



**Glenn Hegar** Texas Comptroller of Public Accounts

# Comprehensive Annual Financial Report 2014

For the State of Texas for the Fiscal Year Ended August 31, 2014





**Glenn Hegar** Texas Comptroller of Public Accounts

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For the State of Texas for the Fiscal Year Ended August 31, 2014

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## Acknowledgments

The Comprehensive Annual Financial Report was prepared by the Financial Reporting section of the Texas Comptroller of Public Accounts with assistance from other sections within the Fiscal Management, Revenue Estimating and Transparency and Data Services Divisions.

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### Special appreciation to:

All accounting and budget personnel of state agencies and institutions of higher education whose extra time and effort made this report possible.

The State Auditor, John Keel, CPA, and his auditing staff.

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# State of Texas Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2014

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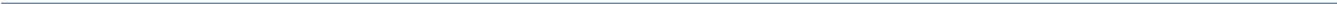
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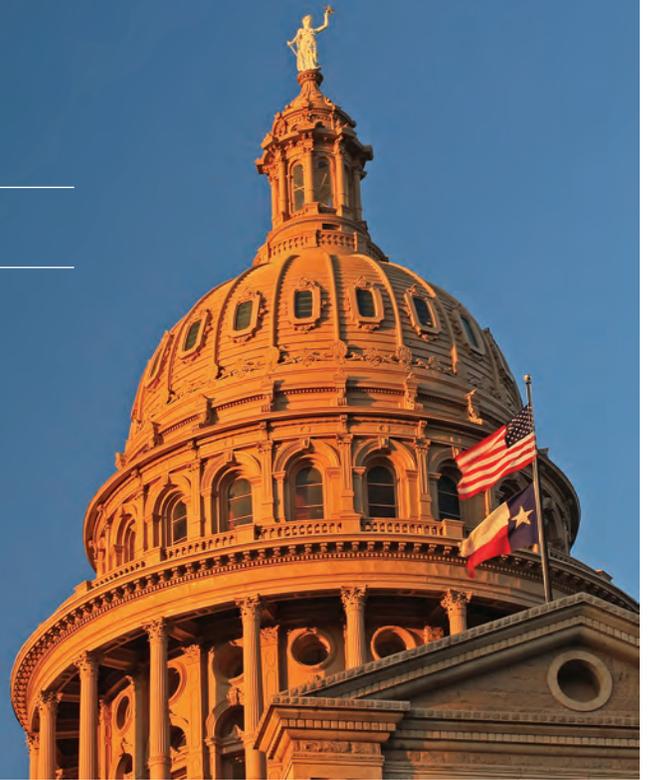
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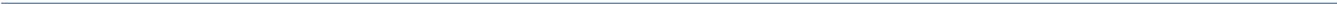
Section One

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# Introductory Section

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February 27, 2015

To the Citizens of Texas, Governor Abbott  
and Members of the 84th Texas Legislature:

The Comprehensive Annual Financial Report (CAFR) of the state of Texas for the fiscal year ended Aug. 31, 2014, is submitted herewith. Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, rests with the office of the Texas Comptroller of Public Accounts. To the best of my knowledge, the information presented is accurate in all material respects, and all disclosures necessary for a reasonable understanding of the state's financial activities are included.

The reporting approach established by the Governmental Accounting Standards Board (GASB) was utilized. The state also voluntarily follows the recommendations of the Government Finance Officers Association (GFOA) of the United States and Canada for the contents of government financial reports and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting. The state auditor performed an audit, in accordance with generally accepted auditing standards, of the state's general-purpose financial statements. His opinion is presented in this report preceding the financial statements.

The state auditor contracted with KPMG to perform portions of the federal audit procedures necessary

to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget (OMB) Circular A-133. The federal portion of the Statewide Single Audit Report for the fiscal year ended Aug. 31, 2014, with the opinion expressed by KPMG, will be issued separately.

## Profile of the Government

This report includes financial statements for the state of Texas reporting entity. Criteria for determining the reporting entity and presentation of the related financial data are established by GASB. The criteria include legal standing and financial accountability. Other organizations that would cause the financial statements to be misleading or incomplete if they were excluded are also included in the reporting entity. Note 1 of the notes to financial statements provides detail on the financial reporting entity. Note 19 provides a brief summary of the nature of significant component units and their relationship to the state of Texas.

All activities generally considered part of the state of Texas are included in this report. These activities provide a range of services in the areas of education, health and human services, public safety and corrections,

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transportation, natural resources and recreation, regulation, general government, employee benefits and teacher retirement state contributions.

The management discussion and analysis (MD&A) in the financial section provides an overview of the state's financial activities, addressing both governmental and business-type activities reported in the government-wide financial statements.

## Accounting System and Budgetary Controls

The state's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Budgetary control is exercised through expenditure budgets for each agency. These budgets are entered into the statewide accounting system after the General Appropriations Act becomes law. The General Appropriations Act becomes law after passage by the Legislature, certification by my office that the amounts appropriated are within the estimated collections and the signing of the bill by the governor. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure expenditures do not exceed authorized limits. Further detail on budgetary accounting for the state, other than the MD&A section, is found in the required supplementary information.

## Financial Policies

Fiscal soundness is an unwavering principle that guides the financial policies of the state. The Texas Constitution supports responsible governance by mandating several limitations on the budgeting process. In addition to the certification process requiring passage of a balanced budget in Article III, Section 49a, budget

growth and indebtedness are also limited. According to Article VIII, Section 22, appropriations from state tax revenue not dedicated by the Texas Constitution cannot grow faster than state economic growth estimated by the Legislative Budget Board. Payments required for debt cannot exceed 5 percent of the previous three-year average of nondedicated general revenue as provided in Article III, Section 49j.

The economic stabilization fund (ESF), commonly called the "rainy day fund", authorized in 1988 by the Texas Constitution, Article III, Section 49g, is yet another example of prudent governance. The Comptroller may transfer ESF amounts to the general revenue fund to prevent or eliminate temporary cash deficiencies. Any amounts transferred to general revenue shall be returned to the ESF with interest as soon as practicable, but no later than Aug. 31 of each odd-numbered year. The Legislature may appropriate, by a three-fifths vote of the members present in each house, amounts in the ESF for spending that does not exceed the amount of any unanticipated deficit or revenue decline during a biennium. The Legislature may also appropriate any amount from the ESF for any purpose only if approved by at least two-thirds of the members present in each house. The ESF shall receive a transfer, not later than the 90th day of each biennium, from the general revenue fund for one-half of any unencumbered positive balance remaining in the general revenue fund on the last day of the preceding biennium. The ESF also received transfers, not later than the 90th day of fiscal 2014, from the general revenue fund for 75 percent of the prior fiscal year oil or natural gas production tax revenue that exceeded the amount of collections in fiscal 1987. The balance in the fund on Aug. 31, 2014, was \$6.7 billion. The ESF is also discussed in Note 13.

On Nov. 4, 2014, Texas voters approved the ballot measure known as Proposition 1, which created a constitutional amendment for transportation funding. Under the amendment, a portion of oil and gas tax revenues that typically go into the ESF will be deposited to

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the state highway fund. The amendment did not create any new taxes or fees.

## Economic Outlook

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Texas possesses advantages—relatively low living costs, an attractive business climate, a central Sunbelt location, and a balanced mix of industries—that have enabled it to grow faster than the nation for many years. These advantages remain and will allow the state's economy to continue to grow. Despite the headwinds presented by falling oil prices and by international economic and political challenges, the Texas economy, as measured by real gross state product is projected to grow by 3.1 percent in calendar 2015 and by a further 3.6 percent in 2016.

Texas personal income is expected to increase by 5.5 percent in calendar 2014 and is projected to continue to increase over the next two years, by 3.9 percent in 2015, and by 5.9 percent in 2016. Underlying this income growth is the growth in Texas population. Recent estimates by the U.S. Census Bureau show that eight of the nation's 15 most rapidly growing large incorporated cities are in Texas. Texas' population will grow by roughly 409,000 per year over the next two years, to average 27.7 million in 2016.

The Texas unemployment rate is expected to improve marginally over the next two years. Job growth will outpace growth in the labor force, allowing the projected unemployment rate to decline from an estimated average of 5.2 percent in calendar 2014 to 5.0 percent in 2015 and 2016.

Total Texas nonfarm employment is expected to grow at an annual rate of 3.2 percent in calendar 2014. In 2015, employment growth is projected to slow to 1.5 percent. In 2016 employment growth is expected to recover somewhat, to 2.4 percent.

## Texas Industry Performance

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All of the 11 major industries of the Texas economy had net employment growth during the 12 month

period ending November 2014. Employment in goods-producing industries (manufacturing, mining/logging and construction) expanded by 5.3 percent, while employment in service-providing industries grew by 3.6 percent. Growth in the goods-producing industries was led by construction (up 47,300 jobs) and mining and logging (30,100), while service-providing employment growth was led by the trade, transportation and utilities industry (89,600).

Professional and business services (66,900), education and health services (65,500) and leisure and hospitality (46,100) also had large increases in employment. The industry that saw the largest percentage gain in employment was mining and logging (10.2 percent), while the other services industry had the smallest (1.6 percent).

## Manufacturing

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According to the U.S. Census Bureau, the value of Texas exports in 2013 was a record \$280 billion, an increase of 5.4 percent from 2012. In calendar 2014, through November, Texas exports increased by an additional 4.3 percent over the corresponding period in 2013. Texas is the nation's leading exporting state, a position it has held since 2002. Those exports are a major boost to Texas manufacturing, notably for companies producing chemicals, computers and electronics, petroleum products, industrial machinery and transportation equipment. Total Texas manufacturing employment was 891,900 in November 2014.

## Construction

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Housing activity also increased substantially. Total single-family building permits issued in the year ending November 2014 were up 9.3 percent from the year ending November 2013, while multi-family permits were up 16.5 percent. According to Multiple Listing Service data from the Texas A&M Real Estate Center, the median sale price for an existing single-family home in Texas over the 12 months ending November 2014 was

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7.4 percent higher than the corresponding value over the 12 months ending November 2013. In November 2014, existing homes for sale spent only 3.3 months on the market, a substantial improvement from the recent high of 8.2 months in mid-2011.

## Mining and Logging

Texas oil production peaked more than 40 years ago in 1972, when calendar year production reached 1,263 million barrels. After a decades-long decline in production volumes, reaching a low of 343 million barrels in calendar 2007, the trend reversed its course. Production reached 895 million barrels in 2014, largely due to the development of the Eagle Ford Shale in South Texas. In addition to the substantial exploration activities within the state and in the Gulf of Mexico, many of the nation's largest oil and natural gas refining and distribution companies are headquartered in Texas, and there are a large number of energy-related jobs in other industries associated with those activities.

## Major Legislative Initiatives

The 2013 session of the Texas Legislature enacted a variety of new laws affecting state revenues and finances. Legislation in the following areas is expected to have significant revenue implications.

### Alternative Fuels

First sellers who are licensed suppliers, permissive suppliers, distributors, blenders or importers have the option to collect and remit the 20-cent-per-gallon diesel fuel tax on biodiesel and renewable diesel, and on the volume of water, fuel ethanol, biodiesel and renewable diesel blended with petroleum diesel. In addition, the reporting requirements for the first seller, blender or importer who uses this option have been reduced. Diesel fuel tax exemptions on a subsequent sale are prohibited. License holders or other purchasers are not entitled to a refund or credit on a subsequent sale.

## Franchise Tax

Taxable entities with total revenue of no more than \$1 million for a reporting period would continue to have no franchise tax liability for that period. Taxable entities can determine "margin" as total revenue less \$1 million.

Expansion of the definition of "retail trade" for purposes of the franchise tax allows auto repair shop services and certain rental activities to calculate franchise tax liability using a tax rate of less than .05 percent for 2014 and 2015 tax years. The expansion also allows Non-EZ filers to receive a temporary franchise tax rate reduction of 2.5 percent off the 1 percent base tax rate in fiscal 2014 and a certification estimate-contingent 5 percent reduction in fiscal 2015.

Taxable entities that engage in internet hosting or broadcasting may reduce their taxable margin for the revenue received from Texas customers to whom the service is provided. Taxable entities that relocate to Texas may receive a deduction from the apportioned margin for certain moving expenses.

Effective calendar year 2015 entities that perform certified rehabilitation of historic structures may receive transferable franchise tax credits for eligible costs and expenses incurred.

## Insurance

The Comptroller's office is required to assess and collect, from property and casualty insurers, the lesser of the amount appropriated from the volunteer fire department assistance fund or \$30 million.

In addition, other legislation outlines the licensing of captive insurance companies, authorizing fees and authorizing and imposing taxes. For example, it allows captive insurers to obtain a certificate of authority from the Texas Department of Insurance and establishes 0.5 percent as the licensed captive premium tax rate with a minimum premium tab of \$7,500 and a maximum of \$200,000.

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## Research

The Tax Code was amended to provide for a sales tax exemption and franchise tax credit for certain research and development activities until December 31, 2026. In addition, there is an increased franchise tax credit for taxable entities that contract with public or private institutions of higher education for the performance of qualified research.

## Telecommunications

Cable, Internet and telecommunications providers are able to claim a refund for state sales and use taxes paid on the purchase, lease or rental of tangible personal property directly used in the distribution of cable television service, Internet access or telecommunications services.

Certain items used to operate a qualifying data center are exempt from state sales and use tax for 10 to 15 years, depending on the capital investment in the center made by the owner, operator or occupant. The exemptions require a capital investment of \$200 million or more over five years and the creation of at least 20 permanent, full-time qualifying jobs. The new law does not apply to data centers with agreements to limit property tax appraised values.

## Transportation

A portion of tax collections from the state's production of oil and gas will be annually disbursed to the state highway fund after certain statutory balance requirements are met. Revenue effects will occur in 2015 and beyond, yielding an additional \$1.7 billion for the state highway fund in fiscal 2015 alone.

## Awards and Acknowledgments

### Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Texas for its Comprehensive

Annual Financial Report for the fiscal year ended Aug. 31, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The state of Texas has received a Certificate of Achievement for the last 24 years (fiscal years ended August 1990 through 2013). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

I will continue to maintain a highly qualified and professional staff to make this certification possible.

### Acknowledgments

The preparation of this report requires the collective efforts of literally hundreds of financial personnel throughout state government, including the dedicated management and staff of the Comptroller's Financial Reporting section and Fiscal Management Division; the chief financial officers, chief accountants and staff at each agency; and the management and staff of the State Auditor's Office. I sincerely appreciate the dedicated efforts of all these individuals who continue to strive for improvements that will make Texas a national leader in quality financial reporting.

Sincerely,



Glenn Hegar



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2013**

Executive Director/CEO



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# State of Texas Comprehensive Annual Financial Report

## State of Texas Elected State Officials

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**Executive** Greg Abbott  
Governor

Dan Patrick  
Lieutenant Governor

Glenn Hegar  
Comptroller of Public Accounts

Ken Paxton  
Attorney General

George P. Bush  
Land Commissioner

Sid Miller  
Commissioner of Agriculture

Christi Craddick  
David J. Porter  
Ryan Sitton  
Railroad Commissioners

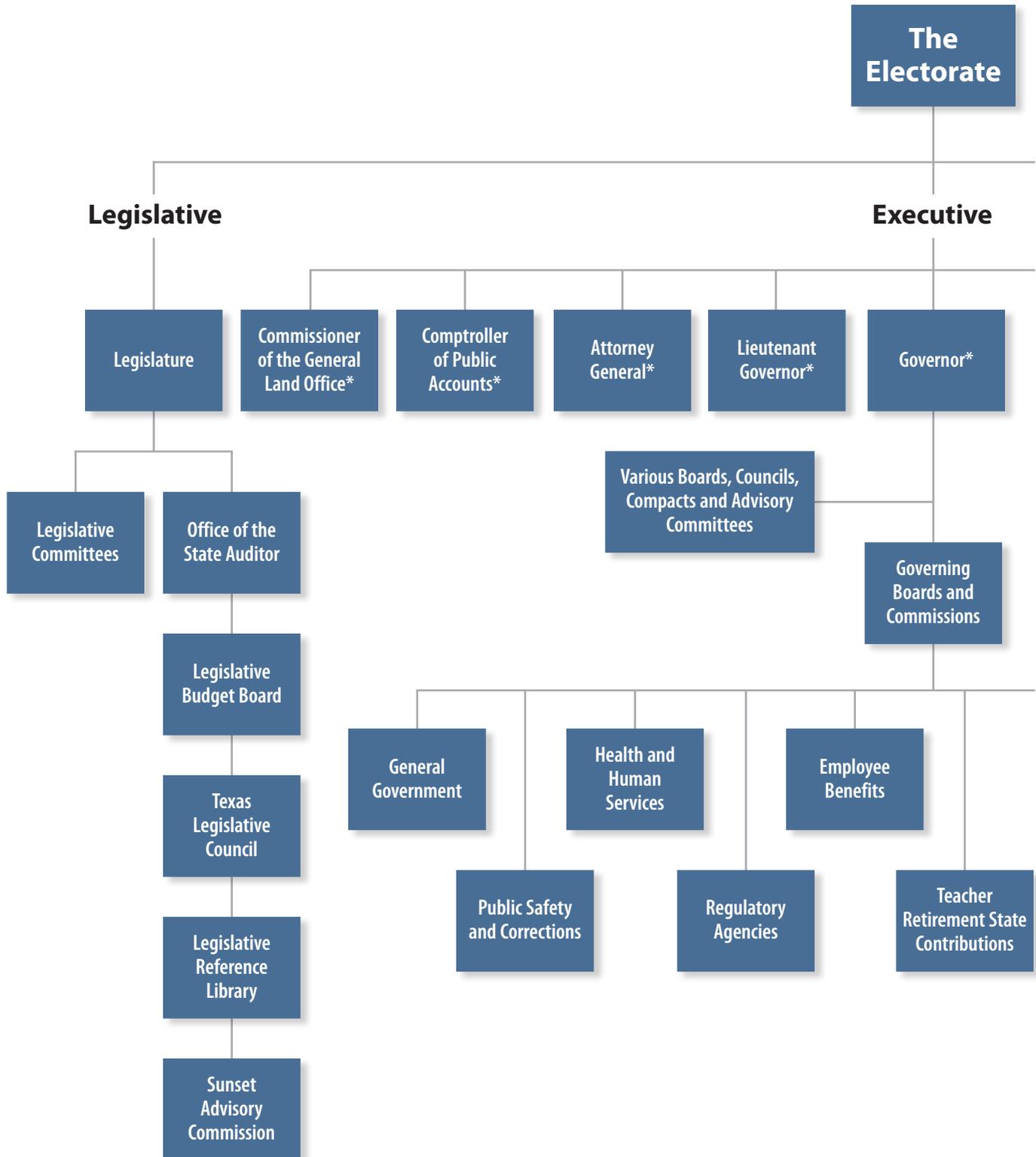
**Legislative** Lieutenant Governor Dan Patrick  
President of the Senate

Joseph R. Straus, III  
Speaker of the House of Representatives

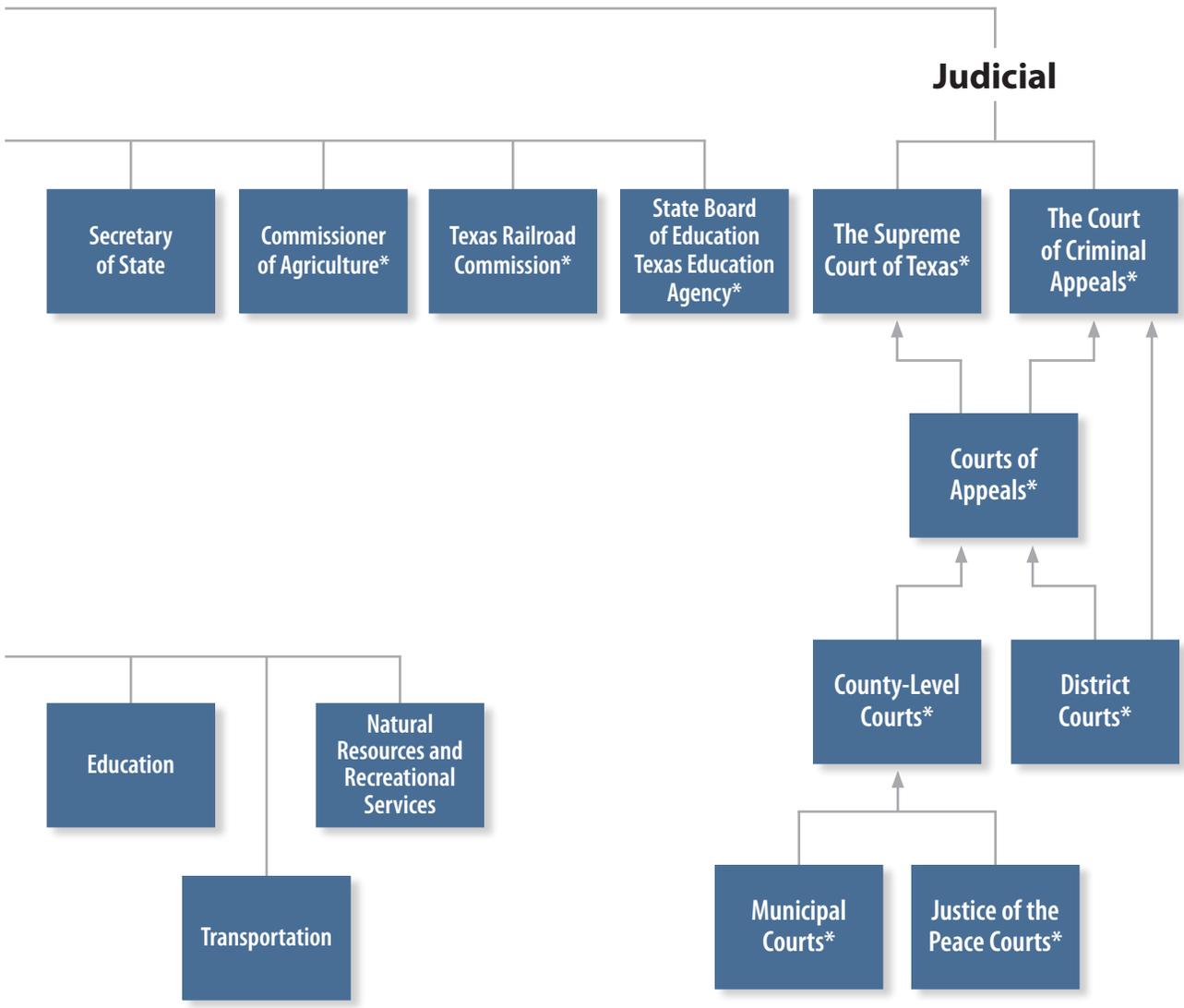
**Judicial** Nathan L. Hecht  
Chief Justice of the Supreme Court

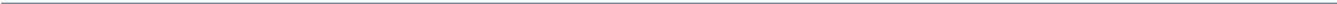
Sharon Keller  
Presiding Judge, Court of Criminal Appeals

# Government Structure of Texas



\* Elected Offices





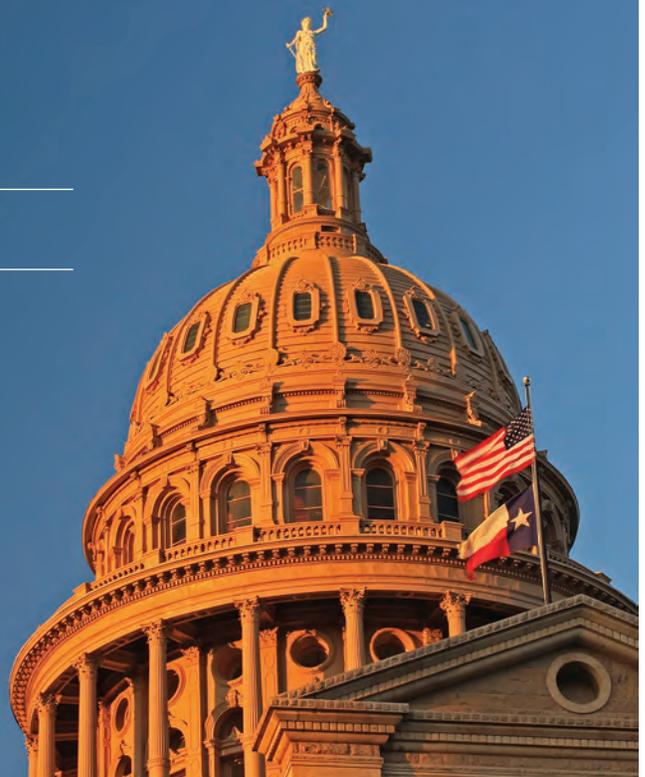
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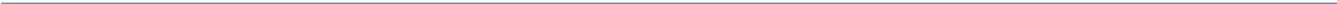
Section Two

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Financial Section

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## 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 Joe Straus III, Speaker of the House of Representatives  
and  
Members of the Legislature, State of Texas

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We did not audit the financial statements of the following entities:

- The Texas Department of Transportation, a component of the State of Texas, which is included in the governmental and proprietary funds. The Texas Department of Transportation constitutes 93 percent of the expenditures for the State Highway Fund, a major governmental fund. The Texas Department of Transportation also constitutes 55 percent of the assets of governmental activities.
- The University of Texas System, a component of the State of Texas, which constitutes 70 percent of the assets of Colleges and Universities, a major enterprise fund. The University of Texas System also constitutes 54 percent of the assets of the business-type activities.
- The Texas Lottery Commission, a component of the State of Texas, whose Lottery Fund is a major enterprise fund that constitutes 17 percent of the operating revenues of the business-type activities.

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SAO Report No. 15-321

The statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the State of Texas, as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

#### ***Economic Stabilization Fund***

As discussed in Note 13, the economic stabilization fund balance was \$6.7 billion as reported in the governmental fund financial statements as unassigned fund balance as of August 31, 2014. That amount consisted of cash and cash equivalents.

As discussed in Note 16, on November 4, 2014, Texas voters approved a ballot measure that created a constitutional amendment related to the economic stabilization fund. Under the amendment, a portion of oil and gas tax revenues that typically goes into the economic

stabilization fund will be deposited to the state highway fund. That amendment is effective for fiscal year 2015.

*Investments with Values that Are Not Readily Determined*

As discussed in Note 3, the financial statements include certain investments valued at approximately \$79 billion as of August 31, 2014, whose fair values have been estimated by management in the absence of readily determinable fair values.

Our opinions are not modified with respect to these matters.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the State's financial statements. The combining financial statements and schedules, introductory section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements or to the basic consolidated financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



John Keel, CPA  
State Auditor

February 20, 2015

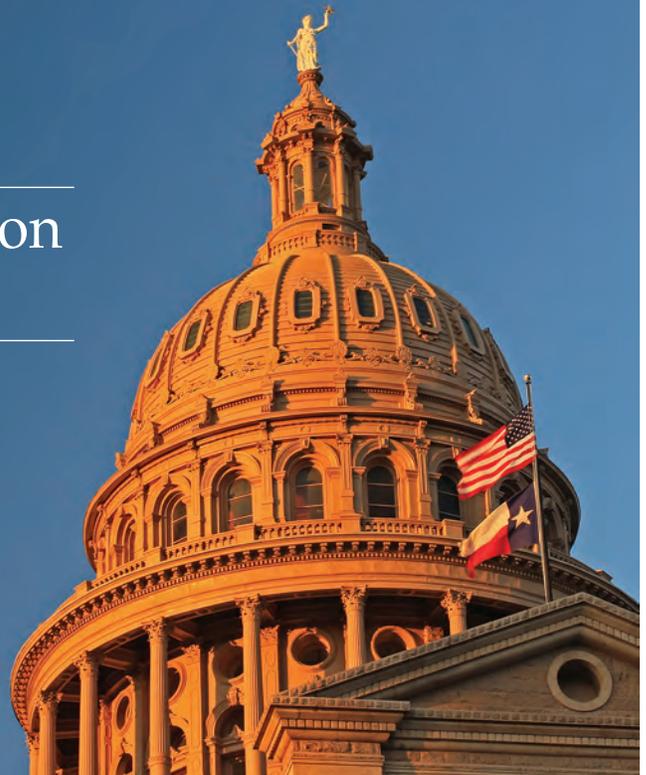
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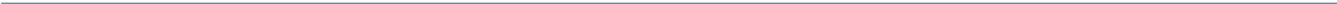
**Section Two (continued)**

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# Management's Discussion and Analysis

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## Management's Discussion and Analysis

The following is a discussion and analysis of the state of Texas' financial performance for the fiscal year ended Aug. 31, 2014. Use this section in conjunction with the state's basic financial statements. Comparative data is available and presented for this 2014 report.

### Highlights Government-wide

#### *Net Position*

The assets and deferred outflows of resources of the state of Texas exceeded its liabilities and deferred inflows of resources by \$175.6 billion as of Aug. 31, 2014, an increase of \$17 billion or 10.7 percent from fiscal 2013. The majority of the increase is primarily due to an increase of \$16.2 billion in restricted net position. The net position is comprised of \$79.8 billion in net investment in capital assets, \$81.7 billion in restricted, and \$14.1 billion in unrestricted.

#### **Fund Level**

##### *Governmental Funds*

As of Aug. 31, 2014, the state's governmental funds reported a combined ending fund balance of \$62.7 billion, an increase of \$11.2 billion or 21.7 percent from fiscal 2013, primarily due to an increase in tax revenues. The state reported a positive unassigned fund balance of \$10.3 billion in fiscal 2014.

##### *Proprietary Funds*

The proprietary funds reported a net position of \$56.2 billion as of Aug. 31, 2014, an increase of \$7.3 billion or 14.9 percent from fiscal 2013, primarily due to a decrease in interest and investment income.

#### **Long-Term Debt**

The state's total bonds outstanding increased by \$60.7 million or .15 percent during fiscal 2014. This

amount represents the net difference between net issuances, payments and refunding of outstanding bond debt. During fiscal 2014, the state issued bonds totaling \$6.8 billion. More detailed information regarding the government-wide, fund level and long-term debt activities can be found in the debt administration section of this management's discussion and analysis (MD&A).

## Overview of the Financial Statements

The focus of this report is on reporting for the state as a whole and on the major individual funds. The report presents a more comprehensive view of the state's financial activities and makes it easier to compare the performance of Texas state government to that of other governments.

The Financial Section of this annual report presents the state's financial position and activities in four parts:

- MD&A (this part)
- The basic financial statements
- Required supplementary information other than MD&A
- Other supplementary information presenting combining statements and schedules

The report also includes statistical and economic data.

The basic financial statements include government-wide financial statements, fund financial statements and notes to financial statements, which provide more detailed information to supplement the basic financial statements.

## Reporting on the State as a Whole

The government-wide financial statements are designed to present an overall picture of the financial position of the state. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of account-

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ing. This means that all the current year's revenues and expenses are included, regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private sector companies.

The statement of net position combines and consolidates the government's current financial resources with capital assets and long-term obligations. This statement includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources.

Net position represents one measure of the state's financial health.

Other indicators of the state's financial health include the condition of its roads and highways (infrastructure) and economic trends affecting the state's future tax revenues.

The statement of activities focuses on both the gross and net cost of various activities (governmental, business-type and component units). These costs are paid by the state's general tax and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

The government-wide statement of net position and the statement of activities divide the state's activities into the following three types.

### ***Governmental Activities***

The state's basic services are reported here, including general government; education; employee benefits; teacher retirement state contributions; health and human services; public safety and corrections; transportation; natural resources and recreation; and regulatory services. Taxes, fees and federal grants finance most of these activities.

### ***Business-Type Activities***

Activities for which the state charges a fee to customers to pay most or all of the costs of certain services it provides are reported as business-type activities. The state's institutions of higher education are included as business-type activities.

### ***Component Units***

Component units are legally separate organizations for which the state is either financially accountable or the nature and significance of their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The state has 29 discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and in the notes.

## **Reporting on the State's Most Significant Funds**

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Fund financial statements provide additional detail about the state's financial position and activities. Some information presented in the fund financial statements differs from the government-wide financial statements due to the perspective and basis of accounting used. Funds are presented on the fund-level statements as major or nonmajor based on criteria set by the Governmental Accounting Standards Board (GASB).

A fund is a separate accounting entity with a self-balancing set of accounts. The state uses funds to keep track of sources of funding and spending related to specific activities.

### **Governmental Funds**

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A majority of the state's activity is reported in governmental funds. Reporting of these funds focuses on the flow of money into and out of the funds and amounts remaining at fiscal year-end for future spending.

Governmental funds are accounted for using the modified accrual basis of accounting, which measures

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cash and other assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the state's general governmental operations and the basic services it provides. This information helps determine the level of resources available for the state's programs. The reconciliations following the fund financial statements explain the differences between the governmental activities column reported on the government-wide statement of net position and the government-wide statement of activities, and the governmental funds reported on the fund financial statements. The general fund, state highway fund and permanent school fund are reported as major governmental funds.

## Proprietary Funds

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When the state charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a component of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the government-wide financial statements, but are reported here to provide information at the fund level.

The employees life, accident and health insurance benefits fund is reported as an internal service fund and provides services on a cost reimbursement basis to other agencies of the financial reporting entity.

Colleges and universities, the unemployment trust fund and the lottery fund are reported as major proprietary funds.

## Reporting on the State's Fiduciary Responsibilities

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The state is the trustee or fiduciary for six defined benefit plans and one defined contribution plan. It is also responsible for other assets that can be used only

for trust beneficiaries. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. The activities are reported separately from other financial activities because the state cannot use the assets to finance its operations. The state's fiduciary responsibilities include ensuring that the assets reported in these funds are used for their intended purposes.

## Financial Analysis of the State as a Whole

### Net Position

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Total assets of the state as of Aug. 31, 2014, were \$260.3 billion, an increase of \$21.8 billion or 9.1 percent. Total liabilities as of Aug. 31, 2014, were \$80 billion, an increase of \$5 billion or 6.8 percent. Net position was affected by a number of factors. All cash and cash equivalents on the Statement of Net Position increased by \$2.7 billion from fiscal 2013. Unrestricted noncurrent investments increased by \$7.6 billion. The state's bonded indebtedness was \$40.9 billion, which included new issuances of \$6.8 billion in state bonds to finance new construction, housing, water conservation and other projects. Approximately \$7.1 billion in bonded debt was retired or refunded. Net position was \$175.6 billion in fiscal 2014, an increase of \$17 billion or 10.7 percent. Of the state's net position, \$79.8 billion was net investment in capital assets, while \$81.7 billion was restricted by the state constitution or other legal requirements and was not available to finance day-to-day operations of the state. Unrestricted net position was \$14.1 billion. The majority of the net position increase is primarily due to an increase of \$16.2 billion in restricted net position.

## Statement of Net Position

August 31, 2014 and 2013 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Assets Other Than Capital Assets	\$ 74,110,983	\$ 65,054,470	\$ 73,306,854	\$ 65,626,393	\$ 147,417,837	\$ 130,680,863
Capital Assets	85,693,336	82,159,770	27,158,624	25,648,266	112,851,960	107,808,036
Total Assets	<u>159,804,319</u>	<u>147,214,240</u>	<u>100,465,478</u>	<u>91,274,659</u>	<u>260,269,797</u>	<u>238,488,899</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>76,655</u>	<u>0</u>	<u>576,569</u>	<u>432,091</u>	<u>653,224</u>	<u>432,091</u>
<b>LIABILITIES</b>						
Current Liabilities	12,146,740	10,497,004	12,107,507	11,015,563	24,254,247	21,512,567
Noncurrent Liabilities	23,102,244	21,721,743	32,741,159	31,784,828	55,843,403	53,506,571
Total Liabilities	<u>35,248,984</u>	<u>32,218,747</u>	<u>44,848,666</u>	<u>42,800,391</u>	<u>80,097,650</u>	<u>75,019,138</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>5,226,734</u>	<u>5,254,633</u>	<u>16,063</u>	<u>17,499</u>	<u>5,242,797</u>	<u>5,272,132</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	68,739,464	64,095,431	11,055,379	10,329,909	79,794,843	74,425,340
Restricted	41,659,436	34,406,773	40,020,583	31,092,846	81,680,019	65,499,619
Unrestricted	9,006,356	11,238,656	5,101,356	7,466,105	14,107,712	18,704,761
Total Net Position	<u>\$ 119,405,256</u>	<u>\$ 109,740,860</u>	<u>\$ 56,177,318</u>	<u>\$ 48,888,860</u>	<u>\$ 175,582,574</u>	<u>\$ 158,629,720</u>

## Changes in Net Position

The state's net position as of Aug. 31, 2014 increased by \$17 billion. The state earned program revenues of \$90.2 billion and general revenues of \$53.9 billion, for total revenues of \$144.1 billion, an increase of \$12.5 billion or 9.5 percent from fiscal 2013. The major components of this increase were tax revenues, which had an increase of \$2.8 billion and operating grants and contributions, with an increase of \$7.8 billion. Federal revenues increased \$771 million and interest and investment income increased \$6.1 billion.

The expenses of the state were \$127.1 billion, an increase of \$5.7 billion or 4.7 percent. The expense fluctuations in governmental activities are largely attributable to a \$3.1 billion increase in health and human services and a \$1.8 billion increase in education services. In business-type activities there was a \$1.1 billion increase in education services which was offset by a decrease in health and human services of \$1.1 billion.

Further discussion of results for changes in the state's financial condition follows in the analysis of the state's funds.

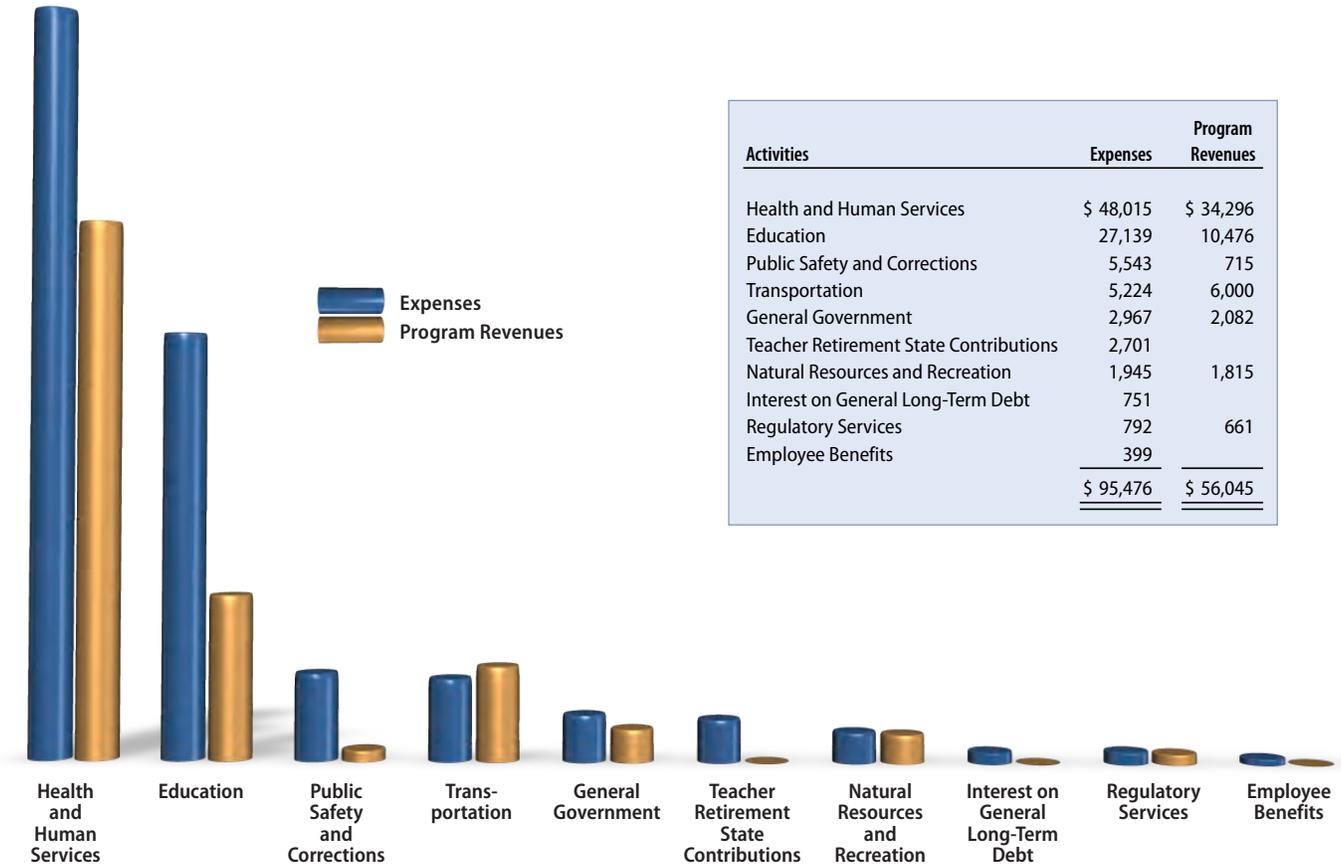
## Changes in Net Position

For the Fiscal Years Ended August 31, 2014 and 2013 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 9,042,614	\$ 8,051,224	\$ 20,503,577	\$ 19,844,127	\$ 29,546,191	\$ 27,895,351
Operating Grants and Contributions	46,903,926	42,868,081	13,120,148	9,320,966	60,024,074	52,189,047
Capital Grants and Contributions	96,802	31,248	522,211	350,922	619,013	382,170
Total Program Revenues	<u>56,043,342</u>	<u>50,950,553</u>	<u>34,145,936</u>	<u>29,516,015</u>	<u>90,189,278</u>	<u>80,466,568</u>
General Revenues:						
Taxes	50,916,366	48,118,538			50,916,366	48,118,538
Unrestricted Investment Earnings	300,423	142,724	165,597	11,566	466,020	154,290
Settlement of Claims	574,082	640,565	99	3,187	574,181	643,752
Gain on Sale of Capital Assets	1,865	376	11,469		13,334	376
Gain on Other Financial Activity	6,708				6,708	
Other General Revenues	1,755,856	2,045,961	195,964	164,538	1,951,820	2,210,499
Total General Revenues	<u>53,555,300</u>	<u>50,948,164</u>	<u>373,129</u>	<u>179,291</u>	<u>53,928,429</u>	<u>51,127,455</u>
Total Revenues	<u>109,598,642</u>	<u>101,898,717</u>	<u>34,519,065</u>	<u>29,695,306</u>	<u>144,117,707</u>	<u>131,594,023</u>
<b>EXPENSES</b>						
General Government	2,967,443	2,873,598	122,356	149,735	3,089,799	3,023,333
Education	27,138,847	25,321,607	24,896,493	23,828,365	52,035,340	49,149,972
Employee Benefits	399,454	437,939			399,454	437,939
Teacher Retirement State Contributions	2,700,533	2,492,310			2,700,533	2,492,310
Health and Human Services	48,015,340	44,888,201	2,759,024	3,854,869	50,774,364	48,743,070
Public Safety and Corrections	5,542,840	5,316,819	95,749	91,331	5,638,589	5,408,150
Transportation	5,223,720	5,384,628	248,827	228,769	5,472,547	5,613,397
Natural Resources and Recreation	1,944,520	1,850,253	315,963	319,094	2,260,483	2,169,347
Regulatory Services	792,267	461,418			792,267	461,418
Interest on General Long-Term Debt	750,946	741,397			750,946	741,397
Lottery			3,164,120	3,185,869	3,164,120	3,185,869
Total Expenses	<u>95,475,910</u>	<u>89,768,170</u>	<u>31,602,532</u>	<u>31,658,032</u>	<u>127,078,442</u>	<u>121,426,202</u>
Excess (Deficiency) Before Contributions and Transfers	<u>14,122,732</u>	<u>12,130,547</u>	<u>2,916,533</u>	<u>(1,962,726)</u>	<u>17,039,265</u>	<u>10,167,821</u>
Capital Contributions	(152,616)	475			(152,616)	475
Contributions to Permanent and Term Endowments			238,951	184,108	238,951	184,108
Transfers	(4,130,757)	(4,028,026)	4,130,757	4,028,026		
Change in Net Position	<u>9,839,359</u>	<u>8,102,996</u>	<u>7,286,241</u>	<u>2,249,408</u>	<u>17,125,600</u>	<u>10,352,404</u>
Net Position, Beginning Balance	109,740,860	101,772,176	48,888,860	46,804,735	158,629,720	148,576,911
Restatements	(174,963)	(134,312)	2,217	(165,283)	(172,746)	(299,595)
Net Position, Beginning Balance, as Restated	<u>109,565,897</u>	<u>101,637,864</u>	<u>48,891,077</u>	<u>46,639,452</u>	<u>158,456,974</u>	<u>148,277,316</u>
Net Position, Ending Balance	<u>\$ 119,405,256</u>	<u>\$ 109,740,860</u>	<u>\$ 56,177,318</u>	<u>\$ 48,888,860</u>	<u>\$ 175,582,574</u>	<u>\$ 158,629,720</u>

