McClain Gibbs, Director, Accounting Services

**2023-155**

**Special Tests and Provisions – Return of Title IV Funds**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>84.007; 84.063; 84.268; and 84.379</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2023</b>
<b>Status:</b>	<b>Partially Implemented</b>

Return of Title IV Calculations

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

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on the student's behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student’s withdrawal, such as a change in enrollment status unrelated to the withdrawal (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 5, Chapter 1, Section: Institutional Charges).

**The University of Houston (University) made errors in Title IV return calculations for 18 (30 percent) of 60 students tested.** Specifically:

- For 15 students, the University made errors in determining the amount of institutional charges to be used in the return calculation by including unallowable charges in its calculation for those students.
- For two students, the University returned the incorrect amount of Title IV funds due to manual entry errors. For one of those students, the University also incorrectly included unallowable charges in the student’s return calculation as discussed above.
- For one student, the University incorrectly canceled the student’s Federal Pell Grant award before its calculation. The University asserted that was due to a processing error in its student information system.

There were no questioned costs as a result of those errors because for each student the University returned more than the required amount or the error did not affect the amount of Title IV grant or loan assistance to be returned.

#### Distance Education

For distance education, documenting that a student has logged into an online class is not sufficient to demonstrate academic attendance by the student. An institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity. Only active participation by a student in an instructional activity related to the student’s course of study that meets the definition of “academic engagement” in Title 34, CFR, Section 600.2 and takes place during a payment period or period of enrollment qualifies as attendance in an academically related activity (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 5, Chapter 2).

**For 1 (7 percent) of 14 students tested, the University did not have evidence of academic engagement in the distance education course from which the student’s withdrawal date was determined.** The University relies on the last dates of academic activity provided by instructors to determine the withdrawal date for return of Title IV purposes for students who unofficially withdraw. However, the University did not have an adequate review process in place to ensure that it maintained documentation supporting attendance in distance education courses. As a result, the University could not demonstrate that the student participated or otherwise engaged in an academically related activity in that course to support the last date of attendance used by the University for return of Title IV purposes.

The University did not have an adequate monitoring process to identify the errors discussed above. Not having a process that consistently calculates and returns the correct amount of Title IV funds increases the risk that the University could return the incorrect amount of Title IV funds.

Recommendation:

The University should:

- Calculate institutional charges in accordance with U.S. Department of Education requirements.
- Ensure that evidence of academic engagement is consistently documented for students in distance education courses.
- Strengthen its monitoring controls to ensure that it detects and corrects errors in its calculation of Title IV funds to return.

Views of Responsible Officials 2023:

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

Corrective Action Plan 2023:

(1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.

(2) The University will coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework.

(3) The University will establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.

Views of Responsible Officials 2024:

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

Corrective Action Plan 2024:

(1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and nonallowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.

(2) The University will coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework.

(3) The University will establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.

Implementation Date: August 2024

Responsible Person: Frank Gomez, Associate Director, SFA

**2023-156**

**Special Tests and Provisions – Enrollment Reporting**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>84.063; and 84.268</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Federal Pell Grant Program, P063P222333; and Federal Direct Student Loans, P268K232333</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2023</b>
<b>Status:</b>	<b>Partially Implemented</b>

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (U.S. Department of Education, *National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2022, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files also must include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment status changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 1, 4, 7, and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported (*NSLDS Enrollment Reporting Guide*, November 2022, Chapters 1 and 4). For a student who has graduated, institutions that initially report a withdrawn status must subsequently report the student as having graduated by certifying a “G” status at the campus level and/or program level as appropriate (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 4, Section 4.4.3).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes to NSLDS when required. Although the University uses the services of NSC, the University still has the primary responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 3, Section 3.3).

**For 3 (5 percent) of 61 students tested, the University did not report graduated status changes or did not accurately report graduated status changes at the campus and program levels to NSLDS.** Specifically:

- For two students, the University did not report a graduated status at the program level. However, the graduated status for both students was correctly reported at the campus level. The University asserted that it reported the graduated statuses to NSC; however, NSLDS had no record found reported for the program level.
- For one student, a graduated status was not reported at the campus level, and the effective date of the graduated status was incorrectly reported at the program level. The University asserted that it reported the graduated status accurately to NSC.