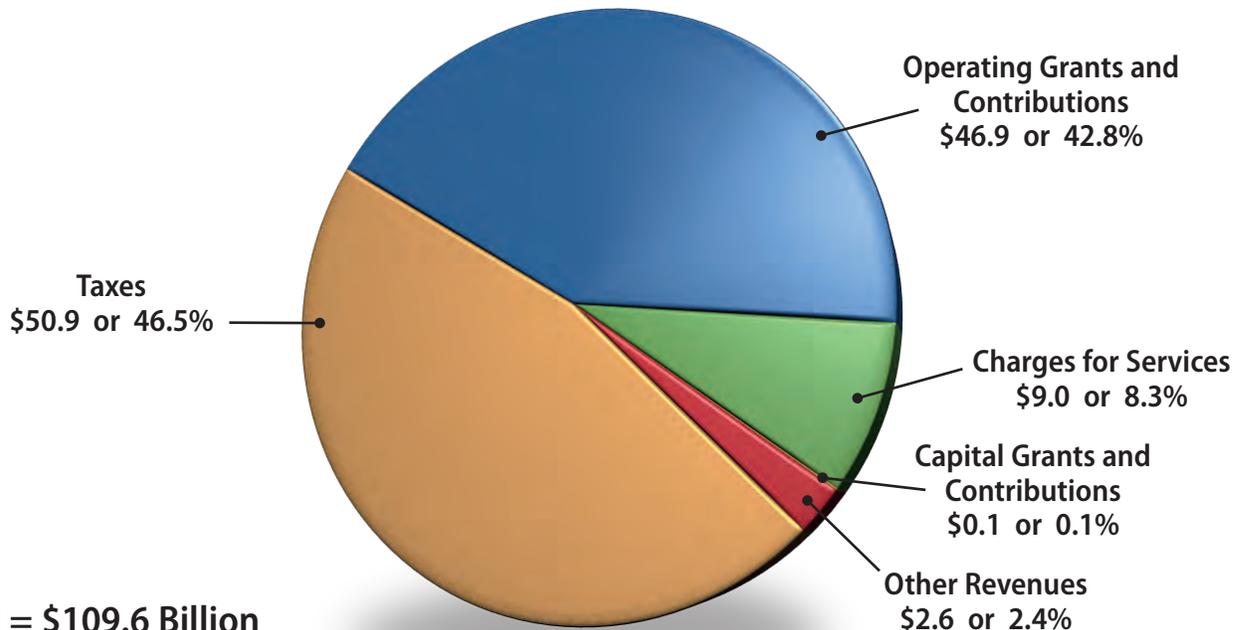
## Expenses and Program Revenues: Governmental Activities

For the Fiscal Year Ended August 31, 2014 (In Millions)



## Revenue by Source: Governmental Activities

For the Fiscal Year Ended August 31, 2014 (In Billions)\*

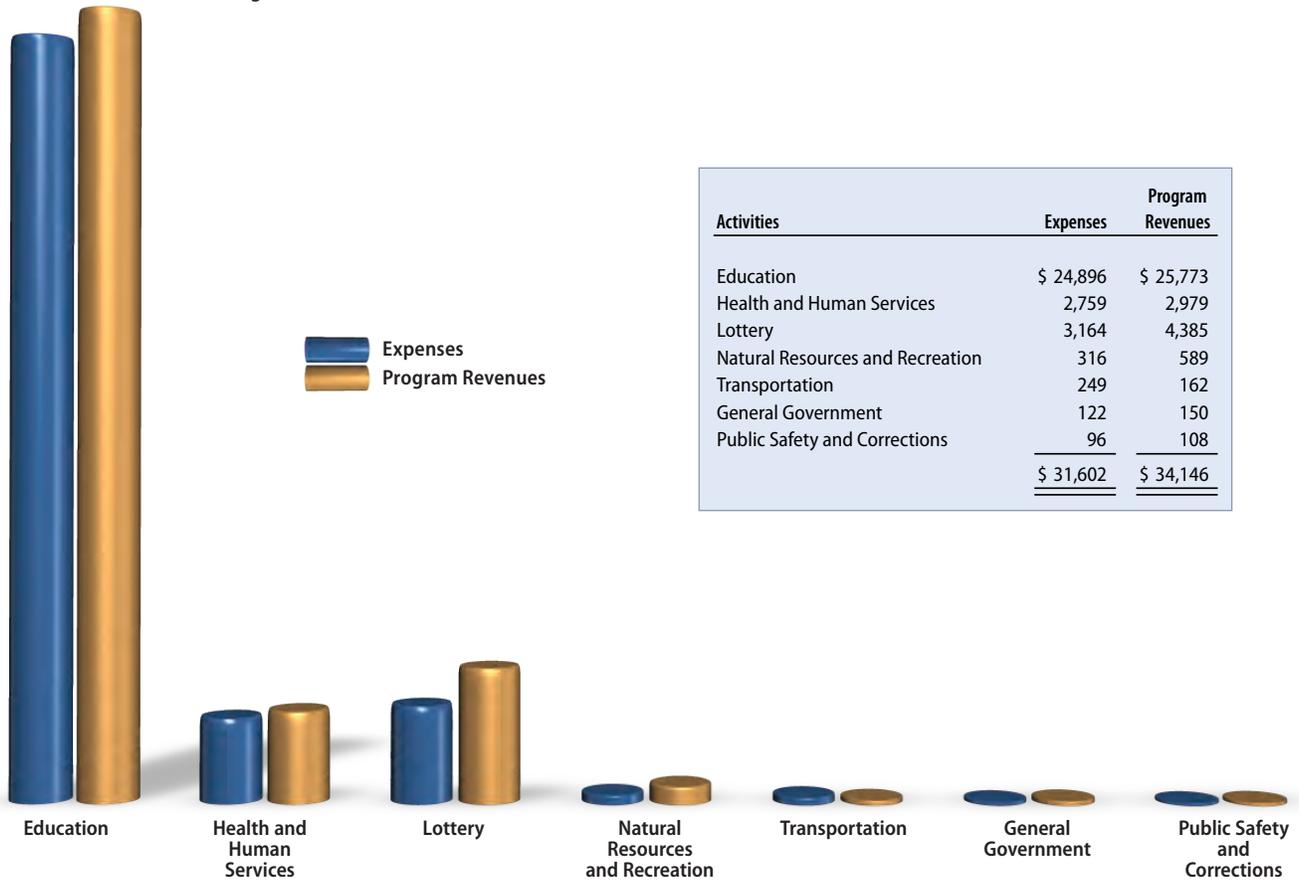


**Total = \$109.6 Billion**

\* Totals may not add due to rounding

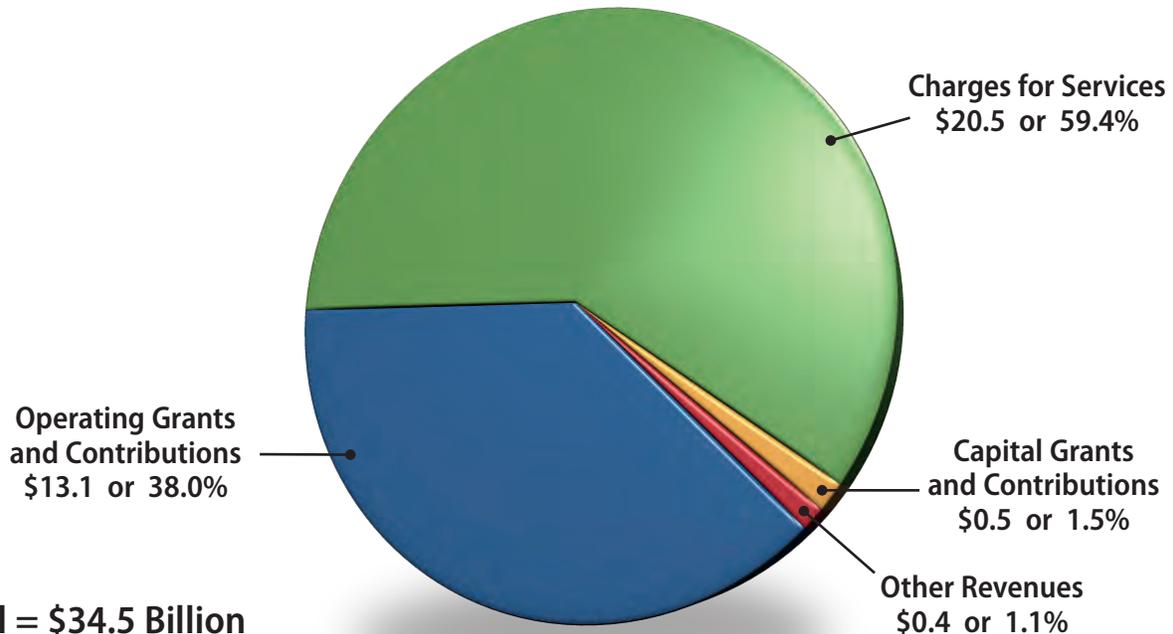
## Expenses and Program Revenues: Business-Type Activities

For the Fiscal Year Ended August 31, 2014 (In Millions)



## Revenue by Source: Business-Type Activities

For the Fiscal Year Ended August 31, 2014 (In Billions)\*



**Total = \$34.5 Billion**

\* Totals may not add due to rounding

## Governmental Activities

The governmental activities program revenue was \$56 billion, including charges for services of \$9 billion, operating grants and contributions of \$47 billion and capital grants and contributions of \$96.8 million. The largest change, a \$4 billion increase, was for operating grants and contributions. Taxes had increases of \$2.8 billion from general revenue sources, with the largest increase in sales tax revenue.

### Net Cost (Income) of the State's Governmental Activities

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Total Cost of Services	Net Cost (Income) of Services
General Government	\$ 2,967,443	\$ 885,796
Education	27,138,847	16,663,216
Employee Benefits	399,454	399,384
Teacher Retirement State Contributions	2,700,533	2,700,533
Health and Human Services	48,015,340	13,719,261
Public Safety and Corrections	5,542,840	4,828,189
Transportation	5,223,720	(776,032)
Natural Resources and Recreation	1,944,520	130,012
Regulatory Services	792,267	131,263
Interest on General Long-Term Debt	750,946	750,946
Total	<u>\$ 95,475,910</u>	<u>\$ 39,432,568</u>

### Net Cost (Income) of the State's Business-Type Activities

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Total Cost of Services	Net Cost (Income) of Services
General Government	\$ 122,356	\$ (27,651)
Education	24,896,493	(876,043)
Health and Human Services	2,759,024	(219,834)
Public Safety and Corrections	95,749	(11,795)
Transportation	248,827	86,546
Natural Resources and Recreation	315,963	(273,416)
Lottery	3,164,120	(1,221,211)
Total	<u>\$ 31,602,532</u>	<u>\$ (2,543,404)</u>

Governmental activities expenses were \$95.5 billion. All functions of governmental activities in the government-wide statement of activities have a net cost, except the transportation function which reported a slight surplus. The education function and the health and human services function account for 78.7 percent of governmental activities expenses and 77 percent of the net cost. The tax collections of the state provide the primary source of funding, which when added to program revenues, support payment for governmental services.

## Business-Type Activities

Business-type activities generated program revenue of \$34.1 billion, including charges for services of \$20.5 billion, operating grants and contributions of \$13 billion and capital grants and contributions of \$522 million. The total expenses for business-type activities were \$31.6 billion. The largest changes occurred in education, with a \$1.1 billion increase for colleges and universities, and in the health and human services function, where there was a decrease of \$1.1 billion in health and human services. There was an increase in Net Position in the government's business-type activities of \$7.3 billion in comparison to the prior year's increase of \$2.1 billion.

## Financial Analysis of the State's Funds

### Governmental Funds

As of Aug. 31, 2014, governmental funds reported fund balances of \$62.7 billion. The general fund reported a positive \$17.8 billion fund balance.

### General Fund

The fund balance for the general fund as of Aug. 31, 2014, was \$17.8 billion, an increase of \$2.7 billion from fiscal 2013, mostly due to an increase in tax revenues.

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The state constitution, state statute, and federal rule or bond covenants constrains \$6.3 billion. The unassigned fund balance was \$10.9 billion, which includes \$6.7 billion in the economic stabilization fund, commonly called “the rainy day fund”. Contributing to the higher balance was an increase of \$3.7 billion in tax revenues.

### *State Highway Fund*

The fund balance for the state highway fund as of Aug. 31, 2014, was \$3.7 billion, an increase of \$3.6 billion from \$100.2 million as of Aug. 31, 2013. Cash and cash equivalents decreased \$261.2 million as natural resource costs increased by \$3 billion.

### *Permanent School Fund*

The fund balance for the permanent school fund (PSF) as of Aug. 31, 2014, totaled \$35 billion, an increase of \$4.3 billion since Aug. 31, 2013. This increase was primarily attributable to an increase in valuation of investments of \$3.7 billion. Value in the fund provided \$838 million in transfers to provide funding for public education. The PSF also supports the state’s public school system through a bond guarantee program, where the PSF is pledged to guarantee bonds issued by Texas school districts, enhancing their credit rating. As of Aug. 31, 2014, a total of \$58.4 billion in school district bond issues were guaranteed.

### *Proprietary Funds*

Proprietary funds reported net position of \$56.2 billion as of Aug. 31, 2014, an increase of \$7.3 billion from fiscal 2013. The state’s public colleges and universities hold 89.4 percent of the reported net position in proprietary funds.

### *Colleges and Universities*

Colleges and universities’ net position as of Aug. 31, 2014, totaled \$50.2 billion, an increase of \$6.4 billion from Aug. 31, 2013. There was an increase of

\$4.4 billion in net income before capital contributions, endowments and transfers and \$545 million in capital contributions and transfers from fiscal 2013. There was an increase in interest and investment income of \$4.2 billion due to favorable market performance. There also was \$1.2 billion collected from land mineral income, such as oil royalties, deposited to the Permanent University Fund (PUF) for the benefit of the University of Texas and Texas A&M University Systems. The PUF’s net position after distributions increased by \$2.5 billion from \$14.9 billion in fiscal 2013 to \$17.4 billion in fiscal 2014. This endowment fund contributes to the support of 24 institutions in the University of Texas System and 23 in the Texas A&M University System.

### *Unemployment Trust Fund*

The unemployment trust fund reports activity related to the administration of statewide unemployment benefits in proprietary funds. The funds reported a net position of \$1.2 billion as of Aug. 31, 2014, an increase of \$536.5 million from \$677.3 million as of Aug. 31, 2013. During fiscal 2014, unemployment taxes collected decreased \$216.9 million from \$2.7 billion 2013 while federal contributions decreased \$1 billion in 2014. Benefits payments dropped \$1.1 billion as the unemployment rate continued to drop and the federally funded emergency unemployment compensation program expired.

### *Lottery Fund*

The Texas Lottery Commission operates on-line and instant ticket lottery games to generate revenue for the state’s foundation school fund. The lottery fund had a net position of \$61.1 million on Aug. 31, 2014, a slight increase above the \$58.5 million at the end of fiscal 2013. The Commission recorded its highest level of total sales in its 20-plus history during fiscal 2014, with collections of \$4.4 billion. Payments to state agencies totaled \$1.2 billion, the highest level of revenue transfers in the Commission’s history.

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## **Fiduciary Funds**

Fiduciary funds reported \$175.8 billion in net position as of Aug. 31, 2014, an increase of \$16.2 billion from \$159.6 billion in fiscal 2013, a 10.2 percent increase.

### ***Pension and Other Employee Benefit Trust Funds***

Total net position for pension and other employee benefit trust funds was \$159.6 billion, an increase of \$17.6 billion from the \$142 billion reported in fiscal 2013. The majority of plan assets are held as investments for the pension funds. Additions from all sources increased \$11.6 billion from fiscal 2013, while benefit payments increased \$801.3 million. Increases in additions are due primarily to more favorable conditions in the financial markets and legislative increases to state contributions. The return for investments for the state's two largest pension systems, the Teacher Retirement System of Texas and the Employees Retirement System of Texas, was 16.9 percent and 14.7 percent, respectively, compared to the previous year's returns of 9 and 10.1 percent.

### ***External Investment Trust Fund***

The Treasury Safekeeping Trust is the only external investment trust fund. It administers and invests funds belonging to state and local entities as well as providing direct access to services of the Federal Reserve System. The Trust reported a total net position of \$12.7 billion in fiscal 2014, a decrease of \$1.8 billion from fiscal 2013. The decrease in net position is due to a decrease in both TexPool and TexPool Prime revenue.

## ***Private-Purpose Trust Funds***

Total net position for private-purpose trust funds was \$3.4 billion in fiscal 2014, an increase of \$278.5 million from fiscal 2013. Additions from all sources of \$687.8 million exceeded total deductions of \$409.3 million. The net increase of \$278.5 million is an increase of 37.9 percent from the net increase of \$201.9 million in fiscal 2013.

## **Budgetary Highlights**

### **Variances for the General Fund**

The differences from original and final revenue budgets are due to both economic and legislative reasons.

Budget mechanisms allow budget revisions for certain revenues when collections exceed the original budget. Accordingly, major revisions were made to both total revenues and expenditures for a net change of \$1.8 billion.

There was a negative \$1.6 billion variance between the actual and final budget revenues. The largest negative revenue variances occurred with taxes, sales of goods and services revenues, which reported a \$1 billion and \$636 million difference, respectively.

The largest negative expenditure variances related to the education function and the health and human services function.

## Capital Assets – Net of Depreciation and Amortization

August 31, 2014 and 2013 (Amounts In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land and Land Improvements	\$ 10,844,164	\$ 10,246,645	\$ 1,737,988	\$ 1,683,668	\$ 12,582,152	\$ 11,930,313
Infrastructure	62,496,935	62,591,370	2,785,800	2,775,670	65,282,735	65,367,040
Construction in Progress	9,035,700	5,914,487	3,153,661	2,257,927	12,189,361	8,172,414
Buildings and Building Improvements	2,174,347	2,332,550	15,145,336	14,930,337	17,319,683	17,262,887
Facilities and Other Improvements	61,597	67,170	1,078,053	1,001,063	1,139,650	1,068,233
Furniture and Equipment	306,637	250,877	1,617,537	1,579,924	1,924,174	1,830,801
Vehicles, Boats and Aircraft	422,771	425,643	79,861	76,602	502,632	502,245
Other Capital Assets	178,161	168,551	1,236,098	985,264	1,414,259	1,153,815
Intangible Capital Assets, Net	173,024	162,477	324,290	357,811	497,314	520,288
Total Capital Assets	<u>\$ 85,693,336</u>	<u>\$ 82,159,770</u>	<u>\$ 27,158,624</u>	<u>\$ 25,648,266</u>	<u>\$ 112,851,960</u>	<u>\$ 107,808,036</u>

## Capital Assets and Debt Administration

### Capital Assets

As of Aug. 31, 2014, the state had \$112.9 billion in net capital assets. This total represents an increase of \$5 billion in total capital assets or 4.7 percent from fiscal 2013. Included in this amount is an increase to construction in progress of \$3.1 billion by the Texas Department of Transportation (TxDOT). Institutions of higher education also added \$220.1 million to buildings and building improvements.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated \$27.1 billion. These commitments extend beyond the end of the fiscal year and represent future costs to the state.

Note 2 provides detail about the state's capital assets and Note 15 details the state's significant commitments related to future capital expenditures.

### Infrastructure Assets

The value of the state's infrastructure assets is included in the governmental activities column of the

government-wide statement of net position. Additional detail is also found in Note 2 for capital assets.

The state accounts for its system of roads and highways using the depreciation method. Prior use of the modified approach was discontinued and replaced with the depreciation method.

### Debt Administration

The state of Texas issues both general obligation bonds and revenue bonds. Each series of revenue bonds is backed by the pledged revenue source and restricted funds specified in the bond resolution. Most revenue bonds are designed to be self-supporting from a primary revenue source related to the program financed.

The state's general obligation bond issues were rated Aaa by Moody's Investors Service, AAA by Standard & Poor's and AAA by Fitch Ratings as of August 2014. During fiscal 2014, Texas' state agencies and institutions of higher education issued \$6.8 billion in state bonds to finance new construction, transportation, housing, water conservation and treatment, and other projects. General obligation debt accounted for \$2.8 billion of state bonds issued in fiscal 2014. This debt, which can only be authorized by a constitutional amendment, carries the full faith and credit of the state. The remaining \$4 billion is due to new issuances of revenue bonds,

## Outstanding Bonded Debt

August 31, 2014 and 2013 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds Payable	\$ 12,052,116	\$ 12,089,019	\$ 3,765,126	\$ 3,669,914	\$ 15,817,242	\$ 15,758,933
Revenue Bonds Payable	4,661,544	4,099,579	20,403,923	20,963,515	25,065,467	25,063,094
Total Bonds Payable	<u>\$ 16,713,660</u>	<u>\$ 16,188,598</u>	<u>\$ 24,169,049</u>	<u>\$ 24,633,429</u>	<u>\$ 40,882,709</u>	<u>\$ 40,822,027</u>

which are serviced by the revenue flows of individual entity projects. Bonds retired during the year were composed of \$539.3 million in general obligation bonds and \$936.5 million in revenue bonds. Also, \$2.4 billion in general obligation bonds and \$3.3 billion in revenue bonds were refunded. The total outstanding general obligation debt of the state after new issuances, retirements and refundings as of Aug. 31, 2014, was \$15.8 billion. This represents an increase of \$58 million or .37 percent from fiscal 2013. An additional \$15.8 billion of general obligation bonds were authorized but are unissued. Total revenue bonds outstanding were \$25.1 billion, which is an increase of \$2.4 million or .01 percent from fiscal 2013. Note 5 discloses the details on the state's long-term liabilities and Note 6 provides detailed information on the state's bonded indebtedness.

### Economic Condition

In 2014 the Texas economy continued its post-recession expansion, adding 441,200 nonfarm jobs over the 12 month period ending November 2014, an increase of 3.9 percent. Private sector employment grew by 4.3 percent, while government employment (federal, state and local combined) grew by 1.7 percent. In addition to adding more jobs than any state over the 12 month period, Texas had the lowest unemployment rate among the 10 most populous states as of November 2014. The comparatively vibrant economic conditions

during a slow national recovery have resulted in an influx of new residents into Texas, adding an estimated 179,000 net new residents (inbound arrivals less out-bound residents) during the year. Even with the growing labor force, the Texas economy produced sufficient jobs to allow the unemployment rate to fall from 6.1 percent in November 2013 to 4.9 percent in November 2014. The Texas unemployment rate has remained below the national rate since January 2007.

Personal income in Texas grew by 5.6 percent from the third quarter of 2013 to the third quarter of 2014, according to the U.S. Bureau of Economic Analysis. This was the second highest rate of growth among all the states, exceeded only by the considerably less-populated state of Alaska. Personal income growth for the nation as a whole was 3.9 percent over this period.

### Contacting the State's Financial Management

This financial report is designed to provide the state's citizens, taxpayers, customers, investors and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Reporting section of the Texas Comptroller of Public Accounts at 111 E. 17th Street, Austin, Texas 78774.

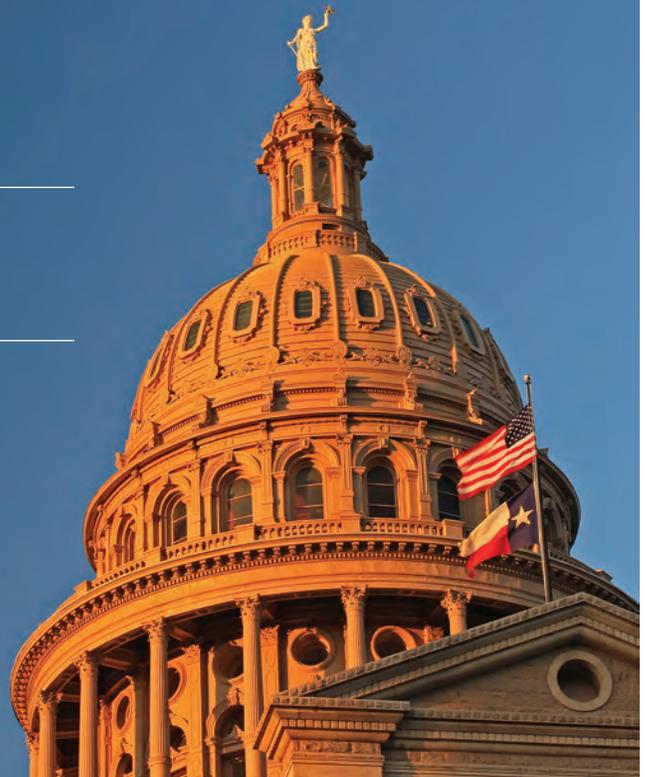
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**Section Two (continued)**

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# Basic Financial Statements

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## STATE OF TEXAS

**Statement of Net Position**

August 31, 2014 (Amounts in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 24,416,055	\$ 5,270,731	\$ 29,686,786	\$ 977,360
Short-Term Investments	563,726	1,104,766	1,668,492	122,089
Securities Lending Collateral	1,215,057	1,159,262	2,374,319	
Receivables:				
Taxes	3,602,621		3,602,621	
Federal	2,357,841	852,441	3,210,282	1,031
Other Intergovernmental	633,056	107,274	740,330	6,705
Accounts	849,606	2,029,369	2,878,975	23,176
Interest and Dividends	88,529	153,836	242,365	2,585
Gifts		282,747	282,747	
Investment Trades	6,999	258,385	265,384	
Other	84,512	449,430	533,942	456
From Fiduciary Funds	174,260		174,260	
Due From Component Units (Note 12)	309		309	
Inventories	358,572	168,054	526,626	3,505
Prepaid Items	1,928	139,600	141,528	51,154
Loans and Contracts	66,465	498,394	564,859	621
Other Current Assets		377,315	377,315	58,186
Restricted:				
Cash and Cash Equivalents	21,916	4,105,565	4,127,481	5,848
Short-Term Investments		625,065	625,065	
Loans and Contracts	106,839	77,651	184,490	2,091
Total Current Assets	<u>34,548,291</u>	<u>17,659,885</u>	<u>52,208,176</u>	<u>1,254,807</u>
Noncurrent Assets:				
Internal Balances (Note 12)	31,441	(31,441)		
Loans and Contracts	1,480,642	4,650,391	6,131,033	6,955
Investments	36,207,568	10,484,512	46,692,080	416,021
Receivables:				
Taxes	27,214		27,214	
Gifts		831,755	831,755	17,249
Other	280,305	50	280,355	1,489
Restricted:				
Cash and Cash Equivalents		103,392	103,392	12,721
Short-Term Investments		425	425	
Investments		34,729,071	34,729,071	562,106
Receivables		175,889	175,889	
Loans and Contracts	1,303,744	3,207,657	4,511,401	8,647
Other	88,268	12,144	100,412	
Assets Held in Trust		4,628	4,628	7,200
Hedging Derivative Asset (Note 7)		5,934	5,934	
Intangible Assets – Service Concession				
Arrangements (Note 27)		1,431,210	1,431,210	
Other Noncurrent Assets	143,510	41,352	184,862	15,392
Capital Assets: (Note 2)				
Non-Depreciable or Non-Amortizable	19,990,525	5,590,926	25,581,451	510
Depreciable or Amortizable, Net	65,702,811	21,567,698	87,270,509	26,839
Total Noncurrent Assets	<u>125,256,028</u>	<u>82,805,593</u>	<u>208,061,621</u>	<u>1,075,129</u>
Total Assets	<u>159,804,319</u>	<u>100,465,478</u>	<u>260,269,797</u>	<u>2,329,936</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources (Note 28)	<u>76,655</u>	<u>576,569</u>	<u>653,224</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>76,655</u>	<u>576,569</u>	<u>653,224</u>	<u>0</u>

*Concluded on the following page*

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

## STATE OF TEXAS

**Statement of Net Position (concluded)**

August 31, 2014 (Amounts in Thousands)

LIABILITIES	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Current Liabilities:				
Payables:				
Accounts	\$ 5,260,946	\$ 1,714,504	\$ 6,975,450	\$ 283,154
Payroll	687,160	810,660	1,497,820	778
Other Intergovernmental	331,435	25,078	356,513	
Federal	193	1,905	2,098	
Investment Trades	35,965	541,375	577,340	
Interest	374,380	106,917	481,297	4,475
Tax Refunds (Note 24)	881,088		881,088	
Annuities		8,036	8,036	
To Fiduciary Funds	133,829		133,829	
Internal Balances (Note 12)	654,811	(654,811)		
Due To Primary Government (Note 12)				309
Unearned Revenue	507,675	3,196,949	3,704,624	379,459
Obligations/Reverse Repurchase Agreement	48,078		48,078	
Obligations/Securities Lending	1,274,042	1,159,262	2,433,304	
Claims and Judgments (Note 5)	45,955	22,009	67,964	
Capital Lease Obligations (Note 5, 8)	4,141	5,114	9,255	13
Employees' Compensable Leave (Note 5)	542,640	407,737	950,377	1,703
Notes and Loans Payable (Note 5)	165,231	39,699	204,930	11,999
General Obligation Bonds Payable (Note 5, 6)	534,751	170,773	705,524	
Revenue Bonds Payable (Note 5, 6)	186,141	2,175,858	2,361,999	1,985
Pollution Remediation Obligation (Note 5)	46,439		46,439	
Liabilities Payable From Restricted Assets (Note 5)		509,155	509,155	
Short Term Debt (Note 4)	150,000	1,360,396	1,510,396	
Funds Held for Others		160,548	160,548	188,296
Other Current Liabilities	281,840	346,343	628,183	754,647
Total Current Liabilities	<u>12,146,740</u>	<u>12,107,507</u>	<u>24,254,247</u>	<u>1,626,818</u>
Noncurrent Liabilities:				
Claims and Judgments (Note 5)	85,873	38,186	124,059	
Capital Lease Obligations (Note 5, 8)	29,538	11,794	41,332	6
Employees' Compensable Leave (Note 5)	239,594	366,358	605,952	1,071
Notes and Loans Payable (Note 5)	1,129,535	2,100,787	3,230,322	18,936
General Obligation Bonds Payable (Note 5, 6)	11,517,365	3,594,353	15,111,718	
Revenue Bonds Payable (Note 5, 6)	4,475,403	18,228,065	22,703,468	147,919
Pollution Remediation Obligation (Note 5)	204,388		204,388	
Liabilities Payable From Restricted Assets (Note 5)		2,583,707	2,583,707	
Assets Held for Others		871,410	871,410	
Net Pension Obligation (Note 9)	5,420,548		5,420,548	
Net OPEB Obligation (Note 11)		4,219,114	4,219,114	
Hedging Derivative Liability (Note 7)		488,215	488,215	
Other Noncurrent Liabilities		239,170	239,170	9,675
Total Noncurrent Liabilities	<u>23,102,244</u>	<u>32,741,159</u>	<u>55,843,403</u>	<u>177,607</u>
Total Liabilities	<u>35,248,984</u>	<u>44,848,666</u>	<u>80,097,650</u>	<u>1,804,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources (Note 28)	5,226,734	16,063	5,242,797	
Total Deferred Inflows of Resources	<u>5,226,734</u>	<u>16,063</u>	<u>5,242,797</u>	<u>0</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	68,739,464	11,055,379	79,794,843	27,241
Restricted for:				
Education	449,143	2,950,147	3,399,290	
Highways	971,825		971,825	
Debt Service	409,168	391,307	800,475	
Capital Projects	418,390	877,673	1,296,063	
Veterans Land Board Housing Programs		789,370	789,370	
Water Assistance Programs	970,993		970,993	
Unemployment Trust Fund		2,079,503	2,079,503	
Funds Held as Permanent Investments:				
Nonexpendable	13,693,513	23,367,763	37,061,276	199,850
Expendable	22,358,752	6,040,659	28,399,411	59,427
Other	2,387,652	3,524,161	5,911,813	60,883
Unrestricted	9,006,356	5,101,356	14,107,712	178,110
Total Net Position	<u>\$ 119,405,256</u>	<u>\$ 56,177,318</u>	<u>\$ 175,582,574</u>	<u>\$ 525,511</u>

## STATE OF TEXAS

**Statement of Activities**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
General Government	\$ 2,967,443	\$ 1,142,351	\$ 939,296	\$
Education	27,138,847	801,358	9,674,273	
Employee Benefits	399,454	70		
Teacher Retirement State Contributions	2,700,533			
Health and Human Services	48,015,340	2,894,301	31,396,937	4,841
Public Safety and Corrections	5,542,840	338,239	375,971	441
Transportation	5,223,720	2,492,591	3,417,651	89,510
Natural Resources and Recreation	1,944,520	716,696	1,095,802	2,010
Regulatory Services	792,267	657,008	3,996	
Interest on General Long-Term Debt	750,946			
Total Governmental Activities	<u>95,475,910</u>	<u>9,042,614</u>	<u>46,903,926</u>	<u>96,802</u>
Business-Type Activities:				
General Government	122,356	59,977	90,029	1
Education	24,896,493	13,214,728	12,035,588	522,220
Health and Human Services	2,759,024	2,532,273	446,585	
Public Safety and Corrections	95,749	107,544		
Transportation	248,827	155,019	7,272	(10)
Natural Resources and Recreation	315,963	48,705	540,674	
Lottery	3,164,120	4,385,331		
Total Business-Type Activities	<u>31,602,532</u>	<u>20,503,577</u>	<u>13,120,148</u>	<u>522,211</u>
Total Primary Government	<u>\$ 127,078,442</u>	<u>\$ 29,546,191</u>	<u>\$ 60,024,074</u>	<u>\$ 619,013</u>
<b>COMPONENT UNITS</b>				
Component Units	<u>\$ 2,575,727</u>	<u>\$ 2,729,408</u>	<u>\$ 99,568</u>	<u>\$</u>
Total Component Units	<u>\$ 2,575,727</u>	<u>\$ 2,729,408</u>	<u>\$ 99,568</u>	<u>\$ 0</u>

## General Revenues

## Taxes:

## Sales and Use

## Motor Vehicle and Manufactured Housing

## Motor Fuels

## Franchise

## Oil and Natural Gas Production

## Insurance Occupation

## Cigarette and Tobacco

## Other

## Unrestricted Investment Earnings

## Settlement of Claims

## Gain on Sale of Capital Assets

## Gain on Other Financial Activity

## Other General Revenues

## Capital Contributions (Distributions)

## Contributions to Permanent and Term Endowments

## Transfers - Internal Activities (Note 12)

## Total General Revenues, Contributions, Special Items and Transfers

## Change in Net Position

## Net Position, September 1, 2013

## Restatements (Note 14)

## Net Position, September 1, 2013, as Restated

## Net Position, August 31, 2014

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (885,796)	\$	\$ (885,796)	\$
(16,663,216)		(16,663,216)	
(399,384)		(399,384)	
(2,700,533)		(2,700,533)	
(13,719,261)		(13,719,261)	
(4,828,189)		(4,828,189)	
776,032		776,032	
(130,012)		(130,012)	
(131,263)		(131,263)	
(750,946)		(750,946)	
<u>(39,432,568)</u>	<u>0</u>	<u>(39,432,568)</u>	<u>0</u>
	27,651	27,651	
	876,043	876,043	
	219,834	219,834	
	11,795	11,795	
	(86,546)	(86,546)	
	273,416	273,416	
	1,221,211	1,221,211	
<u>0</u>	<u>2,543,404</u>	<u>2,543,404</u>	<u>0</u>
<u>(39,432,568)</u>	<u>2,543,404</u>	<u>(36,889,164)</u>	<u>0</u>
			253,249
<u>0</u>	<u>0</u>	<u>0</u>	<u>253,249</u>
27,372,895		27,372,895	
4,213,273		4,213,273	
3,327,707		3,327,707	
4,645,756		4,645,756	
5,884,749		5,884,749	
1,967,613		1,967,613	
1,348,923		1,348,923	
2,155,450		2,155,450	
300,423	165,597	466,020	1,279
574,082	99	574,181	
1,865	11,469	13,334	1,538
6,708		6,708	
1,755,856	195,964	1,951,820	1,896
(152,616)		(152,616)	
	238,951	238,951	
<u>(4,130,757)</u>	<u>4,130,757</u>		
<u>49,271,927</u>	<u>4,742,837</u>	<u>54,014,764</u>	<u>4,713</u>
9,839,359	7,286,241	17,125,600	257,962
109,740,860	48,888,860	158,629,720	589,652
(174,963)	2,217	(172,746)	(322,103)
<u>109,565,897</u>	<u>48,891,077</u>	<u>158,456,974</u>	<u>267,549</u>
<u>\$ 119,405,256</u>	<u>\$ 56,177,318</u>	<u>\$ 175,582,574</u>	<u>\$ 525,511</u>

## STATE OF TEXAS

**Balance Sheet – Governmental Funds**

August 31, 2014 (Amounts in Thousands)

	General	State Highway Fund	Permanent School Fund	Nonmajor Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 16,789,929	\$ 2,905,637	\$ 1,989,714	\$ 2,709,745	\$ 24,395,025
Short-Term Investments	57,879		46,936	196,803	301,618
Securities Lending Collateral			1,183,251		1,183,251
Receivables:					
Accounts	426,720	164,435	113,488	3,258	707,901
Taxes (Note 24)	3,333,645	221,977		74,214	3,629,836
Federal	1,962,866	373,605		21,370	2,357,841
Investment Trades			6,885	94	6,979
Other Intergovernmental	560,127	72,929			633,056
Interest and Dividends	3,234	6,025	64,903	12,427	86,589
Other	364,817				364,817
Due From Other Funds (Note 12)	132,205	712,592	6	137,372	982,175
Due From Component Units (Note 12)	309				309
Interfund Receivable (Note 12)	43,279			440	43,719
Inventories	215,088	143,262		222	358,572
Prepaid Items	1,885		6	37	1,928
Investments	270,501		32,917,161	2,665,182	35,852,844
Loans and Contracts	302,130	374,765	2,942	867,269	1,547,106
Other Assets	143,510				143,510
Restricted:					
Cash and Cash Equivalents	17,191			4,725	21,916
Loans and Contracts	557,987			852,596	1,410,583
Other Assets				88,268	88,268
<b>Total Assets</b>	<b>\$ 25,183,302</b>	<b>\$ 4,975,227</b>	<b>\$ 36,325,292</b>	<b>\$ 7,634,022</b>	<b>\$ 74,117,843</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 3,347,239	\$ 971,716	\$ 8,838	\$ 361,956	\$ 4,689,749
Investment Trades	3		35,339	483	35,825
Other Intergovernmental	331,435				331,435
Tax Refunds (Note 24)	881,088				881,088
Payroll	578,101	102,930	2,001	4,128	687,160
Federal	193				193
Interest	18,692				18,692
Due To Other Funds (Note 12)	1,232,322	31,185	406	509,740	1,773,653
Interfund Payable (Note 12)	2,008			3,127	5,135
Unearned Revenues	396,969	1,968	59,500	490,793	949,230
Obligations/Reverse Repurchase Agreements	48,078				48,078
Obligations/Securities Lending			1,241,999		1,241,999
Short Term Debt (Note 4)		150,000			150,000
Other Liabilities	277,863	1,998		1,980	281,841
<b>Total Liabilities</b>	<b>7,113,991</b>	<b>1,259,797</b>	<b>1,348,083</b>	<b>1,372,207</b>	<b>11,094,078</b>
Deferred Inflows of Resources:					
Deferred Inflows of Resources	310,141	24,714	25,989	4	360,848
<b>Total Deferred Inflows of Resources</b>	<b>310,141</b>	<b>24,714</b>	<b>25,989</b>	<b>4</b>	<b>360,848</b>
Fund Balances/(Deficits):					
Nonspendable (Note 13)	595,998	143,262	12,860,783	832,995	14,433,038
Restricted (Note 13)	1,090,843	981,694	22,090,437	5,271,738	29,434,712
Committed (Note 13)	5,138,109	1,842,822		709,559	7,690,490
Assigned (Note 13)	70,234	722,938		2,576	795,748
Unassigned (Note 13)	10,863,986			(555,057)	10,308,929
<b>Total Fund Balances</b>	<b>17,759,170</b>	<b>3,690,716</b>	<b>34,951,220</b>	<b>6,261,811</b>	<b>62,662,917</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 25,183,302</b>	<b>\$ 4,975,227</b>	<b>\$ 36,325,292</b>	<b>\$ 7,634,022</b>	<b>\$ 74,117,843</b>

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

# Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2014 (Amounts in Thousands)

**Total Fund Balance – Governmental Funds** \$ 62,662,917

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets less accumulated depreciation and amortization are included in the statement of net position. (Note 2)

Capital Assets – Non-Depreciable or Non-Amortizable	\$ 19,990,525	
Capital Assets – Depreciable or Amortizable, Net	<u>65,702,811</u>	85,693,336

Reversal of prior year unearned revenues are recorded in governmental funds but not in the Statement of Net Position 442,155

Receivables recorded but the related revenues not available soon enough after year-end were reported as deferred inflows of resources in the governmental funds in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Note 28) 275,195

Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized upfront payments received and capital improvements acquired in connection with the Service Concession Arrangements (Note 27). (5,141,081)

Deferred outflows of resources were reported in the Statement of Net Position to reflect the losses incurred in bond refunding transactions (Note 28). 76,655

Long-term liabilities applicable to the state's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the statement of net position. (Note 5 and Note 9)

Claims and Judgments	(131,828)	
Capital Lease Obligations	(33,679)	
Employees' Compensable Leave	(782,234)	
Notes and Loans Payable	(1,294,766)	
General Obligation Bonds Payable	(12,052,116)	
Revenue Bonds Payable	(4,661,544)	
Pollution Remediation Obligation	(250,827)	
Net Pension Obligation	<u>(5,420,548)</u>	(24,627,542) *

\* current portion = \$1,525,298 and noncurrent portion = \$23,102,244

Interest payable applicable to the state's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the statement of net position. (355,689)

The internal service fund is used by management to charge the costs of employees life, accident and health insurance benefits fund to individual funds. Since governmental activities are the predominant activities of internal service funds, the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 379,310

**Net Position of Governmental Activities** \$ 119,405,256

## STATE OF TEXAS

# Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	General	State Highway Fund	Permanent School Fund	Nonmajor Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 45,441,780	\$ 2,488,136	\$	\$ 3,482,618	\$ 51,412,534
Federal	36,328,337	3,394,533		52,895	39,775,765
Licenses, Fees and Permits	3,102,997	1,497,610		649,927	5,250,534
Interest and Other Investment Income	237,871	30,420	4,520,251	209,981	4,998,523
Land Income	56,001	13,649	682,748	53	752,451
Settlement of Claims	557,852	17,635	1,856		577,343
Sales of Goods and Services	2,596,253	41,012	76,655	197,491	2,911,411
Other	3,887,064	21,547	2,200	271,288	4,182,099
Total Revenues	<u>92,208,155</u>	<u>7,504,542</u>	<u>5,283,710</u>	<u>4,864,253</u>	<u>109,860,660</u>
<b>EXPENDITURES</b>					
Current:					
General Government	2,627,760	20,953		246,926	2,895,639
Education	25,779,344		93,659	1,253,569	27,126,572
Employee Benefits	1,878			16,365	18,243
Teacher Retirement State Contributions	1,956,589				1,956,589
Health and Human Services	47,925,107			22,015	47,947,122
Public Safety and Corrections	4,804,390	454,195		86,380	5,344,965
Transportation	106,330	3,011,155		506,895	3,624,380
Natural Resources and Recreation	1,861,328			24,615	1,885,943
Regulatory Services	378,703	2,504		409,488	790,695
Capital Outlay	205,915	4,293,340	239	1,029,172	5,528,666
Debt Service:					
Principal	51,899	104,889		679,660	836,448
Interest	83,298	150		686,039	769,487
Other Financing Fees	196	7,157	1,411	7,594	16,358
Total Expenditures	<u>85,782,737</u>	<u>7,894,343</u>	<u>95,309</u>	<u>4,968,718</u>	<u>98,741,107</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>6,425,418</u>	<u>(389,801)</u>	<u>5,188,401</u>	<u>(104,465)</u>	<u>11,119,553</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Note 12)	4,707,806	413,600		4,064,232	9,185,638
Transfer Out (Note 12)	(8,544,769)	(392,616)	(838,672)	(3,538,602)	(13,314,659)
Bonds and Notes Issued	162,500	644,533		244,784	1,051,817
Bonds Issued for Refunding		813,262		1,520,530	2,333,792
Premiums on Bonds Issued		193,586		214,134	407,720
Payment to Escrow for Refunding		(945,414)		(1,726,010)	(2,671,424)
Sale of Capital Assets	15,477	7,754		1	23,232
Increase in Obligations Under Capital Leases	33,354				33,354
Gain on Other Financial Activity	6,709				6,709
Insurance Recoveries	8,351	248			8,599
Total Other Financing Sources (Uses)	<u>(3,610,572)</u>	<u>734,953</u>	<u>(838,672)</u>	<u>779,069</u>	<u>(2,935,222)</u>
Net Change in Fund Balances	<u>2,814,846</u>	<u>345,152</u>	<u>4,349,729</u>	<u>674,604</u>	<u>8,184,331</u>
Fund Balances, September 1, 2013	15,041,488	100,152	30,601,491	5,749,642	51,492,773
Restatements (Note 14)	(97,164)	3,245,412		(162,435)	2,985,813
Fund Balances, September 1, 2013, as Restated	<u>14,944,324</u>	<u>3,345,564</u>	<u>30,601,491</u>	<u>5,587,207</u>	<u>54,478,586</u>
Fund Balances, August 31, 2014	<u>\$ 17,759,170</u>	<u>\$ 3,690,716</u>	<u>\$ 34,951,220</u>	<u>\$ 6,261,811</u>	<u>\$ 62,662,917</u>

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

# Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

**Net Change in Fund Balances** \$ 8,184,331

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital Outlay	\$ 5,528,666	
Depreciation Expense (Note 2)	(1,891,011)	
Amortization Expense (Note 2)	(51,460)	
	3,586,195	3,586,195

The effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position. (21,367)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,558,765)

The internal service fund is used by management to charge the costs of the employees life, accident and health insurance benefits fund to individual funds. The adjustments for the internal service fund “close” the fund by allocating these amounts to participating governmental activities. 53,898

Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position. Repayment of long-term debt consumes current financial resources and is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.

Bonds and Notes Issued	(3,385,609)	
Premiums on Bond Proceeds	(407,720)	
Increase in Obligations Under Capital Leases	(33,354)	
Repayment of Bond and Capital Lease Principal	3,507,871	
	(318,812)	(318,812)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 944,043

Transfers of capital assets are not reported in the governmental funds. In addition, resource flows between fiduciary funds and governmental funds are converted to revenues or expenses on the statement of activities.

Capital Asset Transfers	(30,164)	
Increase in Revenues	817	
Increase in Expenses	(29,246)	
Net Change in Transfers	28,429	
	(30,164)	(30,164)

**Change in Net Position of Governmental Activities** \$ 9,839,359

**Statement of Net Position – Proprietary Funds**

August 31, 2014 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds					Governmental Activities – Internal Service Fund*
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Nonmajor Enterprise Funds	Totals	
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 4,687,724	\$ 512	\$ 211,360	\$ 371,135	\$ 5,270,731	\$ 21,031
Short-Term Investments	197,238			907,528	1,104,766	262,108
Securities Lending Collateral	997,970			161,292	1,159,262	31,806
Restricted:						
Cash and Cash Equivalents	976,867	2,076,973		1,051,725	4,105,565	
Short-Term Investments	69,419		119,578	436,068	625,065	
Loans and Contracts	10			77,641	77,651	
Receivables:						
Federal	836,410	5,815		10,216	852,441	
Other Intergovernmental	107,074			200	107,274	
Accounts	1,688,950	281,688	36,930	21,801	2,029,369	141,705
Interest and Dividends	72,430	8,199		73,207	153,836	1,940
Gifts	282,747				282,747	
Investment Trades	114,132			144,253	258,385	21
Other	445,480			3,950	449,430	
Due From Other Funds (Note 12)	763,983	3,927		67,094	835,004	173,127
Interfund Receivable (Note 12)	25,796			141	25,937	
Inventories	142,199		14,771	11,084	168,054	
Prepaid Items	137,624		1,183	793	139,600	
Loans and Contracts	123,527			374,867	498,394	
Other Current Assets	377,118			197	377,315	
Total Current Assets	<u>12,046,698</u>	<u>2,377,114</u>	<u>383,822</u>	<u>3,713,192</u>	<u>18,520,826</u>	<u>631,738</u>
Noncurrent Assets:						
Restricted:						
Cash and Cash Equivalents	69,227			34,165	103,392	
Short-Term Investments	425				425	
Investments	30,428,334		676,440	3,624,297	34,729,071	
Receivables	48,344			127,545	175,889	
Loans and Contracts	99,658			3,107,999	3,207,657	
Other	8,748			3,396	12,144	
Loans and Contracts	19,285			4,631,106	4,650,391	
Investments	10,461,648			22,864	10,484,512	354,724
Interfund Receivable (Note 12)	810,964			2,435	813,399	
Gifts Receivable	831,755				831,755	
Other Receivables				50	50	
Capital Assets: (Note 2)						
Non-Depreciable or Non-Amortizable	4,854,937			735,989	5,590,926	
Depreciable or Amortizable, Net	19,430,506		376	2,136,816	21,567,698	
Assets Held in Trust	362			4,266	4,628	
Hedging Derivative Asset (Note 7)				5,934	5,934	
Intangible Assets – Service Concession						
Arrangements (Note 27)				1,431,210	1,431,210	
Other Noncurrent Assets	41,124			228	41,352	
Total Noncurrent Assets	<u>67,105,317</u>	<u>0</u>	<u>676,816</u>	<u>15,868,300</u>	<u>83,650,433</u>	<u>354,724</u>
Total Assets	<u>79,152,015</u>	<u>2,377,114</u>	<u>1,060,638</u>	<u>19,581,492</u>	<u>102,171,259</u>	<u>986,462</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows of Resources (Note 28)	289,181			287,388	576,569	
Total Deferred Outflows of Resources	<u>289,181</u>	<u>0</u>	<u>0</u>	<u>287,388</u>	<u>576,569</u>	<u>0</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Payables:						
Accounts	1,515,816	82,148	24,959	91,581	1,714,504	571,197
Payroll	805,125		1,843	3,692	810,660	
Other Intergovernmental	25,078				25,078	
Federal	1,905				1,905	
Investment Trades	387,061			154,314	541,375	140
Interest	10,043	10,333		86,541	106,917	
Annuities			8,036		8,036	

Concluded on the following page

## STATE OF TEXAS

**Statement of Net Position – Proprietary Funds (concluded)**

August 31, 2014 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds					Governmental Activities – Internal Service Fund*
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Nonmajor Enterprise Funds	Totals	
<b>LIABILITIES (concluded)</b>						
Current Liabilities (concluded):						
Due To Other Funds (Note 12)	\$ 24,231	\$	\$ 122,643	\$ 26,176	\$ 173,050	\$ 3,173
Interfund Payable (Note 12)	32,819			262	33,081	
Unearned Revenue	3,095,262	93,468		8,219	3,196,949	599
Obligations/Securities Lending	997,970			161,292	1,159,262	32,043
Short-Term Debt (Note 4)	1,360,396				1,360,396	
Claims and Judgments (Note 5)	22,009				22,009	
Capital Lease Obligations (Note 5, 8)	5,114				5,114	
Employees' Compensable Leave (Note 5)	403,862		1,337	2,538	407,737	
Notes and Loans Payable (Note 5)	27,599			12,100	39,699	
General Obligation Bonds Payable (Note 5, 6)	6,885			163,888	170,773	
Revenue Bonds Payable (Note 5, 6)	1,872,944	207,509		95,405	2,175,858	
Liabilities Payable From Restricted Assets (Note 5)			222,150	287,005	509,155	
Funds Held for Others	160,548				160,548	
Other Current Liabilities	343,406		2,139	798	346,343	
Total Current Liabilities	<u>11,098,073</u>	<u>393,458</u>	<u>383,107</u>	<u>1,093,811</u>	<u>12,968,449</u>	<u>607,152</u>
Noncurrent Liabilities:						
Interfund Payable (Note 12)	844,839				844,839	
Claims and Judgments (Note 5)	38,186				38,186	
Capital Lease Obligations (Note 5, 8)	11,794				11,794	
Employees' Compensable Leave (Note 5)	364,375		1,006	977	366,358	
Notes and Loans Payable (Note 5)	215,751			1,885,036	2,100,787	
General Obligation Bonds Payable (Note 5, 6)	4,515			3,589,838	3,594,353	
Revenue Bonds Payable (Note 5, 6)	11,182,942	769,916		6,275,207	18,228,065	
Liabilities Payable From Restricted Assets (Note 5)			615,463	1,968,244	2,583,707	
Assets Held for Others	867,144			4,266	871,410	
Net OPEB Obligation (Note 11)	4,219,114				4,219,114	
Hedging Derivative Liability (Note 7)	207,898			280,317	488,215	
Other Noncurrent Liabilities	134,423			104,747	239,170	
Total Noncurrent Liabilities	<u>18,090,981</u>	<u>769,916</u>	<u>616,469</u>	<u>14,108,632</u>	<u>33,585,998</u>	<u>0</u>
Total Liabilities	<u>29,189,054</u>	<u>1,163,374</u>	<u>999,576</u>	<u>15,202,443</u>	<u>46,554,447</u>	<u>607,152</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of Resources (Note 28)	7,140			8,923	16,063	
Total Deferred Inflows of Resources	<u>7,140</u>	<u>0</u>	<u>0</u>	<u>8,923</u>	<u>16,063</u>	<u>0</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	10,347,922		376	707,081	11,055,379	
Restricted for:						
Education	2,950,147				2,950,147	
Debt Service	41,963	111,661		237,683	391,307	
Capital Projects	877,673				877,673	
Veterans Land Board Housing Programs				789,370	789,370	
Unemployment Trust Funds		2,079,503			2,079,503	
Funds Held as Permanent Investments:						
Nonexpendable	23,367,763				23,367,763	
Expendable	6,040,659				6,040,659	
Other			5,000	3,519,161	3,524,161	379,310
Unrestricted	<u>6,618,875</u>	<u>(977,424)</u>	<u>55,686</u>	<u>(595,781)</u>	<u>5,101,356</u>	
Total Net Position	<u>\$ 50,245,002</u>	<u>\$ 1,213,740</u>	<u>\$ 61,062</u>	<u>\$ 4,657,514</u>	<u>\$ 56,177,318</u>	<u>\$ 379,310</u>

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

\* Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.

## Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds				Totals	Governmental Activities – Internal Service Fund*
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Nonmajor Enterprise Funds		
<b>OPERATING REVENUES</b>						
Lottery Collections	\$	\$	\$ 4,384,933	\$	\$ 4,384,933	\$
Tuition Revenue	73,871				73,871	
Tuition Revenue – Pledged	5,464,999				5,464,999	
Discounts and Allowances	(1,361,712)				(1,361,712)	
Hospital Revenue – Pledged	10,753,716				10,753,716	
Discounts and Allowances	(5,995,654)				(5,995,654)	
Professional Fees	5,104,568				5,104,568	
Professional Fees – Pledged	6,547				6,547	
Discounts and Allowances	(3,399,632)				(3,399,632)	
Auxiliary Enterprises	2,602				2,602	
Auxiliary Enterprises – Pledged	1,311,662			107,304	1,418,966	
Discounts and Allowances	(79,323)				(79,323)	
Unemployment Taxes		2,532,273			2,532,273	
Other Sales of Goods and Services	20,380			60,082	80,462	
Other Sales of Goods and Services – Pledged	859,106			173,554	1,032,660	
Discounts and Allowances	(476)				(476)	
Interest and Investment Income	2,959			332,532	335,491	
Interest and Investment Income – Pledged	63				63	
Federal Revenue	1,915,940	446,585		48,824	2,411,349	
State Grant Revenue	23,722				23,722	
Premium Revenue						2,114,482
Other Operating Grant Revenue	791,030				791,030	
Other Operating Grant Revenue – Pledged	838,870				838,870	
Other	62,540	181,662	949	72,832	317,983	604
Other – Pledged	341,765			3,000	344,765	
Total Operating Revenues	<u>16,737,543</u>	<u>3,160,520</u>	<u>4,385,882</u>	<u>798,128</u>	<u>25,082,073</u>	<u>2,115,086</u>
<b>OPERATING EXPENSES</b>						
Cost of Goods Sold	162,775			76,980	239,755	
Salaries and Wages	11,173,040		17,247	42,624	11,232,911	5,388
Payroll Related Costs	2,603,684		5,032	11,204	2,619,920	1,577
Professional Fees and Services	983,685		5,918	93,781	1,083,384	1,609
Travel	301,376		351	643	302,370	72
Materials and Supplies	2,039,485		1,570	9,233	2,050,288	479
Communication and Utilities	721,705		399	1,876	723,980	333
Repairs and Maintenance	526,664		519	11,795	538,978	282
Rentals and Leases	281,610		4,169	1,847	287,626	202
Printing and Reproduction	65,032		18,486	220	83,738	25
Depreciation and Amortization	1,820,789		181	58,406	1,879,376	
Unemployment Benefit Payments		2,728,805			2,728,805	
Bad Debt Expense	7,992		283	473	8,748	
Interest Expense	1,635			258,503	260,138	
Scholarships	1,047,970				1,047,970	
Lottery Fees and Other Costs			332,507		332,507	
Lottery Prize Payments			2,741,185		2,741,185	
Employee/Participant Benefit Payments				77,396	77,396	2,047,749
Claims and Judgments	35,171				35,171	
Net Change in Pension/OPEB Obligations (Note 11)	700,411				700,411	
Other Expenses	1,541,719		36,273	73,117	1,651,109	14,568
Total Operating Expenses	<u>24,014,743</u>	<u>2,728,805</u>	<u>3,164,120</u>	<u>718,098</u>	<u>30,625,766</u>	<u>2,072,284</u>
Operating Income (Loss)	<u>(7,277,200)</u>	<u>431,715</u>	<u>1,221,762</u>	<u>80,030</u>	<u>(5,543,693)</u>	<u>42,802</u>

Concluded on the following page

## STATE OF TEXAS

## Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds				Totals	Governmental Activities – Internal Service Fund*
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Nonmajor Enterprise Funds		
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Federal Revenue	\$ 939,203	\$	\$	\$ 247,597	\$ 1,186,800	\$
Gifts	734,728			1,745	736,473	
Gifts – Pledged	533,585				533,585	
Land Income	15,660			13	15,673	
Interest and Investment Income	5,451,977	39,310	1,571	198,930	5,691,788	10,842
Interest and Investment Income – Pledged	666,966				666,966	
Loan Premium and Fees on Securities Lending				286	286	28
Investing Activities Expense	(101,363)			(1,223)	(102,586)	(5)
Interest Expense	(503,562)	(23,366)		(136,138)	(663,066)	
Borrower Rebates and Agent Fees	(3,996)			(129)	(4,125)	35
Gain (Loss) on Sale of Capital Assets	(27,766)			1	(27,765)	
Settlement of Claims	2,402			1	2,403	196
Claims and Judgments	(662)			(2)	(664)	
Other Revenues	28,583			189	28,772	
Other Revenues – Pledged	40,570				40,570	
Other Expenses	(129,789)	(6,852)		(30,453)	(167,094)	
Total Nonoperating Revenues (Expenses)	<u>7,646,536</u>	<u>9,092</u>	<u>1,571</u>	<u>280,817</u>	<u>7,938,016</u>	<u>11,096</u>
Income Before Capital Contributions, Endowments and Transfers	<u>369,336</u>	<u>440,807</u>	<u>1,223,333</u>	<u>360,847</u>	<u>2,394,323</u>	<u>53,898</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>						
Capital Contributions – Federal	6,430				6,430	
Capital Contributions – Other	515,806			30,815	546,621	
Contributions to Permanent and Term Endowments	238,951				238,951	
Transfer In (Note 12)	5,910,196	95,657		15,651	6,021,504	
Transfer Out (Note 12)	(637,590)		(1,220,723)	(63,275)	(1,921,588)	
Total Capital Contributions, Endowments and Transfers	<u>6,033,793</u>	<u>95,657</u>	<u>(1,220,723)</u>	<u>(16,809)</u>	<u>4,891,918</u>	<u>0</u>
Change in Net Position	<u>6,403,129</u>	<u>536,464</u>	<u>2,610</u>	<u>344,038</u>	<u>7,286,241</u>	<u>53,898</u>
Net Position, September 1, 2013	43,895,886	677,276	58,452	4,257,246	48,888,860	325,412
Restatements (Note 14)	(54,013)			56,230	2,217	
Net Position, September 1, 2013, as Restated	<u>43,841,873</u>	<u>677,276</u>	<u>58,452</u>	<u>4,313,476</u>	<u>48,891,077</u>	<u>325,412</u>
Net Position, August 31, 2014	<u>\$ 50,245,002</u>	<u>\$ 1,213,740</u>	<u>\$ 61,062</u>	<u>\$ 4,657,514</u>	<u>\$ 56,177,318</u>	<u>\$ 379,310</u>

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

\* Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.

**Statement of Cash Flows – Proprietary Funds**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Business Type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Fund*
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Nonmajor Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Proceeds from Customers	\$ 6,977,711	\$ 2,572,947	\$ 4,385,333	\$ 348,920	\$ 14,284,911	\$ 480,549
Proceeds from Tuition and Fees	4,156,183				4,156,183	
Proceeds from Research Grants and Contracts	3,673,006	469,186			4,142,192	
Proceeds from Gifts				1,069	1,069	
Proceeds from Loan Programs	265,973			512,223	778,196	
Proceeds from Auxiliaries	1,222,179				1,222,179	
Proceeds from Other Operating Revenues	912,539	182,012		167,791	1,262,342	1,558,370
Payments to Suppliers for Goods and Services	(6,839,725)		(398,826)	(250,462)	(7,489,013)	(2,703)
Payments to Employees	(13,763,180)		(22,100)	(53,065)	(13,838,345)	(6,692)
Payments for Loans Provided	(323,815)			(591,152)	(914,967)	
Payments for Lottery Prizes			(2,763,314)		(2,763,314)	
Payments for Unemployment Benefits		(2,761,591)			(2,761,591)	
Payments for Other Operating Expenses	(970,855)			(208,340)	(1,179,195)	(2,076,341)
Net Cash Provided (Used) by Operating Activities	(4,689,984)	462,554	1,201,093	(73,016)	(3,099,353)	(46,817)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Proceeds from Debt Issuance		762,912		2,081,037	2,843,949	
Proceeds from Gifts	706,603				706,603	
Proceeds from Endowments	137,310				137,310	
Proceeds from Transfers from Other Funds	5,915,216	517,204		463,323	6,895,743	
Proceeds from Loan Programs	20,248				20,248	
Proceeds from Grant Receipts	953,579			243,987	1,197,566	
Proceeds from Interfund Payables				17,029	17,029	
Proceeds from Other Noncapital Financing Activities	432,282		15,618	1,725	449,625	
Payments of Principal on Debt Issuance		(1,024,949)		(2,332,320)	(3,357,269)	
Payments of Interest	(480)	(51,671)		(334,234)	(386,385)	
Payments of Other Costs on Debt Issuance		(2,614)		(72,070)	(74,684)	
Payments for Transfers to Other Funds	(1,503,131)	(425,474)	(1,235,981)	(451,890)	(3,616,476)	
Payments for Grant Disbursements				(31,805)	(31,805)	
Payments for Interfund Receivables				(767,259)	(767,259)	
Payments for Other Noncapital Financing Uses	(382,577)		(138,724)	(9)	(521,310)	
Net Cash Provided (Used) by Noncapital Financing Activities	6,279,050	(224,592)	(1,359,087)	(1,182,486)	3,512,885	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Sale of Capital Assets	41,705				41,705	
Proceeds from Debt Issuance	2,685,505				2,685,505	
Proceeds from State Grants and Contracts	38,790				38,790	
Proceeds from Federal Grants and Contracts	43			3,647	3,690	
Proceeds from Gifts	29,695				29,695	
Proceeds from Other Capital and Related Financing Activities	47,120			10	47,130	
Proceeds from Capital Contributions	490,850			200	491,050	
Proceeds from Interfund Payables	1,136				1,136	
Payments for Additions to Capital Assets	(3,018,048)		(33)	(8,018)	(3,026,099)	
Payments of Principal on Debt Issuance	(1,652,072)			(10,155)	(1,662,227)	
Payments for Capital Leases	(1,166)				(1,166)	
Payments of Interest on Debt Issuance	(531,879)			(65,869)	(597,748)	
Payments of Other Costs on Debt Issuance	(48,613)			(13)	(48,626)	
Payments for Interfund Receivables	(4,554)				(4,554)	
Net Cash (Used) by Capital and Related Financing Activities	(1,921,488)	0	(33)	(80,198)	(2,001,719)	0

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## STATE OF TEXAS

**Statement of Cash Flows – Proprietary Funds (concluded)**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Business Type Activities-Enterprise Funds					Governmental Activities- Internal Service Fund*
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Nonmajor Enterprise Funds	Totals	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from Sale of Investments	\$ 19,722,027	\$ 38,655	\$ 138,699	\$ 4,410,099	\$ 24,270,825	\$ 21,638
Proceeds from Interest and Investment Income	2,021,500	38,655	252	272,940	2,333,347	136
Proceeds from Principal Payments on Loans				241,512	241,512	
Payments to Acquire Investments	(20,943,139)		(18,088)	(4,094,983)	(25,056,210)	
Payments for Nonprogram Loans Provided				(363,204)	(363,204)	
Net Cash Provided by Investing Activities	<u>800,388</u>	<u>38,655</u>	<u>120,863</u>	<u>466,364</u>	<u>1,426,270</u>	<u>21,774</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>467,966</u>	<u>276,617</u>	<u>(37,164)</u>	<u>(869,336)</u>	<u>(161,917)</u>	<u>(25,043)</u>
Cash and Cash Equivalents, September 1, 2013	5,283,638	1,800,868	248,524	2,284,671	9,617,701	46,074
Restatements	(17,786)			41,690	23,904	
Cash and Cash Equivalents, September 1, 2013, as Restated	<u>5,265,852</u>	<u>1,800,868</u>	<u>248,524</u>	<u>2,326,361</u>	<u>9,641,605</u>	<u>46,074</u>
Cash and Cash Equivalents, August 31, 2014	<u>\$ 5,733,818</u>	<u>\$ 2,077,485</u>	<u>\$ 211,360</u>	<u>\$ 1,457,025</u>	<u>\$ 9,479,688</u>	<u>\$ 21,031</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (7,277,200)	\$ 431,715	\$ 1,221,762	\$ 80,030	\$ (5,543,693)	\$ 42,802
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	1,820,789		181	58,406	1,879,376	
Bad Debt Expense	341,821		283	473	342,577	
Operating Income (Loss) and Cash Flow Categories Classification Differences	(41,803)			49,860	8,057	184
Changes in Assets and Liabilities:						
(Increase) Decrease in Receivables	(543,344)	42,915	(549)	(1,901)	(502,879)	187
(Increase) Decrease in Due From Other Funds	1,210			339	1,549	(76,954)
(Increase) Decrease in Inventories	(8,575)		(2,524)	120	(10,979)	
(Increase) Decrease in Notes Receivable	(1,495)				(1,495)	
(Increase) Decrease in Loans and Contracts	(4,630)			(206,264)	(210,894)	
(Increase) Decrease in Other Assets	(16,700)			6,607	(10,093)	
(Increase) Decrease in Prepaid Expenses	(18,570)		198	(681)	(19,053)	
Increase (Decrease) in Payables	96,490	(41,727)	(18,258)	(3,266)	33,239	(14,961)
Increase (Decrease) in Deposits	(776)				(776)	
Increase (Decrease) in Due To Other Funds	(8,194)			(601)	(8,795)	1,979
Increase (Decrease) in Unearned Revenue	225,036	29,651		(10,028)	244,659	(54)
Increase (Decrease) in Employees' Compensable Leave	41,522			(157)	41,365	
Increase (Decrease) in Benefits Payable	708,115				708,115	
Increase (Decrease) in Other Liabilities	(3,680)			(45,953)	(49,633)	
Total Adjustments	<u>2,587,216</u>	<u>30,839</u>	<u>(20,669)</u>	<u>(153,046)</u>	<u>2,444,340</u>	<u>(89,619)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,689,984)</u>	<u>\$ 462,554</u>	<u>\$ 1,201,093</u>	<u>\$ (73,016)</u>	<u>\$ (3,099,353)</u>	<u>\$ (46,817)</u>
<b>NONCASH TRANSACTIONS</b>						
Donation of Capital Assets	\$ 308,313	\$	\$	\$ 14,854	\$ 323,167	\$
Net Change in Fair Value of Investments	\$ 2,505,650	\$	\$ 1,571	\$ 150,613	\$ 2,657,834	\$ 1,284
Borrowing Under Capital Lease Purchase	\$ 1,876	\$	\$	\$	\$ 1,876	\$
Other	\$ 87,043	\$	\$	\$ (187)	\$ 86,856	\$

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

\* Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.

## STATE OF TEXAS

**Statement of Fiduciary Net Position**

August 31, 2014 (Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	External Investment Trust Fund*	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,721,958	\$	\$ 515,983	\$ 1,243,747
Restricted Cash and Cash Equivalents			14	
Securities Lending Collateral	24,299,182			
Investments:				
U.S. Government	27,972,561	9,501,086	20,216	639,041
Corporate Equity	29,557,226		53,191	393,298
Corporate Obligations	214,688	555,714	2,247	108
Repurchase Agreements		1,618,317		29,984
Foreign Securities	37,590,160			
Externally Managed Investments	49,655,371			
Other	12,802,149		2,836,579	121,134
Receivables:				
Federal	74,081			
Interest and Dividends	284,903	14,118	73	239
Accounts	343,042		138	6,765
Taxes				13
Other Intergovernmental				2
Investment Trades	1,297,047	1,050,000	256	
Other	122,458		4,368	
Due From Other Funds (Note 12)	143,938			1,215
Prepaid Items	250			
Properties, at Cost, Net of Accumulated Depreciation or Amortization	47,967		765	
Other Assets			84,727	1,588,922
<b>Total Assets</b>	<b>186,126,981</b>	<b>12,739,235</b>	<b>3,518,557</b>	<b>4,024,468</b>
<b>LIABILITIES</b>				
Payables:				
Accounts	\$ 383,445	\$ 16,548	\$ 23,568	\$ 894
Investment Trades	737,077		274	
Payroll	4,610			
Other Intergovernmental				894,220
Interest			10	
Annuities	747,291			
Due To Other Funds (Note 12)	184,363		7	1,213
Unearned Revenue	1,639		466	
Employees' Compensable Leave	10,087			
Obligations/Securities Lending	24,282,007			
Funds Held for Others			84,760	3,128,130
Other Liabilities	152,396	472		11
<b>Total Liabilities</b>	<b>26,502,915</b>	<b>17,020</b>	<b>109,085</b>	<b>4,024,468</b>
<b>NET POSITION</b>				
Held in Trust for:				
Pension Benefits and Other Purposes	159,624,066			
Individuals, Organizations and Other Governments			3,409,472	
Pool Participants		12,722,215		
<b>Total Net Position</b>	<b>\$ 159,624,066</b>	<b>\$ 12,722,215</b>	<b>\$ 3,409,472</b>	<b>\$ 0</b>

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

\* The activities of the Texas local government investment pool (TexPool) and the Texas local government investment pool prime (TexPool Prime) are reported as an external investment trust fund. Combining statements are not presented.

## STATE OF TEXAS

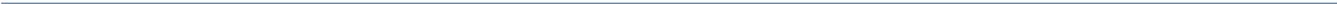
**Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	External Investment Trust Fund*	Private- Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Member Contributions	\$ 3,146,852	\$	\$
State Contributions	3,084,538		
Premium Contributions	514,387		
Federal Contributions	141,951		8,807
Other Contributions	1,337,584		166,402
Total Contributions	<u>8,225,312</u>	<u>0</u>	<u>175,209</u>
Investment Income:			
From Investing Activities:			
Net Increase in Fair Value of Investments	19,239,732		298,256
Interest, Dividend and Other	3,774,995	13,821	27,105
Total Investing Income	23,014,727	13,821	325,361
Less Investing Activities Expense	237,266	8,046	1,868
Net Income from Investing Activities	<u>22,777,461</u>	<u>5,775</u>	<u>323,493</u>
From Securities Lending Activities:			
Securities Lending Income	123,260		
Less Securities Lending Expense:			
Borrower Rebates	8,661		
Management Fees	33,120		
Net Income from Securities Lending	<u>81,479</u>	<u>0</u>	<u>0</u>
Total Net Investment Income	<u>22,858,940</u>	<u>5,775</u>	<u>323,493</u>
Capital Share and Individual Account Transactions:			
Net Decrease in Participant Investments	0	(1,769,647)	0
Other Additions:			
Settlement of Claims			3,858
Other Revenue	5,324		185,093
Transfer In (Note 12)	128,515		134
Total Other Additions	<u>133,839</u>	<u>0</u>	<u>189,085</u>
Total Additions	<u>31,218,091</u>	<u>(1,763,872)</u>	<u>687,787</u>
<b>DEDUCTIONS</b>			
Benefits	12,883,114		145,658
Refunds of Contributions	519,583		
Transfer Out (Note 12)	99,360		184
Intergovernmental Payments			60,202
Administrative Expenses	67,543		6,921
Depreciation and Amortization Expense	3,771		39
Settlement of Claims			47,166
Interest Expense			4
Loss on Sale of Properties	4		
Loss on Impairment of Capital Assets	24		
Other Expenses	13,607		149,155
Total Deductions	<u>13,587,006</u>	<u>0</u>	<u>409,329</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>17,631,085</u>	<u>(1,763,872)</u>	<u>278,458</u>
<b>NET POSITION</b>			
Net Position, September 1, 2013	<u>141,992,981</u>	<u>14,486,087</u>	<u>3,131,014</u>
Net Position, August 31, 2014	<u>\$ 159,624,066</u>	<u>\$ 12,722,215</u>	<u>\$ 3,409,472</u>

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

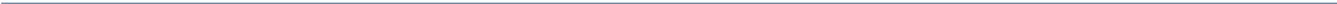
\* The activities of the Texas local government investment pool (TexPool) and the Texas local government investment pool prime (TexPool Prime) are reported as an external investment trust fund. Combining statements are not presented.



## State of Texas

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# Note 1

## Summary of Significant Accounting Policies

### Basis of Presentation

The accompanying financial statements of the state of Texas were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented four GASB statements in fiscal 2014.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources.

GASB Statement No. 66, *Technical Corrections-2012*, amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends GASB 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends GASB 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This statement replaces

the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of GASB 25 and GASB 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements. The state's pension plans implemented GASB 67 this year. However, the state, as an employer, continues to follow GASB 25 and GASB 50 until the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. The statement provides guidance for situations where a state or local government extends or receives a nonexchange financial guarantee.

### Financial Reporting Entity

For financial reporting purposes, the state of Texas includes all funds, agencies, boards, commissions, authorities, institutions of higher education and other organizations that compose its legal entity. The reporting entity also includes legally separate organizations for which the state is financially accountable and any other organizations that would cause the financial statements to be misleading or incomplete if they were excluded. All activities considered part of the state are included. These activities provide a range of services in the areas of:

- General government
- Education
- Employee benefits

- Teacher retirement state contributions
- Health and human services
- Public safety and corrections
- Transportation
- Natural resources and recreation
- Regulatory services

The reporting entity for the state is in accordance with the criteria established by GASB. Note 19 provides a listing and brief summary of the component units and their relationship to the state of Texas. These financial statements present the balances and activities of the state of Texas (the primary government) and its component units.

The state's public school districts and junior and community colleges are excluded from the reporting entity. The state is not financially accountable for these entities. They are legally separate entities that are fiscally independent of the state. This independence warrants their exclusion from the financial statements.

## Financial Reporting Structure

The basic financial statements include government-wide financial statements and fund financial statements. The reporting model based on GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, focuses on the state as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

### Government-wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the state as a whole and the change in aggregate financial position resulting from the activities of the fiscal period, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state (including its blended component units), and its dis-

cretely presented component units. In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column using an economic resources measurement focus and an accrual basis of accounting, which incorporates noncurrent investments, capital assets, and long-term debt and obligations.

The statement of activities reflects both the gross and net cost per functional category (public safety and corrections, transportation, etc.), which is supported by general government revenues (sales and use taxes, franchise taxes, etc.). In the statement of activities, program revenues are netted against program expenses, including depreciation and amortization, to present the net cost of each program. Program revenues are directly associated with the function or with a business-type activity. Internally dedicated resources are reported as general revenues rather than program revenues. Certain general government administrative overhead expenses are charged to the various functions of the state. These charges are paid from applicable funding sources and are reflected as direct expenses.

Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Charges for services include special assessments and payments made by parties outside of the state's citizenry if that money is restricted to a particular program. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants. Multipurpose grants that provide financing for more than one program are reported as program revenue if the amounts restricted to each program are specifically identifiable. Multipurpose grants that do not provide for specific identification of the programs and amounts are reported as general revenues.

Fiduciary funds are presented in the fund financial statements by type (pension and other employee benefit trust, external investment trust, private-purpose trust

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and agency). The assets of fiduciary funds are held for the benefit of others and cannot be used to address activities or obligations of the government. They are therefore not incorporated into the government-wide financial statements.

### *Fund Financial Statements*

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in the classified format are those considered available for appropriation and expenditure. Examples of expendable financial resources include cash, various receivables and short-term investments not restricted for specific purposes. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities.

The major governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources, and how the state's actual results of activities conform to the budget. A reconciliation between the governmental fund financial statements and the governmental activities column of the government-wide financial statements is presented since a different measurement focus and basis of accounting is used. The reconciliation explains the adjustments required to convert the fund-based financial statements.

The state uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. State transactions are recorded in the fund types described below.

### *Governmental Fund Types*

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service, capital projects and permanent funds. The general fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds. Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. Permanent funds are used to report resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state's major governmental funds are listed below.

The **General Fund** is the primary operating fund for the state and includes transactions for general gov-

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ernment, education, employee benefits, teacher retirement state contributions, health and human services, public safety and corrections, transportation, natural resources and recreation, and regulatory services.

The **State Highway Fund**, a special revenue fund, receives funds allocated by law for public road construction, maintenance, monitoring and law enforcement of the state's highway system.

The **Permanent School Fund** is an investment fund consisting of land and proceeds from the sale of land that establishes a perpetual provision for the support of the public schools of Texas. All dividends and other income are allocated to the credit of the available school fund.

### *Proprietary Fund Types*

Proprietary funds focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are applied in accounting for these funds. Included in proprietary fund financial statements are enterprise funds and an internal service fund.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

- The activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require the activity's costs of providing services, including capital costs (such as depreciation, amortization or debt service), be recovered with fees and charges.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Internal service funds are used to report any activity that provides goods or services, on a cost reimbursement basis, to other funds, departments or agencies of the reporting entity or other governments. The employee life, accident and health insurance benefits fund accounts for the services provided to state of Texas agencies and institutions of higher education that participate in the Texas Employees Group Benefits Program.

The major enterprise funds for the state are listed below.

The **Colleges and Universities** include:

- University of Texas System
- Texas A&M University System
- Texas Tech University System
- University of Houston System
- Texas State University System
- University of North Texas System
- Texas Woman's University
- Stephen F. Austin State University
- Texas Southern University
- Midwestern State University
- Texas State Technical College

These institutions of higher education are represented as a single column in the proprietary fund financial statements and individually in the schedules of colleges and universities in the other supplementary information section of this report.

The **Unemployment Trust Fund** contains the activity of the state related to the administration of state and federally financed unemployment benefits.

The **Lottery Fund** receives fees from external users that are used to operate the state lottery, finance debt and make investments to meet future installment obligations to prize winners.

### *Fiduciary Fund Types*

Fiduciary funds account for assets held in either a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other

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funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund or a private-purpose trust fund is used.

Pension and other employee benefit trust funds report resources held in trust for the members and beneficiaries of defined benefit pension plans.

External investment trust funds report the external portions of investment pools reported by the sponsoring government.

Private-purpose trust funds report all other trust arrangements whose principal and interest benefit individuals, private organizations or other governments. These trusts include tobacco settlement money, reserve for insurance company liquidations, relief of catastrophic insurance losses, contributions of prison inmates, educational savings plans and others.

Agency funds report assets the state holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt and remittance of fiduciary resources to individuals, private organizations or other governments. Agency funds include those funds established to account for the collection of sales and use tax for distribution to localities, bond escrow funds, deposits of insurance carriers, child support collections and other miscellaneous accounts.

### **Component Units**

All component units of the state of Texas are reported as nonmajor component units. The combining statement of net position – component units and the combining statement of activities – component units are presented for discrete component units.

Additional information about blended and discretely presented component units can be found in Note 19. More detailed information of the individual component units is available from the component units' separately issued financial statements.

## **Basis of Accounting, Measurement Focus and Financial Statement Presentation**

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Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting entity, both current and noncurrent, are reported. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The state of Texas considers all major revenue (i.e., operating grants and contributions and taxes) reported in the governmental funds to be available if the revenues are due at fiscal year-end and collected within 60 days thereafter.

In the governmental fund financial statements, revenues that are earned but not expected to be collected within 60 days are not available to liquidate the liabili-

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ties of the current period and are reported as deferred inflows of resources. Unearned revenue is recorded when cash or other assets are received prior to being earned.

Under the accrual basis of accounting, as used in the government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements, unearned revenue is recorded when cash or other assets are collected in advance before the revenue recognition criteria are met. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Amounts paid to acquire capital assets are capitalized as assets rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities rather than other financing sources. Amounts paid to reduce long-term indebtedness of the state are reported as reductions of the related liabilities rather than expenditures.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and capital asset depreciation and amortization. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Although agency funds use the accrual basis of accounting, they do not have a measurement focus because they do not recognize revenues and expenses.

### ***Budgetary Information***

The budgetary comparison schedule and the notes to the budgetary comparison schedule are in the required supplementary information other than management discussion and analysis (MD&A) section. The budgetary comparison schedule presents the original budget, the final budget and the actual activity

of the major governmental funds. Reconciliations for the general fund and the state highway fund budgetary basis to the GAAP basis are presented as required supplementary information with explanations of the reconciling items. Budgetary information for nonmajor governmental funds is presented as other supplementary information. The governmental funds with legally adopted annual budgets are the general fund, the state highway fund and the other nonmajor special revenue funds listed in other supplementary information.

### ***Cash and Cash Equivalents***

For reporting purposes, this account includes cash on hand, cash in transit, cash in local banks, cash in the federal and state treasuries, and cash equivalents. Cash in local banks is primarily held by agency funds, employee benefit trust funds, enterprise funds and component units. Cash balances of most state funds are pooled and invested by the Treasury Operations Division of the Comptroller's office. Interest earned is deposited in the general revenue fund and specified funds designated by law.

The statement of cash flows for proprietary funds presents the change in cash and cash equivalents during the fiscal year. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of a decrease in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents. Restricted securities held as collateral for securities lending are not included as cash equivalents on the statement of cash flows.

### ***Investments***

Investments are reported at fair value in the balance sheet or other statements of net financial position. Fair value is the amount at which an investment could be

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exchanged in a current transaction between willing parties other than in a forced or liquidation sale or through consultation with industry advisors. Certain money market investments may be reported at amortized cost provided the investment has a remaining maturity of one year or less at date of purchase. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement or statement of activities.

### *Receivables and Payables*

The major receivables for governmental activities are federal revenue and taxes receivables. The major receivables for business-type activities are federal; gifts, pledges, donations; and patient receivables. Receivables represent amounts due to the state as of Aug. 31, 2014, from private persons or organizations. Amounts expected to be collected within the next fiscal year are classified as current and amounts expected to be collected beyond the next fiscal year are classified as noncurrent. All receivables are recorded net of allowances for uncollectible accounts.

Taxes receivable represent amounts earned in fiscal 2014 that will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered available is recorded as revenue; the remainder is recorded as unearned revenue. Taxes receivable are estimated based on collection experience. Tax refunds payable represent amounts owed to taxpayers for overpayments or amended tax returns. See Note 24 for details on taxes receivable and tax refunds payable.

Other receivables in the general fund consist primarily of program receivables for health care assistance and supplemental nutrition assistance. Other receivables in the colleges and universities fund consist primarily of receivables from investments and from external parties and other companies. Other receivables in the pension trust fund consist primarily of service credit

purchases and pharmacy and prescription rebates. Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are interfund loans. All other outstanding balances between funds are reported as due from/due to other funds. Any residual balances between governmental and business-type activities are reported in the government-wide financial statements as “internal balances.”

Noncurrent interfund receivables in the general fund, as shown in Note 12, are reported as nonspendable fund balance. Noncurrent interfund receivables in other governmental funds are reported as committed, restricted or assigned fund balance.

Investment trade receivables are reported for sales of investments pending settlement. Investment trade payables are purchases of investments pending settlement.

### *Inventories and Prepaid Items*

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost generally utilizing the last-in, first-out method.

The consumption method of accounting is used to account for inventories and prepaid items that appear in both governmental and proprietary fund types. The costs of inventories are expensed when they are consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded in both government-wide financial statements and fund financial statements.

### *Restricted Assets*

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include certain proceeds of enterprise fund general obligation and revenue bonds, as well as certain revenues, set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

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## *Capital Assets*

Capital assets are reported in proprietary funds, fiduciary funds and on the government-wide financial statements. The capitalization threshold and the estimated useful life of the assets vary depending upon the asset type. Note 2 includes a table identifying the capitalization threshold and the estimated useful life by asset type. It also provides information on the state's depreciation/amortization policy and other detailed information.

The state has adopted the depreciation method for reporting its highway system. The Texas Department of Transportation, the state agency responsible for construction and maintenance of the state's road and highway systems adopted the composite approach for reporting infrastructure and bridges. The composite approach is a method for calculating depreciation of dissimilar assets of the same class (all the roads and bridges of the state) using the same depreciation rate. The composite depreciation rate for 2014 is 2.5 percent based on a 40 year weighted average life expectancy of the assets in service. There is no impact to the fund balance in the governmental funds due to offsetting increases and decreases in the expenditures. On the government-wide financial statements, the change in net position includes an increase of \$311.9 million as a result of the conversion. This is primarily due to the decrease in repairs and maintenance expense, which is greater than the increase in depreciation expense recorded under the depreciation approach.

## *Long-Term Liabilities*

Reporting long-term liabilities in the statement of net position requires two components – the amount due within one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of claims and judgments, capital lease obligations, employees' compensable leave and other noncurrent liabilities. General

long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net position. The state reports rebatable arbitrage in claims and judgments. General long-term debt is not limited to liabilities arising from debt issuances, but may also include noncurrent liabilities on lease-purchase agreements and other commitments that are not current liabilities.

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are amortized over the life of the bonds using the straight-line, bonds outstanding or effective interest method. Bonds payable are reported net of the applicable bond accretion, premium or discount. Gain/loss on refunding is reported as deferred inflows of resources or deferred outflows of resources, respectively, and amortized over a shorter final maturity of the refunded or the refunding bonds. Issuance costs are expensed in the period incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## *Employees' Compensable Leave Balances*

Annual leave, commonly referred to as vacation leave, and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employee. Benefits are earned when the employee's right to receive compensation is attributable to services already rendered and it is probable the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Employees

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accrue vacation time at a rate of eight to 21 hours per month depending on years of employment. The maximum number of hours that can be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of service.

Overtime under the federal Fair Labor Standards Act and state laws can be accumulated in lieu of immediate payment as compensatory leave (at one-and-one-half hours for each overtime hour worked) for nonexempt, nonemergency employees to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. At termination or death, all overtime balances must be paid in full. For emergency personnel (firefighters, law enforcement, prison officers, etc.), overtime can be accumulated to a maximum of 480 hours. Unused overtime is included in the calculation of current and noncurrent liabilities because each employee may be paid for the overtime or use it as compensatory time.

Compensatory leave is allowed for exempt employees not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from date earned or it lapses. There is no death or termination benefit for compensatory leave and it is nontransferable. Compensatory leave is reported as a current liability.

Sick leave is accrued at a rate of eight hours per month with no limit on the amount that can be carried forward to the next fiscal year. Accumulated sick leave is not paid at employee termination, although an employee's estate may be paid for one-half of the accumulated sick leave to a maximum of 336 hours. In 2009, the 81st Legislature passed House Bill 2559, which does not allow employees hired on or after Sept. 1, 2009, to apply unused sick or annual leave as service credit to meet retirement eligibility. State employees hired before Sept. 1, 2009, are entitled to service credit in the retirement system for unused sick leave on the last day of employment. The maximum amount of the state's contingent obligation for sick leave was not determined.

The probability of a material impact on state operations in any given fiscal year is considered remote.

### *Capital Lease Obligations*

Capital lease contracts payable, which are not funded by current resources, represent the liability for future lease payments under capital lease contracts. Note 8 provides details for capital lease obligations.

### *Conduit Debt Obligations*

Conduit debt issued by the state in the form of bonds is for the express purpose of providing capital financing for a specific third party that is not part of the state's financial reporting entity. The bonds are secured by the property financed and are payable solely from payments received from the third party on the underlying loans. The state has no obligations for the debt beyond the resources provided by the loan with the third party on whose behalf the bonds were issued. The state has chosen to continue reporting conduit debt obligations as long-term liabilities on the balance sheet for debt issued prior to GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations, an Amendment of NCGA Statement 1*, as well as subsequent debt obligations that are substantially the same as those already reported. Interpretation 2, which was effective for Texas beginning Sept. 1, 1996, requires only note disclosure for issuance of all other conduit debt. Note 6 provides details on conduit debt obligations.

### *Deferred Outflows of Resources and Deferred Inflows of Resources*

Deferred outflows of resources and deferred inflows of resources are defined in GASB Concept Statement No. 4, *Elements of Financial Statements*, as the acquisitions and consumptions of net assets by the government that is applicable to future periods. Based on this concept, the state reports the following as deferred outflows of resources or deferred inflows of resources.

- The excess consideration given over the net position acquired in the acquisition of the Texas Wesleyan University Law School is reported as deferred outflows of resources.
- The difference between the fair value of the capital assets constructed or improved and the present value of contractual liabilities in service concession arrangements (SCAs) is reported as deferred inflows of resources. Note 27 provides details on SCAs.
- The changes in the fair value of hedging derivative instruments is reported as either deferred outflows of resources or deferred inflows of resources. Note 7 presents additional information about derivative instruments.
- Gains and losses on bond refunding transactions.
- Various types of revenues earned but not available within 60 days of fiscal year end.
- Tax prepayments allocated for use in fiscal 2015.

Note 28 provides details on deferred outflows of resources and deferred inflows of resources.

### *Net Position and Fund Balances*

The state reports restricted net position when constraints placed on resources are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments
- Imposed by law through constitutional provisions or enabling legislation

Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Restricted net position is designated as either expendable or nonexpendable. Expendable restricted resources are those that may be expended for either a stated purpose or for a general

purpose subject to externally imposed stipulations. Nonexpendable restricted resources are those required to be retained in perpetuity. Restricted resources include the state's permanent endowment funds subject to externally imposed restrictions governing their use.

Net investment in capital assets, consists of capital assets – including restricted capital assets – net of accumulated depreciation/amortization and reduced by the outstanding balances of bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of such assets. Significant unspent related debt proceeds are not included in the calculation of net investment in capital assets. The unspent portion of the debt is included in “Restricted for Capital Projects”.