**For 24 (75 percent) of 32 students tested who received a Direct Loan and ceased to be enrolled on at least a half-time basis or changed their permanent address, the student's enrollment status was not reported to NSLDS in a timely manner.** Specifically:

- For 23 students, the students' graduated status for the Spring 2023 term was not received by NSLDS until 85 days after that status became effective on May 11, 2023. The University certified and submitted the graduation file to NSC on June 22, 2023; however, the statuses were not received by NSLDS until August 4, 2023.
- For one student, the University reported the status change 146 days after the student's graduated status became effective.

The errors discussed above occurred because the University did not have a process to ensure that student enrollment and program information reported to NSC was accurately reported to NSLDS in a timely manner. Not reporting student status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules.

Recommendation:

The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.

Views of Responsible Officials 2023:

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

Corrective Action Plan 2023:

The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.

Views of Responsible Officials 2024:

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

Corrective Action Plan 2024:

The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.

Implementation Date: July 2025

Responsible Person: Rachel Honora, Senior Associate Registrar  
Reggie Brazzle, Director of Compliance, SFA

**2023-157**

**Special Tests and Provisions - Gramm-Leach-Bliley Act - Student Information Security**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>Cross-cutting</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Cross-cutting</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2023</b>
<b>Status:</b>	<b>Partially Implemented</b>

Gramm-Leach-Bliley Act

Institutions must protect sensitive data, including information obtained in support of the administration of federal student financial assistance programs, as required by the Gramm-Leach-Bliley Act (GLBA) (Public Law 106-102). Under their Program Participation Agreement (PPA) and the GLBA, postsecondary educational institutions must protect student financial aid information, with particular attention to information provided by the Department of Education or otherwise obtained in support of the administration of the Title IV Federal student financial aid programs (*Dear Colleague Letter*, July 1, 2016 (GEN-16-12)). Institutions are required to develop, implement, and maintain an information security program that includes the minimum elements in Title 16, Code of Federal Regulations (CFR), Section 314.4. Those minimum requirements include conducting a periodic inventory of data, noting where it is collected, stored, or transmitted (Title 16, CFR, Section 314.4(c)(1)). In addition, the institution must designate a qualified individual responsible for overseeing, implementing, and enforcing the institution's information security program (Title 16, CFR, Section 314.4(a)).

**The University of Houston's (University) information security program did not address the implementation of all minimum safeguards as required by the GLBA.** Specifically, while the University had designated a Qualified Individual to coordinate its information security program and had a written information security program in place, that program did not meet the requirements for conducting a periodic inventory of data. Not implementing all required safeguards in its information security program increases the University's risk of data breach or loss.

Recommendation:

The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.

Views of Responsible Officials 2023:

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

Corrective Action Plan 2023:

The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.

Views of Responsible Officials 2024:

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

Corrective Action Plan 2024:

The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.

Implementation Date: June 2025

Responsible Person: Jana Chvatal, Interim AVC/AVP, IT Security & CISO



# Statewide Single Audit Report for the Year Ended August 31, 2024

- The State’s basic financial statements for fiscal year 2024 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.
- The State’s Schedule of Expenditures of Federal Awards for fiscal year 2024 was materially correct in relation to the State’s basic financial statements.
- We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards.

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

In our audit opinion dated February 21, 2025, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2024. The Office of the Comptroller of Public Accounts (Comptroller’s Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2024, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

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

• *Audit Objective* | p.31

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

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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For more information about this audit, contact Audit Managers Jeannette Garcia and Becky Beachy, or State Auditor Lisa Collier at 512-936-9500.

February 2025 | Report No. 25-555



## Chapter 1 Summary of Auditor's Results

### Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. <b>Material weakness</b> identified?	No
b. <b>Significant deficiencies</b> identified not considered to be material weaknesses?	Yes
c. <b>Noncompliance material to financial statements</b> noted?	No

### Federal Awards

Findings regarding the Schedule of Expenditures of Federal Awards for fiscal year 2024 are included in Chapter 2 of this report. All other fiscal year 2024 federal award information was issued in a separate report (see [State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024](#), by CLA).



**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Independent Auditor's Report**

The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Comptroller of Public Accounts  
The Honorable Dan Patrick, Lieutenant Governor  
The Honorable Dustin Burrows, Speaker of the House of Representatives  
and  
Members of the Legislature, State of Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Texas (State) as of and for the year ended August 31, 2024, and the related notes to the consolidated financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 21, 2025. Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation, the Employees Retirement System of Texas, the Permanent School Fund Corporation, the Texas Lottery Commission, the Texas Treasury Safekeeping Trust Company, and the University of Texas System, as described in our report on the State's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the State’s 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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control.