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances include amounts that cannot be spent because they are either not in a spendable form or they are legally or contractually required to be maintained intact. Fund balances are reported as restricted when constraints placed upon the use of resources are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments
- Imposed by law through constitutional provisions or enabling legislation

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed through legislation passed into law by formal action of the Texas Legislature, the state's highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Legislature removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Fund balances are reported as assigned when the state intends for resources to be used for specific purposes, yet the con-

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straints do not meet the requirements to be reported as restricted or committed. Intent is expressed by either the Texas Legislature, agency governing board, or the agency head or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balances represent amounts that have not been restricted, committed or assigned to specific purposes. The Texas Legislature, agency governing board, or the agency head or official to which the governing body has delegated the authority to assign amounts shall determine the procedures and policies for determining assigned fund balances. The general fund is the only fund that can report a positive unassigned fund balance. Note 13 presents disaggregated fund balances.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then unrestricted resources as they are needed. When only unrestricted resources are available for use, it is the state's policy to use committed resources first, then assigned resources, and lastly unassigned resources.

### *Interfund Activity and Transactions – Government-wide Financial Statements*

Interfund activity is eliminated from the government-wide financial statements with the exception of activities between governmental activities and business-

type activities. Interfund activity with fiduciary funds is reclassified and reported as external activity.

Interfund payables and receivables are eliminated from the statement of net position except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net position. Interfund activities between the primary government and component units with a different fiscal year-end are limited and immaterial.

Interfund transactions with discretely presented component units are reclassified and reported as external activity. Note 12 provides details of interfund activities and transactions.

### *Risk Financing*

The state maintains a combination of commercial insurance and self-insurance programs. The state is self-insured for workers' compensation and unemployment compensation claims. The liabilities are funded on a pay-as-you-go basis. The group insurance programs are provided through a combination of insurance contracts, self-funded health plans and health maintenance organization contracts.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims incurred but not reported. See Note 17 for additional information.

# Note 2

## Capital Assets

Capital assets, which include land, infrastructure, buildings, equipment and intangible assets, of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide statement of net position. Capital assets of other funds and component units are capitalized in the fund in which they are utilized. Capital assets are assets with a cost above a set minimum capitalization threshold that, when acquired, have an estimated useful life of more than one year. The capitalization thresholds and estimated useful lives of the state's various categories of capital assets are presented in the table below.

### Capitalization of Assets

Type	Capitalization Threshold	Estimated Useful Life
Land and Land Improvements	\$ 0	Not applicable
Infrastructure, Non-Depreciable	0	Not applicable
Construction in Progress	0	Not applicable
Buildings and Building Improvements	100,000	5-30 years
Infrastructure, Depreciable	500,000	10-50 years
Facilities and Other Improvements	100,000	10-60 years
Furniture and Equipment	5,000	3-15 years
Vehicles, Boats and Aircraft	5,000	5-40 years
Other Capital Assets (Library Books, Leasehold Improvements and Livestock)		
Depreciable	Various	3-22 years
Non-Depreciable	0	Not applicable
Internally Generated		
Computer Software	1,000,000	3-10 years
Other Computer Software	100,000	3-10 years
Land Use Rights – Permanent	0	Not applicable
Land Use Rights – Term	100,000	10-60 years
Other Intangible Capital Assets	100,000	3-15 years

The tables on the following pages present the composition of the state's capital assets, adjustments, reclassifications, additions and deletions during fiscal 2014. The adjustments column includes assets not previously reported, accounting errors and other changes. The reclassifications column includes amounts for transfers of capital assets between agencies and reclassifies amounts for completed construction projects previously reported as construction in progress. The additions column includes current year purchases, depreciation and amortization. The deletions column includes assets removed during the current fiscal year.

All capital assets are capitalized at cost or estimated historical cost if actual historical cost is not available. Depreciation or amortization is reported on all "exhaustible" assets. "Inexhaustible assets," such as works of art and historical treasures, are not depreciated. Professional, academic and research library books and materials are considered "exhaustible" assets and are depreciated. Intangible assets with determinable useful lives are amortized. Donated assets are reported at fair value on the acquisition date. Assets are depreciated or amortized over their estimated useful life using the straight-line method.

Most land improvements (infrastructure), including curbs, sidewalks, fences, bridges and lighting systems, are capitalized. The state's highway infrastructure, expected to be maintained in perpetuity, is reported using the depreciation approach. Prior to this fiscal year, the state used the modified approach. The changes in methodology are reflected in the adjustments column for infrastructure.

Capitalization of interest incurred during the construction of capital assets is not applicable for governmental activities. For proprietary fund types and fiduciary funds with measurement focus on income determination or capital maintenance, the net amount of interest cost for qualifying assets is capitalized. In proprietary fund types, \$395 million of interest was

## Capital Asset Activity

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	PRIMARY GOVERNMENT					Balance 8/31/14
	Balance 9/1/13	Adjustments	Reclassifications	Additions	Deletions	
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 10,246,645	\$ (781)	\$ 50	\$ 638,429	\$ (40,179)	\$ 10,844,164
Infrastructure	53,715,082	(53,714,534)				548
Construction in Progress	5,914,487	(10,980)	(1,670,309)	4,802,502		9,035,700
Other Capital Assets	28,672		27	22		28,721
Land Use Rights – Permanent	67,629			13,775	(12)	81,392
Total Non-Depreciable & Non-Amortizable Assets	<u>69,972,515</u>	<u>(53,726,295)</u>	<u>(1,670,232)</u>	<u>5,454,728</u>	<u>(40,191)</u>	<u>19,990,525</u>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	5,969,803	8,752	41,316	5,764	(59,610)	5,966,025
Infrastructure	21,332,144	53,715,063	1,569,174		(128,207)	76,488,174
Facilities and Other Improvements	222,169	1,074	1,497	864	(3,950)	221,654
Furniture and Equipment	1,020,246	348	5,337	128,107	(56,227)	1,097,811
Vehicles, Boats and Aircraft	1,129,410	22	1,326	81,434	(87,548)	1,124,644
Other Capital Assets	144,208	(15)	166	1,841	(365)	145,835
Total Depreciable Assets at Historical Cost	<u>29,817,980</u>	<u>53,725,244</u>	<u>1,618,816</u>	<u>218,010</u>	<u>(335,907)</u>	<u>85,044,143</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(3,637,253)	(7,529)		(186,995)	40,099	(3,791,678)
Infrastructure	(12,455,856)	(2)		(1,545,283)	9,354	(13,991,787)
Facilities and Other Improvements	(154,999)	(4)		(6,921)	1,867	(160,057)
Furniture and Equipment	(769,369)	(48)	179	(74,848)	52,912	(791,174)
Vehicles, Boats and Aircraft	(703,767)	(187)	(761)	(70,780)	73,622	(701,873)
Other Capital Assets	(71,958)	2		(6,184)	353	(77,787)
Total Accumulated Depreciation*	<u>(17,793,202)</u>	<u>(7,768)</u>	<u>(582)</u>	<u>(1,891,011)</u>	<u>178,207</u>	<u>(19,514,356)</u>
Depreciable Assets, Net	<u>12,024,778</u>	<u>53,717,476</u>	<u>1,618,234</u>	<u>(1,673,001)</u>	<u>(157,700)</u>	<u>65,529,787</u>
<b>Intangible Capital Assets – Amortizable</b>						
Land Use Rights – Term	23,352				(2,554)	20,798
Computer Software	388,119	2,453	21,833	25,548	(8,739)	429,214
Other Intangible Capital Assets – Term	64,770			14,603		79,373
Total Intangible Assets at Historical Cost	<u>476,241</u>	<u>2,453</u>	<u>21,833</u>	<u>40,151</u>	<u>(11,293)</u>	<u>529,385</u>
Less Accumulated Amortization for:						
Land Use Rights – Term	(11,188)			(3,015)	2,554	(11,649)
Computer Software	(292,428)	(2,272)		(41,847)	8,581	(327,966)
Other Intangible Capital Assets – Term	(10,148)			(6,598)		(16,746)
Total Accumulated Amortization*	<u>(313,764)</u>	<u>(2,272)</u>	<u>0</u>	<u>(51,460)</u>	<u>11,135</u>	<u>(356,361)</u>
Amortizable Assets, Net	<u>162,477</u>	<u>181</u>	<u>21,833</u>	<u>(11,309)</u>	<u>(158)</u>	<u>173,024</u>
Governmental Activities Capital Assets, Net	<u>\$ 82,159,770</u>	<u>\$ (8,638)</u>	<u>\$ (30,165)</u>	<u>\$ 3,770,418</u>	<u>\$ (198,049)</u>	<u>\$ 85,693,336</u>

\* Depreciation and amortization expense was charged to governmental activities as follows:

General Government	\$ 52,334
Education	12,838
Employee Benefits	1
Health and Human Services	55,337
Public Safety and Corrections	179,202
Transportation	1,607,183
Natural Resources and Recreation	33,718
Regulatory Services	1,858
Total	<u>\$ 1,942,471</u>

Continued on the following page

## Capital Asset Activity (continued)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	PRIMARY GOVERNMENT					Balance 8/31/14
	Balance 9/1/13	Adjustments	Reclassifications	Additions	Deletions	
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 1,683,668	\$ 963	\$ 3,812	\$ 52,457	\$ (2,912)	\$ 1,737,988
Infrastructure	1,764,586	(1,764,586)				0
Construction in Progress	2,257,927	7,974	(1,519,721)	2,408,918	(1,437)	3,153,661
Other Capital Assets	439,396	38	151	235,611	(4,720)	670,476
Land Use Rights – Permanent	22,799					22,799
Other Intangible Capital Assets – Permanent	6,002					6,002
Total Non-Depreciable & Non-Amortizable Assets	<u>6,174,378</u>	<u>(1,755,611)</u>	<u>(1,515,758)</u>	<u>2,696,986</u>	<u>(9,069)</u>	<u>5,590,926</u>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	25,965,006	9,558	1,165,977	144,888	(80,509)	27,204,920
Infrastructure	1,690,440	1,766,039	103,552	3,633	(1,163)	3,562,501
Facilities and Other Improvements	1,776,079	(3,020)	118,043	33,680	(6,420)	1,918,362
Furniture and Equipment	4,727,292	(7,971)	32,448	457,018	(255,221)	4,953,566
Vehicles, Boats and Aircraft	265,405	27	86	25,591	(12,165)	278,944
Other Capital Assets	1,470,279	(28,521)	42,994	60,421	(11,184)	1,533,989
Total Depreciable Assets at Historical Cost	<u>35,894,501</u>	<u>1,736,112</u>	<u>1,463,100</u>	<u>725,231</u>	<u>(366,662)</u>	<u>39,452,282</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(11,034,669)	(1,429)		(1,071,897)	48,411	(12,059,584)
Infrastructure	(679,356)	(101)		(97,244)		(776,701)
Facilities and Other Improvements	(775,016)	279		(69,889)	4,317	(840,309)
Furniture and Equipment	(3,147,368)	(394)	420	(397,871)	209,184	(3,336,029)
Vehicles, Boats and Aircraft	(188,803)	(53)	(28)	(21,599)	11,400	(199,083)
Other Capital Assets	(953,212)	11,448		(65,445)	10,041	(997,168)
Total Accumulated Depreciation**	<u>(16,778,424)</u>	<u>9,750</u>	<u>392</u>	<u>(1,723,945)</u>	<u>283,353</u>	<u>(18,208,874)</u>
Depreciable Assets, Net	<u>19,116,077</u>	<u>1,745,862</u>	<u>1,463,492</u>	<u>(998,714)</u>	<u>(83,309)</u>	<u>21,243,408</u>
<b>Intangible Capital Assets – Amortizable</b>						
Land Use Rights – Term	255					255
Computer Software	1,320,676		83,108	42,355	(48,913)	1,397,226
Other Intangible Capital Assets – Term	9,577					9,577
Total Intangible Assets at Historical Cost	<u>1,330,508</u>	<u>0</u>	<u>83,108</u>	<u>42,355</u>	<u>(48,913)</u>	<u>1,407,058</u>
Less Accumulated Amortization for:						
Land Use Rights – Term	(90)			(25)		(115)
Computer Software	(970,449)			(154,471)	45,361	(1,079,559)
Other Intangible Capital Assets – Term	(2,158)			(936)		(3,094)
Total Accumulated Amortization**	<u>(972,697)</u>	<u>0</u>	<u>0</u>	<u>(155,432)</u>	<u>45,361</u>	<u>(1,082,768)</u>
Amortizable Assets, Net	<u>357,811</u>	<u>0</u>	<u>83,108</u>	<u>(113,077)</u>	<u>(3,552)</u>	<u>324,290</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,648,266</u>	<u>\$ (9,749)</u>	<u>\$ 30,842</u>	<u>\$ 1,585,195</u>	<u>\$ (95,930)</u>	<u>\$ 27,158,624</u>

\*\* Depreciation and amortization expense was charged to business-type activities as follows:

Education	\$ 1,820,789
Transportation	53,652
Lottery	181
Other Business-Type Activities	4,754
Total	<u>\$ 1,879,376</u>

Concluded on the following page

## Capital Asset Activity (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	PRIMARY GOVERNMENT					Balance 8/31/14
	Balance 9/1/13	Adjustments	Reclassifications	Additions	Deletions	
<b>COMPONENT UNITS</b>						
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 3,705	\$ (3,315)	\$	\$	\$ (4)	\$ 386
Construction in Progress	1,706	(1,655)		73		124
Total Non-Depreciable & Non-Amortizable Assets	<u>5,411</u>	<u>(4,970)</u>	<u>0</u>	<u>73</u>	<u>(4)</u>	<u>510</u>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	42,524	(34,467)			(485)	7,572
Infrastructure	27				(27)	0
Facilities and Other Improvements	440				(8)	432
Furniture and Equipment	55,836	(15,255)		1,620	(865)	41,336
Vehicles, Boats and Aircraft	10,942	(74)		1,208	(4,661)	7,415
Other Capital Assets	2,239					2,239
Total Depreciable Assets at Historical Cost	<u>112,008</u>	<u>(49,796)</u>	<u>0</u>	<u>2,828</u>	<u>(6,046)</u>	<u>58,994</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(13,890)	8,052		(38)	22	(5,854)
Infrastructure	(2)				2	0
Facilities and Other Improvements	(425)			(7)	7	(425)
Furniture and Equipment	(32,012)	12,918		(2,671)	663	(21,102)
Vehicles, Boats and Aircraft	(7,307)	74		(1,072)	3,850	(4,455)
Other Capital Assets	(316)			(177)		(493)
Total Accumulated Depreciation	<u>(53,952)</u>	<u>21,044</u>	<u>0</u>	<u>(3,965)</u>	<u>4,544</u>	<u>(32,329)</u>
Depreciable Assets, Net	<u>58,056</u>	<u>(28,752)</u>	<u>0</u>	<u>(1,137)</u>	<u>(1,502)</u>	<u>26,665</u>
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	26,103	(25,679)				424
Total Intangible Assets at Historical Cost	<u>26,103</u>	<u>(25,679)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>424</u>
Less Accumulated Amortization for:						
Computer Software	(16,056)	15,819		(13)		(250)
Total Accumulated Amortization	<u>(16,056)</u>	<u>15,819</u>	<u>0</u>	<u>(13)</u>	<u>0</u>	<u>(250)</u>
Amortizable Assets, Net	<u>10,047</u>	<u>(9,860)</u>	<u>0</u>	<u>(13)</u>	<u>0</u>	<u>174</u>
Component Units Capital Assets, Net	<u>\$ 73,514</u>	<u>\$ (43,582)</u>	<u>\$ 0</u>	<u>\$ (1,077)</u>	<u>\$ (1,506)</u>	<u>\$ 27,349</u>

charged to expense and \$51 million of interest was capitalized, for a net \$446 million of interest cost incurred.

The state's capitalization policy regarding works of art and historical treasures is that capitalization is encouraged, but not required, for works of art and historical treasures that meet certain conditions. Works of art and historical treasures not required to be capitalized are those:

- Held for public exhibition, education or research in furtherance of public service, rather than for financial gain
- Protected, kept unencumbered, cared for and preserved

- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection

Assets of this nature include the historical archives of the Texas General Land Office. This vast collection includes approximately 35.5 million records dating back to 1720, including approximately 45 thousand maps, sketches and plat maps.

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## Note 3

### Deposits, Investments and Repurchase Agreements

#### *Authority for Investments*

All monies in funds established in the Texas Comptroller of Public Accounts Treasury Operations Division (Treasury) by the Texas Constitution or by an act of the Legislature are pooled for investment purposes. State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; bankers' acceptances; commercial paper; and contracts written by the Comptroller's office, which are commonly known as covered call options.

The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2014. The Trust Company safe-keeps U.S. Government securities in book-entry form for the major investment funds, safe-keeps collateral pledged to secure deposits of the Treasury in financial institutions, and acts as trustee for other public bodies to hold and manage funds on their behalf.

Certain state agencies, component units, public employee retirement systems and institutions of higher education are authorized to invest funds not deposited with the Treasury. As of Aug. 31, 2014, the Teacher Retirement System of Texas (TRS), the permanent school fund (PSF), the Employees Retirement System of Texas (ERS) and the University of Texas System (UT) reported over 86 percent of the total investment fair value. TRS, PSF, ERS, UT and Texas Prepaid Higher Education Tuition Board (TPHETB) make invest-

ments following the "prudent investor rule." Authorized investments include equities, fixed income obligations, cash equivalents and other investments.

#### *Collateralization*

State law requires all Treasury funds deposited in financial institutions above the amounts insured by the Federal Deposit Insurance Corporation be fully collateralized by pledging, to the Treasury, securities valued at market excluding accrued interest. Generally, the list of eligible securities includes all U.S. Treasury obligations, most federal agency obligations, and securities issued by state agencies and political subdivisions within the state. All securities pledged to the Treasury must be held by a third-party bank doing business in the state through a main office or one or more branches, any Federal Reserve Bank, the Trust Company, any Federal Home Loan Bank or in the vault of the Treasury. During fiscal 2014 no depository holding state funds failed.

State agencies and institutions of higher education with deposits of public funds not managed by the Treasury are required to secure deposits through collateral pledged by depository banks and savings and loan institutions. Eligible collateral securities are prescribed by state law; however, retirement systems are exempt by statute from this requirement.

#### *External Investment Pool*

The activities of the Texas local government investment pool (TexPool) and the Texas local government investment pool prime (TexPool Prime) are reported as an external investment trust fund. Separate audited financial statements may be obtained by contacting the Trust Company at 208 E. 10th St., 4th floor, Austin, Texas 78701.

#### *Deposits*

As of Aug. 31, 2014, the carrying amount of deposits for governmental and business-type activities, fidu-

ciary funds and discretely presented component units was \$2.3 billion, \$549.6 million and \$257.7 million, respectively. These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the combined statement of net position as part of the “Cash and Cash Equivalents” and investment related line items. As of Aug. 31, 2014, the total bank balance for governmental and business-type activities, fiduciary funds and discretely presented component units was \$2.2 billion, \$532.2 million and \$238.6 million, respectively.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. There is no formal deposit policy for managing custodial credit risk. The state’s securities lending programs are subject to custodial credit risk. This type of risk is inherent to the securities lending programs. As of Aug. 31, 2014, the bank balances exposed to custodial credit risk are presented in the table below.

	Uninsured and Uncollateralized	Uninsured and Collateralized with Securities Held by the Pledging Financial Institution
<b>Bank Balances Exposed to Custodial Credit Risk</b>		
August 31, 2014 (Amounts in Thousands)		
<b>GOVERNMENTAL ACTIVITIES</b>		
Permanent School Fund	\$ 4,993	\$
Other Governmental Funds	36	
Total Governmental Activities	<u>5,029</u>	<u>0</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Colleges and Universities	1,560	90,513
Other Nonmajor Funds	155	
Total Business-Type Activities	<u>1,715</u>	<u>90,513</u>
Total Governmental and Business-Type Activities	<u>\$ 6,744</u>	<u>\$ 90,513</u>
<b>FIDUCIARY FUNDS</b>	<u>\$ 300,480</u>	<u>\$ 0</u>
<b>COMPONENT UNITS</b>	<u>\$ 10,477</u>	<u>\$ 0</u>

**Foreign Currency Risk:** Foreign currency risk for bank balances is the risk that changes in exchange rates will adversely affect the deposit. There is no formal deposit policy for managing foreign currency risk. For-

eign currency deposits are intended for settlement of pending international investment trades. The table at the left presents the bank balances exposed to foreign currency risk as of Aug. 31, 2014.

## Bank Balances Exposed to Foreign Currency Risk

August 31, 2014 (Amounts in Thousands)

	Governmental and Business-Type Activities	Fiduciary Funds
Australian Dollar	\$ 705	\$ 5,918
Bangladeshi Taka		123
Botswana Pula		69
Brazilian Real	153	6,753
British Pound	159	20,463
Canadian Dollar	14	2,692
Chilean Peso		444
Colombian Peso		473
Croatian Kuna		54
Czech Koruna		139
Danish Krone		86
Egyptian Pound	88	384
Euro	36	119,546
Ghanaian Cedi		122
Hong Kong Dollar		26,256
Hungarian Forint		59
Indian Rupee		3,996
Indonesian Rupiah		1,962
Japanese Yen		88,111
Jordanian Dinar		70
Kenyan Shilling		111
Kuwaiti Dinar		82
Malaysian Ringgit	9	1,559
Mauritius Rupee		200
Mexican Peso		788
Moroccan Dirham		332
New Israeli Shekel		10
New Zealand Dollar		83
Nigerian Naira		84
Norwegian Krone		245
Omani Rial		62
Pakistani Rupee		18
Peruvian Nuevo Sol	1	54
Philippine Peso		1,363
Polish Zloty		465
Qatar Riyal	803	439
Romanian New Lei		47
Singapore Dollar		333
South African Rand		272
South Korean Won	470	4,076
Swedish Krona		629
Swiss Franc		170
Taiwan Dollar	2,290	5,730
Thai Baht		2,615
Tunisian Dinar		5
Turkish Lira		397
Vietnamese Dong		66
Total	<u>\$ 4,728</u>	<u>\$ 297,955</u>

## Investments

The fair value of investments is determined from published market prices, quotations from major investment brokers or independent pricing services. In general, the fair value of fixed income securities is based on yields currently available on comparable securities of issuers with similar credit ratings, on prices from fixed income pricing services or on external broker quotes. The changes in the fair value of investments are reported as revenue in the operating statements.

Where no readily ascertainable market value exists (including private equity), fair values can be determined in consultation with investment advisors and Master Trust Custodians. Fair values can also be determined based on the capital account balance at the closest available reporting period, as communicated by the general partner, and adjusted for subsequent contributions, distributions, management fees and reserves.

Money market investments are reported at amortized cost, which approximates market value. Participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less may also be reported at amortized cost, provided the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

The fair values of investments as of Aug. 31, 2014, are presented in the table below.

<b>Investments Fair Values</b>			
August 31, 2014 (Amounts in Thousands)			
	<b>Governmental and Business-Type Activities</b>	<b>Fiduciary Funds</b>	<b>Component Units</b>
U.S. Treasury	\$ 8,295,132	\$ 21,717,037	\$ 113,245
U.S. Treasury Strips	150,943	238,733	
U.S. Treasury TIPS	1,082,978	6,286,324	
U.S. Government Agency	9,315,449	11,142,245	434,517
Corporate Obligations	5,128,829	1,071,944	25,289
Corporate Asset and Mortgage Backed	3,130,186	641,774	177,144
Corporate Equity	12,338,047	29,786,647	152,842
International Obligations	4,317,860	697,912	18,296
International Equity	3,781,020	37,131,642	
International Other Commingled Funds	3,664,329	4,220,456	13,626
Repurchase Agreements	1,372,990	2,277,184	21,898
Fixed Income and Bond Mutual Fund	4,423,225	526,984	90,057
Other Mutual Funds	1,582,470	552,820	9
Other Commingled Funds	14,485,678	6,767,450	22,674
Commercial Paper	7,359,934	1,299,625	73,052
Invested Collateral	2,213,027	24,299,181	
Securities Lending Collateral Investment Pool	161,293		
Real Estate	2,054,726		10,777
Derivatives	(16,625)	93,619	210
Externally Managed Investments	27,279,194	51,637,452	140,673
Other Investments	3,768,209	451,871	549,248
<b>Total Investments</b>	<b>\$ 115,888,894</b>	<b>\$ 200,840,900</b>	<b>\$ 1,843,557</b>

TRS, PSF, ERS, UT and TPHETB participate in individual securities lending programs. Cash collateral received by the lending agent on behalf of each entity is invested in a non-commingled pool exclusively for the benefit of the individual entity. Additional information about securities lending activity is disclosed in the “Securities Lending” section of this note. As of Aug. 31, 2014, the investment type balances for the invested securities lending cash collateral are presented in the table below.

<b>Invested Securities Lending Collateral Fair Value</b>		
August 31, 2014 (Amounts in Thousands)		
	<b>Governmental and Business-Type Activities</b>	<b>Fiduciary Funds</b>
U.S. Government Agency	\$ 48,090	\$
Corporate Obligations	197,012	
Corporate Asset and Mortgage Backed Equity	1,143	
	24,278	
International Obligations	173,732	
Repurchase Agreements	688,106	1,422,603
Other Commingled Funds		22,876,578
Commercial Paper	725,133	
Other Investments	433,771	
<b>Total Investments</b>	<b>\$ 2,291,265</b>	<b>\$ 24,299,181</b>

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the value of its investments or collateral securities in the possession of an outside party will not be recovered. There is no formal investment policy

for managing custodial credit risk. Consistent with the securities lending program, underlying securities on loans are subject to custodial credit risk.

As of Aug. 31, 2014, the investments exposed to custodial credit risk are presented in the table below.

	Fair Value that is Uninsured and Unregistered with Securities Held by the Counterparty	Fair Value that is Uninsured and Unregistered with Securities Held by the Counterparty's Trust Department or Agent but Not in the State's Name
<b>GOVERNMENTAL ACTIVITIES</b>		
Permanent School Fund		
Corporate Obligations		\$ 138,661
Corporate Asset and Mortgage Backed Repurchase Agreements		1,143
Commercial Paper		407,085
Miscellaneous		236,363
Other Governmental Funds		400,000
Repurchase Agreement	2,334	
Total Governmental Activities	<u>2,334</u>	<u>1,183,252</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Colleges and Universities		
U.S. Treasury	4,394	
U.S. Government Agency	5,531	
Corporate Obligations	4,627	
Corporate Equity	32,408	
International Obligations	135	
International Equity	2,929	
Repurchase Agreements	10,980	
Fixed Income and Bond Mutual Fund	11,387	
Other Proprietary Funds		
U.S. Treasury		
Total Business-Type Activities	<u>72,391</u>	<u>0</u>
Total Governmental and Business-Type Activities	<u>\$ 74,725</u>	<u>\$ 1,183,252</u>

**Foreign Currency Risk:** Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. TRS, PSF, ERS and UT are exposed to investment foreign currency risk. TRS, PSF and ERS do not have an investment policy

for managing foreign currency risk. UT's investment policy has no limitation on investments in non-U.S. denominated bonds or common stocks.

The investments exposed to foreign currency risk as of Aug. 31, 2014, are presented on the following pages.

## Investments Exposed to Foreign Currency Risk

August 31, 2014 (Amounts in Thousands)

	Governmental and Business-Type Activities				Fiduciary Funds			
	International Obligations	International Equity	International Other Commingled Funds	Other Investments	International Obligations	International Equity	International Other Commingled Funds	Other Investments
Argentine Peso	\$ 17		\$ 966	\$	\$	\$ 24	\$	\$
Australian Dollar	233,464	38,104	1,819	334,657		627,650	735	
Bangladeshi Taka						3,763		
Bermudan Dollar	262							
Botswana Pula						5,668		
Brazilian Real	174,714	250,405	42,713	144,081		1,184,677	128	
British Pound	118,077	264,493	134,780	883,003	23,173	3,876,122		510,617
Canadian Dollar	12,089	92,481	1,935	618,859		1,499,829	363	
Cayman Island Dollar	410							
Chilean Peso	171	2,941	(2,685)	16,689		82,733		
Chinese Yuan Renminbi	37	171,405	28,287			642	95	
Colombian Peso	12,700	1,405	188	12,151		70,454		
Croatian Kuna						7,889		
Czech Koruna	56	1,879	1,469	2,685		62,147		
Danish Krone	569	14,798	370	58,035		266,990	364	
Egyptian Pound		4,375	1,058	2,877		21,058		
Euro	581,700	218,303	73,171	1,537,926	41,829	6,647,990	814,944	3,435,491
Ghanaian Cedi						2,687		
Hong Kong Dollar	99	330,580	11,639	348,033		3,203,197		
Hungarian Forint	34,127	514	148	2,335		37,110		
Indian Rupee	849	71,082	7,955	403		967,372	214	
Indonesian Rupiah	29,078	36,328	1,511	31,246		423,370		
Japanese Yen	43,137	552,068	29,491	782,304	1,113	4,517,658	899	
Jordanian Dinar						8,927		
Kazakhstani Tenge	89		136					
Kenyan Shilling						9,344		
Kuwaiti Dinar						19,800		
Malaysian Ringgit	55,541	27,847	2,474	45,820		342,009		
Mauritius Rupee						8,765		
Mexican Peso	226,807	97,970	12,921	64,112	1,568	600,998	196	
Moroccan Dirham						9,154		
New Israeli Shekel	10,050		133	11,768		18,691		
New Zealand Dollar	135,856		2,903	5,113	7,151	1,766		
Nigerian Naira	368					10,285		
Norwegian Krone	47,575		264	33,137		261,346		
Omani Rial						10,248		
Pakistan Rupee						38,308		
Panamanian Balboa	6							
Peruvian Nuevo Sol	513		194			7,467		
Philippine Peso	4	31,146	546	13,010		156,489		
Polish Zloty	83,606	8,145	2,161	18,752		161,053		
Qatar Riyal		475	708	6,167		47,941		
Romanian New Lei	26					10,070		
Russian Ruble	289		1,446	42,476		8,701		
Singapore Dollar	6,001	43,220	1,370	56,310		187,183		
South African Rand	64,309	41,743	5,578	91,239	2,309	925,708		
South Korean Won	55,511	280,392	17,783	184,646		1,959,475		
Sri Lankan Rupee						3,490		
Swedish Krona	31,653	26,261	3,315	115,461		462,751	538	
Swiss Franc	328	45,730	7,553	347,291		1,785,360	2,514	
Taiwan Dollar		76,552	11,982	144,926		1,190,363		
Thai Baht	11,877	27,199	1,453	27,756		411,104	235	
Tunisian Dinar						2,415		
Turkish Lira	545	15,209	2,508	20,039		288,110		
United Arab Emirates Dirham	73	2,495	1,491	5,339		34,529		
Vietnamese Dong		8,009	166			9,700		
<b>Total</b>	<b>\$ 1,972,583</b>	<b>\$ 2,783,554</b>	<b>\$ 411,900</b>	<b>\$ 6,008,646</b>	<b>\$ 77,143</b>	<b>\$ 32,500,580</b>	<b>\$ 821,225</b>	<b>\$ 3,946,108</b>

Concluded on the following page

## Investments Exposed to Foreign Currency Risk (concluded)

August 31, 2014 (Amounts in Thousands)

	Component Unit		
	International Obligations	International Other Commingled Funds	Other Investments
Argentine Peso	\$ 2	\$ 83	\$
Australian Dollar			
Bangladeshi Taka			
Bermudan Dollar	36		
Botswana Pula			
Brazilian Real	129	979	
British Pound	40	1,130	43
Canadian Dollar	6	46	
Cayman Island Dollar	56		
Chilean Peso	19		
Chinese Yuan Renminbi	5	1,470	
Colombian Peso	95		
Croatian Kuna			
Czech Koruna	8	62	
Danish Krone		52	
Egyptian Pound		85	
Euro	92	1,261	198
Ghanaian Cedi			
Hong Kong Dollar	14	522	
Hungarian Forint		4	
Indian Rupee	81	719	55
Indonesian Rupiah	5	145	
Japanese Yen		1,640	
Jordanian Dinar			
Kazakhstani Tenge	12		
Kenyan Shilling			
Kuwaiti Dinar			
Malaysian Ringgit	35	167	
Mauritius Rupee			
Mexican Peso	177	432	4
Moroccan Dirham			
New Israeli Shekel	1		
New Zealand Dollar			
Nigerian Naira	30		
Norwegian Krone		35	4
Omani Rial			
Pakistan Rupee			
Panamanian Balboa	1		
Peruvian Nuevo Sol	53		
Philippine Peso	1	28	
Polish Zloty		102	
Qatar Riyal		89	
Romanian New Lei	4		
Russian Ruble	42	144	
Singapore Dollar	6	186	
South African Rand	55	539	
South Korean Won	2	1,386	
Sri Lankan Rupee			
Swedish Krona	17	47	
Swiss Franc		675	11
Taiwan Dollar		1,074	
Thai Baht		152	
Tunisian Dinar			
Turkish Lira	51	235	
United Arab Emirates Dirham	10	137	
Vietnamese Dong			
Total	<u>\$ 1,085</u>	<u>\$ 13,626</u>	<u>\$ 315</u>

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk ratings are assigned by a nationally recognized statistical rating organization (NRSRO).

TRS' investment policy states that for over-the-counter derivatives, the minimum credit rating, based on a NRSRO, must be at least A- or better at the inception of the contract. The net market value of all over-the-counter derivative positions, less collateral posted, may not exceed \$500 million and all over-the-counter derivative positions without collateral may not exceed 5 percent of the total market value of the fund. Repurchase agreements may not exceed 5 percent of the market value of the total investment portfolio. A securities lending agent must be an organization rated A- or better by a NRSRO.

PSF's investment policy requires investments to adhere to specific Standard & Poor's rating guidelines. Fixed income securities must be rated at least BBB- and short-term money market instruments must be rated at least A-1.

ERS' general investment policy requires that non-cash interest paying securities in the high yield bond portfolios not exceed 15 percent of the market value of the portfolio and that investments in money market funds represent no more than 5 percent of each individual fund.

UT's investment policy has no requirements or limitations for investment ratings.

As of Aug. 31, 2014, the credit quality distribution for securities with credit risk exposure is presented on the following page.

# Investments Exposed to Credit Risk

August 31, 2014 (Amounts in Thousands)

Governmental and Business-Type Activities									
	U.S. Government Agency	Corporate Obligations	Corporate Asset/Mortgage Backed	International Obligations	Repurchase Agreements	Fixed Income/Bond Mutual Fund	Commercial Paper	Other Investments	Totals
AAA	\$ 1,355,606	\$ 135,903	\$ 1,959,919	\$ 1,937,079	\$ 57,217	\$	\$	\$ 754,500	\$ 6,200,224
AA	10,478,951	1,524,532	109,438	382,190	1,049,624			104,439	13,649,174
A	20,449	865,628	76,873	559,810	158,115			42,392	1,723,267
BBB	1,365	1,195,798	101,774	495,042				5,028	1,799,007
BB		128,879	1,649	56,029				219	186,776
B		125,213	2,428	19,156					146,797
CCC		6,123	30,143	5					36,271
D			1,124						1,124
AAAf						2,934,682			2,934,682
AAAAm						532,201			532,201
Aaf						96,132			96,132
BBBf						352			352
A-1							7,996,808		7,996,808
A-2							3,105		3,105
Not Rated	149,391	1,220,078	839,525	957,218	504,974	1,425,234	322,278	2,575,479	7,994,177
Total	\$ 12,005,762	\$ 5,202,154	\$ 3,122,873	\$ 4,406,529	\$ 1,769,930	\$ 4,988,601	\$ 8,322,191	\$ 3,482,057	\$ 43,300,097
Fiduciary Funds									
	U.S. Government Agency	Corporate Obligations	Corporate Asset/Mortgage Backed	International Obligations	Repurchase Agreements	Fixed Income/Bond Mutual Fund	Commercial Paper	Other Investments	Totals
AAA	\$ 9,523,205	\$ 1,398	\$ 274,819	\$ 262,098	\$ 1,625,206	\$	\$	\$ 89,481	\$ 11,776,207
AA	5,184,146	152,839	32,749	27,796	63,308			182	5,461,020
A	9	133,832	23,588	51,352					208,781
BBB		67,232	9,435	47,576				16	124,259
BB		289,367	26,140	79,769					395,276
B	4	253,791	15,901	48,541				15	318,252
CCC		17,770	24,462	242					42,474
CC			1,748						1,748
D			7,520						7,520
AAAf						76,580			76,580
AAAAm						66,288			66,288
Aaf						3,965			3,965
Af						8,200			8,200
BBBf						1,432			1,432
BBf						933			933
Bf						373			373
CCCf						916			916
A-1							1,264,695		1,264,695
Not Rated	118,256	153,469	225,415	374,048	29,984	322,326		6,568	1,230,066
Total	\$ 14,825,620	\$ 1,069,698	\$ 641,777	\$ 891,422	\$ 1,718,498	\$ 481,013	\$ 1,264,695	\$ 96,262	\$ 20,988,985
Component Units									
	U.S. Government Agency	Corporate Obligations	Corporate Asset/Mortgage Backed	International Obligations	Repurchase Agreements	Fixed Income/Bond Mutual Fund	Commercial Paper	Other Investments	Totals
AAA	\$ 888,487	\$	\$ 169,630	\$ 16,874	\$	\$	\$	\$ 19,014	\$ 1,094,005
AA	45,533	12,109	253	18	20,987			42,046	120,946
A		1,999	327	539				5,155	8,020
BBB				562					562
BB				91					91
AAAf						10,303			10,303
AAAAm						2,598			2,598
A-1							73,052		73,052
Not Rated	5,450	11,181	6,935	212	18	83,867	2,211	63,723	173,597
Total	\$ 939,470	\$ 25,289	\$ 177,145	\$ 18,296	\$ 21,005	\$ 96,768	\$ 75,263	\$ 129,938	\$ 1,483,174

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. As of Aug. 31, 2014, governmental and business-type activities did not hold more than 5 percent of investments in any one issuer.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. TRS and PSF use the effective weighted duration method to identify and manage interest rate risk. ERS and UT use the modified duration method.

Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates. Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weights. The duration of an instrument can be calculated by multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Effective duration extends this analysis to incorporate an option-adjusted measure of an instrument's sensitivity to changes in interest rates. It incorporates the effect of embedded options for corporate bonds and changes in prepayments for mortgage backed securities. Modified duration estimates the sensitivity of the fund's investments to changes in interest rates.

The investment policy of PSF mandates the average duration of the fixed income portfolio to be consistent with the Barclay Aggregate Bond

Index's duration and the duration of the real return portfolio to be consistent with the Barclay's Capital U.S. Treasury Inflation Protected Securities (TIPS) Index. As of Aug. 31, 2014, the Barclay Aggregate Bond Index duration was 5.39 years and the Barclay's TIPS Index was 6.87 years. The maximum maturity for invested securities lending collateral is 397 days except for bank time deposits, which is 60 days, bankers' acceptances, which is 45 days, reverse repurchase agreements, which is 180 days, and floating rate securities, which is three years. The maximum weighted average maturity of the entire collateral portfolio must be 180 days or less. The maximum weighted average interest rate exposure of the entire collateral portfolio must be 60 days or less. TRS, ERS and UT do not have a formal investment policy for managing interest rate risk.

As of Aug. 31, 2014, PSF's investments by investment type, fair value and the effective weighted duration rate are presented in the table below.

<b>Investments Exposed to Interest Rate Risk</b>		
August 31, 2014		
<b>PSF Investment Type</b>	<b>Fair Value (in Thousands)</b>	<b>Effective Weighted Duration Rate</b>
Asset Backed Securities	\$ 45,762	2.05
Collateralized Loan Obligations	96,169	0.10
Commercial Mortgage Backed Securities	134,978	2.90
Corporate Obligations	1,116,394	7.58
Yankee – Corporate Obligations	46,561	9.84
Non U.S. Government Agency Obligations	65,880	2.37
Non Agency Mortgage Backed Securities	59,544	5.68
Sovereign Government Debt	102,039	6.91
Preferred Stock	915	N/A
U.S. Government Agency Commercial Mortgage Backed Securities	105,566	4.00
U.S. Government Agency Mortgage Backed Securities	1,014,404	4.44
U.S. Government Agency Obligations	186,953	5.09
U.S. Taxable Municipal Bonds	56,081	11.12
U.S. Treasury Securities	1,390,313	5.58
U.S. Treasury TIPS	159,612	5.29
<b>Total</b>	<b>\$ 4,581,171</b>	<b>5.61</b>
U.S. Treasury TIPS	\$ 892,939	7.81
<b>Total Real Return</b>	<b>\$ 5,474,110</b>	<b>6.80</b>

The following table provides information about PSF's interest rate risks and maturities associated with its invested securities lending collateral by investment type as of Aug. 31, 2014.

<b>Invested Securities Lending Collateral Exposed to Interest Rate Risk</b>			
August 31, 2014 (Amounts in Thousands)			
<b>PSF Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities in Less Than One Year</b>	<b>Investment Maturities Greater Than One Year</b>
Asset Backed Floating Rate Notes	\$ 1,143	\$ 1,143	\$
Certificates of Deposit	382,000	382,000	
Commercial Paper	236,362	236,362	
Floating Rate Notes	114,308	114,308	
Interest Bearing Notes	24,353	24,353	
Repurchase Agreements	407,085	407,085	
Time Deposits	18,000	18,000	
<b>Total</b>	<b>\$ 1,183,251</b>	<b>\$ 1,183,251</b>	<b>\$ 0</b>

The following table presents TRS' investments by investment type, fair value and the effective weighted duration rate as of Aug. 31, 2014.

<b>Investments Exposed to Interest Rate Risk</b>		
August 31, 2014		
<b>TRS Investment Type</b>	<b>Fair Value (In Thousands)</b>	<b>Effective Weighted Duration Rate</b>
U.S. Government Obligations	\$ 16,356,728	17.22
U.S. Government STRIPS and TIPS	6,525,057	7.12
U.S. Government Agency Obligations	192,946	10.17
Asset and Mortgage Backed Obligations	163,359	1.81
Corporate Obligations	51,328	3.27
International Government Obligations	74,597	9.02
International Corporate Obligations	111,141	0.01
<b>Total</b>	<b>\$ 23,475,156</b>	<b>14.11</b>

As of Aug. 31, 2014, ERS' investments by investment type, fair value and the modified duration rate are presented in the table below.

ERS Investment Type	Fair Value (In Thousands)		Modified Duration Rate	
	Fiduciary Funds	Proprietary Fund	Fiduciary Funds	Proprietary Fund
	U.S. Treasury Securities	\$ 3,791,121	\$ 216,440	3.53
U.S. Government Agency Obligations	844,729	44,128	4.32	4.31
Corporate Obligations	756,587	52,814	4.43	2.28
Corporate Asset and Mortgage Backed Securities	229,489	53,951	3.17	3.17
International Obligations	334,163	30,513	3.07	2.14
Money Market and Bond Fund	322,170	211,460	0.08	0.08
Total	<u>\$ 6,278,259</u>	<u>\$ 609,306</u>	3.53	1.99

As of Aug. 31, 2014, UT's investments by investment type, fair value and the modified duration rate are presented in the table below.

UT Investment Type	Fair Value (In Thousands)	Modified Duration Rate
<b>INVESTMENTS IN SECURITIES</b>		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 513,834	8.08
U.S. Treasury Strips	300	0.38
U.S. Treasury Bills	778	0.04
U.S. Treasury Inflation Protected	8,074	10.20
U.S. Agency Asset Backed	4,841	3.10
Total U.S. Government Guaranteed	<u>527,827</u>	8.05
U.S. Government Non-Guaranteed:		
U.S. Agency	14,863	0.88
U.S. Agency Asset Backed	89,671	3.02
Total U.S. Government Non-Guaranteed	<u>104,534</u>	2.72
Total U.S. Government	<u>632,361</u>	7.17
Corporate Obligations:		
Domestic	390,608	5.68
Foreign	337,429	4.37
Total Corporate Obligations	<u>728,037</u>	5.07
Foreign Government and Provincial Obligations	1,802,690	6.61
Other Debt Securities	18,439	9.68
Total Debt Securities	<u>3,181,527</u>	6.39
Other Investment Funds – Debt	27,802	7.70
Fixed Income Money Market Funds	<u>2,368,385</u>	0.28
Total	<u>\$ 5,577,714</u>	3.80

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### *Investments with Fair Values Highly Sensitive to Interest Rate Changes*

In accordance with the applicable investment policies, TRS, PSF, ERS and UT may invest in asset backed and mortgage backed obligations. Mortgage backed obligations are subject to early principal payment in a period of declining interest rates. The resultant reduction in expected cash flows will affect the fair value of these securities. Asset backed obligations are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligee of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. As of Aug. 31, 2014, the fair value of investments in asset and mortgage backed obligations highly sensitive to interest rate changes for TRS, PSF, ERS and UT was \$2.3 billion.

### *Reverse Repurchase Agreements*

Investments in reverse repurchase agreements by the Treasury and the Trust Company are permitted by statute. A reverse repurchase agreement consists of a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. Sale proceeds are invested in securities or repurchase agreements that mature at or almost at the same time as the reverse repurchase agreement. Proceeds from the matured securities are used to liquidate the agreement resulting in a matched position. With a matched position there is minimal market risk because the seller-borrower will hold the securities to maturity and liquidate them at face value. In the event of default on a reverse repurchase agreement, the Treasury would potentially suffer a loss. The loss occurs if the cash received does not exceed the fair value of the securities underlying the reverse repurchase agreements. The amount of the loss would equal the difference between the fair value plus accrued interest of the underlying securities and the agreement price plus accrued interest.

To minimize the risk of default, all securities backing reverse repurchase agreements are held by the Federal Reserve Bank in the state's name.

As of Aug. 31, 2014, the Treasury's aggregate amount of reverse repurchase agreement obligations was \$48.1 million, including accrued interest. The aggregate fair value of the securities underlying those agreements, including accrued interest, was \$48.1 million. There was no credit exposure during fiscal 2014.

### *Securities Lending*

TRS, PSF, ERS, UT, TPHETB and the Veterans Land Board (VLB) participate in securities lending programs as authorized by state statute. TRS, PSF, ERS and UT established their own separately managed securities lending programs. TPHETB has its own separately managed securities lending programs but also participates in collateral investment pools. VLB participates in collateral investment pools that commingle the cash collateral of several entities. Under these programs, the governmental entities transfer securities to an independent broker or dealer in exchange for collateral in the form of cash, governmental securities or bank letters of credit. In addition, PSF may receive collateral in the form of other assets that it specifically agrees to with its lending agent. TRS, ERS, UT and VLB receive collateral equal to 102 percent of the value of domestic securities lent and 105 percent for international securities. PSF receives collateral in an amount of 102 percent of the fair value plus accrued income for domestic corporate securities and 105 percent of the fair value plus accrued income for foreign securities. However, the required percentage is 102 percent for foreign securities denominated and payable in U.S. dollars. TPHETB receives collateral of 102 percent of the value of domestic securities lent plus accrued interest and 105 percent plus accrued interest for foreign securities. There is a simultaneous agreement to return the collateral for the same securities in the future.

The custodians of the securities are the security lending agents. The securities lending contracts do not allow the governmental entities to pledge or sell collateral securities unless the borrower defaults. The lending agents are required to indemnify TRS, PSF, ERS, UT, TPHETB and VLB if the borrowers fail to return the securities.

TRS, PSF, ERS, UT, TPHETB and VLB loans are terminable at will. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the year.

Differences between the fair value of the invested cash collateral and the cash collateral liability are recorded as part of the net increase/(decrease) in fair value of investments. There is no credit risk exposure to the lender when the fair value of the security on loan is less than the cash collateral liability. The overall securities lending activity as of Aug. 31, 2014, is summarized in the table below.

<b>Securities Lending Activity Summary</b>					
August 31, 2014 (Amounts in Thousands)					
<b>Entity</b>	<b>Fair Value of Securities on Loan</b>	<b>Non-Cash Collateral*</b>	<b>Cash Collateral Liability (Obligation/ Securities Lending)</b>	<b>Fair Value of Invested Cash Collateral (Securities Lending Collateral)</b>	<b>Net Increase/ (Decrease) In Fair Value</b>
TRS	\$ 22,722,703	\$ 386,911	\$ 22,866,776	\$ 22,876,579	\$ 9,803
ERS	1,412,019		1,444,175	1,454,409	10,234
PSF	2,599,087	1,424,414	1,241,999	1,183,251	(58,748)
UT**,**	1,049,551		997,970	997,970	
VLB**	81,371		83,055	83,055	
TPHETB**	76,669		78,237	78,237	
<b>Total</b>	<b>\$ 27,941,400</b>	<b>\$ 1,811,325</b>	<b>\$ 26,712,212</b>	<b>\$ 26,673,501</b>	<b>\$ (38,711)</b>

\* Non-cash collateral received for securities lending activities is not recorded as assets because the underlying investments remain under the control of the borrower, except in the event of default.

\*\* UT, VLB and TPHETB did not experience any net change in fair value because the cash collateral pools they participated in were maintained at amortized cost as of Aug. 31, 2014.

### Investment Derivative Instruments

Derivatives are financial instruments (securities or contracts) whose value is linked to or “derived” from changes in interest rates, currency rates and stock and

commodity prices. These securities or contracts serve as components of the investment strategies of certain state agencies, public employee retirement systems and institutions of higher education. Those investment strategies are utilized to manage and reduce the risk of the overall investment portfolio. Investment derivative levels and types are monitored to ensure that portfolio derivatives are consistent with the intended purpose and at the appropriate level.

All investment derivative instruments are reported at fair value on the statement of net position and the statement of fiduciary net position. The changes in the fair value of investment derivative instruments are reported as investment revenue in the operating statements. As of Aug. 31, 2014, TRS, PSF, UT, Texas A&M University System (A&M), Texas Tech University System (TTU) and VLB held investment derivatives (swaps, options, futures and forwards).

Forward foreign currency exchange contracts are

used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. The contracts are in the currency native to the security transactions for settlement date and are marked-to-market daily with the change in market value recorded as an unrealized gain or loss. Realized gain or loss is recorded at the closing of the contract. Risks associated with such contracts include the potential inability of the counterparties to meet the terms of their contracts and unanticipated

movements in currency exchange rates.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price and date. Futures

contracts are used to facilitate various trading strategies, primarily as a tool to hedge against the increase or decrease of market exposure to various asset classes. Upon entering into a futures contract, an initial margin deposit is pledged to the broker equal to a percentage of the contract amount. Contracts are marked-to-market, settled in cash with the broker and recorded as an unrealized gain or loss daily. The daily gain or loss difference is referred to as the daily variation margin. Realized gain or loss is recorded at the closing of the contract. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures. Accordingly, the amount of risk posed by the nonperformance of counterparties to futures contracts is minimal. Risks due to movements in the value of the futures contracts and the inability to close out futures contracts due to a non-liquid secondary market remain.

Options are used to alter market (systematic) exposure without trading the underlying cash market securities and to hedge and control risks so the actual risk/return profile is more closely aligned with the target risk/return profile. Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. With written options, market risk arises from an unfavorable change in the price of the derivative instrument, security or currency underlying the written option.

Swaps represent contracts that obligate two counterparties to exchange a series of cash flows at specified intervals. The ultimate gain or loss depends upon the price

or rate at which the underlying financial instrument of the swap is valued at the settlement date. Swaps are used to manage risk and enhance returns. As of Aug. 31, 2014, swap investments were interest rate, credit default, commodity, equity and total return swaps.

UT and VLB invested in pay-variable, receive-variable interest rate swap agreements that are reported as investment derivatives because they are ineffective hedges.

**Foreign Currency Risk:** TRS, UT and A&M have exposure to investment foreign currency risk in swaps, options, futures and forwards derivative investments. As of Aug. 31, 2014, derivative investments exposed to foreign currency risk are presented in the table below.

## Derivative Investments Exposed to Foreign Currency Risk

August 31, 2014 (Amounts in Thousands)

	Governmental and Business-Type Activities				Fiduciary Funds	
	Swaps	Options	Futures	Forwards	Swaps	Options
Australian Dollar	\$	\$ (25)	\$ (9)	\$ (1,300)	\$	\$
Brazilian Real	230	(403)		(2,435)		
British Pound	(363)		(8)	(207)	(70)	
Canadian Dollar			(30)	421		
Chilean Peso				(2,960)		
Chinese Yuan Renminbi				(202)		
Columbian Peso				4		
Czech Koruna				744		
Danish Krone				(15)		
Euro	36,110	7	(195)	4,099	(425)	764
Hong Kong Dollar					29	30
Hungarian Forint				117		
Indian Rupee				386		
Japanese Yen	1,481	(539)		2,861	791	
Malaysian Ringgit				212		487
Mexican Peso	282	(1)		1,047		
New Israel Shekel				131		
New Zealand Dollar				2,905		
Norwegian Krone				7		
Polish Zloty				1,257		
Russian Ruble				16		
Singapore Dollar				3		
South African Rand				(109)		
South Korean Won				4,006	202	
Swedish Krona				324	(36)	
Swiss Franc				874		
Taiwan Dollar				278	908	
Thai Baht				7		
Turkish Lira				(12)		
Total	<u>\$ 37,740</u>	<u>\$ (961)</u>	<u>\$ (242)</u>	<u>\$ 12,459</u>	<u>\$ 1,399</u>	<u>\$ 1,281</u>

**Credit Risk:** TRS and UT instituted policies to mitigate counterparty credit risk for investment derivatives by having master netting agreements and collateral posting arrangements. TRS and UT negotiated thresholds or limits for each counterparty above which collateral must be posted.

TRS' investment policy limits the net market value of all over-the-counter derivative positions, less collateral posted, to an amount not exceeding \$500 million for any individual counterparty.

UT requires collateral to be posted on a daily basis by the counterparty to cover exposure to a counterparty above the limits set in place by the master netting agreement. Collateral posted by counterparties is held by UT in one of its accounts at their custodian bank.

The aggregate fair value of investment derivative instruments in asset positions as of Aug. 31, 2014, was \$102 million. The investment derivative instruments were executed with counterparties that had a credit rating of no less than A using the Standard & Poor's rating scale. This represents the maximum amount of loss that would have been recognized as of Aug. 31, 2014, if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$33.8 million of collateral held and by \$54.9 million in liabilities included in netting arrangements with those counterparties, resulting in a \$13.3 million net exposure of investment derivative instruments to credit risk.

**Interest Rate Risk:** TRS, UT and VLB are exposed to interest rate risk on swap transactions. Investments in pay-variable, receive-variable interest rate swaps ranged from payment of 100 to 131.25 percent of Securities Industry and Financial Markets Association (SIFMA) and receipt of 82.04 to 103 percent of SIFMA or one month to three month London Interbank Offered Rate (LIBOR). Investments in pay-variable, receive-fixed inter-

est rate swaps ranged from payment of various foreign currency rates (Euro Interbank Offered Rate (EURIBOR), LIBOR, Mexican Interbank Rate or Brazil Cetip Interbank Deposit) and receipt of 0.25 to 10.91 percent. Investments in pay-fixed, receive-variable interest rate swaps ranged from receipt of various foreign currency rates (EURIBOR, LIBOR, Mexican Interbank Rate or Brazil Cetip Interbank Deposit) and payment of 1.5 to 11 percent. As of Aug. 31, 2014, the investment maturities for the state's swap contracts exposed to interest rate risk are presented in the table below.

### Derivative Investments Exposed to Interest Rate Risk

August 31, 2014 (Amounts in Thousands)

Investment Type	Investment Maturities (in years)					
	Fair Value	Less Than 1	1-5	6-10	11-15	More than 15
Interest Rate Swaps	\$29,644	\$9,324	\$7,491	\$(3,282)	\$(454)	\$16,565

### Investment Funds

Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers. Risks associated with these investments include investment manager risk, liquidity risk, market risk and leverage risk. Investment manager risk is substantially dependent upon key investment managers; therefore, the loss of those individuals may adversely impact the return on investment. Also, some investment funds are not subject to regulatory controls. Liquidity may be limited due to imposed lock-up periods, with penalties to redeem units or restricting redemption of shares until a certain period of time has elapsed. Investment funds may employ sophisticated investment strategies using leverage, which could result in the loss of invested capital. As of Aug. 31, 2014, the fair value of various investment funds was \$79 billion.

# Note 4

## Short-Term Debt

On Aug. 27, 2013 (with an issue date of Sept. 03, 2013), \$7.2 billion of the state of Texas Tax and Revenue Anticipation Notes, Series 2013, were sold to coordinate the cash flow of the state for fiscal 2014. Issuance of these notes enhanced the state's ability to make timely payment of expenditures payable from the general revenue fund. The Series 2013 notes were repaid during fiscal 2014, bore interest at 2 percent and were priced to yield 0.2008 percent.

On Aug. 26, 2014, the Comptroller's office sold approximately \$5.4 billion of the state of Texas Tax and Revenue Anticipation Notes, Series 2014, with an issue date of Sep. 03, 2014, and a maturity date of Aug. 31, 2015. The notes bear interest at 1.5 percent and were priced to yield 0.1326 percent. They are not subject to redemption prior to maturity. On Aug. 26, 2014, good faith funds in the amount of \$54 million were received. The balance of the \$5.4 billion was received on Sep. 03, 2014.

Also, during fiscal 2014, the Texas Department of Transportation issued Flexible Rate Revolving Notes

under its short-term borrowing program in the amount of \$250 million to cover cash management operations in the State Highway Fund, and \$100 million matured.

Texas Tech University System issued Commercial Paper Notes in the amount of \$78.7 million to serve as an interim financing source for long term construction projects in advance of issuing authorized bonds, and \$19.4 million matured.

The University of Houston System issued Commercial Paper Notes in the amount of \$54.4 million to finance various capital projects, and \$59.1 million matured.

The University of North Texas System issued Commercial Paper Notes, Series A in the amount of \$29.5 million to finance various capital projects, and \$10 million matured.

The University of Texas System issued Commercial Paper Notes in the amount of \$778.6 million to provide interim financing for capital improvements and to finance equipment purchases, and \$586.7 million matured.

Short-term debt activity for the fiscal year ended Aug. 31, 2014, is presented below.

### Short-Term Debt

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Beginning Balance 9/1/13	Issued	Reclassified *	Redeemed	Ending Balance 8/31/14
Tax and Revenue					
Anticipation Notes	\$	\$ 7,200,000	\$	\$ 7,200,000	\$
Commercial Paper		941,220	1,094,247	675,071	1,360,396
Flexible Rate Revolving Notes		250,000		100,000	150,000
	<u>\$ 0</u>	<u>\$ 8,391,220</u>	<u>\$ 1,094,247</u>	<u>\$ 7,975,071</u>	<u>\$ 1,510,396</u>

\* Reclassified from Long-Term Liabilities in fiscal 2013 to Short-Term Liabilities in fiscal 2014.

# Note 5

## Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended Aug. 31, 2014, is presented in the table below.

### Long-Term Liabilities Activity

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Balance 9/1/13	Restatements /Adjustments*	Additions**	Reductions	Balance 8/31/14	Amounts Due Within One Year	Amounts Due Thereafter
<b>GOVERNMENTAL ACTIVITIES</b>							
Claims and Judgments	\$ 128,283	\$	\$ 48,224	\$ 44,679	\$ 131,828	\$ 45,955	\$ 85,873
Capital Lease Obligations	2,388		33,354	2,063	33,679	4,141	29,538
Employees' Compensable Leave	735,628	7,434	1,003,249	964,077	782,234	542,640	239,594
Notes and Loans Payable	1,527,847	3,134	412,769	648,984	1,294,766	165,231	1,129,535
General Obligation Bonds Payable	12,089,019	5,457	1,639,560	1,681,920	12,052,116	534,751	11,517,365
Revenue Bonds Payable	4,099,579	143,256	1,458,689	1,039,980	4,661,544	186,141	4,475,403
Pollution Remediation Obligation	229,047	(642)	69,015	46,593	250,827	46,439	204,388
Governmental Activities Long-Term Liabilities	<u>\$ 18,811,791</u>	<u>\$ 158,639</u>	<u>\$ 4,664,860</u>	<u>\$ 4,428,296</u>	<u>\$ 19,206,994</u>	<u>\$ 1,525,298</u>	<u>\$ 17,681,696</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Claims and Judgments	\$ 57,382		\$ 17,131	\$ 14,318	\$ 60,195	\$ 22,009	\$ 38,186
Capital Lease Obligations	19,998		2,799	5,889	16,908	5,114	11,794
Employees' Compensable Leave	729,616	1,046	335,552	292,119	774,095	407,737	366,358
Notes and Loans Payable	2,322,436	(1,352,951)	1,907,522	736,521	2,140,486	39,699	2,100,787
General Obligation Bonds Payable	3,669,914	122,380	1,185,937	1,213,105	3,765,126	170,773	3,594,353
Revenue Bonds Payable	20,963,515	90,018	2,546,241	3,195,851	20,403,923	2,175,858	18,228,065
Pollution Remediation Obligation	30			30			
Liabilities Payable From Restricted Assets	3,292,691		135,847	335,676	3,092,862	509,155	2,583,707
Business-Type Activities Long-Term Liabilities	<u>\$ 31,055,582</u>	<u>\$ (1,139,507)</u>	<u>\$ 6,131,029</u>	<u>\$ 5,793,509</u>	<u>\$ 30,253,595</u>	<u>\$ 3,330,345</u>	<u>\$ 26,923,250</u>
<b>COMPONENT UNITS</b>							
Capital Lease Obligations	\$ 76	\$	\$ 10	\$ 67	\$ 19	\$ 13	\$ 6
Employees' Compensable Leave	6,094	(3,343)	800	777	2,774	1,703	1,071
Notes and Loans Payable	44,337	(2,740)	200	10,862	30,935	11,999	18,936
Revenue Bonds Payable	195,218	(508)		44,806	149,904	1,985	147,919
Component Units Long-Term Liabilities	<u>\$ 245,725</u>	<u>\$ (6,591)</u>	<u>\$ 1,010</u>	<u>\$ 56,512</u>	<u>\$ 183,632</u>	<u>\$ 15,700</u>	<u>\$ 167,932</u>

\* Includes current year amortization of premiums and discounts.

\*\* Includes current year amortization of accretion.

Claims and judgments are payments on behalf of the state, its agencies and employees for various legal proceedings, self-insurance and workers' compensation claims. Tort claims are covered under the Texas Tort Claims Act. Numerous miscellaneous claims are covered under the Miscellaneous Claims Act for legal liabilities against the state for which no appropriation otherwise exists. Individual claims above \$50 thousand or numer-

ous separate claims from the same individual or entity that in total exceed \$50 thousand must be approved by the Legislature before being paid. Claims are paid from one or more of approximately 50 governmental funds. Workers' compensation claims are usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

## Notes and Loans Payable Debt Service Requirements Governmental Activities

(Amounts in Thousands)

Year	Principal	Interest	Total
2015	\$ 165,231	\$ 3,953	\$ 169,184
2016	198,965	3,507	202,472
2017	197,454	2,969	200,423
2018	190,503	2,685	193,188
2019	190,423	2,217	192,640
2020 - 2024	624,993	5,907	630,900
2025 - 2029	46,684	2,729	49,413
2030 - 2034	5,625	1,041	6,666
2035 - 2039	1,125	6	1,131
Total Requirements	1,621,003	25,014	1,646,017
Unamortized Accretion	(326,237)		(326,237)
Total Requirements	<u>\$ 1,294,766</u>	<u>\$ 25,014</u>	<u>\$ 1,319,780</u>

## Notes and Loans Payable Debt Service Requirements Business-Type Activities

(Amounts in Thousands)

Year	Principal	Interest	Total
2015	\$ 39,699	\$ 64,715	\$ 104,414
2016	52,541	71,488	124,029
2017	754,765	65,883	820,648
2018	8,475	52,584	61,059
2019	8,148	54,647	62,795
2020 - 2024	42,841	315,486	358,327
2025 - 2029	142,018	348,866	490,884
2030 - 2034	261,991	306,486	568,477
2035 - 2039	446,098	224,358	670,456
2040 - 2044	516,220	59,976	576,196
Total Requirements	2,272,796	1,564,489	3,837,285
Unamortized Accretion	(132,310)		(132,310)
Total Requirements	<u>\$ 2,140,486</u>	<u>\$ 1,564,489</u>	<u>\$ 3,704,975</u>

## Notes and Loans Payable Debt Service Requirements Component Units

(Amounts in Thousands)

Year	Principal	Interest	Total
2015	\$ 11,999	\$ 106	\$ 12,105
2016	3,346	89	3,435
2017	5,098	161	5,259
2018	4,775	146	4,921
2019	1,963	129	2,092
2020 - 2024	3,185	365	3,550
2025 - 2029	569	35	604
Total Requirements	<u>\$ 30,935</u>	<u>\$ 1,031</u>	<u>\$ 31,966</u>

Capital lease obligations are described in detail in Note 8.

Employees' compensable leave is the state's liability for all unused vacation and unpaid overtime accrued by employees, payable as severance pay under specified conditions. This obligation is paid only at the time of termination, usually from the same funding source(s) from which the employee's salary or wage compensation was paid.

Notes and loans payable consist of amounts used to purchase capital equipment. Other uses include the acquisition, construction and renovation of other capital assets, including the interim financing of higher education projects; software/database acquisition and development; refinancing of existing debt; and the funding of agency specific missions such as economic development projects and pest eradication programs. The Texas Department of Transportation (TxDOT) entered into pass-through toll agreements with local entities as a means of financing state highway capital improvements and maintenance. In fiscal 2014, TxDOT recognized \$128.5 million as a long-term liability for pass-through toll payables related to highway projects constructed under pass-through financing agreements. See Note 15 for additional details. Debt service requirements for notes and loans payable in the long-term liabilities are presented in the tables to the left.

General obligation bonds and revenue bonds are described in detail in Note 6.

Long-term liabilities associated with the acquisition of restricted assets or long-term liabilities that will be liquidated with restricted assets are classified as liabilities payable from restricted assets.

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## *Pollution Remediation Obligations*

Pollution remediation obligations are recognized in the financial statements for existing pollution sites after the occurrence of one or more of the following events:

- The pollution creates an imminent endangerment to public health or the environment.
- The state is in violation of a pollution prevention-related permit or license.
- The state is named as a potentially responsible party by a regulator.
- The state is named in a lawsuit that compels it to participate in remediation.
- The state has commenced, or legally obligated itself to commence, cleanup activities.

Under applicable accounting standards, estimated expected recoveries from insurance policies and other responsible parties that are not yet realizable in the financial statements reduce the measurement of the pollution remediation obligation liability. A realized or realizable recovery involves the acknowledgment or recognition by the third party of its responsibility. Realized or realizable recoveries are recognized as assets. Recoveries from the federal government are considered nonexchange transactions and do not reduce the liability measurement, but are recognized separately as revenues when realizable. As of Aug. 31, 2014, the amount expected to offset state remediation costs could not reasonably be estimated.

***Federal Regulatory Cleanup Requirements:*** Pollution remediation obligations are associated with projects initiated under federal regulatory requirements. Applicable federal laws and regulations include the Comprehensive Environmental Response, Compensation and Liability Act (also known as Superfund), the National Emissions Standards for Hazardous Air Pollutants and U.S. Environmental Protection Agency Class V Wells regulations.

The Superfund obligation estimates are based on budgeted projects to cover necessary activities for the

upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. Other obligations are calculated based on contractor estimates or historical costs as applicable.

Federal reimbursements are expected to offset a portion of these expected costs. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

***State Regulatory Cleanup Requirements:*** Other pollution remediation obligations are associated with cleanups required under state of Texas law. The Texas Commission on Environmental Quality (TCEQ) operates as a regulatory agency to ensure cleanups are conducted within applicable state laws and regulations contained in the Texas Administrative Code, Title 30; Texas Water Code; Texas Health and Safety Code; Texas Occupations Code; and Texas Natural Resources Code.

***Major Remediation Activity:*** TCEQ oversees the cleanup of leaking petroleum storage tanks (LPST). Cleanup costs are paid by the owners' environmental liability insurance or other financial assurance mechanisms or from their own funds. If the responsible party is unknown or is unwilling or financially unable to do the work, state and federal funds are used to pay for the corrective actions. Revenue is generated from a fee on the delivery of petroleum products removed from bulk storage facilities. State statutes allow cost recovery from the current owner or any previous responsible owner; however, to date this has not been necessary. At Aug. 31, 2014, there were 395 active State Lead sites, with a total estimated pollution remediation obligation of \$37 million. The amount of the estimated pollution remediation assumes that there will be no major increases in the cost of providing these cleanup services.

The TCEQ Superfund Section includes the State Superfund, Federal Superfund, Superfund Site Discovery and Assessment (SSDAP) and the Prelimi-

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nary Assessment/Site Inspection (PA/SI) Programs. On behalf of TCEQ, the Section identifies, ranks, and addresses sites contaminated with hazardous substances, which no parties are willing to address through a permit, corrective action, voluntary cleanup or enforcement program. These sites are identified through referral from internal and external groups such as TCEQ Enforcement, TCEQ Regional Offices, TCEQ Water Supply Division, public complaints and the United States Environmental Protection Agency (EPA).

Site estimates may change drastically from one year to another as the investigations progress and a better understanding of site conditions is obtained. The estimate of liabilities is limited to sites that have been, or are, being assessed and ranked for the Superfund program. Cost recovery activities during fiscal 2014 resulted in collections of \$1.8 million.

At the end of fiscal 2014, Texas had 64 sites with Pollution Remediation Obligations in the State and Federal Superfund programs and seven sites that required an immediate response or removal action. The current total Superfund liability, as of Aug. 31, 2014, is \$159.8 million.

TCEQ is responsible for collecting fees for a remediation fund designed to help pay for the cleanup of contaminated dry cleaner sites. The fees are generated from the annual registration of facilities and drop stations, as well as from the sale of perchloroethylene and other dry cleaning solvents. TCEQ receives applications for remediation, and then ranks and prioritizes them for corrective action. Legislation in 2007 established requirements for property owners and preceding property owners who wish to claim benefits from the remediation fund, and authorized a lien against property owners and preceding property owners who fail to pay registration fees due during corrective action. No additional cost recovery is allowed by statute.

The Railroad Commission of Texas (Commission) currently has two areas of remediation: abandoned oil and gas wells and mines. Under Texas Natural Resource Code, Section 89.043, the Commission may plug abandoned wells if the wells will cause or are likely to cause a serious threat of pollution or injury to the public health. The Commission has 17 active well plugging projects as of Aug. 31, 2014, with an estimated cost of \$5.5 million. Under Texas Natural Resource Code, Section 91.113, the Commission may clean up abandoned oil and gas sites that are causing or are likely to cause the pollution of surface or subsurface water. The Commission has eight active site remediation projects as of Aug. 31, 2014, with an estimated cost of \$1 million. Funding for these programs come from regulatory and permit fees paid by the oil and gas industry.

Under the Texas Surface Coal Mining and Reclamation Act, the Commission administers funds from the U.S. Department of the Interior for the Abandoned Mine Land Reclamation Program. The Commission has one grading project as of Aug. 31, 2014, with an estimated cost of \$2.8 million.

The Commission enters into contracts with third parties for abandoned site remediation and abandoned well plugging. These contracts are used to estimate the amount of the plugging and pollution remediation obligation. Cost recoveries from the responsible parties are deposited into the Oil and Gas Regulation and Cleanup fund. These reimbursements are unanticipated and not budgeted.

TxDOT is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. The areas of remediation include compliance with asbestos regulations, compliance with Federal Safe Drinking Water Act, and compliance with state LPST cleanup at an estimated cost of \$3.7 million.

# Note 6

## Bonded Indebtedness

### Description of Bond Issues

The state of Texas had 462 bond issues outstanding as of Aug. 31, 2014. Scheduled debt service payments from the general revenue fund for fiscal 2014 totaled \$564.4 million.

#### Information on Bond Issuances

August 31, 2014

Description of Issue	Bond Issues Outstanding		Range of Interest Rates		Maturities		First Call Date
	Number	Amount Issued (in Thousands)	Lowest	Highest	First Year	Last Year	
<b>GOVERNMENTAL ACTIVITIES</b>							
General Obligation Bonds	71	\$ 14,995,189	0.21	6.07	1998	2045	05-18-2005
Revenue Bonds	22	6,619,285	2.50	7.25	1991	2034	02-01-2001
Governmental Activities Total	<u>93</u>	<u>21,614,474</u>					
<b>BUSINESS-TYPE ACTIVITIES</b>							
General Obligation Bonds	76	4,658,444	0.23	6.60	1995	2047	02-24-1994
Revenue Bonds	279	26,765,347	0.30	15.00	1999	2054	05-04-1995
Business-Type Activities Total	<u>355</u>	<u>31,423,791</u>					
<b>COMPONENT UNITS</b>							
Revenue Bonds	<u>14</u>	<u>1,231,167</u>	2.70	6.10	1986	2041	10-08-1986
Total	<u>462</u>	<u>\$ 54,269,432</u>					

#### Changes in Bonds Payable

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Bonds Outstanding 9/1/13	Adjustments *	Bonds Issued**	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 8/31/14	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>							
General Obligation Bonds	\$ 12,089,019	\$ 5,457	\$ 1,639,560	\$ 389,815	\$ 1,292,105	\$ 12,052,116	\$ 534,751
Revenue Bonds	4,099,579	143,256	1,458,689	174,925	865,055	4,661,544	186,141
Governmental Activities Total	<u>16,188,598</u>	<u>148,713</u>	<u>3,098,249</u>	<u>564,740</u>	<u>2,157,160</u>	<u>16,713,660</u>	<u>720,892</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
General Obligation Bonds	3,669,914	122,380	1,185,937	149,455	1,063,650	3,765,126	170,773
Revenue Bonds	20,963,515	90,018	2,546,241	761,600	2,434,251	20,403,923	2,175,858
Business-Type Activities Total	<u>24,633,429</u>	<u>212,398</u>	<u>3,732,178</u>	<u>911,055</u>	<u>3,497,901</u>	<u>24,169,049</u>	<u>2,346,631</u>
<b>COMPONENT UNITS</b>							
Revenue Bonds	<u>195,218</u>	<u>(508)</u>		<u>43,186</u>	<u>1,620</u>	<u>149,904</u>	<u>1,985</u>
Total	<u>\$ 41,017,245</u>	<u>\$ 360,603</u>	<u>\$ 6,830,427</u>	<u>\$ 1,518,981</u>	<u>\$ 5,656,681</u>	<u>\$ 41,032,613</u>	<u>\$ 3,069,508</u>

\* Includes current year amortization of premiums and discounts.

\*\* Includes current year amortization of accretion.

## Debt Service Requirements

(Amounts in Thousands)

GOVERNMENTAL ACTIVITIES						
Year	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 482,985	\$ 512,075	\$ 995,060	\$ 162,130	\$ 203,620	\$ 365,750
2016	401,870	510,753	912,623	165,075	196,060	361,135
2017	374,165	494,108	868,273	167,335	188,234	355,569
2018	382,460	478,128	860,588	171,635	180,214	351,849
2019	404,815	461,204	866,019	169,990	171,901	341,891
2020 – 2024	1,985,155	2,035,792	4,020,947	1,085,130	724,513	1,809,643
2025 – 2029	2,230,555	1,534,414	3,764,969	1,504,990	420,295	1,925,285
2030 – 2034	2,264,050	992,706	3,256,756	1,007,855	98,971	1,106,826
2035 – 2039	2,601,005	461,152	3,062,157			
2040 – 2044	212,605	19,049	231,654			
2045 – 2049	45,000	24	45,024			
	11,384,665 *	7,499,405	18,884,070	4,434,140 *	2,183,808	6,617,948
Accretion	(326)		(326)			
Premium	668,205		668,205	227,404		227,404
Discount	(428)		(428)			
Total	\$ 12,052,116	\$ 7,499,405	\$ 19,551,521	\$ 4,661,544	\$ 2,183,808	\$ 6,845,352

BUSINESS-TYPE ACTIVITIES						
Year	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 166,594	\$ 73,496	\$ 240,090	\$ 2,075,320	\$ 797,531	\$ 2,872,851
2016	174,527	69,723	244,250	854,180	757,831	1,612,011
2017	188,670	66,967	255,637	1,061,319	718,142	1,779,461
2018	185,850	63,893	249,743	902,309	678,573	1,580,882
2019	198,990	60,616	259,606	828,555	641,071	1,469,626
2020 – 2024	947,655	250,072	1,197,727	3,340,399	2,764,362	6,104,761
2025 – 2029	810,020	156,122	966,142	3,123,101	2,186,885	5,309,986
2030 – 2034	558,030	90,810	648,840	2,570,591	1,618,319	4,188,910
2035 – 2039	323,245	42,380	365,625	2,712,241	1,154,060	3,866,301
2040 – 2044	139,940	6,570	146,510	1,795,671	607,446	2,403,117
2045 – 2049	3,994	416	4,410	538,946	378,283	917,229
2050 – 2054				1,197,881	157,887	1,355,768
	3,697,515 *	881,065	4,578,580	21,000,513 *	12,460,390	33,460,903
Accretion	(100)		(100)	(1,305,100)		(1,305,100)
Premium	67,711		67,711	728,087		728,087
Discount				(19,577)		(19,577)
Total	\$ 3,765,126	\$ 881,065	\$ 4,646,191	\$ 20,403,923	\$ 12,460,390	\$ 32,864,313

COMPONENT UNITS			
Year	Revenue Bonds		
	Principal	Interest	Total
2015	\$ 1,985	\$ 4,932	\$ 6,917
2016	2,659	6,369	9,028
2017	2,799	6,245	9,044
2018	2,972	6,112	9,084
2019	3,131	5,967	9,098
2020 – 2024	18,461	27,260	45,721
2025 – 2029	24,400	21,770	46,170
2030 – 2034	33,747	14,972	48,719
2035 – 2039	41,283	6,081	47,364
2040 – 2044	10,841	398	11,239
	142,278 *	100,106	242,384
Premium	7,626		7,626
Total	\$ 149,904	\$ 100,106	\$ 250,010

\* Includes accretion adjustments on deep discount bonds.

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## *General Obligation Bonds – General Comments*

The Texas Constitution authorizes the state to issue several types of general obligation bonds. Each issue of general obligation bonds is designed to be self-supporting from a primary revenue source related to the program being financed, except for the general obligation bonds of the Texas Public Finance Authority, the Water Development Board, the Constitutional Appropriation Bonds and the Texas Transportation Commission highway improvement bonds.

The purpose and primary pledged revenue sources of each type of general obligation bond are summarized below.

The **Texas Higher Education Coordinating Board** issues bonds for educational loans to eligible Texas college students. Payments received on the loan contracts are applied to debt service on the bonds.

The **Texas Parks and Wildlife Department** issues bonds to finance the acquisition and development of state park sites. Park entrance fees, sporting goods sales tax revenue and investment earnings are applied to debt service on the bonds.

The **Texas Public Finance Authority** issues general obligation bonds to finance the acquisition, construction or renovation of buildings for the use of state agencies and institutions of higher education and to fund cancer research. The Texas Public Finance Authority is also authorized to issue general obligation bonds to assist local government economic development projects to enhance the value of military facilities. The bonds are payable from state appropriations.

The **Texas Water Development Board** issues bonds to provide financial assistance to political subdivisions for water conservation and development, water quality enhancement projects and flood control projects. Debt service payments are funded by principal and interest received on loans to political subdivisions, repayments of purchased water storage contracts, earnings on temporary investments and general revenues.

The **Veterans Land Board** issues bonds to provide funds to loan to eligible Texas veterans for the purchase of land, housing or home improvements. Principal and interest payments on loans, plus investment earnings, are the primary source of repayment for bonds.

The **Texas Department of Transportation**, through the Texas mobility fund, issues general obligation bonds to pay or reimburse the state highway fund for the payment of part of the costs of constructing, reconstructing, acquiring and expanding state highways. In addition, the bond proceeds provide funds for participation by the state in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects. Sources of pledged revenue for the Texas mobility fund include the United We Stand license plate fees, investment income, motor vehicle inspection fees, driver record information fees, driver license fees and certificate of title fees. Debt service for highway improvement bonds is provided by the state's general revenue.

**Constitutional Appropriation Bonds** are issued in support of the construction programs of institutions of higher education not benefiting from the permanent university fund, which is dedicated to the University of Texas System and Texas A&M University System. Debt service payments on bonds issued are limited to the \$131.3 million in general revenue funds available for debt service each year.

The **Economic Development and Tourism Office**, a division within the Office of the Governor, issues general obligation bonds to provide financial assistance to export businesses, promote domestic business development, provide loans to finance the commercialization of new and improved products and processes, and provide loans to defense-related communities for economic development projects. Debt service payments are funded from revenues of the Economic Development and Tourism Office, primarily from the repayment of loans and the disposition of debt instruments.

## General Obligation Bonds – Authorized But Unissued

The Texas Constitution limits the amount of bonds that can be issued in any of the general obligation categories. As of Aug. 31, 2014, the amounts of general obligation bonds, other than Constitutional Appropriation Bonds, authorized but unissued, are presented in the table below.

<b>General Obligation Bonds Authorized But Unissued</b>	
(Amounts in Thousands)	
<b>SELF-SUPPORTING</b>	
Texas Agricultural Finance Authority Bonds	\$ 46,000
Farm and Ranch Loan Bonds	475,000
Veterans Land and Housing Bonds	1,551,634
Water Development Bonds	6,360,469
College Student Loan Bonds	1,322,540
Texas Military Value Revolving Loan Fund	200,405
Total	<u>9,956,048</u>
<b>NOT SELF-SUPPORTING</b>	
Agricultural Water Conservation Bonds	164,840
Texas Public Finance Authority Bonds	2,669,547
Transportation Commission Transportation Bonds	2,901,360
Water Development Bonds - Economically Distressed Areas Program	151,976
Total	<u>5,887,723</u>
Total General Obligation Bonds	<u>\$ 15,843,771</u>

## Revenue Bonds – General Comments

Each series of revenue bonds is backed by the pledged revenue sources and restricted funds specified in the bond resolution. The purpose and primary pledged revenue sources of each type of revenue bond are summarized below.

### Self-Supporting

The **Veterans Land Board** issues bonds to assist in the construction of skilled nursing care facilities for veterans and to make land and home mortgage loans to veterans. The bonds are limited and special revenue obligations payable solely from the income, revenues, receipts and collateral pledged under the related trust indentures.

The **Texas Department of Housing and Community Affairs** issues bonds to assist in financing the purchase of homes by, or the construction of rental housing for, families with very low to moderate incomes and persons with special needs. Loan payments provide the revenues for debt service payments. The agency also issued taxable bonds for investment in collateralized mortgage obligations of federal agencies, to finance mortgage loans and to carry out financial assistance programs.

The **Texas Water Development Board** issues bonds for the Texas water resources fund (inactive) and the state water pollution control revolving fund. The proceeds are used to provide financial assistance to political subdivisions for water quality enhancement purposes. Principal and interest repayments from political subdivision loans are pledged for debt service requirements of the bonds.

University of Texas System and Texas A&M University System issue **Permanent University Fund** bonds to build, equip or buy buildings or other permanent improvements. The Texas Constitution limits each system's permanent university fund debt to an amount not to exceed 20 percent and 10 percent, respectively, of the cost value of permanent university fund assets, excluding real estate. Revenue from investments of the permanent university fund is pledged to secure the payment of principal and interest. The cost value of permanent university fund assets as of Aug. 31, 2014, excluding real estate, was \$13.8 billion. A comparison between the legal debt limits and the actual bonds outstanding at that date is presented in the table below.

<b>Permanent University Fund Bonds</b>			
(Amounts in Thousands)			
	<u>Legal Debt Limits</u>	<u>Actual Bonds Payable</u>	<u>Authorized But Unissued</u>
University of Texas System	\$ 2,755,082	\$ 1,602,470	\$ 1,152,612
Texas A&M University System	<u>1,377,541</u>	<u>810,430</u>	<u>567,111</u>
Total	<u>\$ 4,132,623</u>	<u>\$ 2,412,900</u>	<u>\$ 1,719,723</u>

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**Miscellaneous College and University Revenue Bonds** are issued to provide funds to acquire, construct, improve, enlarge and equip property, buildings, structures or facilities. The revenue bonds issued by each institution's governing board are secured by the pledged revenue of the respective institutions and are not an obligation of the state of Texas.

The Office of the Governor is the oversight agency for the **Texas Small Business Industrial Development Corporation**, a discretely presented component unit of the state. The Texas Small Business Industrial Development Corporation bond program provides financing to state and local governments and to businesses and non-profit corporations for the purchase of land, facilities and equipment for economic development. The bonds are not an obligation of the state and are payable from the repayment of loans and investment earnings on the bond proceeds. Remaining bonds were redeemed in Jan. 2014.

The **Texas Department of Transportation** issues revenue bonds to finance state highway improvement projects. Pledged revenues include all revenues deposited to the credit of the state highway fund, including dedicated registration fees, dedicated taxes, dedicated federal revenues, amounts collected or received pursuant to other state highway fund revenue laws and any interest or earnings from the investment of these funds.

The **Texas Transportation Commission** issued bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System located in the greater city of Austin metropolitan area in Travis and Williamson counties. The bond obligations are payable from and secured solely by a first lien on and pledge of the trust estate.

The **Texas Workforce Commission** issued revenue bonds to fund the workers' compensation insurance fund. The bond obligations are secured by a special obligation assessment imposed on Texas employers.

### Not Self-Supporting

The following revenue bonds are supported by pledged lease or rental revenue derived from contracts with other state agencies, which in turn comes from legislative appropriations.

The **Texas Military Department**, previously named the Adjutant General's Department, assumed the Texas Military Facilities Commission's responsibilities on Sept. 1, 2007. The Texas Military Facilities Commission's title to facilities, rental and other income pledged to the bonds was transferred to the Texas Public Finance Authority. Title will pass to the Texas Military Department upon final discharge of all bond obligations. Bonds are issued for the construction, expansion and renovation of armories. The bonds are payable from certain pledged revenues, primarily rentals from the Texas Military Department. As of Aug. 31, 2014, the bond obligations were still outstanding.

The **Texas Public Finance Authority** issues bonds to finance the acquisition of real property and to construct, equip or renovate buildings for the use of state agencies and institutions of higher education. The bonds are payable from specified pledged revenues, collected primarily from occupant-agency rentals.

The **Texas Parks and Wildlife Department** issues bonds for infrastructure repairs and construction. The bonds are payable from rent payments, funded by state appropriations, made by the Texas Parks and Wildlife Department to the Texas Public Finance Authority.

## Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure revenue bonds. The table below provides information on pledged revenue and pledged future revenue for the state's revenue bonds.

	<b>Pledged Future Revenue</b>			
	(Amounts in Thousands)			
	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>		
	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units</b>
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 10,271,800	\$ 6,617,948	\$ 33,461,762	\$ 242,384
Current Year Pledged Revenue	422,879	7,498,180	16,052,498	145,536
Current Year Principal and Interest Paid	346,106	371,027	1,617,605	49,928
Term of Commitment Fiscal Year Ending August 31,	2039	2034	2054	2041
Percentage of Revenue Pledged	100%	100%	100%	100%

## Build America Bonds

The American Recovery and Reinvestment Act (ARRA) of 2009 was implemented in February 2009. As part of this federal legislation, a new bond program called Build America Bonds (BABs) was created. Authority to issue BABs expired on Dec. 31, 2010.

The Texas Department of Transportation, the University of Texas System, the Texas Public Finance Authority and the University of Houston System had \$3.5 billion, \$1.7 billion, \$181.8 million and \$80 million of Direct Payment BABs outstanding, respectively, as of Aug. 31, 2014.

Under the Budget Control Act of 2011, across-the-board sequestration took effect on March 1, 2013. This resulted in the 35% federal subsidy for BABs interest payments being reduced to 32.34%, or a 7.6% reduction. Effective Oct. 1, 2014, the subsidy has been adjusted to 32.4%.

## Variable Rate Bonds

Eight state agencies had a total of 90 variable rate bond issues with outstanding balances as of Aug. 31, 2014. Most of the issues' interest rates reset every seven days. The remaining issues' interest rates reset daily or monthly. The potential volatility for related debt service increases with these interest rate reset provisions.

## Demand Bonds

The Office of the Governor, the Veterans Land Board, the Texas Department of Housing and Community Affairs, the Texas Department of Transportation, the Texas Water Development Board, the University of Houston System and the University of Texas System had outstanding demand bonds as of Aug. 31, 2014.

A bond holder may tender any of these bonds for repurchase prior to maturity, usually every seven days.

Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under a letter of credit, liquidity agreement or standby purchase agreement of the respective agency until such time as the remarketing is finalized. As of Aug. 31, 2014, there were no purchased bonds held by liquidity providers under the terms of the various agreements. Details are presented in the table below and on the following page.

	Number of				Principal Balance Outstanding (In Thousands)
	Demand Bond Issues	Standby Purchase Agreements	Letters of Credit	Other	
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds					
Texas Department of Transportation	2	3 (a)			\$ 220,740
Office of the Governor	2		2 (c)		45,000
Total	<u>4</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>265,740</u>
Revenue Bonds					
Texas Department of Transportation	1	1 (a)			100,000
Total	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>100,000</u>
Governmental Activities Total	<u>5</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>\$ 365,740</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds					
Veterans Land Board	27	27 (a)			\$ 1,362,030
Total	<u>27</u>	<u>27</u>	<u>0</u>	<u>0</u>	<u>1,362,030</u>
Revenue Bonds					
University of Texas System	3			3 (b)	1,276,600
Texas Department of Housing and Community Affairs	7	7 (a)			237,255
Texas Water Development Board	1	1 (a)			48,683
University of Houston System	1			1 (b)	4,895
Total	<u>12</u>	<u>8</u>	<u>0</u>	<u>4</u>	<u>1,567,433</u>
Business-Type Activities Total	<u>39</u>	<u>35</u>	<u>0</u>	<u>4</u>	<u>\$ 2,929,463</u>

(a) – See Demand Bonds - Standby Purchase Agreements table.  
(b) – In the event redeemed bonds are not remarketed, internal funds of the agency are available for redemption.  
(c) – In the event redeemed bonds are not remarketed, a standby letter of credit with National Australia Bank will be used until remarketed.