*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, 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 *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be significant deficiencies for the State as a whole.

***Summary of Findings and Responses***

Agency	Finding Numbers
Department of State Health Services	25-555-01
Health and Human Services Commission	25-555-02
Texas Department of Criminal Justice	25-555-03

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the management of the audited entities.

## Other Work Performed by the State Auditor's Office

We issued opinions on the following financial statements, which are consolidated into the basic financial statements of the State of Texas:

- [\*A Report on the Audit of the Fiscal Year 2024 Financial Statements of the Teacher Retirement System of Texas\*](#) (State Auditor's Office Report No. 25-006, November 2024).
- [\*A Report on the Audit of the Fiscal Year 2024 Financial Statements of the Department of Housing and Community Affairs\*](#) (State Auditor's Office Report No. 25-011, December 2024).

This report, insofar as it relates to the entities listed above, does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

## State's Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

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

February 21, 2025



This section identifies the significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. There are no significant deficiencies related to the State's basic financial statements, but Chapter 2 discusses significant deficiencies related to the State's Schedule of Expenditures of Federal Awards for fiscal year 2024.

## Chapter 2 Schedules of Expenditures of Federal Awards – Current Findings

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their **fiscal year 2024** Schedules of Expenditures of Federal Awards (SEFAs) (see text box for additional information about SEFAs). Therefore, the SEFAs that they submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

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**State entities should strengthen the preparation and review of their Schedules of Expenditures of Federal Awards.**

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The agencies and higher education institutions audited reported \$70,616,006,125 in federal expenditures, or 87 percent of the total federal expenditures that the State of Texas reported for fiscal year 2024. The errors listed below were not material to the fiscal year 2024 SEFA for the State of Texas or to the fiscal year 2024 Annual Comprehensive Financial Report for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

*State of Texas Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2024 | 25-555 February 2025*

### Schedule of Expenditures of Federal Awards (SEFA)

Each state entity that expends federal awards is required to prepare a SEFA and submit it to the Office of the Comptroller of Public Accounts (Comptroller's Office). The expenditures are to be presented in the SEFA on the same accounting basis as each state entity's fund financial statements.

Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities (Title 2, U.S. Code of Federal Regulations (CFR), Section 200.1).

Federal financial assistance includes assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance (Title 2, CFR, Section 200.1).

*Source: Reporting Requirements for the Annual Financial Reports of State Agencies and Universities, Comptroller's Office.*

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## University of Houston

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Reference No. 24-555-09

### Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the University of Houston overstated expenditures by \$1,353,472 for ALN 97.036, Federal Disaster Grants – Public Assistance (Presidentially Declared Disasters). The overstatement occurred because the University of Houston incorrectly included expenditures associated with project worksheets that FEMA [Federal Emergency Management Agency] approved in prior fiscal years. As a result, federal revenue reported in Note 2 was overstated by the same amount, and expenditures disclosed in Note 8 were overstated by \$1,374,778.<sup>1</sup> On its SEFA for Note 8, an entity should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

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### Recommendation

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The University of Houston should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.

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### Implementation Status

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Corrective action was partially implemented.

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### Management's Response

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#### Views of Responsible Officials 2024

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

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<sup>1</sup> In relation to one project worksheet, the University of Houston reported fewer expenditures in the Certified SEFA than were disclosed in Note 8.

### Corrective Action Plan 2024

The University of Houston has already implemented significant process enhancements to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. The SEFA Standard Operating Procedures have been further revised to include updated instruction on the confirmation process and the inclusion of accruals, particularly when confirming pass-through paid to the University from TDEM for Federal Disaster Relief Grants. These updated instructions include guidance on how to calculate amounts to be accrued in order to accurately report incurred expenditures related to Federal Disaster Relief Grants for the reporting fiscal year. In addition to verifying the 'Date Awarded' on the PW, the preparer will verify the amount paid by TDEM on the PW and the total amount of expenditures posted on the cost center. If the amount paid by TDEM is less than the total award amount listed on the PW and total to date expenditures posted to the cost center exceed the amount paid, the preparer will request an accrual from TDEM up to the total amount of posted expenses or up to the total award amount, whichever is the lesser amount.