## Demand Bond – Standby Purchase Agreements

August 31, 2014

Counterparties	Number of Secured Bond Issue Agreements	Annual Liquidity Fee	Agreement Termination Date
Banco Bilbao Vizcaya Argentaria, S.A.	1	0.0875%	11/07/16
Bank of America, NA	1	0.3200%	02/24/17
Bank of New York Mellon	1	0.3000%	08/18/16
Bank of Tokyo-Mitsubishi UFJ	1	0.3500%	08/24/18
Bank of Tokyo-Mitsubishi UFJ	2	0.5250%	07/31/15
California Public Employees Retirement System	1	0.1500%	12/13/16
J.P. Morgan Chase Bank	1	0.3300%	04/27/16
J.P. Morgan Chase Bank	1	0.3800%	03/07/17
J.P. Morgan Chase Bank	2	0.3800%	06/30/17
Landesbank Hessen-Thuringen Girozentrale	3	0.4000%	12/31/15
Royal Bank of Canada	1	0.3000%	03/01/15
State Street Bank and Trust Company	1	0.1500%	12/13/16
State Street Bank and Trust Company	3	0.2950%	11/17/14
State Street Bank and Trust Company	2	0.2950%	04/03/15
State Street Bank and Trust Company	1	0.3750%	05/22/15
Sumitomo Mitsui Banking Corp	2	0.5000%	08/12/15
Sumitomo Mitsui Banking Corp	1	0.5000%	11/01/15
Sumitomo Mitsui Banking Corp	1	0.5000%	03/20/16
Texas Comptroller of Public Accounts*	4	0.1200%	08/31/14 **
Texas Comptroller of Public Accounts*	7	0.1200%	01/31/15
Wells Fargo Bank, NA	1	0.4900%	12/14/14
Wells Fargo Bank, NA	1	0.4900%	08/01/15
<b>Total</b>	<b>39</b>		

\* Treasury Operations Division of the Texas Comptroller of Public Accounts

\*\* Agreements continued with Bank of Tokyo-Mitsubishi UFJ.

Takeout agreements are used by the Texas Department of Transportation to provide an alternative debt instrument to replace any repurchased bonds that were not remarketed within the prescribed time constraints. The table below provides the estimated impact of such an event.

## Demand Bonds – Takeout Agreement Provisions

August 31, 2014

	Estimated Debt Service (In Thousands)	Rate	Basis
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds			
Texas Department of Transportation			
Texas Mobility Fund Bonds			
Series 2005B	\$ 81,340 (a)	10.00%	2% + the greater of: Bank Prime rate + 1.5%, Daily Fed Fds Rate + 2% or 8%
Series 2006B	170,095 (b)	8.50%	1% + the greater of: 3.0% + Daily Fed Fds Rate or Bank prime rate + 2% or 7.5%
Revenue Bonds			
Texas Department of Transportation			
State Highway Fund Revenue Bonds			
Series 2006B	109,186 (c)	5.25%	2% + the greater of: 0.5% + Daily Fed Fds Rate or Bank prime rate
<b>Total</b>	<b>\$ 360,621</b>		

(a) – Replacement debt is subject to quarterly payments over three years starting the first day of the third month of that period.

(b) – Replacement debt is subject to quarterly payments over three years starting the first day of the first month of that period.

(c) – Replacement debt is subject to quarterly payments over three years starting the first day of the sixth month of that period.

## Early Extinguishment of Debt

The table to the right presents early debt extinguishments in fiscal 2014. The source of funds used for the extinguishments included loan repayments and other available funds.

## Refunding

The table below summarizes bonds refunded during fiscal 2014 to lower interest rates or to restructure debt service requirements for cash management purposes.

Non-economic refunding transactions were undertaken to take advantage of unique opportunities provided by several large institutional investors. These transactions resulted in the conversion of outstanding taxable floating-rate bonds that reset weekly through a remarketing process

## Early Extinguished Debt Issues

(Amounts in Thousands)

### GOVERNMENTAL ACTIVITIES

General Obligation Bonds	
Texas Department of Transportation	\$ 150,000

Government Activities Total	<u>\$ 150,000</u>
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### BUSINESS-TYPE ACTIVITIES

General Obligation Bonds	
Texas Water Development Board	\$ 24,005
Veterans Land Board	295

Revenue Bonds	
Texas Department of Housing and Community Affairs	241,241
Texas Workforce Commission	116,810
Texas Water Development Board	11,995
Stephen F. Austin State University	3,540
University of Houston System	<u>325</u>

Business-Type Activities Total	<u>\$ 398,211</u>
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### COMPONENT UNITS

Revenue Bonds	
Office of the Governor	\$ 1,620

Component Units Total	<u>\$ 1,620</u>
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## Refunding Issues

(Amounts in Thousands)

	Types of Refunding	Par Value of Refunding Issue*	Par Value Refunded	Cash Flow Difference Increase (Decrease)	Economic Gain
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds					
Texas Department of Transportation	Advanced Refunding	\$ 973,775	\$ 1,072,450	\$ 153,689	\$ 120,196
Texas Public Finance Authority	Current Refunding	40,370	44,870	6,886	6,268
Texas Water Development Board	Current Refunding	15,095	15,095	2,074	1,719
Revenue Bonds					
Texas Department of Transportation	Advanced Refunding	799,170	865,055	101,762	82,894
Governmental Activities Total		<u>1,828,410</u>	<u>1,997,470</u>	<u>264,411</u>	<u>211,077</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds					
Veterans Land Board	Current Refunding	914,990	914,990	(a)	(a)
Texas Water Development Board	Current Refunding	120,760	124,360	25,865	12,108
Revenue Bonds					
Texas Department of Transportation	Current Refunding	924,195	943,330	107,380	113,224
Texas Workforce Commission	Advanced Refunding	556,302	554,750	20,017	19,493
Texas Workforce Commission	Current Refunding	153,483	153,055	4,715	4,592
University of Texas System	Current Refunding	221,580	240,775	41,592	25,852
Texas A&M University System	Current Refunding	71,440	76,965	8,942	8,354
University of Houston System	Advanced Refunding	30,110	31,945	3,117	2,640
Stephen F. Austin State University	Current Refunding	22,255	23,910	1,867	1,590
Texas State University System	Current Refunding	21,755	23,435	3,173	2,575
Texas Woman's University	Current Refunding	12,370	12,175	96	1,214
Business-Type Activities Total		<u>3,049,240</u>	<u>3,099,690</u>	<u>216,764</u>	<u>191,642</u>
Total		<u>\$ 4,877,650</u>	<u>\$ 5,097,160</u>	<u>\$ 481,175</u>	<u>\$ 402,719</u>

(a) These non-economic refunding transactions are discussed in more detail in the Refunding narrative.

\* Other funds totaling approximately \$9.7 million were used to refund/defease additional bonds.

into taxable indexed floaters which reset monthly at 1-month LIBOR plus a fixed spread.

The transactions eliminated the need for liquidity facilities and remarketing services with regard to the refunding bonds and freed up to \$300 million in existing liquidity facilities for use in conjunction with future new-money transactions. The investors agreed to make the amortization of the refunding bonds generally match that of the refunded bonds, eliminating the pricing, market access and counterparty risk associated with having to extend or negotiate new liquidity facilities three or more times over the next 10 years.

### Defeased Bonds

Texas defeased various bond issues by placing funds in irrevocable trusts with external financial institutions to provide for all future debt service payments on the old bonds. As of Aug. 31, 2014, the amounts of defeased bonds, at par, that remain outstanding for all bond issuers are presented in the table below.

<b>Defeased Bonds Outstanding</b>	
(Amounts in Thousands)	
<b>GOVERNMENTAL ACTIVITIES</b>	
General Obligation Bonds	
Texas Department of Transportation	\$ 1,220,750
Office of the Governor	9,690
Revenue Bonds	
Texas Department of Transportation	865,055
<b>Governmental Activities Total</b>	<b>2,095,495</b>
<b>BUSINESS-TYPE ACTIVITIES</b>	
General Obligation Bonds	
Texas Water Development Board	56,570
Veterans Land Board	20,500
Revenue Bonds	
Texas Workforce Commission	554,750
University of Texas System	468,993
Texas Water Development Board	137,490
Texas State University System	39,630
University of Houston System	10,415
Midwestern State University	9,545
Stephen F. Austin State University	345
<b>Business-Type Activities Total</b>	<b>1,298,238</b>
<b>Total</b>	<b>\$ 3,393,733</b>

### Conduit Debt

The Texas State Affordable Housing Corporation (TSAHC), a discrete component unit of the state, is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under Texas Government Code, Section 2306.555. The 501(c)(3) tax-exempt multifamily mortgage revenue bond program provides long-term variable-rate or fixed-rate financing to nonprofit borrowers/developers of new or existing multifamily rental properties in order to generate and/or preserve affordable rental housing. TSAHC may finance single developments or pools of properties located throughout the state of Texas. Borrowers must agree to set aside a prescribed percentage of a property's units for rent to persons and families of low income. TSAHC finances properties under the program primarily through the sale of tax-exempt multifamily housing revenue bonds.

The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. TSAHC, the state and any political subdivision thereof are not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying statements.

As of Aug. 31, 2014, there were 12 series of multifamily housing revenue bonds outstanding with an aggregate \$151 million principal amount payable. No bonds were issued in fiscal 2014.

The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of the state, issued three series of bonds in the aggregate amount of \$1.3 billion that remains outstanding as of Aug. 31, 2014. The proceeds were loaned to LBJ Infrastructure Group LLC, NTE Mobility Partners LLC and NTE Mobility Partners Segments 3 LLC to finance the development and expansion of public transportation projects. Debt service is funded from loan and interest repayments from the borrowers. The bonds

do not constitute a debt or pledge of the faith and credit of TxPABST, Texas Department of Transportation, or the state of Texas.

Conduit bond debt for the Texas Department of Housing and Community Affairs (multifamily housing bonds) and the Texas Small Business Industrial Development Corporation, a discrete component unit of the state, predates the implementation of note disclosure requirements and is reported in the financial statements.

## Interest Rate Swaps

Effective interest rate swap agreements are considered hedging derivatives. The aggregate debt service requirements and associated net swap payments are detailed in this note. See Note 7 for additional information on derivatives.

### *Estimated Debt Service of Swap Payments*

Using rates as of Aug. 31, 2014, the debt service requirements of the state's variable-rate and fixed-rate bonds and associated net swap payments were estimated and are presented in the tables to the right and on the following page.

### Pay-Fixed, Receive-Variable Interest Rate Swaps: Estimated Debt Service Requirements of Variable-Rate Debt Outstanding and Net Swap Payments

(Amounts in Thousands)

Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2015	\$ 138,015	\$ 5,304	\$ 121,975	\$ 265,294
2016	154,380	5,023	116,767	276,170
2017	158,205	4,738	111,103	274,046
2018	153,980	4,402	106,444	264,826
2019	163,485	4,046	99,843	267,374
2020 – 2024	737,690	14,968	418,155	1,170,813
2025 – 2029	752,000	7,525	282,707	1,042,232
2030 – 2034	680,670	2,726	156,426	839,822
2035 – 2039	554,580	758	54,454	609,792
2040 – 2044	83,510	88	3,195	86,793
2045 – 2049	980	1	10	991
Total	<u>\$ 3,577,495</u>	<u>\$ 49,579</u>	<u>\$ 1,471,079</u>	<u>\$ 5,098,153</u>

### Pay-Variable, Receive-Variable Interest Rate Swaps: Estimated Debt Service Requirements of Variable-Rate Debt Outstanding and Net Swap Payments

(Amounts in Thousands)

Year	Variable-Rate Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2015	\$ 1,010	\$ 204	\$ (769)	\$ 445
2016	1,070	198	(767)	501
2017	1,135	190	(762)	563
2018	1,205	183	(759)	629
2019	1,280	174	(755)	699
2020 – 2024	7,715	731	(3,707)	4,739
2025 – 2029	10,435	435	(3,445)	7,425
2030 – 2034	7,810	87	(2,393)	5,504
2035 – 2039			(922)	(922)
Total	<u>\$ 31,660</u>	<u>\$ 2,202</u>	<u>\$ (14,279)</u>	<u>\$ 19,583</u>

\* Includes swap payments for swaps that overlay pay-fixed, receive-variable swaps on the same bonds. Principal and interest on these bonds are reported only in the pay-fixed, receive-variable swap table.

## Pay-Variable, Receive-Variable Interest Rate Swaps: Estimated Debt Service Requirements of Fixed- Rate Debt Outstanding and Net Swap Payments

(Amounts in Thousands)

Year	Fixed-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2015	\$	\$ 16,612	\$ (277)	\$ 16,335
2016		16,611	(277)	16,334
2017		16,613	(277)	16,336
2018		16,611	(277)	16,334
2019		16,612	(276)	16,336
2020 – 2024	135,345	68,985	(1,157)	203,173
2025 – 2029	97,320	40,928	(612)	137,636
2030 – 2034	59,155	14,137	(212)	73,080
2035 – 2039	23,875	1,253	(19)	25,109
Total	\$ 315,695	\$ 208,362	\$ (3,384)	\$ 520,673

The tables were prepared assuming current interest rates and swap index relationships remain the same for their terms. As rates and index relationships vary in the future, so will the resulting actual interest payments and net swap payments.

## Note 7

### Derivative Instruments

Derivatives are financial instruments whose values are derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include swap contracts, futures contracts, options, options on futures contracts, and forward contracts.

Hedging derivatives are entered into to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The hedging derivatives primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative contracts enable the state to issue bonds at a cost less than what the state would have paid to issue conventional fixed rate debt.

Investment derivatives are entered into with the intention of managing transaction risk, reducing interest cost, or reducing currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivatives.

### Summary of Derivative Activity

The fair value of effective hedging derivatives is recorded as derivative instrument assets (positive fair value) and derivative instrument liabilities (negative fair value). The cumulative change in fair value of effective hedging derivatives is reported as deferred outflows of resources and deferred inflows of resources. The state's cumulative derivative activity as of Aug. 31, 2014, is summarized in the table on the following page. The notional amounts are presented in U.S. dollar equivalents.

## Summary of Derivative Activity

(Amounts in Thousands)

	Change in Fair Value	Fair Value	Notional Amount
<b>GOVERNMENTAL ACTIVITIES</b>			
<i>Investment Derivatives</i>			
Futures	\$ 4,674	\$	\$ 10,305
<b>BUSINESS-TYPE ACTIVITIES</b>			
<i>Cash Flow Hedges</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (106,755)	\$ (482,281) *	\$ 3,464,495
<i>Investment Derivatives</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ 1,492	\$ 1,459	\$ 88,192
Pay-Variable Receive-Fixed Interest Rate Swaps	(2,188)	(2,188)	376,022
Basis Swaps	(2,069)	16,747	1,028,005
Credit Default Swaps	1,913	1,857	103,482
Equity Swaps	470	470	80,372
Total Return Swaps	(26)	(26)	13,285
Commodity Swaps	(155)	(155)	21,526
Currency Swaps	(18)	(18)	74,050
Forwards	12,560	12,458	3,038,176
Futures	(8,655)		1,553,590
Options	(26,622)	1,480	11,239,483
<b>FIDUCIARY ACTIVITIES</b>			
<i>Investment Derivatives</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (125,704)	\$ (124,066)	\$ 576,363
Pay-Variable Receive-Fixed Interest Rate Swaps	125,393	124,901	323,202
Total Return Swaps	4,754	10,695	4,065,420
Credit Default Swaps	(2,015)	2,096	177,452
Forwards	(21,580)	23,684	8,376,244
Futures	(29,198)		14,669,579
Warrants	5,375	54,984	45,456
Options	1,927	1,408	3,133
<b>DISCRETE COMPONENT UNITS</b>			
<i>Investment Derivatives</i>			
Total Return Swaps	\$ (4)	\$ (4)	\$ 1,811
Futures	131		18,237
Options	82	82	4,403

\* Of the net \$482,281 fair value for cash flow hedges, \$5,934 is reported as a hedging derivative asset and \$488,215 is reported as a hedging derivative liability.

## Derivative Instruments by Entity and Type

### Entity/Type of Derivative Instruments

#### Veterans Land Board (VLB)

Hedging and investment derivatives

#### Texas Department of Housing and Community Affairs (TDHCA)

Hedging derivatives

#### University of Texas System (UT)

Hedging and investment derivatives

#### Texas A&M University System (A&M)

Investment derivatives

#### Permanent School Fund (PSF)\*

Investment derivatives

#### Employees Retirement System of Texas (ERS)

Investment derivatives

#### Teacher Retirement System of Texas (TRS)

Investment derivatives

#### Texas Tech University System (TTU)

Investment derivatives

#### Midwestern State University (MSU)\*\*

Investment derivatives

#### Stephen F. Austin State University (SFA)\*\*

Investment derivatives

\* The permanent school fund is jointly managed by the Texas Education Agency and the Texas General Land Office, but issues a separately audited stand-alone annual financial report.

\*\* MSU and SFA invest funds in A&M's investment pool which includes investment derivatives in the form of forward currency exchange contracts.

## Fair Value

Derivative instruments are recorded at fair value. The fair values of the interest rate swaps were determined using a combination of methods.

Veterans Land Board (VLB) and the University of Texas System (UT) used the zero-coupon method in determining the fair values of their effective interest rate swaps. Several of VLB's effective interest rate swaps contain a provision for the state to be "knocked out" of the swaps by the respective counterparties upon the breach

of certain predetermined barriers. In each of these cases, VLB was paid an up-front option premium by the respective counterparties. With regard to the swap associated with Vet Land Tax Ref Bds Ser '2014 B-3, the knock-out is permanent once the option is taken at the discretion of the counterparty. In the remainder of the swaps with knock-out provisions, the knock-out is mandatory and is periodic in nature, with the knock-out period corresponding only to the period during which the respective barrier is breached. The knock-out

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provisions are an integral part of the associated swaps, and the fair values of the swaps include the effects of the knock-outs.

Texas Department of Housing and Community Affairs (TDHCA) based the fair value of its swaps on market conditions as of Aug. 31, 2014. Fair values were directly obtained by the counterparties to the transactions and separately verified by an independent third party. Valuations are based on mid-market levels and may not reflect the amount a counterparty would have required in the event of an early termination of the swap transaction on that date. For swaps with no pre-defined notional amortization schedule, a valuation was performed based on an assumed notional amortization.

Futures contracts are marked-to-market daily and valued at closing market prices on the valuation date. A daily variation margin (the gain or loss) between the daily value of the contracts and the value on the previous day is recorded and settled in cash with the broker the following morning. Options and swaps are valued using broker quotes, proprietary pricing agents or appropriate pricing models with primarily externally verifiable model inputs.

The fair value of forward currency contracts is estimated by adding the forward points to the corresponding spot rate. These rates are then applied to the outstanding currency exchange to derive a change in valuation.

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## Hedging Derivatives

The state entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the state's debt programs. Each of the state's interest rate swaps is a contractual agreement entered into between the state and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense. Interest rate swaps determined to be hedging derivatives are designated as cash flow hedges. The specific objectives for each category of effective hedges are summarized below.

***Pay-fixed Interest Rate Swaps:*** The combination of these swaps and variable-rate bonds creates synthetic fixed-rate debt. The use of synthetic fixed-rate debt has historically lowered the state's borrowing costs, as compared to the borrowing costs associated with the issuance of traditional fixed-rate bonds.

### *Significant Terms and Credit Ratings*

The significant terms and credit ratings of the state's hedging derivatives as of Aug. 31, 2014, are presented in the tables on the following pages. The variable rates are quoted in terms of a percentage of the London Interbank Offered Rate (LIBOR) or Securities Industry and Financial Markets Association (SIFMA) municipal swap index rates as noted. Standard & Poor's and Moody's Investor service credit ratings are disclosed for each swap.

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings

(Amounts in Thousands)

Associated Bond Issue	Notional Amount	Effective Date	Maturity Date	Term
<b>VETERANS LAND BOARD –</b>				
<b>PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>				
Vet Hsg Ref Bds Ser '95	\$ 24,505	11/29/1995	12/01/2016	Pay 5.52%; receive Actual Bond Rate
Vet Land Ref Bds Ser '99A	16,030	06/01/1999	12/01/2018	Pay 5.112%; receive 68% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2001A-2	20,000	03/22/2001	12/01/2029	Pay 4.259%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2001C-2	25,000	12/18/2001	12/01/2033	Pay 4.365%; receive 68% of 1M LIBOR
Vet Land Bds Ser 2002	15,485	02/21/2002	12/01/2032	Pay 4.14%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2002A-2	23,650	07/10/2002	06/01/2033	Pay 3.8725%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003A	28,450	03/04/2003	06/01/2034	Pay 3.304%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003B	29,725	10/22/2003	06/01/2034	Pay 3.403%; receive 64.5% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2004B	32,460	09/15/2004	12/01/2034	Pay 3.68%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2005A	32,035	02/24/2005	06/01/2035	Pay 3.279%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006A	33,875	06/01/2006	12/01/2036	Pay 3.517%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006D	35,710	09/20/2006	12/01/2036	Pay 3.689%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007A	35,745	02/22/2007	06/01/2037	Pay 3.645%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007B	37,870	06/26/2007	06/01/2038	Pay 3.712%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008A	37,700	03/26/2008	12/01/2038	Pay 3.189%; receive 68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008B	38,915	09/11/2008	12/01/2038	Pay 3.225%; receive 68% of 1M LIBOR
Vet Bds Ser 2010C	67,095	08/20/2010	12/01/2040	Pay 2.3095%; receive 68% of 1M LIBOR
Vet Bds Ser 2011A	67,290	03/09/2011	06/01/2041	Pay 2.675%; receive 68% of 1M LIBOR
Vet Bds Ser 2011B	68,755	08/25/2011	12/01/2041	Pay 2.367%; receive 68% of 1M LIBOR
Vet Bds Ser 2011C	70,040	12/15/2011	06/01/2042	Pay 1.917%; receive 68% of 3M LIBOR
Vet Bds Ser 2012A	70,625	05/23/2012	12/01/2042	Pay 1.692%; receive 68% of 3M LIBOR
Vet Bds Ser 2012B	95,715	11/01/2012	12/01/2042	Pay 1.447%; receive 68% of 3M LIBOR
Vet Bds Ser 2013A	98,650	03/20/2013	06/01/2043	Pay 1.7%; receive 68% of 3M LIBOR
Vet Bds Ser 2013B	148,125	08/22/2013	12/01/2043	Pay 2.145%; receive 68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	39,560	12/01/2006	12/01/2026	Pay 5.461%; receive 100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	29,865	12/01/2007	06/01/2029	Pay 4.658%; receive 100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	13,005	12/01/2009	12/01/2021	Pay 6.22%; receive 100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	61,590	12/01/2009	06/01/2031	Pay 5.4525%; receive 100% of 6M LIBOR
Vet Bds Ser 2014A	150,000	03/03/2014	06/01/2044	Pay 2.179%; receive 68% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	40,800	12/01/2003	06/01/2021	Pay 5.19%; receive 100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	16,535	06/01/2004	12/01/2024	Pay 5.45%; receive 100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014B-1 & B-2	32,305	12/01/2004	06/01/2020	Pay 5.348%; receive 100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	12,890	12/01/2005	12/01/2023	Pay 4.929%; receive 100% of 1M LIBOR
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	22,030	12/01/2005	06/01/2026	Pay 5.145%; receive 100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	30,565	12/01/2000	12/01/2020	Pay 6.106%; receive 100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	18,155	12/01/2005	12/01/2026	Pay 6.517%; receive 100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	17,695	12/01/2002	06/01/2023	Pay 4.91%; receive 100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	20,870	08/01/2012	12/01/2033	Pay 3.76%; receive 68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	38,570	06/01/2006	12/01/2026	Pay 5.83%; receive 100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	17,580	06/01/2006	12/01/2027	Pay 5.79%; receive 100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	60,880	06/01/2010	12/01/2031	Pay 5.401%; receive 100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	41,365	12/01/2010	06/01/2032	Pay 2.79%; receive 100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	24,280	06/01/2006	12/01/2027	Pay 6.54%; receive 100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	15,025	12/01/2010	12/01/2030	Pay 5.209%; receive 100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	24,325	12/01/2002	12/01/2021	Pay 4.935%; receive 100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	18,520	12/01/2003	12/01/2023	Pay 5.123%; receive 100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	19,795	12/01/2004	12/01/2024	Pay 5.455%; receive 100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	19,535	06/01/2006	12/01/2026	Pay 4.61%; receive 100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	31,735	12/01/2006	12/01/2027	Pay 6.513%; receive 100% of 1M LIBOR

Continued on the following page

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings (continued)

(Amounts in Thousands)

Associated Bond Issue	Knock-Out Barrier	Up Front Premium Received	Counterparty Credit Ratings
<b>VETERANS LAND BOARD –</b>			
<b>PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
Vet Hsg Ref Bds Ser '95	N/A	\$	A- / Baa1
Vet Land Ref Bds Ser '99A	N/A		A- / Baa1
Vet Hsg Fund II Bds Ser 2001A-2	N/A		A- / Baa2
Vet Hsg Fund II Bds Ser 2001C-2	N/A		AAA / Aa2
Vet Land Bds Ser 2002	N/A		A- / Baa2
Vet Hsg Fund II Bds Ser 2002A-2	N/A		A+ / Aa3
Vet Hsg Fund II Bds Ser 2003A	N/A		A+ / Aa3
Vet Hsg Fund II Bds Ser 2003B	N/A		AAA / Aa2
Vet Hsg Fund II Bds Ser 2004B	N/A		A+ / Aa3
Vet Hsg Fund II Bds Ser 2005A	N/A		AAA / Aa2
Vet Hsg Fund II Bds Ser 2006A	N/A		A+/Aa3
Vet Hsg Fund II Bds Ser 2006D	N/A		A / A2
Vet Hsg Fund II Bds Ser 2007A	N/A		AAA / Aa2
Vet Hsg Fund II Bds Ser 2007B	N/A		A+ / Aa3
Vet Hsg Fund II Bds Ser 2008A	N/A		A+/Aa3
Vet Hsg Fund II Bds Ser 2008B	N/A		AAA / Aa2
Vet Bds Ser 2010C	N/A		A- / Baa2
Vet Bds Ser 2011A	N/A		A/A3
Vet Bds Ser 2011B	N/A		A/A3
Vet Bds Ser 2011C	N/A		AAA / Aa2
Vet Bds Ser 2012A	N/A		AAA / Aa2
Vet Bds Ser 2012B	N/A		AAA / Aa2
Vet Bds Ser 2013A	N/A		AAA / Aa2
Vet Bds Ser 2013B	N/A		AAA / Aa2
Vet Hsg Fund II Tax Ref Bds Ser 2013C	1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	2,652 1,018	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2013C	1M LIBOR >= 7.00%; SIFMA/5Y ISDA CMS > 71%	935 1,020	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2013C	6M LIBOR >= 7.00%	612	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2013C	6M LIBOR >= 7.00%	2,740	A+ / Aa3
Vet Bds Ser 2014A	N/A		AA-/Aa3
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	6M LIBOR > 7.00%	4,470	AAA / Aa2
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	6M LIBOR >= 7.00%	1,442	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2014B-1 & B-2	1M LIBOR >= 7.00%	2,594	A+ / Aa3
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	484 267	A+ / Aa3
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	1,367 567	A+ / Aa3
Vet Land Tax Ref Bds Ser 2014B-3	1M LIBOR >= 7.00%	2,700	AAA / Aa2
Vet Land Tax Ref Bds Ser 2014B-3	6M LIBOR >= 7.00%	1,542	A+ / Aa3
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	6M LIBOR > 7.00%	2,165	AAA / Aa2
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	1M LIBOR >= 7.00%	579	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	1M LIBOR >= 7.00%	1,992	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	6M LIBOR >= 7.00%	1,493	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	2,355 1,427	A+ / Aa3
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	N/A		AAA / Aa2
Vet Land Tax Ref Bds Ser 2014C-3	6M LIBOR >= 7.00%	1,931	A+ / Aa3
Vet Land Tax Ref Bds Ser 2014C-3	1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	466 208	A+ / Aa3
Vet Land Tax Ref Bds Ser 2014C-4	6M LIBOR >= 7.00%	2,785	A- / Baa2
Vet Land Tax Ref Bds Ser 2014C-4	1M LIBOR >= 7.00%	1,896	A+ / Aa3
Vet Land Tax Ref Bds Ser 2014C-4	6M LIBOR >= 7.00%	2,075	A- / Baa2
Vet Land Tax Ref Bds Ser 2014C-4	6M LIBOR >= 7.00%	886	AAA / Aa2
Vet Land Tax Ref Bds Ser 2014C-4	1M LIBOR >= 7.00%	2,725	A+ / Aa3

Continued on the following page

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings (continued)

(Amounts in Thousands)

Associated Bond Issue	Notional Amount	Effective Date	Maturity Date	Term
<b>TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>				
2004B Single Family	\$ 40,000	09/01/2004	09/01/2034	Pay 3.67%; receive 65.5% of LIBOR + .20%
2004D Single Family	35,000	01/01/2005	03/01/2035	Pay 3.08%; receive Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR
2005A Single Family	45,070	08/01/2005	09/01/2036	Pay 4.01%; receive Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR
2006H Single Family	36,000	11/15/2006	09/01/2025	Pay 3.86%; receive 63% of LIBOR +.30%
2007A Single Family	60,900	06/05/2007	09/01/2038	Pay 4.01%; receive Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS*</b>				
RFS Bonds 2007B	165,715	12/20/2007	08/01/2034	Pay 3.805%; receive SIFMA
RFS Bonds 2007B	165,715	12/20/2007	08/01/2034	Pay 3.805%; receive SIFMA
PUF Bonds 2008A	190,573	11/03/2008	07/01/2038	Pay 3.696%; receive SIFMA
PUF Bonds 2008A	190,573	11/03/2008	07/01/2038	Pay 3.6575%; receive SIFMA
RFS Bonds 2008B	133,420	03/18/2008	08/01/2036	Pay 3.9%; receive SIFMA
RFS Bonds 2008B	133,420	03/18/2008	08/01/2036	Pay 3.9%; receive SIFMA
RFS Bonds 2008B	297,185	03/18/2008	08/01/2039	Pay 3.614%; receive SIFMA

\* PUF stands for permanent university fund and RFS stands for revenue financing system.

Concluded on the following page

### Risks

**Credit Risk:** The state is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. The state mitigates the credit risk associated with its swaps by entering into transactions with a diversified group of highly-rated counterparties. The interest rate swap agreements also contain varying collateral agreements and insurance policies with the counterparties. Posted collateral may be held either by the state itself or by a quality third party custodian. Swap contracts with a negative fair value do not expose the state to credit risk. As of Aug. 31, 2014, the state was not exposed to credit risk because the swaps recorded in the positive position were offset by other swaps with negative fair values.

**Interest Rate Risk:** On the pay-fixed, receive-variable interest rate swaps, as LIBOR or the SIFMA municipal swap index decrease, the state's net payment on the swap increases. For the related hedged variable-rate debt, as LIBOR or the SIFMA municipal swap index decreases, the state's interest payments on the bonds decrease. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

**Basis Risk:** The state is exposed to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swaps. The state mitigates this risk by matching the notional amount and amortization schedule of each swap to the principal amount and amortiza-

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings (concluded)

(Amounts in Thousands)

Associated Bond Issue	Knock-Out Barrier	Up Front Premium Received	Counterparty Credit Ratings
<b>TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
2004B Single Family	N/A	\$	AA- (Stable)/Aa2 (Stable)
2004D Single Family	N/A		A (Neg)/A2 (Stable)
2005A Single Family	N/A		A+ (Stable)/ Aa3 (Stable)
2006H Single Family	N/A		AA- (Stable)/Aa2 (Stable)
2007A Single Family	N/A		A+ (Stable)/ Aa3 (Stable)
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
RFS Bonds 2007B	N/A		A2/A
RFS Bonds 2007B	N/A		Aa3/A+
PUF Bonds 2008A	N/A		Baa2/A-
PUF Bonds 2008A	N/A		Aa3/AA-
RFS Bonds 2008B	N/A		Aa3/A+
RFS Bonds 2008B	N/A		Baa2/A-
RFS Bonds 2008B	N/A		Aa3/A+

tion schedule of each associated variable-rate bond issue and by selecting an index for the variable-rate leg of each swap that is reasonably expected to closely match the interest rate resets on the associated variable-rate bonds over the life of each bond issue. Additionally, tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

**Termination Risk:** Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. The swap associated with the Vet Land Tax Ref Bds Ser '2014 B-3 provides the counterparty with the option to terminate the swap under certain conditions.

The state or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective swap agreements. If any of the swaps are terminated, the associated variable-rate bonds would no longer have a synthetic fixed-rate and the state would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets. Unless there is a termination option exercised by the counterparty, the state would owe the counterparty a termination payment equal to the swap's negative fair value.

Several swap agreements include optional early termination provisions granting the state the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date or after the breach of certain counterparty credit ratings.

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**Rollover Risk:** Rollover risk is the risk caused by a mismatch between the amortization of a derivative contract and the underlying hedged bonds. The maturity dates of the state's effective interest rate swaps were designed to extend to the maturity dates of the underlying bonds. However, in the case of the swap associated with the Vet Land Tax Ref Bds Ser '2014 B-3, the state will be subject to rollover risk if the counterparty exercises the option to terminate the swap contract.

**Market-access Risk:** Each swap associated with underlying variable-rate debt subject to tender at the option of the bondholder is subject to market-access risk. In the event the state is unable to remarket its variable-rate bonds, the state may choose to refund the variable-rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. If an early termination event occurs, the state could be required to pay or to receive a substantial termination payment.

### ***Swap Payments and Associated Debt***

Aggregate debt service requirements of the state's variable-rate debt and net receipts/payments on associated hedging derivative instruments are disclosed in Note 6.

### ***Contingent Features***

Some of the state's derivative instruments include provisions that require the posting of collateral in the event that the contracting agency's credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If the contracting agency fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. Note 15 discloses detail about derivatives with contingent features.

### ***Investment Derivatives***

Investment derivatives expose the state to certain investment related risks. Note 3 discloses detail about the state's investment derivatives.

# Note 8

## Leases

The state leases office buildings, computer and office equipment and other assets under a variety of agreements. Although lease terms vary, most leases are subject to biennial appropriation from the Legislature to continue the lease obligations.

### Operating Leases

Operating lease payments are recorded as expenditures or expenses during the life of the lease. Rental expenditures or expenses related to operating leases for the year ended Aug. 31, 2014, are \$359.4 million for the primary government and \$4.9 million for discrete component units. The following table presents minimum future rental obligations on noncancelable operating leases as of Aug. 31, 2014.

### Noncancelable Operating Lease Obligations

August 31, 2014 (Amounts in Thousands)

Year	Minimum Future Lease Payments	
	Primary Government	Component Units
2015	\$ 290,512	\$ 3,483
2016	239,192	1,831
2017	184,696	1,448
2018	141,280	1,501
2019	107,696	1,327
2020-2024	242,933	4,933
2025-2029	21,433	
2030-2034	8,187	
2035-2039	1,446	
2040-2044	1,120	
Total	<u>\$ 1,238,495</u>	<u>\$ 14,523</u>

Additionally, the permanent school fund (PSF), the University of Texas System (UT), the Texas A&M University System (A&M) and the Texas Tech University System (TTU) have leased buildings, equipment and land to outside parties under various operating leases. The following table presents estimated future lease rental income on noncancelable operating leases as of Aug. 31, 2014.

### Noncancelable Operating Lease Rental Income

August 31, 2014 (Amounts in Thousands)

Year	Minimum Future Lease Rental Income
	Primary Government
2015	\$ 29,889
2016	25,657
2017	22,166
2018	18,412
2019	14,726
2020 and beyond	<u>204,488</u>
Total	<u>\$ 315,338</u>

The historical cost of the PSF leased assets is \$354.2 million. Depreciation is not recorded because the assets are held for investment purposes in a permanent fund. Real estate investments are re-appraised periodically and the carrying amounts are adjusted when permanent impairments occur. In fiscal 2014, PSF reported contingent rental revenues in the amount of \$758 thousand.

As of Aug. 31, 2014, the carrying value of UT's leased assets is \$108.7 million. The historical cost of UT's leased buildings is \$137.8 million and related accumulated depreciation is \$33.8 million. The historical cost of UT's leased land is \$4.4 million. UT did not report any contingent rental revenues.

As of Aug. 31, 2014, the carrying value of A&M's leased assets is \$68.1 million. The historical cost of A&M's leased buildings is \$106.3 million and related accumulated depreciation is \$39.3 million. The historical cost of A&M's leased land is \$1.1 million. A&M did not report any contingent rental revenues.

As of Aug. 31, 2014, the carrying value of TTU's leased building space is \$10.1 million. The historical cost of TTU's leased building space is \$21.9 million and the related accumulated depreciation is \$11.8 million. TTU did not report any contingent rental revenues.

## Capital Leases

Leases that are purchases in substance are reported as capital lease obligations. The capital assets are recorded at the present value of the future minimum lease payments at the inception of the lease plus any cash paid or trade-in value received.

For governmental and business-type activities, the assets and liabilities are recorded in the government-wide financial statements.

The table below is a summary of the future minimum lease payments for capital leases.

Year	Primary Government						Discretely Presented Component Units		
	Governmental Activities			Business-Type Activities			Principal	Interest	Total Future Minimum Lease Payments
	Principal	Interest	Total Future Minimum Lease Payments	Principal	Interest	Total Future Minimum Lease Payments			
2015	\$ 4,141	\$ 5	\$ 4,146	\$ 5,114	\$ 566	\$ 5,680	\$ 13	\$ 1	\$ 14
2016	3,786	16	3,802	2,881	452	3,333	2		2
2017	3,584		3,584	1,424	368	1,792	2		2
2018	3,584		3,584	1,277	320	1,597	2		2
2019	3,584		3,584	824	228	1,052			
2020-2024	15,000		15,000	3,249	709	3,958			
2025-2029				2,139	205	2,344			
2030-2034									
Total	<u>\$ 33,679</u>	<u>\$ 21</u>	<u>\$ 33,700</u>	<u>\$ 16,908</u>	<u>\$ 2,848</u>	<u>\$ 19,756</u>	<u>\$ 19</u>	<u>\$ 1</u>	<u>\$ 20</u>

The following table presents an analysis of the property recorded under capital leases by asset category at Aug. 31, 2014.

Type	Primary Government				Discretely Presented Component Units	
	Governmental Activities		Business-Type Activities		Assets under Capital Lease	Accumulated Depreciation
	Assets under Capital Lease	Accumulated Depreciation	Assets under Capital Lease	Accumulated Depreciation		
Land	\$	\$	\$ 750	\$	\$	\$
Buildings			17,862	(4,762)		
Furniture and Equipment	52,296	(13,498)	6,735	(3,852)	280	(213)
Vehicles, Boats, Aircraft			267	(83)		
Computer Software	821	(479)	753	(413)		
Other Assets			7,536			
Total	<u>\$ 53,117</u>	<u>\$ (13,977)</u>	<u>\$ 33,903</u>	<u>\$ (9,110)</u>	<u>\$ 280</u>	<u>\$ (213)</u>

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## Note 9

### Retirement Plans

The state of Texas contributes to six defined benefit pension plans and one defined contribution plan that provide financial benefits to retired employees, as well as to their spouses and beneficiaries, of the state of Texas, school districts and other entities. The defined benefit pension plans are administered by the Employees Retirement System of Texas (ERS) and the Teacher Retirement System of Texas (TRS), which are component units, and the Texas Emergency Services Retirement System (TESRS), which is part of the primary government. The state is a participating employer in these plans with the exception of the TESRS defined benefit pension plan. The state is not an employer in the TESRS plan, but makes on-behalf contributions to the TESRS plan.

The state makes employer contributions to the defined contribution plan, Optional Retirement Program (ORP), which benefits certain employees of institutions of higher education. This plan is administered by the individual institutions of higher education.

The state's contributions to these plans are authorized by statute and may be amended by the Legislature. The state reports the pensions' financial activities in the pension and other employee benefit trust funds column of the fiduciary funds financial statements. The investments of the pension funds are included in Note 3.

Audited financial statements for each defined benefit pension plan may be obtained from:

Employees Retirement System of Texas  
P.O. Box 13207  
Austin, Texas 78711-3207

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

Texas Emergency Services Retirement System  
P.O. Box 12577  
Austin, Texas 78711-2577

Additional information for the defined contribution plan may be obtained from:

Statewide Coordinator, Optional Retirement Program  
Texas Higher Education Coordinating Board  
P.O. Box 12788  
Austin, Texas 78711-2788

### Description of Plans and Funding Policy

#### *Employees Retirement System of Texas*

The Board of Trustees of ERS is the administrator of four pension plans that provide a standard monthly benefit in a life annuity at retirement and death and disability benefits for members. The Employees Retirement System of Texas Plan (ERS Plan) is considered a cost-sharing, multiple-employer defined benefit plan with a special funding situation. In addition to the state of Texas, employers of the ERS Plan include various component units of the state. The Employees Retirement System and the Texas Treasury Safekeeping Trust Company, which are blended component units, and the State Bar of Texas, which is a discrete component unit, are also employers of the ERS Plan. The Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS) and the Judicial Retirement System of Texas (JRS) Plan One (JRS1) and Plan Two (JRS2) are considered single-employer defined benefit pension plans.

Contribution requirements are not actuarially determined, but are set by legislation. The contribution rates are based on a percentage of the monthly gross compensation for each member. Each plan's monthly contribution requirements are disclosed in the table below.

Plan	Employer			Members		
	Employee Class	Elected Class –	Elected Class –	Employee Class	Elected Class –	Elected Class –
		Legislators	Other		Legislators	Other
ERS	8.0%	8.0%	8.0%	6.6%	8.0%	6.6%
LECOS*	1.7%**	N/A	N/A	0.5%	N/A	N/A
JRS1	1455.63%	N/A	N/A	6.6%	N/A	N/A
JRS2	15.7%	N/A	N/A	6.6%	N/A	N/A
TRS	6.8%	N/A	N/A	6.4%	N/A	N/A

\* Amount contributed is supplemental to amount contributed for the employee class of the ERS Plan.  
 \*\* The 1.7 percent consists of 0.5 percent of member payroll and a portion of court costs collected under Local Government Code, Section 133.102. The contribution from the court costs equals approximately 1.2 percent of payroll.

The ERS audited financial statements reflect the results of the actuarial valuations of the four plans it administers. The statements do not note any subsequent legislative action that would negatively affect the certification of actuarial soundness of the plans.

The ERS Plan, established by the Texas Government Code, Chapters 811-815, covers elected class members and employee class members. The monthly benefit is determined by the years and months of service multiplied by a statutorily determined percentage and may vary by class.

The elected class members are vested after eight years of service credit and may retire at age 50 with 12 years of service credit or at age 60 with eight years of service credit. The monthly standard annuity equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change. The maxi-

um standard annuity is 100 percent of the state salary of a district judge.

The employee class includes all employees and appointed officers of the state and excludes independent contractors and their employees and employees covered by TRS and JRS. Other employee class members include certified peace officers and custodial officers.

In 2009, the 81st Legislature created new plan provisions for members of the employee class hired after Sept. 1, 2009, with the exception of certified peace officers and custodial officers. This resulted in different benefit levels and different requirements for benefit eligibility, vesting and early service retirement eligibility with reduced benefits, dependent upon the employee hire date. In 2013, the 83rd Legislature further amended the plan provisions related to retirement eligibility and benefits for members hired on or after Sept. 1, 2013.

For members of the employee class hired on or before Aug. 31, 2009, the following provisions apply:

- Employees vest after five years of service credit.
- Employees may retire at age 60 with five years of service credit or at any age when the sum of age and service credit (including months) total 80 (Rule of 80).
- The average monthly compensation is the average of the highest 36 months of compensation.

For members of the employee class hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the following provisions apply:

- Employees vest after 10 years of service credit.
- Employees may retire at age 65 with 10 years of service credit or at any age when the member meets the Rule of 80.
- The standard retirement annuity is reduced by five percent for each year the member retires

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before the member reaches age 60, with a maximum possible reduction of 25 percent.

- The average monthly compensation is the average of the highest 48 months of compensation.

For members of the employee class hired on or after Sept. 1, 2013, the following provisions apply:

- Employees vest after 10 years of service credit.
- Employees may retire at age 65 with 10 years of service or retire when the Rule of 80 is met with at least 10 years of service at age 62.
- The standard retirement annuity is reduced by five percent for each year the member retires before the member reaches age 62.
- The average monthly compensation is the average of the highest 60 months of compensation.

Regardless of the hire date, the following provisions apply to all members of the employee class:

- The monthly standard annuity equals the statutory percentage of 2.3 percent of the average monthly compensation multiplied by the number of years of service credit.
- The minimum monthly standard annuity is \$150; the maximum standard annuity is 100 percent of the average monthly compensation.

Certified peace officers and custodial officers may retire at age 55 with 10 years of service as a certified peace officer or custodial officer. The average monthly compensation depends on the date of hire. For members hired before Sept. 1, 2013, the average monthly compensation is the average of the highest 36 months of compensation; for members hired on or after Sept. 1, 2013, the average of the highest 60 months of compensation. The monthly standard annuity equals the statutory percentage of 2.3 percent of the average monthly compensation multiplied by the number of years of service credit.

A Partial Lump Sum Payment Option is available to members of the employee class, the elected class and certified peace officers and custodial officers. A one-

time partial lump sum of up to three years of standard annuity at retirement can be taken and the annuity is reduced for life.

LECOS, established under Texas Government Code, Section 814.107, provides a supplemental retirement benefit to the ERS employee class member with service rendered while a law enforcement officer (commissioned peace officer) or a custodial officer. Upon meeting the qualification requirements under LECOS, members are eligible for LECOS benefits in addition to those received under the ERS Plan.

In 2009, the 81st Legislature created new plan provisions for LECOS members hired after Sept. 1, 2009. This resulted in different benefit levels and different requirements for benefit eligibility, vesting and early service retirement eligibility with reduced benefits, dependent upon the employee hire date. In 2013, the 83rd Legislature further amended the plan provisions related to retirement eligibility and benefits for members hired on or after Sept. 1, 2013.

For members hired on or before Aug. 31, 2009, the following provisions apply:

- Employees with 20 years of service may retire at age 50 or at any age when the sum of age and service credit equals or exceeds 80.
- A member under the age of 50 may receive reduced benefits upon completing 20 years of service.
- The average monthly compensation is the average of the highest 36 months of compensation.

For members hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the following provisions apply:

- Employees may retire after 20 years of service at age 55 or at any age when the sum of age and service credit equals or exceeds 80.
- A member under the age of 55 may receive reduced benefits upon completing 20 years of service.

- The average monthly compensation is the average of the highest 48 months of compensation.

For members hired on or after Sept. 1, 2013, the following provisions apply:

- Employees may retire after 20 years of service at age 57 or at any age when the sum of age and service credit equals or exceeds 80.
- A member under the age of 57 may receive reduced benefits upon completing 20 years of service.
- The average monthly compensation is the average of the highest 60 months of compensation.

Regardless of the hire date, the following provisions apply to all members of the LECOS plan:

- The monthly standard annuity equals the statutory percentage of 2.3 percent from the ERS Plan plus an additional 0.5 percent from the LECOS Plan of the average monthly compensation multiplied by the number of years of service credit.
- The minimum monthly standard annuity is \$150; the maximum standard annuity is 100 percent of the average monthly compensation.

Annual actuarial valuations of the fund are performed to monitor the adequacy of the financing arrangement.

JRS1 is established by Texas Government Code, Chapter 831, and JRS2 is established by Texas Government Code, Chapter 836. JRS covers judges, justices and commissioners of the Supreme Court, the Court of Criminal Appeals, the Court of Appeals, district courts and certain commissions to a court. Members prior to Sept. 1, 1985, participate in JRS1 and all others participate in JRS2.

Participants in both plans may retire at age 65 with 10 years of service with at least the last year being continuous and currently holding judicial office, or at age 65 with 12 years of service. Members of JRS1 and JRS2 may retire at any age with 20 years of service. Partici-

pants in both plans are eligible for reduced early service retirement benefits once they attain age 60 and complete 10 years of service if the member currently holds judicial office with at least the last year being continuous, or at age 60 with 12 years of service.

The monthly benefit for members of both plans is equal to 50 percent of the salary for the position from which the member retired and is increased by 10 percent of final compensation if in office within one year of benefit commencement.

Member contributions for JRS1 are made to the general revenue fund, and the state is obligated to make appropriations from the general revenue fund in an amount sufficient to pay benefits on a pay-as-you-go basis. The contribution requirements are not actuarially determined since the plan is not funded in advance.

State statutes prohibit benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize the ERS, LECOS or JRS2 plans' unfunded actuarial liabilities would be increased to a period that exceeds 30 years by one or more years. The statutes also apply if the amortization period already exceeds 30 years by one or more years. According to the actuarial valuations as of Aug. 31, 2014, contributions are insufficient to amortize the current unfunded accrued liabilities of the ERS, LECOS and JRS2 plans over any period of time. Therefore, the 30 year funding objective is not being realized for any of the plans.

### *Teacher Retirement System of Texas*

The Board of Trustees of TRS is the administrator of one pension plan (TRS Plan). The TRS Plan, established under Texas Government Code, Chapters 821-824, is considered a cost-sharing multiple-employer defined benefit plan with a special funding situation. The state is required by statute to make contributions to the TRS Plan. For fiscal 2014 the state made the majority of the employer and non-employer contributing entities' contributions to the TRS Plan. A special

funding situation is created, which results in the state reporting the TRS Plan as if it was the sole employer. The employers of the TRS Plan include the state of Texas, TRS and 1,298 public schools, service centers, charter schools and community colleges. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan, provided they are employed for one-half or more of the standard work load and are not exempted from membership under Texas Government Code, Section 822.002. The commissioner of the Texas Education Agency may also elect to participate in the TRS Plan in lieu of participation in the ERS Plan in the same manner and under the same conditions as other members of the TRS Plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provision of the TRS Plan are authorized by state law and may be amended by the Legislature.

A member is vested after five years of service credit and is eligible to retire at a future date and receive a lifetime monthly annuity.

Some members who established membership on or before Aug. 31, 2005, are considered “grandfathered,” which in certain instances results in different retirement provisions than for non-grandfathered members. These differences are noted where applicable. In order to be grandfathered, members had to meet at least one of the following criteria on or before Aug. 31, 2005:

- The member was at least 50 years of age.
- The sum of the member’s age and years of service credit equaled at least 70.
- The member had at least 25 years of service credit.

For members who established membership before Sept. 1, 2007, the following provisions apply:

- Members may retire at age 65 with five years of service credit or when the sum of the member’s age and years of service credit equals at least 80 years (known as the “Rule of 80”) and membership is maintained until retirement.

- The standard life annuity benefit formula is 2.3 percent of the average of the five highest annual salaries multiplied by the years of service credit.
- For grandfathered members, the three highest annual salaries are used to calculate the annuity benefit.
- At normal retirement age, the minimum monthly standard annuity is the greater of \$150 or the formula standard annuity. Total payments will not be less than accumulated contributions at retirement.
- Members qualify for early retirement with reduced benefits at age 55 with five years of service credit or any age below 50 with 30 years of service credit, provided the member does not meet the Rule of 80 and membership is maintained until retirement.

For members who established membership on or after Sept. 1, 2007, the following provisions apply:

- Members may retire at age 65 with five years of service credit, or at age 60 if the member meets the Rule of 80.
- The standard life annuity benefit formula is 2.3 percent of the average of the five highest annual salaries multiplied by the years of service credit.
- At normal retirement age, the minimum monthly standard annuity is the greater of \$150 or the formula standard annuity. Total payments will not be less than accumulated contributions at retirement.
- Members qualify for early retirement with reduced benefits if the member meets one of the following criteria:
  - The member is age 55 with five years of service credit but does not meet the Rule of 80.
  - The member has 30 or more years of service credit, but is less than age 60 and does not meet the Rule of 80.

- The member is less than age 60, meets the Rule of 80 and has five years of service credit.
- Grandfathered members who re-enter TRS on or after Sept. 1, 2007, qualify for early retirement with reduced benefits if the member meets one of the following criteria:
  - The member is at least age 55 with at least five years of service credit but does not meet the Rule of 80.
  - The member has 30 years of service credit but does not meet the Rule of 80 and is below age 60.
  - The member is below age 55 and meets the Rule of 80.

Grandfathered members receive full retirement benefits for early retirement if they meet all of the following criteria:

- The member is at least age 55.
- The member meets the Rule of 80.
- The member has at least 20 years of service credit.

Although grandfathered members receive full retirement benefits by meeting these criteria, they are still considered early-age retirees. This may affect other aspects of post-retirement activities, such as obtaining employment with the state of Texas after retirement.

TRS offers to all service and eligible disability retirees several annuity payment options that reduce the standard annuity by application of age-related actuarial reduction factors in order to continue payment to a beneficiary after the retiree's death. The available options include 100, 75 and 50 percent joint and survivor annuities and five-year and 10-year guaranteed period annuities.

TRS also offers two other annuity payment options:

- **The Deferred Retirement Option Plan (DROP)** DROP allowed members to freeze their standard annuity and, instead of retiring,

have a portion of the frozen standard annuity deposited into a DROP account, for up to five years, while continuing to work for a TRS-affiliated employer. The plan was closed for new participants effective Dec. 31, 2005.

- **A Partial Lump-Sum Cash Option (PLSO)** PLSO reduces the standard monthly annuity and provides a cash lump sum distribution. Members may participate in the PLSO if they are eligible for service retirement and meet the Rule of 90 (age and years of service credit equal at least 90), are not participating in the DROP plan and are not retiring with disability benefits. Grandfathered members may participate in the PLSO plan if they meet the Rule of 80 or are at least age 65 with at least five years of service credit.

Contribution requirements are not actuarially determined but are legally established each biennium. The TRS Plan's monthly contribution requirements are disclosed on the "Required Contribution Rates" table. The Texas Constitution requires the Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation, and a state contribution rate of not less than 6 percent but not greater than 10 percent of the aggregate annual compensation of all members of the TRS Plan during that fiscal year. As required by state statute, the state rate is paid by the employer for compensation paid to new members during the first 90 days of employment, on amounts paid to employees above the statutory minimum amount, and on compensation paid from private or federal funds. Total employer contributions to the TRS Plan are a combination of state, public schools, federal and private funding.

State statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize the TRS Plan's unfunded actuarial liabilities would be increased to a

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period that would exceed 30 years by one or more years, or, if the amortization period already exceeds 30 years by one or more years, the period would be increased by such action. According to the actuarial valuation as of Aug. 31, 2014, if payroll grows as expected, contributions are sufficient to amortize the current unfunded accrued liabilities of the TRS Plan over a period of 29.8 years based on the smoothed asset value as of the valuation date. Therefore, the 30 year funding objective is being realized.

### ***Optional Retirement Program***

The state's contributions to the Optional Retirement Program (ORP) are authorized by Texas Government Code, Chapter 830. Full-time faculty, librarians and certain professionals and administrators employed in public higher education are eligible to elect ORP in lieu of the TRS Plan before the 91st day after becoming eligible. It is a one-time irrevocable choice between two distinct plans. ORP is administered by the benefits offices at each employer. The Texas Higher Education Coordinating Board develops policies, practices and procedures to provide greater uniformity in the administration of ORP.

ORP is a defined contribution pension plan in which each participant selects from a variety of investments offered by several insurance and investment companies through annuity contracts or mutual fund investments. These types of investments are authorized by Internal Revenue Code, Section 403(b). With the purchase of these individual contracts, the state has effectively transferred the obligation for the payment of benefits to the companies. Participants vest in ORP after one year of participation.

The contributory percentages of participant salaries provided by each participant and the state were 6.65 percent and 6.6 percent, respectively, for fiscal 2014. Institutions and agencies authorized under state law to provide ORP to their employees may supplement the

state contribution at a rate of up to 1.9 percent of payroll.

Individual accounts are maintained at the insurance and investment companies selected by each ORP participant. Separate financial statements for ORP are not prepared because the state retains no liability for plan performance and has very limited administrative involvement.

The employers of ORP are institutions of higher education, one educational state agency and several two-year college institutions that are not part of the state reporting entity. State entity participation in ORP for fiscal 2014 resulted in participant contributions of \$238.5 million and employer contributions of \$287.9 million.

As of Aug. 31, 2014, ORP had 37,214 participants. The total participant contributions were \$270.6 million and total employer contributions were \$323.7 million. Additional information for ORP is included in the fiscal 2014 *ORP Participation Report Summary* published annually by the Texas Higher Education Coordinating Board.

### ***Texas Emergency Services Retirement System***

The Board of Trustees of Texas Emergency Services Retirement System (TESRS) is the administrator of the TESRS plan, a cost-sharing multiple-employer defined benefit pension plan established to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. As of Aug. 31, 2014, there were 223 member fire departments participating in TESRS. The state is not an employer of the TESRS plan.

The statutory authority for TESRS is found in Texas Government Code, Chapters 861-865. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member. No contributions are required by individual members of participating

departments. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS. Per Texas Government Code, Section 865.015, the state is required to appropriate a limited amount to make the fund actuarially sound. The appropriations may not exceed the amount of one-third of the total of all contributions by governing bodies in one year. Legislative

appropriations to make the fund actuarially sound for fiscal 2014 was \$1.5 million.

The member fire department contributions to the fund were \$4.2 million for fiscal 2014. Contributions made were equal to the yearly statutorily required contributions.

Total members in the pension plans administered by ERS and TRS are presented in the table below.

<b>Retirement Systems' Membership</b>					
	<b>ERS</b>	<b>LECOS</b>	<b>JRS1</b>	<b>JRS2</b>	<b>TRS</b>
Retirees and Beneficiaries Currently Receiving Benefits	95,840	10,024	406	267	363,182
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	96,507	11,311	3	139	194,083
Current Employees: Vested and Non-Vested	<u>134,162</u>	<u>37,084</u>	<u>12</u>	<u>554</u>	<u>857,342</u>
<b>Total Members</b>	<b><u>326,509</u></b>	<b><u>58,419</u></b>	<b><u>421</u></b>	<b><u>960</u></b>	<b><u>1,414,607</u></b>

Actuarial methods and assumptions for the pension plans administered by ERS and TRS are presented in the table below.

<b>Actuarial Methods and Assumptions</b>					
	<b>ERS</b>	<b>LECOS</b>	<b>JRS1</b>	<b>JRS2</b>	<b>TRS</b>
Actuarial Valuation Date	Aug. 31, 2014	Aug. 31, 2014	Aug. 31, 2014	Aug. 31, 2014	Aug. 31, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Open	Level Percent Open	Level Percent Open
Remaining Amortization Period	30 years	30 years	30 years*	30 years	29.8 years
Asset Valuation Method	20% of market plus 80% of expected actuarial value	20% of market plus 80% of expected actuarial value	N/A	20% of market plus 80% of expected actuarial value	5-year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	8.0%	8.0%	8.0%	8.0%	8.0%
Payroll Growth	3.5%	3.5%	N/A	3.5%	3.50%
Projected Salary Increases	0.0%-11.5%	5.0%-11.5%	3.5%	3.5%	4.25%-7.25%
Includes Inflation at	3.5%	3.5%	3.5%	3.5%	3.0%
Cost-of-Living Adjustments	None-Employee 3.5%-Elected	None	3.5%	None	None

\* JRS1 is funded on a pay-as-you-go basis; therefore, there is no advance funding.

## Annual Pension Cost and Net Pension Obligation

(Amounts in Thousands)

	ERS	LECOS	JRS1	JRS2	TRS
Annual Required Contribution (ARC)	\$ 819,602	\$ 44,126	\$ 22,001	\$ 13,487	\$ 3,206,850
Interest on Net Pension Obligation (NPO)	120,354	8,379	4,829	603	209,465
Adjustment to ARC	(90,344)	(6,289)	(5,160)	(452)	(157,196)
Annual Pension Cost	<u>849,612</u>	<u>46,216</u>	<u>21,670</u>	<u>13,638</u>	<u>3,259,119</u>
Employer Contributions Made	(482,239)	(27,758)	(27,715)	(12,211)	(2,515,176)
Increase (Decrease) in NPO	<u>367,373</u>	<u>18,458</u>	<u>(6,045)</u>	<u>1,427</u>	<u>743,943</u>
Net Pension Obligation, September 1, 2013	<u>1,504,433</u>	<u>104,737</u>	<u>60,373</u>	<u>7,534</u>	<u>2,618,315</u>
Net Pension Obligation, August 31, 2014*	<u>\$ 1,871,806</u>	<u>\$ 123,195</u>	<u>\$ 54,328</u>	<u>\$ 8,961</u>	<u>\$ 3,362,258</u>

\* See the "Actuarial Methods and Assumptions" table for actuarial assumptions used in determining cost and obligation.

## Three-Year Trend Information

(Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
<b>ERS</b>			
08/31/14	\$ 849,612	56.8%	\$ 1,871,806
08/31/13	763,997	49.2%	1,504,433
08/31/12	719,678	48.2%	1,116,173
<b>LECOS</b>			
08/31/14	\$ 46,216	60.1%	\$ 123,195
08/31/13	37,864	18.8%	104,737
08/31/12	35,818	0.0% *	73,990
<b>JRS1</b>			
08/31/14	\$ 21,670	127.9%	\$ 54,328
08/31/13	19,974	128.1%	60,373
08/31/12	21,033	125.8%	65,977
<b>JRS2</b>			
08/31/14	\$ 13,638	89.5%	\$ 8,961
08/31/13	10,615	42.9%	7,534
08/31/12	10,616	39.1%	1,468
<b>TRS</b>			
08/31/14	\$ 3,259,119	77.2%	\$ 3,362,258
08/31/13	3,069,621	73.4%	2,618,315
08/31/12	2,801,967	73.2%	1,801,067

\* In 2011, the 82nd Legislature did not appropriate any state funding for the LECOS plan for the fiscal year ending Aug. 31, 2012.

## Annual Pension Cost and Net Pension Obligation

The state's annual pension cost and net pension obligation for fiscal 2014 is presented in the table above.

## Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

The table at left presents the three-year trend information regarding annual pension cost and the net pension obligation/(asset) of the plans.

## Funded Status

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>ERS</b>						
08/31/14	\$ 25,431,922	\$ 32,076,395	\$ 6,644,473	79.3%	\$ 5,955,461	111.6%
<b>LECOS</b>						
08/31/14	\$ 883,595	\$ 1,163,207	\$ 279,612	76.0%	\$ 1,496,013	18.7%
<b>JRS1</b>						
08/31/14	\$ 0	\$ 332,238	\$ 332,238	0.0%	\$ 1,764	18,834.4%
<b>JRS2</b>						
08/31/14	\$ 348,431	\$ 386,295	\$ 37,864	90.2%	\$ 77,441	48.9%
<b>TRS</b>						
08/31/14	\$ 128,397,778	\$ 160,035,601	\$ 31,637,823	80.2%	\$ 38,522,207	82.1%

### *Funded Status*

Information on the state's pension plans funded status for each plan as of Aug. 31, 2014, is presented in the table above.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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## Note 10

### Deferred Compensation

The state of Texas offers two deferred compensation plans to all state employees. One was established in accordance with Internal Revenue Code, Section 457. The second was established in accordance with Internal Revenue Code, Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The assets of the two plans remain the property of the contributing employees and are not presented in the accompanying financial statements. The state makes no contributions to either plan, the assets do not belong to the state and the state has no liability related to the plans.

The University of Texas System (UT) offers its own deferred compensation plan, created in accordance with Internal Revenue Code, Section 457(b). All UT employees are eligible to participate in UT's plan and do not participate in the plan offered by the state of Texas. All investments, amounts, property and rights held under the deferred compensation trust fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant. UT has no liability under the plan.

## Note 11

### Postemployment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state of Texas contributes to four plans that provide health care and life insurance benefits for retired employees, their spouses and beneficiaries. These other postemployment benefits (OPEB) are authorized by statute and contributions are established by the General Appropriations Act.

The state of Texas is a participating employer in three different OPEB plans and is an on-behalf contributor to one plan. The financial statement recognition and note disclosure requirements in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, were applied separately for each plan. The following note disclosures are organized by OPEB plan administrator.

### University of Texas and Texas A&M University Systems

The state of Texas contributes to two single-employer defined benefit retiree health care and life insurance benefit plans: the UT System Employee Group Insurance Program (UT Plan) and A&M System Group Insurance Program (A&M Plan). The UT Plan is administered by the University of Texas System (UT) and the A&M Plan is administered by the Texas A&M University System (A&M).

UT and A&M each issue a publically available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to the systems at the following addresses:

University of Texas System  
601 Colorado Street  
Austin, Texas 78701-2982

Texas A&M University System  
200 Technology Way  
College Station, Texas 77845

### Plan Descriptions

Each plan provides separate postemployment health care and life insurance coverage to university system retirees, surviving spouses and beneficiaries. UT and A&M are part of the state of Texas primary government. Employees of these systems are considered to

be state employees. Benefit provisions for the UT and A&M plans are established and amended by the administering systems as allowed under Texas Insurance Code, Chapter 1601. Retiree eligibility for insurance continuation after employment is determined by the Legislature and is subject to change.

### Funding Policy

The university system and member contribution rates are determined annually by each system based on the recommendations of the employee benefits office and consulting actuaries. The plan rates are based on the plan costs expected to be incurred, the funds appropriated for the plans and the funding policy established by the Legislature in connection with benefits provided through the plan. Amounts contributed by the state are currently based on pay-as-you-go financing requirements determined during each legislative session. State contribution requirements are established and may be amended by the Legislature. The three-year history of employer contributions and annual OPEB costs is presented in the table below.

### Three-Year Trend Information

(Amounts in Thousands)

Fiscal Year Ended	Employer Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>UT Plan</b>				
8/31/14	\$ 166,517	\$ 726,387	22.9%	\$ 3,359,348
8/31/13	146,454	682,065	21.5%	2,799,478
8/31/12	142,737	639,952	22.3%	2,263,867
<b>A&amp;M Plan</b>				
8/31/14	\$ 50,099	\$ 190,640	26.3%	\$ 859,766
8/31/13	61,529	176,876	34.8%	719,225
8/31/12	63,131	190,200	33.2%	603,878

For the fiscal year ended Aug. 31, 2014, the state made monthly contributions for health care and life insurance to the UT and A&M plans. Contribution rates for the state and retirees are presented in the next column. Costs are estimated by an actuary for claims

expected to be paid during the year. The retiree contributes any premium over and above state contributions.

### Required Contribution Rates – Retiree Health Care and Life Insurance Premium

For the Fiscal Year Ended August 31, 2014

Level of Coverage	UT Plan		A&M Plan	
	Employer	Plan Member	Employer	Plan Member*
Retiree Only	\$ 498	\$	\$ 457	\$ 20
Retiree/Spouse	758	208	694	256
Retiree/Children	664	218	623	185
Retiree/Family	927	410	788	351

\* Plan member contribution for health insurance only. There is no plan member contribution for basic life.

### Annual OPEB Cost and Net OPEB Obligation

The state's annual OPEB cost for the UT and A&M plans is calculated based on the employer annual required contributions (ARC). The ARC is an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period no greater than 30 years. The table below presents the components of the annual OPEB cost for the UT and A&M plans for fiscal 2014 and the net OPEB obligation for these two plans as of Aug. 31, 2014.

### Annual OPEB Cost and Net OPEB Obligation

(Amounts in Thousands)

	UT Plan	A&M Plan
Annual Required Contribution, ARC	\$ 675,481	\$ 176,672
Interest on Net OPEB Obligation	195,963	52,503
Adjustment to ARC	(145,057)	(38,535)
Annual OPEB Cost	<u>726,387</u>	<u>190,640</u>
Employer Contributions Made	<u>(166,517)</u>	<u>(50,099)</u>
Increase in Net OPEB Obligation	<u>559,870</u>	<u>140,541</u>
Net OPEB Obligation, September 1, 2013	<u>2,799,478</u>	<u>719,225</u>
Net OPEB Obligation, August 31, 2014	<u>\$ 3,359,348</u>	<u>\$ 859,766</u>

## Funded Status and Funding Progress

The funded status of the UT and A&M plans as of Aug. 31, 2014, based on the plans' 2012 valuations valid for fiscal 2014 reporting, is presented in the table below.

<b>Funded Status</b>		
(Amounts in Thousands)		
	<b>UT Plan</b>	<b>A&amp;M Plan</b>
Actuarial Valuation Date	Dec. 31, 2012	Sept. 1, 2012
Actuarial Value of Plan Assets	\$	\$
Actuarial Accrued Liability (AAL)	6,939,197	1,924,980
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,939,197	\$ 1,924,980
Funded Ratio (actuarial value of plan assets/AAL)	0.0%	0.0%
Covered Payroll (active plan members)	\$ 5,674,298	\$ 1,149,300
UAAL as a Percentage of Covered Payroll	122.3%	167.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. The schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since there are no plan assets for UT and A&M plans, the actuarial accrued liability for these two plans continues to increase.

## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of

each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used in the UT and A&M plan valuations include techniques designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. The table below provides additional detail on the actuarial methods and assumptions used in the UT and A&M plan valuations.

## Summary of Actuarial Methods and Assumptions

	<b>UT Plan</b>	<b>A&amp;M Plan</b>
Actuarial Valuation Date	Dec. 31, 2012	Sept. 1, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open
Amortization Period	30 years	30 years
Asset Valuation Method	Market	Market
Actuarial Assumptions:		
Projected Salary Increases	4.75% to 7.75%	3.50%
Investment Rate of Return	7.00%	7.30%
Includes Inflation at	3.50%	3.00%
Health Care Trend Rates	8% initial 5.5% ultimate	9% initial 5% ultimate
Mortality Tables	TRS and PBGC tables*	RP-2000 Table applied on a gender-specific basis

\* For service retirees, the mortality tables used by Teacher Retirement System (TRS) retirement plan that reflect TRS specific experience was adopted as most of the UT Employee Group Insurance Program (EGIP) OPEB plan members participate in the TRS retirement plan. For disability retirees, the Pension Benefit Guaranty Corporation (PBGC) male and female disability mortality tables were used.

## Employees Retirement System of Texas

The Employees Retirement System of Texas (ERS) administers a program that provides postemployment health care, life and dental insurance benefits to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. The State Retiree Health Plan (SRHP) is a cost-sharing

multiple-employer defined benefit plan with 62 participating employers.

There is no special funding situation in SRHP. In a cost-sharing multiple-employer plan without a special funding situation, employers recognize their annual contractually required contributions to the plan in the fund financial statements.

For cost-sharing multiple-employer defined benefit plans like SRHP, the amount of OPEB liability or asset is equal to the difference between contributions required and contributions made. Contractually required contributions to a cost-sharing multiple-employer OPEB plan are not required to be based on the plan ARC.

Each employer has limited note disclosure requirements under the cost-sharing multiple-employer provisions of GASB 45. No disclosure of actuarial information as it relates to the entire plan is required on individual employer reports. Instead, the OPEB plan discloses all required actuarial calculations in the notes to its financial statements and required supplementary information. ERS issues a publically available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained by writing to ERS at:

Employees Retirement System of Texas  
 P.O. Box 13207  
 Austin, Texas 78711-3207

### Plan Description

Retirees of state agencies, institutions of higher education including the University of Texas Medical Branch Correctional Managed Care program (other parts of UT and A&M are under the UT plan and A&M plan, respectively) and other non-state entities selected by the Legislature are eligible to receive OPEB through SRHP. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to

participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. Benefit and contribution provisions of SRHP are authorized by state law and may be amended by the Legislature.

The financial statements of SRHP are reported using the accrual basis of accounting. Contributions are recognized when due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

### Funding Policy

The Legislature sets and has the power to amend annual state contributions to SRHP. Currently, the state pays 100 percent of eligible retiree health insurance premiums and 50 percent of dependents' premiums. The retiree contributes any premium over and above state contributions. The table below summarizes the maximum monthly state and retiree contributions toward the health and basic life premiums of eligible retirees.

#### Required Contribution Rates – Retiree Health Care and Life Insurance Premium

For the Fiscal Year Ended August 31, 2014

Level of Coverage	ERS SRHP	
	Employer	Plan Member
Retiree Only	\$ 503	\$
Retiree/Spouse	791	136
Retiree/Children	696	136
Retiree/Family	984	272

Contractually required contributions to the plan are currently based on the annual pay-as-you-go expenses of SRHP. In fiscal 2014 the state contributed \$535 million to SRHP, which equaled the required contribution as established by the Legislature. In fiscal 2013 and fiscal 2012, the state contributed \$471 million and \$425 million, respectively. These contributions also equaled the contribution required by the Legislature.

## Teacher Retirement System of Texas

The Teacher Retirement System of Texas (TRS) administers a program that provides benefits to public school district retirees with at least 10 years of service. The Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit plan with 1,247 participating employers, provides a free basic level of coverage for eligible retirees and optional coverage for eligible retirees and their dependents.

The state of Texas is not an employer in the TRS-Care OPEB plan and is not legally required to continue contributing benefits. The fiscal 2014 contributions to the TRS-Care OPEB plan are presented in the table below.

### Schedule of Contributions from the Employers and Other Contributing Entities

For the Fiscal Year Ended August 31, 2014  
(Amounts in Thousands)

	<u>TRS-Care</u>
From Reporting Entities	\$ 169,847
On Behalf From State	303,556
On Behalf From Federal Government	23,277
	<u>\$ 496,680</u>

TRS issues a publically available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to TRS at:

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

### Plan Description

Basic coverage includes participation in a major medical group health insurance plan with deductibles based upon enrollment in Part A or Part B of Medicare.

Eligibility provisions of the TRS-Care plan are established in Texas Insurance Code, Chapter 1575.

The financial statements for TRS-Care are reported using the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

### Funding Policy

Funding for free basic coverage is provided based on public school district payroll. The state and active school employee contribution rates are 1 percent and 0.65 percent of school district payroll, respectively, with school districts also contributing 0.55 percent of payroll.

TRS-Care retiree health care and life insurance benefits are financed on a pay-as-you-go basis. The expenses are recognized when reimbursements are made for claims paid by non-state entities or when premiums are paid.

### Medicare Part D

In fiscal 2014 the administrators of each OPEB plan received payments from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D. On-behalf payments are recorded as revenues and expenses of each plan. The table below presents Medicare Part D receipts from the federal government as reported by the OPEB administrators in fiscal 2014.

### Medicare Part D Receipts

For the Fiscal Year Ended August 31, 2014  
(Amounts in Thousands)

UT Plan	\$ 10,062
A&M Plan	3,961
ERS SRHP	15,128
TRS-Care	<u>10,611</u>
	<u>\$ 39,762</u>

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## Note 12

### Interfund Activity and Transactions

Interfund activity refers to financial interactions between funds and/or blended component units and is restricted to internal events. Interfund transactions refer to financial interactions with legally separate entities, i.e., discrete component units and other governments, and are restricted to external events.

#### *Reciprocal Interfund Activity*

Interfund loans are reciprocal interfund activity with a requirement for repayment. These loans are reported as interfund receivables/payables and are classified as either current or noncurrent.

Interfund services are sales and purchases of goods and services for a price approximating their external exchange value. This activity is reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as receivables and payables.

#### *Nonreciprocal Interfund Activity*

Interfund transfers are nonreciprocal interfund activity. This activity refers to flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing sources or uses. In proprietary funds, transfers are reported after nonoperating revenues and expenses. The majority of transfers are legally authorized by statute or bond covenant to move amounts from one fund to another. Amounts not transferred at fiscal year-end are accrued as due from/due to. Activity occurring within the same fund is eliminated. Additional eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as transfers-internal activities.

Certain reclassifications and eliminations are made between the fund financial statements and the government-wide financial statements. Resource flows between the primary government and its discretely presented component units are reported as revenues and expenses, as if they were external transactions, on the fund financial statements and the government-wide financial statements. Transfers between the governmental or business-type activities and fiduciary funds are reported as transfers on the fund financial statements and are reclassified to revenues and expenses, as if they were external transactions, on the government-wide financial statements.

Due from/due to amounts between the primary government and the discretely presented component units are reported separately from due from/due to amounts between funds in the fund financial statements and the government-wide financial statements. Due from/due to amounts between governmental or business-type activities and fiduciary funds are reported as due from/due to amounts between funds in the fund financial statements and are reclassified to receivables from fiduciary funds/payables to fiduciary funds, as if they were external transactions, on the government-wide financial statements.

Interfund reimbursements are repayments from funds responsible for payment of expenditures or expenses to the funds that actually made the payment. These reimbursements are reported in the appropriate expenditure/expense category in the fund responsible for the payment.

For the state of Texas, routine transfers are those transfers from unrestricted revenue collected in the general revenue fund to finance various programs accounted for in other funds in accordance with the General Appropriations Act, which is the primary budget document for the state of Texas. Other transfers are legally authorized by statute to move resources from one fund to another. The interfund receivables/

payables include loans for energy efficiency programs of approximately \$42.7 million. There is also a \$850.4 million receivable for Texas A&M University System from the University of Texas System from permanent university funds. The earnings will be used for bond payments. Significant transfers include a \$2.7 billion transfer from the property tax relief fund and a \$1.2

billion transfer from the lottery fund to the foundation school fund for educational programs. There is also a \$838.7 million transfer from the permanent school fund to the available school fund. The detail of interfund activity and transactions by fund type and category as of Aug. 31, 2014, is presented in the tables below and on the following page.

<b>Interfund Receivables/Payables</b>						
(Amounts in Thousands)						
Fund Type	Current		Noncurrent		Total	
	Interfund Receivables	Interfund Payables	Interfund Receivables	Interfund Payables	Interfund Receivables	Interfund Payables
<b>GOVERNMENTAL FUNDS</b>						
General Fund	\$ 8,049	\$ 775	\$ 35,230	\$ 1,233	\$ 43,279	\$ 2,008
Nonmajor Governmental Funds	440	570		2,557	440	3,127
	<u>8,489</u>	<u>1,345</u>	<u>35,230</u>	<u>3,790</u>	<u>43,719</u>	<u>5,135</u>
<b>PROPRIETARY FUNDS</b>						
Colleges and Universities	25,796	32,819	810,964	844,839	836,760	877,658
Nonmajor Enterprise Funds	141	262	2,435		2,576	262
	<u>25,937</u>	<u>33,081</u>	<u>813,399</u>	<u>844,839</u>	<u>839,336</u>	<u>877,920</u>
Total	<u>\$ 34,426</u>	<u>\$ 34,426</u>	<u>\$ 848,629</u>	<u>\$ 848,629</u>	<u>\$ 883,055</u>	<u>\$ 883,055</u>

<b>Due From/Due To</b>						
(Amounts in Thousands)						
Fund Type	Due From			Due To		
	Other Funds	Primary Government	Component Unit	Other Funds	Primary Government	Component Unit
<b>GOVERNMENTAL FUNDS</b>						
General Fund	\$ 132,205	\$	\$ 309	\$ 1,232,322	\$	\$
State Highway Fund	712,592			31,185		
Permanent School Fund	6			406		
Nonmajor Governmental Funds	137,372			509,740		
	<u>982,175</u>	<u>0</u>	<u>309</u>	<u>1,773,653</u>	<u>0</u>	<u>0</u>
<b>PROPRIETARY FUNDS</b>						
Colleges and Universities	763,983			24,231		
Unemployment Trust Fund	3,927					
Lottery Fund				122,643		
Nonmajor Enterprise Funds	67,094			26,176		
Internal Service Fund	173,127			3,173		
	<u>1,008,131</u>	<u>0</u>	<u>0</u>	<u>176,223</u>	<u>0</u>	<u>0</u>
<b>FIDUCIARY FUNDS</b>						
Pension and Other Employee Benefit Trust Funds	143,938			184,363		
Private-Purpose Trust Funds				7		
Agency Funds	1,215			1,213		
	<u>145,153</u>	<u>0</u>	<u>0</u>	<u>185,583</u>	<u>0</u>	<u>0</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>						
	0	0	0	0	309	0
Total	<u>\$ 2,135,459</u>	<u>\$ 0</u>	<u>\$ 309</u>	<u>\$ 2,135,459</u>	<u>\$ 309</u>	<u>\$ 0</u>

## Transfers In/Out

(Amounts in Thousands)

Fund Type	Transfers In	Transfers Out
	Other Funds	Other Funds
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 4,707,806	\$ 8,544,769
State Highway Fund	413,600	392,616
Permanent School Fund		838,672
Nonmajor Governmental Funds	4,064,232	3,538,602
	<u>9,185,638</u>	<u>13,314,659</u>
<b>PROPRIETARY FUNDS</b>		
Colleges and Universities	5,910,196	637,590
Unemployment Trust Fund	95,657	
Lottery Fund		1,220,723
Nonmajor Enterprise Funds	15,651	63,275
	<u>6,021,504</u>	<u>1,921,588</u>
<b>FIDUCIARY FUNDS</b>		
Pension and Other Employee Benefit Trust Funds	128,515	99,360
Private-Purpose Trust Funds	134	184
	<u>128,649</u>	<u>99,544</u>
Total	<u>\$ 15,335,791</u>	<u>\$ 15,335,791</u>

## Internal Balances per the Government-wide Financial Statements

(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
<b>NONCURRENT ASSETS</b>			
Internal Balances	\$ 31,441	\$ (31,441)	\$ 0
<b>CURRENT LIABILITIES</b>			
Internal Balances	\$ 654,811	\$ (654,811)	\$ 0

## Transfers – Internal Activities per the Government-wide Financial Statements

(Amounts in Thousands)

Fund Category	Other Funds
Governmental Activities	\$ (4,130,757)
Business-Type Activities	\$ 4,130,757

## Note 13

### Classification of Fund Balances/Net Position

The table on the following page presents a summary of the governmental fund balances by fund type and specific purpose as of Aug. 31, 2014.

The classifications of nonspendable, restricted, committed, assigned and unassigned are the fund balance classifications according to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. With the exception of nonspendable and unassigned fund balances, fund balances are presented based on each fund's specific purpose. For the general fund, special revenue funds, capital projects funds and nonmajor permanent funds, the specific purpose of the fund is determined by the Texas Legislature. The revenues received to fund the programs within the fund and the applicable expenditures allowed from the fund are derived through statute. The fund may support multiple programs within multiple agencies. The remaining unspent fund balances are determined to be restricted, committed, assigned or unassigned at fiscal year-end. Unassigned fund balances are then spent according to the governmental function assigned to the agency.

Of the \$10.8 billion governmental funds total unassigned fund balance, \$6.7 billion is for the economic stabilization fund (ESF). The ESF was authorized by the Texas Constitution, Article III, Section 49g. In fiscal 2014 a transfer was made equal to 75 percent of the excess of the prior fiscal year collections for oil and natural gas production taxes over 1987 collections. The ESF shall also receive a transfer from the general revenue fund, by the 90th day of each biennium, for one-half of any unencumbered positive balance remaining in the general revenue fund on the last day of the preceding biennium. The Legislature may appropriate, by a three-fifths vote of the members present in each house, amounts in the ESF for spending that does not exceed

## Governmental Fund Balances – Nonspendable, Restricted, Committed, Assigned and Unassigned

(Amounts in Thousands)

	General Fund	State Highway Fund	Permanent School Fund	Other Funds	TOTAL
Nonspendable for:					
Inventory	\$ 215,088	\$ 143,262	\$	\$ 222	\$ 358,572
Long-term Receivables	379,168				379,168
Permanent Principal			12,860,777	832,736	13,693,513
Prepaid Items	1,742		6	37	1,785
Total Nonspendable	<u>595,998</u>	<u>143,262</u>	<u>12,860,783</u>	<u>832,995</u>	<u>14,433,038</u>
Restricted:					
Capital Purposes				77,136	77,136
Debt Service				255,406	255,406
Economic and Consumer Affairs	509,768			47,583	557,351
Education – Public Schools	53,808		22,090,437	424,619	22,568,864
Education – Loan Programs				1,090,650	1,090,650
Environment and Natural Resources – Other	41,385				41,385
Environment and Natural Resources – Water Programs	9			2,918,798	2,918,807
General Government*	165,807			13,542	179,349
Parks and Recreation	92,851			25,789	118,640
Public Health and Welfare – Federal Programs	28,303				28,303
Public Health and Welfare – Public Programs	126,610			28,904	155,514
Public Safety and Criminal Justice	50,299				50,299
Public Safety and Criminal Justice – Corrections				11,439	11,439
Public Safety and Criminal Justice – Law Enforcement	8,932			4,980	13,912
Transportation – Construction		489,266			489,266
Transportation – Licensing and Regulation		116,803			116,803
Transportation – Maintenance		48,019			48,019
Transportation – Other	13,071	327,606		372,892	713,569
Total Restricted	<u>1,090,843</u>	<u>981,694</u>	<u>22,090,437</u>	<u>5,271,738</u>	<u>29,434,712</u>
Committed:					
Capital Purposes	5,894				5,894
Economic and Consumer Affairs	847,785			421,011	1,268,796
Education – Public Schools	800,628			12,545	813,173
Education – Loan Programs	341,644				341,644
Environment and Natural Resources – Other	1,727,977				1,727,977
Environment and Natural Resources – Water Programs	15,783			186	15,969
General Government*	356,170			41,428	397,598
Parks and Recreation	91,919				91,919
Public Health and Welfare – Federal Programs	256				256
Public Health and Welfare – Public Programs	738,229				738,229
Public Safety and Criminal Justice	184,737			9,552	194,289
Public Safety and Criminal Justice – Corrections	977			2,544	3,521
Public Safety and Criminal Justice – Law Enforcement	26,110				26,110
Transportation – Construction		1,054,510			1,054,510
Transportation – Maintenance		103,495			103,495
Transportation – Other		684,817		222,293	907,110
Total Committed	<u>5,138,109</u>	<u>1,842,822</u>	<u>0</u>	<u>709,559</u>	<u>7,690,490</u>
Assigned:					
Economic and Consumer Affairs	719				719
Environment and Natural Resources – Other	11,584				11,584
General Government*	57,910			2,212	60,122
Public Safety and Criminal Justice – Law Enforcement	21				21
Transportation – Construction		413,683			413,683
Transportation – Maintenance		40,601			40,601
Transportation – Other		268,654		364	269,018
Total Assigned	<u>70,234</u>	<u>722,938</u>	<u>0</u>	<u>2,576</u>	<u>795,748</u>
Unassigned:	<u>10,863,986</u>	<u>0</u>	<u>0</u>	<u>(555,057)</u>	<u>10,308,929</u>
Total Fund Balances – Governmental Funds	<u>\$ 17,759,170</u>	<u>\$ 3,690,716</u>	<u>\$ 34,951,220</u>	<u>\$ 6,261,811</u>	<u>\$ 62,662,917</u>

\* General Government is tasked with the collection of revenues that benefit the state overall and has expenditures that are not restricted to carry out specific programs or purposes. Included in the classification are the fund balances of state agencies that are semi-independent and do not receive appropriations for operating purposes.

the amount of any unanticipated deficit or revenue decline during a biennium. The Legislature may also appropriate any amount from the ESF for any purpose only if approved by at least two-thirds of the members present in each house.

Restrictions of net position are listed on the face of the government-wide and proprietary statements of net position. Per GASB 54, balances reported as restricted in the fund financial statements plus the nonspendable permanent fund corpus balances are reported as restricted in the statement of net position. All other fund financial balances are reported as unrestricted in the statement of net position.

## Note 14

### Restatement of Beginning Balances

During fiscal 2014, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The beginning balances and all related restatements for the components of the state's financial reporting entity are presented in the table at right and discussed on the following page.

<b>Restatements to Fund Balances/Net Position</b>			
(Amounts in Thousands)			
	<b>September 1, 2013, As Previously Reported</b>	<b>Restatements</b>	<b>September 1, 2013, As Restated</b>
<b>GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES</b>			
Major Funds:			
General Fund	\$ 15,041,488	\$ (97,164)	\$ 14,944,324
State Highway Fund	100,152	3,245,412	3,345,564
Permanent School Fund	30,601,491		30,601,491
Total Major Funds	<u>45,743,131</u>	<u>3,148,248</u>	<u>48,891,379</u>
Nonmajor Funds:			
Special Revenue Funds	3,226,140	(162,434)	3,063,706
Debt Service Funds	816,971	(1)	816,970
Capital Project Funds	917,992		917,992
Permanent Funds	788,539		788,539
Total Nonmajor Funds	<u>5,749,642</u>	<u>(162,435)</u>	<u>5,587,207</u>
Total Governmental Funds	<u>51,492,773</u>	<u>2,985,813</u>	<u>54,478,586</u>
Governmental Activities Adjustments:			
Capital Assets	82,159,770	(8,638)	82,151,132
Long-Term Liabilities	(25,450,435)	(3,152,138)	(28,602,573)
Deferred Inflow of Resources	1,213,340		1,213,340
Internal Service Fund	325,412		325,412
Total Governmental Activities Adjustments	<u>58,248,087</u>	<u>(3,160,776)</u>	<u>55,087,311</u>
Total Governmental Activities	<u>109,740,860</u>	<u>(174,963)</u>	<u>109,565,897</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Major Funds:			
Colleges and Universities	43,895,886	(54,013)	43,841,873
Unemployment Trust Fund	677,276		677,276
Lottery Fund	58,452		58,452
Total Major Funds	<u>44,631,614</u>	<u>(54,013)</u>	<u>44,577,601</u>
Nonmajor Enterprise Funds	<u>4,257,246</u>	<u>56,230</u>	<u>4,313,476</u>
Total Business-Type Activities	<u>48,888,860</u>	<u>2,217</u>	<u>48,891,077</u>
Total Primary Government	<u>158,629,720</u>	<u>(172,746)</u>	<u>158,456,974</u>
<b>FIDUCIARY FUNDS</b>			
Pension and Other Employee Benefit Trust Funds			
Trust Funds	141,992,981		141,992,981
External Investment Trust Funds	14,486,087		14,486,087
Private-Purpose Trust Funds	3,131,014		3,131,014
Total Fiduciary Funds	<u>159,610,082</u>	<u>0</u>	<u>159,610,082</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>	<u>589,652</u>	<u>(322,103)</u>	<u>267,549</u>
Total Reporting Entity	<u>\$ 318,829,454</u>	<u>\$ (494,849)</u>	<u>\$ 318,334,605</u>

## Restatements by Types of Activity

(Amounts in Thousands)

Type of Activity	Governmental Activities	Business-Type Activities	Fiduciary Activities	Component Units	Total
A. Capital Asset Adjustments	\$ (8,638)	\$ (9,933)	\$	\$ (43,582)	\$ (62,153)
B. GASB 65 Implementation	(32,106)	(4,418)		(2,981)	(39,505)
C. Reclassification of CDBG Housing Loans	(85,533)				(85,533)
D. Disaffiliation of Component Unit				(273,428)	(273,428)
E. Miscellaneous Adjustments	(48,686)	16,568		(2,112)	(34,230)
Total Restatements	<u>\$ (174,963)</u>	<u>\$ 2,217</u>	<u>\$ 0</u>	<u>\$ (322,103)</u>	<u>\$ (494,849)</u>

Restatements are grouped in the table above by the following five types of activity:

- A. These restatements are for adjustments to capital assets and accumulated depreciation or amortization. The restatements include a \$43.6 million capital asset adjustment due to the disaffiliation of Texas Guaranteed Student Loan Corporation with the state at the beginning of fiscal 2014 as a result of Senate Bill No. 215 from the 83rd Legislature, Regular Session. In addition, there is a difference of \$200 thousand in the business-type activities between the \$9.9 million capital asset adjustment in this note and the \$9.7 million adjustment in Note 2. The \$200 thousand difference represents the current year adjustments in Note 2 but not capital asset restatements.
- B. These restatements are to record the effect of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, related to bond issuance costs, loan origination fees received that do not qualify as points, and commitment fees previously deferred.
- C. This restatement is to reclassify loans receivable associated with Community Development Block Grant (CDBG) housing loans as grant expense to be in line with the objective of the loan program.