Implementation Date: January 17, 2025

Responsible Person: Financial Manager

### Views of Responsible Officials 2023

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

### Corrective Action Plan 2023

The University of Houston has updated its SEFA Standard Operating Procedures on how to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. In preparation of the SEFA, the preparer will review the "Date Awarded" on the PWs associated with the amount passed from Agency 575 – TDEM to the University. Those PWs with prior fiscal year beginning dates and prior year expenses will be excluded from the SEFA. Only those PWs with current year start dates will be included.

Implementation Date: January 26, 2024

Responsible Person: Financial Manager

Reference No. 22-555-01

(Prior Audit Issue 21-555-02, 20-555-02, 19-555-01, 18-555-04, 17-555-04, 16-555-04, 15-555-05, 14-555-07, 13-555-02, 12-555-05, 11-555-17, 10-555-26, and 09-555-19)

### Type of finding: Significant Deficiency

The higher education institution discussed below did not appropriately prepare or adequately review its **fiscal year 2021** Schedule of Expenditures of Federal Awards (SEFA). Therefore, the SEFAs that it submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

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## The University of Texas at Austin

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The University of Texas at Austin (UT Austin) incorrectly classified expenditures related to the Research and Development cluster for 2 Assistance Listing Number (ALN) programs. Specifically:

- \$564,967 of expenditures were incorrectly excluded from the Research and Development cluster for ALN 93.433, and
- \$33,736 of expenditures were incorrectly included in the Research and Development cluster for ALN 84.334A.

As a result, the R&D cluster was understated by a net amount of \$531,231. The errors occurred because these expenditures were incorrectly classified in the internal data that UT Austin used to prepare the SEFA.

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## Implementation Status

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Corrective action was implemented.



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**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 Fiscal Year 2025 Internal Audit Activity since February 19, 2025, and Internal Audit Reports issued since the February 19, 2025, Audit & Compliance Committee meeting of the Board of Regents of the University of Houston System are provided.

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

**SUPPORTING**

**DOCUMENTATION:** Internal Audit Activity and Internal Audit Reports

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



04/14/2025

\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE**

Phillip W. Hurd

\_\_\_\_\_  
**DATE**



\_\_\_\_\_  
**CHANCELLOR**

Renu Khator

\_\_\_\_\_  
**DATE**

5/17/2025

Report to the Audit and Compliance Committee  
of the University of Houston System  
Board of Regents  
May 14, 2025

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

FY 2025 INTERNAL AUDIT ACTIVITY  
since February 19, 2025

and

INTERNAL AUDIT REPORTS

AR2025-14 University of Houston System Contracts Requiring UHS Board of Regents Approval

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.

# FY25 Internal Audit Activity

Since February 19, 2025 Board of Regents Audit and Compliance Committee Meeting

## Audits Completed

- Contracts Requiring Board of Regents Approval  
AR2025-01 AR2025-07  
AR2025-14
- Board of Regents Travel & Entertainment, FY24  
AR2025-02
- UH/UHS Chancellor/President's Travel & Entertainment, FY24  
AR2025-03
- UHCL President's Travel & Entertainment, FY24  
AR2025-04
- UHD President's Travel & Entertainment, FY24  
AR2025-05
- UHV President's Travel & Entertainment, FY24  
AR2025-06
- UHD Laboratory Safety and Compliance  
AR2025-08
- UH Joint Admission Medical Program (JAMP)  
AR2025-09
- UH Education Research Center  
AR2025-10
- UHS Emergency Management  
AR2025-11
- UHCL Joint Admission Medical Program (JAMP)  
AR2025-12
- UHS Annual Procurement Report  
AR2025-13

Internal Audit 05/14/25

## Special Projects Completed

- UHS Institutional Compliance Fraud and Non- Compliance Hotline Reports (~44)

## Audits in Progress

- Travel Expense (UH, UHCL, and UHD)
- Board of Regents Travel and Entertainment FY25
- President's Travel and Entertainment, FY25 (UHS, UH, UHCL, UHD and UHV)
- Contracts Requiring Board of Regents Approval (UHS)
- Procurement Card Management (UH, UHD, and UHV)
- Laboratory Safety (UH)
- UH Foundation Donor Agreement Expenditures
- Compliance with Education Code 51.9337
- Compliance with Education Code 51.3525
- UH Inventory of Protected Health Information
- Information Technology Risk Assessment
- Continuous Control Monitoring
- UHCL THECB Facilities Development Projects
- UH Law Foundation Donor Agreement Expenditures

## Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UHCL Apartment Contract
- UHCL Conflict of Interest (multiple investigations)
- UH Biology Department
- UH Student Business Services
- UHV Human Resources
- UH TAMU Payment
- UH Contract Review
- UH Engineering Department (multiple investigations)
- UH Athletics



## Internal Auditing Department

# University of Houston System Contracts Requiring UHS Board of Regents Approval

Report to the Audit and Compliance Committee of the UHS Board of  
Regents AR2025-14

May 2025



Photo courtesy of University of Houston Information Technology Services Webcams

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## Executive Summary

The Internal Auditing Department (IAD) reviewed the solicitation/purchasing process surrounding contracts that required UHS Board of Regents approval from January 1, 2025, through March 31, 2025. IAD noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

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## 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 UH 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 IAD reviews the RFQ / RFP publication, evaluation, and selection process for contracts requiring Board of Regents approval on an ongoing basis. The Internal Audit Department also reviews the procurement for other contracts requiring Board of Regents approval (RFQ/RFP, Invitation to Bid and Sole Source).

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## 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 contracts requiring Board of Regents approval.

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## Scope of Work

The IAD review of procurement of contracts requiring Board of Regents approval covers the time period from January 1, 2025, through March 31, 2025.

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## Audit Procedures

The IAD performed a review of the solicitation/procurement process surrounding contracts requiring UHS Board of Regents approval (totaling \$1 million or more) for compliance with policies and procedures. For each solicitation we reviewed the following for compliance with:

1. Requirements for publication of solicitation documents on the State Comptroller's Electronic State Business Daily;
2. Document inclusion in the bid/evaluation packet (e.g. bid receipt/review, subcontracting probability form, HUB subcontracting form, etc.), as required on the solicitation checklist;
3. Use of published bid evaluation criteria by the selection team;
4. The Purchasing Department's compilation procedures of the selection team members' rankings for clerical accuracy and agreement of evaluation criteria to solicitation documents;
5. Procedures for submission of recommendation to VC/VP; and
6. Evaluation procedures for VC/VP approval.

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## Conclusion

IAD noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

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## Appendices

Analysis of internal audit activity related to the review of contracts requiring UHS Board of Regents approval award evaluations can be found in Appendix 1. The project and contract amounts listed in Appendix 1 reflect the figures provided by the UH Purchasing Department at the time of our review.

Contracts Requiring Board of Regents Approval  
Internal Audit Activity  
January 1, 2025 to March 31, 2025

<u>Project or Contract Description</u>	<u>Solicitation Type/Number</u>	<u>(\$ Millions) Amount</u>	<u>BOR Approval</u>
<b><u>Construction Projects \$10 Million and Over</u></b>			
CMAR New Medical Research Building - Step 1	RFQ730-24085	\$77.5	5/15/2024
CMAR New Medical Research Building - Step 2	RFP730-24086	\$77.5	5/15/2024
A&E Student Center North Expansion - Shortlist	RFQ730-25006	\$39.3	11/21/2024
A&E Student Center North Expansion - Award	RFQ730-25006	\$39.3	11/21/2024
<b><u>Construction Projects Over \$1 Million and Under \$10 Million</u></b>			
UH Interior Renovation for the College of Liberal Arts and Social Sciences T2 Building #508	RFP730-25009	\$5.75	11/21/2024
Mailbox Area Renovation and Lounge Refresh	RFP730-25004	\$4.5	5/15/2024
<b><u>Non-Construction Contracts Over \$1 Million</u></b>			
Parking Enterprise Systems - Shortlist	RFP730-UH-3007	\$7.5	2/19/2025
Parking Enterprise Systems - Award	RFP730-UH-3007	\$7.5	2/19/2025
UHV Custodial Services - Shortlist	RFP730-25001	\$4.0	8/22/2024
UHV Custodial Services - Award	RFP730-25001	\$4.0	8/22/2024
Continuing Services for Landscape Architecture	RFQ730-25005	\$1.8	2/19/2025
Municipal and Financial Advisory Services	RFP730-UH-3012	\$1.76875	8/22/2024

**Legend**

CMAR - Construction Manager at Risk

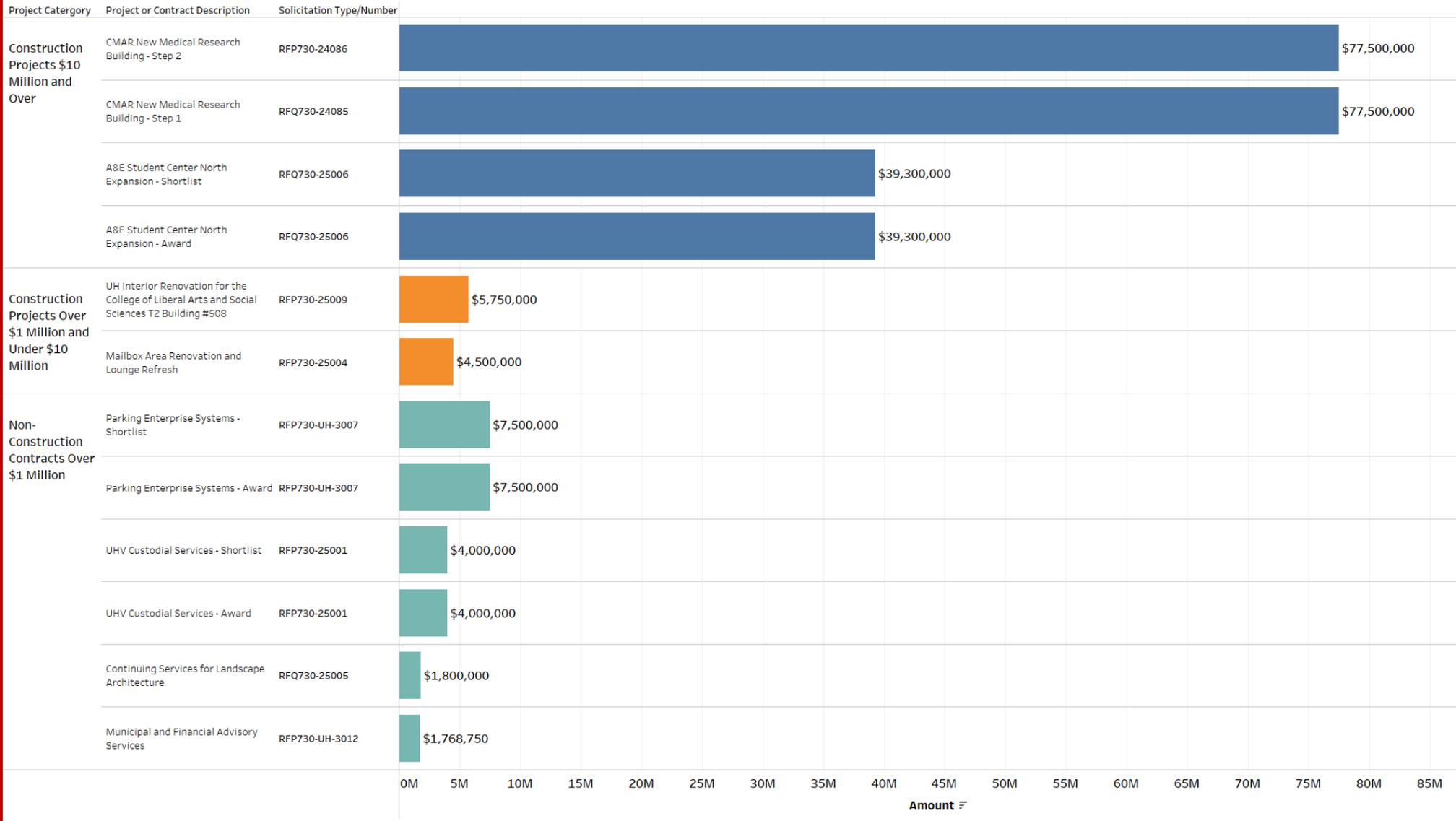
AE - Architectural and Engineering Services (RFQ only)

RFP - Request for Proposal

RFQ - Request for Qualifications

ITB - Invitation to Bid

**Contracts Requiring Board of Regents Approval  
Internal Audit Activity  
January 1, 2025 to March 31, 2025**



The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The University of Houston System Internal Auditing Department was created by the Board of Regents as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. We conduct performance audits to review aspects of the University System operations and procedures to help establish accountability, improve System operations, and provide recommendations for improvement.

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

Sincerely,



**UHS Internal Auditing Department  
Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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