D. This restatement is to record the disaffiliation of Texas Guaranteed Student Loan Corporation with the state. The total restatement as a result of this disaffiliation is \$317 million which includes the \$43.6 million restatement in capital assets in category A.

- E. These are miscellaneous restatements necessary to correct accounting errors in the prior period or recognize changes in the application of accounting principles and methodologies, including restatements for funds reclassified to a different fund type, to improve consistency within the financial reporting entity.

Included in these miscellaneous restatements are the restatements related to Texas A&M System's component units:

- Casa Verde Research Center, Sociedad Anonimo
- Representacion de TAMU en la Republica Mexicana, A.C.
- National Biosecurity Foundation
- Texas 4-H Incorporated

Starting fiscal 2014, the state determined to exclude these component units from its financial reporting entity due to materiality reasons. The total restatement amount resulting from the exclusion of these entities was \$700 thousand.

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# Note 15

## Commitments and Contingencies

### Commitments

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#### *Outstanding Loan Commitments*

The state makes loan commitments to political subdivisions for financing purposes. These loan commitments are provided from remaining current bond proceeds, future bond proceeds and federal drawdowns. The Texas Water Development Board had loan commitments totaling \$456.4 million as of Aug. 31, 2014. The Texas Department of Transportation (TxDOT) has an equity loan agreement of \$15.5 billion. Of this amount, \$5.9 billion is related to North Texas Tollway Authority for State Highway 161 Project in Dallas. The remainder of \$9.6 billion is used by the Grand Parkway Transportation Corporation to pay for certain costs related to development, construction, operation, maintenance and financing of projects in Harris County and possible extensions or expansions of the Grand Parkway in the Dallas/Fort Worth area.

#### *Investment Funds*

As of Aug. 31, 2014, state agencies, public employee retirement systems and institutions of higher education had entered into capital commitments with investment managers for future funding of investment funds. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers. As of Aug. 31, 2014, the remaining commitment was \$30.2 billion.

#### *Construction and Other Commitments*

As of Aug. 31, 2014, TxDOT had contractual commitments of approximately \$9.7 billion for construction and comprehensive developments. These are not rec-

ognized liabilities because the terms of the contracts or agreements were not met and benefits were not received as of the end of the fiscal year.

Additionally, TxDOT is party to several pass-through toll agreements with local entities. Under these agreements, the local entities will finance, design and construct certain roadway projects and may maintain them for a specified period of time. Upon completion of the projects, TxDOT will make payments (i.e., pass-through toll payments) to the entities based on traffic utilization of the roadways and other payment requirements governed by the agreements. Motorists traveling these roadways will not be required to pay a toll. Estimated payments under the agreements are included as notes payable as each project is completed. Liabilities for uncompleted agreements are not recognized. As of Aug. 31, 2014, the amount of unrealized payables for uncompleted pass-through toll agreements was \$287.1 million. In addition, TxDOT has equity grant commitments of \$286.3 million to various local toll project entities.

### Contingencies

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#### *Protested Tax Payments*

As of Aug. 31, 2014, pending litigation filed by taxpayers seeking refunds of state taxes totaled \$211.1 million. The protested taxes include sales, franchise, insurance and other taxes. Although the outcome of these cases cannot presently be determined, adverse ruling in some of them could result in significant additional refunds.

#### *Unpaid Claims and Lawsuits*

A variety of cases that may affect the state were filed as of Aug. 31, 2014. These claims total \$86.7 million and include a number of lawsuits and claims that may be significant to individual state agencies. While the outcome of these cases cannot be determined, adverse rulings could result in additional liabilities. Additionally, TxDOT filed 704 cases exercising eminent domain for \$437.6 million.

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## *Federal Assistance*

The state receives federal financial assistance subject to review or audit by federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance as a result of the audits may become a liability of the state but is considered immaterial to its overall financial condition.

The Texas Office of the Attorney General and the Texas Health and Human Services Commission's Office of Inspector General investigate allegations of overpayments to Medicaid providers. Until investigations are completed, the total amount of overpayments to providers is potentially subject to recovery (amounts associated with the "open case list") and may represent a corresponding potential liability for the federal share of these payments – about 55 to 60 percent of that total.

An actual liability is realized only after a completed investigation substantiates an overpayment and the provider is notified of the results and given an opportunity to submit rebuttal or claims for offsets. The percent of total dollars on the open case list that are ultimately confirmed as overpayments cannot be reliably predicted. The state estimates the amounts that may become payable to the federal government will be immaterial to its overall financial condition.

## *Guaranteed Debt*

In 1983, the voters of the state approved a constitutional amendment that provides for the guarantee by the permanent school fund of up to a defined capacity of \$82.8 billion in school district bonds as of Aug. 31, 2014. Approval by the state of Texas attorney general is required for each bond issuance. In the event of a default by a school district, the permanent school fund will transfer to the paying agent/registrant an amount necessary to pay the maturing or matured principal and/or interest

to bondholders. As of Aug. 31, 2014, \$58.1 billion in debt in outstanding bond issues was guaranteed by the permanent school fund for 815 school districts in the state and \$302.5 million for 6 charter districts. Under state statute, payments by the permanent school fund on such guarantees are recoverable from the state of Texas. These dollar amounts represent the principal amount and do not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities), nor do they include interest on current interest bonds or variable rate notes. These amounts also exclude bonds that were refunded and released from the bond guarantee program. From the inception of the program through Aug. 31, 2014, none of the school districts or charter districts with guaranteed debt have defaulted on the debt.

## *Arbitrage*

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. State agencies and institutions of higher education responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue and, therefore, limit any state arbitrage liability. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

## *Derivatives with Contingent Features*

All of the Department of Housing and Community Affairs' (TDHCA) derivative instruments include provisions that require posting collateral in the event its credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If TDHCA fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. As of Aug. 31,

2014, the aggregate fair value of all derivative instruments with collateral provisions was \$22.4 million. If the posting requirements had been triggered, TDHCA would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments. TDHCA posted no collateral as of Aug. 31, 2014.

The Teacher Retirement System of Texas (TRS) is party to derivative instruments with provisions that require TRS to post collateral in the event that the fair value surpasses a specified contractual threshold. As of Aug. 31, 2014, the aggregate fair value of all derivative instruments with these provisions was \$38.7 million. If the collateral posting thresholds did not exist, TRS would be required to post the aggregate amount of \$621.1 thousand in collateral to its counterparties. TRS posted no collateral as of Aug. 31, 2014.

## Note 16

### Subsequent Events

#### Primary Government

#### *Bonds and Commercial Paper Issued/Refunded and Other Debt Financing*

State agencies and institutions of higher education issued \$2.5 billion in new bonds and commercial paper and \$4.2 billion in refunding bonds since Aug. 31, 2014, as presented in the table below and on the following page. This routine activity finances state facilities, housing assistance programs, educational loans and refunds outstanding debt.

### Bonds and Commercial Paper Issued/Refunded Subsequent to Aug. 31, 2014

(Amounts in Thousands)

Description	Amount	Issuance Date	Purpose
<b>STEPHEN F. AUSTIN UNIVERSITY</b>			
Municipal Tax Exempt Lease	\$ 11,311	12/04/14	For energy savings retrofit campus projects.
<b>TEXAS A&amp;M UNIVERSITY SYSTEM</b>			
Revenue Financing System Bonds, Series 2015C	176,925	01/27/15	Refund \$149 million Revenue Financing System Bonds, Series 2005B and \$24.1 million outstanding Commercial Paper Notes.
Revenue Financing System Bonds, Series 2015A	64,670	02/18/15	Refund \$71.2 million Revenue Financing System Bonds, Series 2005A.
Revenue Financing System Bonds, Series 2015B	142,155	02/18/15	Refund \$155.9 million outstanding Commercial Paper Notes.
Revenue Financing System Commercial Paper	10,000	10/28/14	Provides interim construction financing.
Revenue Financing System Commercial Paper	12,500	12/02/14	Provides interim construction financing.
Revenue Financing System Commercial Paper	101,783	12/02/14	Provides interim construction financing.
<b>TEXAS DEPARTMENT OF TRANSPORTATION</b>			
State of Texas Highway Improvement General Obligation Bonds, Series Prop 12	1,260,000	10/15/14	To fund highway improvement projects.
State of Texas General Obligation Mobility Fund and Refunding Bonds, Series 2014 A&B	1,830,160	12/15/14	To pay or reimburse the State Highway Fund or Mobility Fund for authorized purposes.
CTTS Revenue Refunding Bonds, Series 2015	1,608,340	02/04/15	To refund previous CTTS Series bonds.
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD</b>			
College Student Loan Bonds, Series 2014	68,130	12/18/14	Provide low interest student loans.
<b>TEXAS PUBLIC FINANCE AUTHORITY</b>			
Texas Windstorm Insurance Association Premium Revenue Taxable Bonds, Series 2014	500,000	09/30/14	To finance future costs of the Association's programs.
General Obligation Commercial Paper Notes, Series 2008	550	11/20/14	To fund projects for the Texas Department of Public Safety.
General Obligation Commercial Paper Notes, Series 2008	550	11/20/14	To fund projects for the Texas Department of Aging and Disability Services.
General Obligation Commercial Paper Notes, Series 2008	250	11/20/14	To fund projects for the Department of State Health Services.

*Concluded on the following page.*

## Bonds and Commercial Paper Issued/Refunded Subsequent to Aug. 31, 2014 (concluded)

(Amounts in Thousands)

Description	Amount	Issuance Date	Purpose
<b>TEXAS PUBLIC FINANCE AUTHORITY (concluded)</b>			
General Obligation Commercial Paper Notes, Series 2008	\$ 160	11/20/14	To fund projects for the Texas Military Department.
General Obligation Commercial Paper Notes, CPRIT Taxable Series A	57,600	11/05/14	Finance cancer research projects.
Taxable Education Revenue Bonds, Series 2014B	260	10/30/14	To fund projects for the Harmony Public Schools.
Taxable Education Revenue Bonds, Series 2014Q	8,880	10/30/14	To fund projects for the Harmony Public Schools.
Education Revenue Bonds, Series 2014A	38,595	11/06/14	To fund projects for KIPP Austin Public Schools, Inc.
Taxable Education Revenue Qualified Zone Academy Bonds, Series 2014Z	5,623	11/06/14	To fund projects for KIPP Austin Public Schools, Inc.
<b>TEXAS STATE TECHNICAL COLLEGE (TSTC)</b>			
Texas Economic Development Bank Loan	1,800	01/15/15	For renovation of hangar at TSTC Waco Airport.
<b>TEXAS TECH UNIVERSITY SYSTEM</b>			
Revenue Financing System Commercial Paper Notes Tax-Exempt, Series A	10,200	12/09/14	To finance a variety of capital projects at various institutions.
Revenue Financing System Commercial Paper Notes Taxable, Series A	16,000	12/09/14	To finance a variety of capital projects at various institutions.
Revenue Financing System Commercial Paper Notes Tax-Exempt, Series A	4,000	02/12/15	To finance a variety of capital projects at various institutions.
Revenue Financing System Commercial Paper Notes Taxable, Series A	6,000	02/15/15	To finance a variety of capital projects at various institutions.
<b>TEXAS WATER DEVELOPMENT BOARD</b>			
Water Financial Assistance Refunding Bonds, Series 2015A	33,045	01/13/15	To partially refund Water Financial Assistance Bonds, Series 2004B and 2004D.
Water Financial Assistance Refunding Bonds, Taxable Series 2015B	69,985	01/13/15	To refund Water Financial Assistance Bonds Series 2004A and 2004E and partially refund Water Financial Assistance Bonds Series 2004 and 2004D.
Water Financial Assistance Refunding Bonds, Taxable Series 2015C	16,915	01/13/15	Refund Water Financial Assistance Bonds, Series 2004C.
<b>UNIVERSITY OF HOUSTON SYSTEM</b>			
Consolidated Revenue Refunding Bonds, Series 2014.	47,915	11/01/14	Refund Consolidated Revenue and Refunding Bonds, Series 2006.
<b>UNIVERSITY OF TEXAS SYSTEM</b>			
Permanent University Fund (PUF) Taxable Commercial Paper Notes, Series B	42,000	11/21/14	To finance a variety of capital projects and equipment purchases at various institutions.
Revenue Financing System (RFS) Refunding Bonds, Series 2014B	250,700	11/24/14	To refund \$200.2 million of RFS Bonds, Series 2006B, \$4.4 million of RFS Refunding Bonds, Series 2006D and \$57.1 million of RFS Bonds, Series 2006F.
Revenue Financing System Commercial Paper Notes, Series A	74,774	12/02/14	To finance a variety of capital projects and equipment purchases at various institutions.
Revenue Financing System Commercial Paper Notes, Series B	16,000	12/04/14	To finance a variety of capital projects and equipment purchases at various institutions.
Permanent University Fund Taxable Commercial Paper Notes, Series B	50,000	01/22/15	To finance a variety of capital projects and equipment purchases at various institutions.
Revenue Financing System Taxable Commercial Paper Notes, Series B	1,330	02/11/15	To retire \$1.3 million in RFS Taxable Commercial Paper Notes, Series B.
Revenue Financing System Commercial Paper Notes, Series A	9,992	02/03/15	To finance a variety of capital projects and equipment purchases at various institutions.
<b>VETERANS LAND BOARD</b>			
General Obligation State of Texas Veterans Bonds, Series 2014D	100,000	09/10/14	Augment the Veterans Housing Assistance Fund.
General Obligation State of Texas Veterans Bonds, Series 2015A	125,000	02/11/15	Augment the Veterans Housing Assistance Fund.
Total Bond and Commercial Paper Issued/Refunded	<u>\$ 6,774,098</u>		

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### *Other Subsequent Events*

The Texas Workforce Commission transferred \$42.8 million of taxes to the unemployment trust fund in October 2014 in accordance with Texas Labor Code, Section 204.123. The taxes were originally deposited to the employment and training investment holding fund, an account within the general revenue fund. Texas Labor Code, Section 204.061, defines a statutory floor for the unemployment trust fund as 1 percent of total taxable wages for the four quarters ended June 30, 2014. This transfer was required because the unemployment trust fund balance was below that floor.

On Nov. 4, 2014, Texas voters approved the ballot measure known as Proposition 1, which created a constitutional amendment for transportation funding. Under the amendment, a portion of oil and gas tax revenues that typically go into the economic stabilization fund will be deposited to the state highway fund. The amendment did not create any new taxes or fees.

## Note 17

### **Risk Management**

The state of Texas is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. The state of Texas and its employees are covered by numerous immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against the state or its employees. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance or a combination of these risk financing techniques.

Estimates of liabilities for incurred but not reported claims are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends and any other factors that would modify past experience. Claims liabilities

include specific, incremental claims adjustment expenditures/expenses. In addition, estimated recoveries on unsettled claims, such as salvage and subrogation, are evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims. Unallocated claim adjustment expenditures/expenses are not included in the liability for claims and judgments.

There were no significant reductions in insurance coverage in the past year. Also, in the past three years, settlements have not exceeded insurance coverage.

### **Property and Liability**

The Texas Labor Code, Chapter 412, states that the State Office of Risk Management (SORM) shall operate as a full-service risk and insurance manager for state agencies and shall administer programs to reduce property and liability losses, including workers' compensation losses.

SORM administers the statewide workers' compensation program. The state does not carry commercial insurance for workers' compensation, but instead, uses the general revenue fund to account for its risk financing activities. Certain agencies are exempt from the SORM program or elect to purchase additional insurance coverage outside of the program. The University of Texas System (UT), Texas A&M University System (A&M) and Texas Department of Transportation administer separate self-insured workers' compensation programs.

Where applicable, certain agencies purchased fire and extended insurance coverage for buildings financed through the issuance of bonds. Other risks are addressed through a combination of interim financing and commercial coverage for fire and all other perils, as well as coverage for medical malpractice, torts, named windstorms, floods and other potential liabilities.

### **Health, Life and Dental**

Insurance coverage is provided to active state employees and their dependents by one of three health

plan administrators. All state employees not covered by insurance plans provided by UT and A&M are included in the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS). Public school employees and their dependents are covered by the Texas Active School Employees Uniform Group Benefits Program (TRS-ActiveCare) administered by the Teacher Retirement System of Texas (TRS). Risk of loss is retained with self-insured plans or transferred to the insurance carrier with health maintenance organization (HMO) plans.

### **Texas Employee Group Benefits Program**

Claims for health, life, accidental death and dismemberment (AD&D), disability and dental insurance coverages are established under the GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, HMO contracts and dental health maintenance organizations (DHMO) contracts.

### **University of Texas System and Texas A&M University System**

UT and A&M provide health insurance, dental insurance, vision insurance, life insurance, AD&D, long-term disability, short-term disability, long-term care and flexible-spending account coverages to all benefits-eligible employees. These insurance benefits are provided through both self-funded and fully insured arrangements.

### **Teacher Retirement System**

TRS-ActiveCare is a health benefits program that offers options ranging from catastrophic coverage with reduced premiums to a comprehensive plan at higher premiums. TRS-ActiveCare covers members currently employed by public educational employers that participate in the plan.

TRS-ActiveCare offers employees of participating entities the option of three preferred provider organiza-

tion plans and also offers employees of certain areas the option of choosing coverage under an HMO plan. In fiscal 2014, 1,122 entities participated in the program. The risk associated with TRS-ActiveCare is retained by the plan's participants, and no risk is transferred to the plan's administrators, employers or the state.

## **Changes in Claims Liability Balances**

The table below presents the changes in claims liability reported in various balance sheet/statement of net position liability accounts during fiscal years ended Aug. 31, 2013, and Aug. 31, 2014. Claims and judgment amounts presented in Note 5 are also included in the table below.

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
2014	\$ 804,798	\$ 3,237,461	\$ 3,217,078	\$ 825,181
2013	\$ 787,456	\$ 2,846,831	\$ 2,829,489	\$ 804,798

Of the fiscal 2014 claims liability ending balance, \$192 million relates to long-term claims liabilities, which are reported in Note 5. Of the remaining, \$632 million relates to the state's health, life and dental insurance programs, and the remainder to miscellaneous claims and judgments, all of which are reported as accounts payable.

## **Note 18**

### **Contested Taxes**

The state may assess a claim against one or multiple taxpayers for a tax liability. Taxpayers may petition for a formal hearing before an independent administrative law judge if they wish to challenge a tax liability assessed by the state. If the request for a determination

hearing is received within a specified time, the taxpayer does not have to pay the tax until a final decision is reached. As of Aug. 31, 2014, there was an estimated \$1.1 billion of assessments filed that are currently in the redetermination hearings process. Collectability of these assessments is dependent upon the decisions of administrative law judges. These assessments are not recognized as tax revenue until the administrative hearing is final. Therefore, these amounts are not included in the receivables reported in the financial statements.

## Note 19

### Component Units and Related Organizations

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a government unit. Because of the closeness of their relationships with the primary government, some component units are blended as though they are part of the primary government. Other component units are discretely presented. None of the component units for the state of Texas meet the criteria for major component unit presentation and those presented are for informational purposes of interested parties. The component units are reported for the fiscal year ended Aug. 31, 2014, unless indicated otherwise.

#### *Blended Component Units*

The state is financially accountable for the following legally separate entities. These component units are

reported as if they are part of the primary government because they provide substantially all of their services directly to the state, or the component units' debts are expected to be repaid entirely or almost entirely with the resources of the state. The component units' financial data is blended in the appropriate funds within the financial statements.

**Employees Retirement System of Texas (ERS)** is a legally separate entity established by the Legislature to administer benefits for officers and employees of the state. ERS is governed by a six-member board of trustees. The governor, with the advice and consent of the Senate, appoints three of the six members of the board of trustees. The state of Texas has the ability to impose its will upon ERS through its budget approval powers. Separate financial statements may be obtained by contacting ERS at P.O. Box 13207, Austin, Texas 78711.

**Texas Treasury Safekeeping Trust Company (Trust Company)** is a legally separate entity established by the Legislature. The Texas Comptroller of Public Accounts is the single shareholder of the Trust Company and is charged with managing the Trust Company. The Trust Company is authorized to manage, disburse, transfer, safekeep and invest funds and securities provided by statute or belonging to state and local entities and gives the Comptroller's office direct access to services provided by the Federal Reserve System. Separate financial statements may be obtained by contacting the Trust Company at 208 E. 10th St., 4th Floor, Austin, Texas 78701.

**Texas Governor's Mansion Restoration Fund (TGMRF)** is a legally separate entity established to raise awareness and provide financial assistance to the state for the restoration of the Texas Governor's Mansion. TGMRF is closely related to the state of Texas because the Office of the Governor provides administrative services to TGMRF, including accounting, the filing of taxes and the collection of donations. Separate financial statements may be obtained by contacting the Office of the Governor at P.O. Box 12428, Austin, Texas 78711.

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**Grand Parkway Association (GPA)** is a legally separate entity established to facilitate the efficient development of the city of Houston's third outer highway loop to serve the regional mobility needs of the metropolitan Houston area. The Texas Transportation Commission, which is the governing body of the Texas Department of Transportation (TxDOT), appoints the voting majority of the GPA's governing board, and has the ability to remove appointed board members at will. Separate financial statements may be obtained by contacting the GPA at 4544 Post Oak Place, Suite 222, Houston, Texas 77027.

**Texas Private Activity Bond Surface Transportation Corporation (TxPABST)** is a legally separate entity that acts on behalf of TxDOT in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements (CDA) entered into by TxDOT. Bonds issued by TxPABST are not legal obligations of the state and are payable solely from payments received by or on behalf of a CDA developer. The Texas Transportation Commission appoints the voting majority of TxPABST's governing board, and has the ability to remove appointed board members at will. TxPABST does not have any financial activity, as its sole purpose is to issue debt on behalf of TxDOT.

**Grand Parkway Transportation Corporation (GPTC)** is a legally separate entity that acts on behalf of TxDOT in the promotion and development of the Grand Parkway project by issuing bonds and entering into CDAs with developers for the design and construction of several segments of the Grand Parkway project. The Texas Transportation Commission appoints the voting majority of GPTC's governing board, and has the ability to remove appointed board members at will. Separate financial statements may be obtained by contacting GPTC at 125 East 11th Street, Austin, Texas 78701.

**Windham School District (WSD)** is a legally separate entity that provides education to inmates within

the Texas Department of Criminal Justice. The Texas Board of Criminal Justice serves as the board of trustees for the WSD. The primary government is able to impose its will on the WSD through its ability to modify or approve the budget of the WSD. WSD's entire debt is covered by the state of Texas through appropriations, and the state is liable for any and all outstanding debt. WSD does not issue separate financial statements. Information about WSD may be obtained by contacting the Texas Department of Criminal Justice at P.O. Box 13034, Austin, Texas 78711.

**Friends of the Texas Historical Commission (Friends)** is a legally separate entity whose sole purpose is to support the activities of the Texas Historical Commission (THC). Friends is reported as a component unit due to it being closely related to the primary government. The THC provides office space to Friends. In addition, the staff of Friends participates in programs sponsored by THC. Separate financial statements may be obtained by contacting Friends at P.O. Box 13497, Austin, Texas 78711.

**Texas Tech Foundation Inc. (TTF)** is a legally separate entity established to financially support and serve the fundraising needs of Texas Tech University System (TTUS). The governing board of TTF is appointed by the TTUS board of regents. The board of regents has the ability to impose its will on TTF through its ability to veto, override, or modify the decisions of TTF and its ability to modify or approve the budget of TTF. Separate financial statements may be obtained by contacting TTF at P.O. Box 41102, Lubbock, Texas 79409.

**National Wind Resource Center (NWRC)** is a legally separate entity established to support research at Texas Tech University (TTU). Five of the nine members of the governing board of NWRC are TTU personnel. TTU controls all assets of NWRC and may modify NWRC's budget. Separate financial statements may be obtained by contacting NWRC at P.O. Box 41091,

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Lubbock, Texas 79409. The NWRC was dissolved as of August 31, 2014.

**Texas Tech Physician Associates (TTPA)** is a legally separate entity established for the sole purpose of, and is operated exclusively for, the benefit of the Texas Tech University Health Science Center (TTUHSC). The nine-member governing board of TTPA is appointed by TTUHSC. TTUHSC controls all financial and operational transactions of TTPA, and has the ability to remove board members at will. Separate financial statements may be obtained by contacting TTPA at Provider Payor Relations, 3601 4th Street, Lubbock, Texas 79430.

**Texas State University Research Foundation (TSURF)** is a legally separate entity established to support the mission of Texas State University and its objectives of promoting higher education, conducting research, providing public service and assisting in economic development in Texas. The key business officers of Texas State University compose the entirety of TSURF's officers and directors. Texas State University is able to impose its will on TSURF through its ability to remove board members at will, its ability to modify or approve the budget of TSURF, its ability to modify or approve the rates or fees affecting revenues of TSURF and its ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operations of TSURF. TSURF is reported for the fiscal year ended Feb. 28, 2014. Separate financial statements may be obtained by contacting Texas State University, Office of the President for Finance and Support Services, 601 University Drive, San Marcos, Texas 78666-4684.

**Harold M. Freeman Educational Foundation (Freeman Foundation)** is a legally separate entity formed through a trust to make the use of the Freeman Ranch available exclusively to Texas State University. The Freeman Ranch is used and operated solely for farm, ranch and game management, education, and research purposes in connection with the educational activities of Texas State University. There is no formal

governing board for the Freeman Foundation. Texas State University acts as an active co-trustee to operate the ranch. Frost Bank operates as an inactive trustee to ensure the provisions of the trust are followed. Based on the Freeman Foundation being closely related to Texas State University, the Freeman Foundation is included as a blended component unit. Separate financial statements are not issued by the Freeman Foundation. Information about the Freeman Foundation may be obtained by contacting Texas State University, Office of the President for Finance and Support Services, 601 University Drive, San Marcos, Texas 78666-4684.

**Texas A&M Research Foundation (TAMRF)** is a legally separate entity established to facilitate research and development within the Texas A&M University System (A&M). The Texas A&M University System board of regents appoints the voting majority of TAMRF, and can impose its will through its ability to remove appointed board members at will. A&M can also impose its will through its ability to modify or approve the budget of TAMRF. Separate financial statements may be obtained by contacting TAMRF at 400 Harvey Mitchell Parkway South, Suite 100, College Station, Texas 77845.

**Southwestern Health Systems Inc. (SHSI)** is a legally separate entity established to support the University of Texas Southwestern Medical Center (UTSWMC). Its four-member governing board is appointed by the UTSWMC. UTSWMC has the ability to impose its will on SHSI through its ability to remove appointed board members at will, its ability to modify or approve the budget of SHSI and its ability to modify or approve rates or fees affecting revenues of SHSI. Separate financial statements may be obtained by contacting SHSI at 5323 Harry Hines Boulevard, Dallas, Texas 75390.

**Southwestern Moncrief Cancer Center (SW Moncrief)** is a legally separate entity established to support the UTSWMC. Its four-member governing board is appointed by the president of UTSWMC. UTSWMC has the

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ability to impose its will on SW Moncrief through its ability to remove appointed board members at will, its ability to modify or approve the budget of SW Moncrief and its ability to modify or approve rates or fees affecting revenues of SW Moncrief. Separate financial statements may be obtained by contacting SW Moncrief at 400 West Magnolia Avenue, Fort Worth, Texas 76104.

**Moncrief Cancer Foundation** (Moncrief) is a legally separate entity established to support the UTSWMC. Its six-member governing board is appointed by the president of UTSWMC. UTSWMC has the ability to impose its will on Moncrief through its ability to remove appointed board members at will, its ability to modify or approve the budget of Moncrief and its ability to modify or approve rates or fees affecting revenues of Moncrief. Separate financial statements may be obtained by contacting Moncrief at 5323 Harry Hines Boulevard, Dallas, Texas 75390.

**St. Paul Medical Foundation** (SPMF) is a legally separate nonprofit organization created exclusively to support the advancement of patient care and research activities of the programs and facilities at St. Paul Hospital. There is no appointment of board members. The president of the St. Paul Hospital and the president of UTSWMC compose a majority of the board. SPMF is closely related to the University of Texas System. Failure to include the financial information of the SPMF would result in misleading financial statements. The SPMF is reported for the fiscal year ended December 31, 2013. Separate financial statements may be obtained by contacting the SPMF at 5909 Harry Hines Boulevard, Dallas, Texas 75390.

**University of Texas Medical Branch Healthcare Systems Inc.** (Healthcare Systems) is a legally separate entity established to support the University of Texas Medical Branch at Galveston (UTMB). Its eight-member governing board is appointed by the UTMB. UTMB has the ability to impose its will on Healthcare Systems through its ability to remove appointed board

members, its ability to modify the budget of Healthcare Systems, its ability to appoint, hire, reassign or dismiss those responsible for Healthcare Systems' day-to-day operations and its ability to unilaterally abolish Healthcare Systems. Separate financial statements may be obtained by contacting Healthcare Systems at 301 University Boulevard, Galveston, Texas 77555.

**University Medical Branch Student Book Store Inc.** (Book Store) is a legally separate entity established to operate the book store for UTMB. Its five-member governing board is appointed by UTMB. UTMB has the ability to impose its will through its ability to remove appointed board members at will and its ability to appoint, hire, reassign or dismiss those responsible for the Book Store's day-to-day operations. The Book Store is reported for the fiscal year ended June 30, 2014. Separate financial statements may be obtained by contacting the Book Store at 301 University Boulevard, Galveston, Texas 77555.

**University of Texas Physicians** (UT Physicians) is a legally separate entity established to provide management services for the physician practice plan at the University of Texas Health Science Center at Houston (UTHSCH). Its five-member governing board is appointed by UTHSCH. UTHSCH has the ability to impose its will on UT Physicians through its ability to modify or approve the budget of UT Physicians, its ability to modify or approve rates or fees affecting revenues of UT Physicians and its ability to appoint, hire, reassign or dismiss those responsible for UT Physicians' day-to-day operations. Separate financial statements may be obtained by contacting UT Physicians at P.O. Box 20627, Houston, Texas 77225.

**University of Texas System Medical Foundation** (Medical Foundation) is a legally separate entity established to support the medical residency programs at UTHSCH. Its three-member governing board is appointed by the UTHSCH. UTHSCH has the ability to impose its will on the Medical Foundation through

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its ability to modify or approve the budget of the Medical Foundation and its ability to appoint, hire, reassign or dismiss those responsible for the Medical Foundation's day-to-day operations. Separate financial statements may be obtained by contacting the Medical Foundation at 6431 Fannin, Suite JJJ 310, Houston, Texas 77030.

**University Physicians Group (UPG)** is a legally separate entity established to provide health care education and research activity to the University of Texas Health Science Center at San Antonio (UTHSCSA). Its five-member governing board consists of the dean of the School of Medicine and four members elected by the practice plan (physicians) at UTHSCSA. UTHSCSA has the ability to remove board members at will, the ability to modify or approve the budget of UPG, the ability to veto, overrule or modify the decisions of UPG's board, the ability to appoint, hire, reassign or dismiss those responsible for UPG's day-to-day operations and the ability to unilaterally abolish UPG. Separate financial statements may be obtained by contacting UPG at 6126 Wurzbach Road, San Antonio, Texas 78238.

**M.D. Anderson Physicians Network (MDAPN)** is a legally separate entity established to support the University of Texas M.D. Anderson Cancer Center (Cancer Center). MDAPN's four-member board is appointed by the president of the Cancer Center. The president can also remove appointed board members at will. Separate financial statements may be obtained by contacting MDAPN at 7505 South Main, Suite 500, Houston, Texas 77030.

**M.D. Anderson Services Corporation (MDASC)** is a legally separate entity established to support the Cancer Center. The seven-member board is appointed by the president of the Cancer Center and the University of Texas System (UT) board of regents. The president may remove appointed board members at will. Separate financial statements may be obtained by contacting

MDASC at 7505 South Main, Suite 500, Houston, Texas 77030.

**East Texas Quality Care Network (ETQCN)** is a legally separate entity established to provide agency nursing services to the University of Texas Health Science Center at Tyler (UTHSCT). Its four-member governing board is appointed by UTHSCT. UTHSCT has the ability to remove board members at will, the ability to modify or approve the budget of ETQCN, the ability to modify or approve rates or fees affecting revenues of ETQCN, the ability to veto, overrule or modify the decisions of ETQCN's board, the ability to appoint, hire, reassign or dismiss those responsible for ETQCN's day-to-day operations and the ability to unilaterally abolish ETQCN. Separate financial statements may be obtained by contacting ETQCN at P.O. Box 6053, Tyler, Texas 75711-6053.

**University of Texas Investment Management Co. (UTIMCO)** is a legally separate entity established to provide investment management services to UT. UTIMCO's nine-member board consists of three members of the UT board of regents, the chancellor of UT, three members appointed by the UT board of regents and two members appointed by the A&M board of regents. UT has the ability to impose its will through its ability to modify or approve UTIMCO's budget, its ability to modify or approve rates or fees affecting UTIMCO's revenues, its ability to veto, overrule or modify the decisions of UTIMCO's board, its ability to appoint, hire, reassign or dismiss those responsible for UTIMCO's day-to-day operations and its ability to unilaterally abolish UTIMCO. Separate financial statements may be obtained by contacting UTIMCO at 401 Congress Avenue, Suite 2800, Austin, Texas 78701.

**University of Texas Fine Arts Foundation (Fine Arts)** is a legally separate entity established to acquire the Suida-Manning Art Collection for the University of Texas at Austin (UT-Austin) Blanton Museum of Art. Fine Arts' three-member governing board is appointed

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by UT-Austin. UT-Austin has the ability to impose its will on Fine Arts through its ability to remove appointed board members at will, its ability to modify or approve Fine Arts' budget, its ability to veto, overrule or modify the decisions of Fine Arts and unilaterally abolish Fine Arts. Fine Arts is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting UT-Austin at Main Building, P.O. Box T, Austin, Texas 78713.

**Communication Foundation** is a legally separate entity established to support the UT-Austin College of Communication. Its three-member governing board is appointed by UT-Austin. UT-Austin has the ability to impose its will on the Communication Foundation through its ability to remove appointed board members at will, its ability to modify or approve the Communication Foundation's budget, its ability to veto, overrule or modify the decisions of the Communication Foundation and unilaterally abolish the Communication Foundation. Separate financial statements may be obtained by contacting UT-Austin at P.O. Box 7322, Austin, Texas 78713.

### *Discretely Presented Component Units*

The state is financially accountable for the following legally separate entities (component units); however, the component units do not provide services entirely or almost entirely to the state nor are the component units' debts expected to be repaid entirely or almost entirely with the resources of the state. The component units' financial data is discretely presented in the component unit column of the state's government-wide financial statements. Based on an analysis performed at year end, none of the discretely presented component units met the materiality threshold for presentation; however, omission of the following discretely presented component units would result in misleading financial statements.

**Texas Guaranteed Student Loan Corporation** (TGSLC) is a private nonprofit corporation that guar-

antees loans made to eligible students under the federal guaranteed student loan program. As of fiscal 2014, TGSLC is a nonprofit corporation and is no longer a component unit of, or otherwise affiliated with, the state of Texas. TGSLC is reported here because its activity was removed from the fiscal 2014 financial statements by restating beginning net position. See Note 14 for more information on restatements of beginning balances.

**Teacher Retirement System of Texas** (TRS) is a legally separate entity established by the Legislature to administer retirement and disability annuities to employees and beneficiaries of public school systems and institutions of higher education. TRS is governed by a nine-member board of trustees, three of whom are direct appointments of the governor. The remaining trustees are appointed by the governor from lists prepared by various constituent groups. TRS is subject to the budget approval powers of the Texas Legislature, and therefore is fiscally dependent on the state of Texas. The active employees insurance program and 403(b) administrative program are reported in the component unit column of the government-wide financial statements; whereas the employee benefit trust fund and retired employees insurance are reported in the pension and other employee benefit trust funds financial statements. Separate financial statements may be obtained by contacting TRS at 1000 Red River St., Austin, Texas 78701.

**State Bar of Texas** (State Bar) is a public corporation and an administrative agency of the judicial branch of government. The purpose of the State Bar is to ensure that public responsibilities of the legal profession are effectively discharged. The annual budget for the State Bar must be reviewed and approved by the Supreme Court, thus making the State Bar fiscally dependent on the state of Texas. The State Bar is reported for the fiscal year ended May 31, 2014. Separate financial statements may be obtained by contacting the State Bar at 1414 Colorado St., Austin, Texas 78701.

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**Texas State Affordable Housing Corporation** (TSAHC) was incorporated under the Texas Non-profit Corporation Act and is legally separate from the state. Its purpose is to serve the housing needs of low-income Texans, professional educators, firefighters and police officers who are first-time home buyers and are not afforded housing finance options through conventional lending channels. TSAHC operates under the name Texas Star Mortgage to provide single and multifamily loans to low-income Texans. Prior to any bonds being issued by TSAHC, the issuance must be reviewed by the Bond Review Board, which is composed of the governor, lieutenant governor, speaker of the House of Representatives and the Comptroller. Separate financial statements may be obtained by contacting TSAHC at P.O. Box 12637, Austin, Texas 78711-2637.

**OneStar National Service Commission** and **OneStar Foundation** (OneStar) are legally separate nonprofit corporations that administer the AmeriCorps\*Texas program. They serve as the state's liaison to and oversee Texas' participation in OneStar programs for the Corporation for National and Community Service (a federal agency), as well as prepare a comprehensive three-year national service plan for the state. The governor appoints all members of OneStar's boards. The governor can also remove any board member at will. OneStar performs all administrative duties of the OneStar National Service Commission, as well as provides technical assistance, education, information and other support to the volunteer community. OneStar is reported for the fiscal year ended Dec. 31, 2013. The financial statements of OneStar can be obtained by contacting OneStar at 9011 Mountain Ridge Drive, Suite 100, Austin, Texas 78759.

**Texas Low-Level Radioactive Waste Disposal Compact Commission** (Commission) is a legally separate organization established to promote the health, safety and welfare of the citizens and environment of the states participating in the Texas Low-Level Radio-

active Waste Disposal Compact (Compact), known as party states. There are currently three party states, Texas, Maine and Vermont, with Texas serving as the host party state. The mission of the Commission is to:

- Limit the number of radioactive waste disposal facilities
- Effectively, efficiently and economically manage low-level radioactive waste
- Encourage the reduction of the generation thereof

Since Texas serves as the host party state for the Compact, it is entitled to six voting members, whereas the other party states are only entitled to one voting member. The governor appoints the six members of the Commission serving on behalf of Texas. As host state, Texas has the authority to establish the disposal fees assessed at the facility for disposal of low-level radioactive waste generated in the party states. The Texas Legislature, with the approval of the governor, also has the authority to revise the portion of the Compact pertaining to the volume of waste the host state will dispose of without the consent of the nonhost party states. The financial statements of the Commission may be obtained by contacting the Commission at 333 Guadalupe St. #3-240, Austin, Texas 78701.

**Texas Prepaid Higher Education Tuition Scholarship Foundation, Inc.** (TPHETSF) is a legally separate entity created to provide prepaid tuition scholarships to students meeting economic or academic requirements. TPHETSF is a direct-support organization of the prepaid tuition program and is authorized by the Texas Education Code. TPHETSF is governed by a board composed of the Comptroller, a member appointed by the governor with the advice and consent of the Senate and three members appointed jointly by the Comptroller and the member who is appointed by the governor. The Comptroller assigns and supervises employees responsible for the day-to-day operations of TPHETSF. Separate financial statements may be obtained by con-

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tacting the Texas Comptroller of Public Accounts, Texas Guaranteed Tuition Plan at 111 E. 17th Street, Austin, Texas 78774.

**Texas Match the Promise Foundation** (TMPF) is a legally separate entity established to implement the Texas Save and Match Program, which helps families save for college by offering competitive matching scholarships and tuition grants to Texas students who participate in the Texas Tuition Promise Fund. The Comptroller appoints TMPF's governing board, and can remove appointed board members at will. The Comptroller also assigns and supervises employees responsible for the day-to-day operations of TMPF. Separate financial statements may be obtained by contacting the Texas Comptroller of Public Accounts, Texas Guaranteed Tuition Plan at 111 E. 17th Street, Austin, Texas 78774.

**Texas Windstorm Insurance Association** (Association) is a legally separate organization established to provide an adequate market for windstorm and hail insurance in the seacoast territory of Texas and serves as an insurer of last resort. The commissioner of the Texas Department of Insurance (TDI) appoints the nine-member board of directors, and the board is responsible and accountable to the commissioner. The state of Texas has the ability to impose its will on the Association through TDI commissioner approval of rates and maximum liability limits for windstorm and hail insurance policies issued by the Association. The Association is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting the Association at 5700 South Mopac, Building E, Suite 530, Austin, Texas 78749.

**Surplus Lines Stamping Office of Texas** (Stamping Office) is a legally separate nonprofit corporation created by the Legislature to assist TDI in the regulation of surplus lines insurance. TDI's commissioner appoints the board. The Stamping Office performs its functions under a plan of operation approved by order of TDI.

The Stamping Office assesses each surplus lines insurance agent a stamping fee for the administrative funding of the Stamping Office. The state of Texas has the ability to impose its will upon the Stamping Office through the approval of the assessment rate that funds its operations. The Stamping Office is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting the Stamping Office at 805 Las Cimas Parkway, Suite 150, Austin, Texas 78746-6526.

**Texas Health Reinsurance System** is a legally separate entity that reinsures risks covered under the health benefit plans of small employers' insurance carriers. TDI's commissioner appoints, supervises and controls the nine-member board. The state of Texas has the ability to impose its will through TDI commissioner approval of base reinsurance premium rates and the assessment rates against reinsured health benefit plan issuers. Financial statements are presented on statutory accounting principles established by TDI, and are reported for the fiscal year ended Dec. 31, 2013. Financial statements may be obtained by contacting the Texas Health Reinsurance System at 100 Great Meadow Rd., Suite 704, Wethersfield, Connecticut 06109.

**Texas Health Insurance Pool** (THIP) is a legally separate entity that provides access to quality health care at a minimum cost to the public for those unable to obtain traditional health care coverage. The nine-member board of directors is appointed by TDI's commissioner. TDI approves all rates and rate schedules before they are used. THIP is reported for the fiscal year ended Dec. 31, 2013. Financial statements may be obtained by contacting the THIP at P.O. Box 17463, San Antonio, Texas 78217.

**Texas Title Insurance Guaranty Association** (TTIGA) is a legally separate nonprofit organization created for the purpose of providing funds for the protection of holders of covered claims as defined in the Texas Insurance Code. This applies to all title insurance written by title insurance companies authorized to do business in

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Texas. The nine-member board of directors is appointed by TDI's commissioner. TDI is able to impose its will on TTIGA through its ability to veto, overrule or modify the decisions of TTIGA. TTIGA is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting TTIGA at 500 W. 5th Street, Suite 1150, Austin, Texas 78701.

**Texas Life and Health Insurance Guaranty Association** (TLHIGA) is a legally separate entity created to protect persons against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts due to the impairment or insolvency of the member insurer that issued the policies or contracts. TDI's commissioner appoints TLHIGA's nine-member board of directors. TDI is able to impose its will on TLHIGA through its ability to veto, overrule or modify the decisions of TLHIGA. TLHIGA is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting TLHIGA at 515 Congress Avenue, Suite 1875, Austin, Texas 78701.

**Texas Property and Casualty Insurance Guaranty Association** (TPCIGA) is a legally separate entity created to assess the cost of providing protection among insurers for providing a mechanism for the payment of covered claims, to avoid excessive delay in payments, to avoid financial loss to claimants or policyholders due to an insurer's impairment, and to assist in the detection and prevention of insurer insolvencies. The nine-member board of directors consists of five members selected by member insurers, with the approval of TDI's commissioner, and four members appointed by the commissioner. TDI is able to impose its will on TPCIGA due to the requirements that TPCIGA's plan of operation, and any amendments, must be approved by TDI's commissioner. TPCIGA is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting TPCIGA at 9120 Burnet Road, Austin, Texas 78758-5204.

**Fair Access to Insurance Requirements Plan Association** (FAIRPA) is a legally separate entity established to administer the Fair Access to Insurance Requirements Plan, which delivers property insurance to Texas residents in underserved areas. The 11-member governing board is appointed by TDI's commissioner. The commissioner may remove appointed board members at will. FAIRPA is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting FAIRPA at 5700 South Mopac, Building A, Austin, Texas 78749-1461.

**Texas Boll Weevil Eradication Foundation Inc.** (TBWEF) is a legally separate entity that establishes and implements a boll weevil eradication program for Texas. It is governed by 21 board members. The Texas Department of Agriculture's (TDA) commissioner appoints five of the board members. Although TDA must approve the TBWEF's budget, assessment fees and debt, a financial benefit or financial burden does not exist between the TBWEF and the primary government. Therefore, the primary government is not financially accountable for the TBWEF. However, based on the TBWEF's financial relationship with the TDA, omitting the TBWEF would result in incomplete financial statements. The TBWEF is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting TDA at P.O. Box 12847, Austin, Texas 78711-2847.

**Texas Agricultural Finance Authority** (TAFA) is a legally separate entity that provides financial assistance for the expansion, development and diversification of agricultural businesses, and primarily benefits the citizens of Texas. The governor, with the advice and consent of the Senate, appoints seven of the nine members of the board of directors. The commissioner of TDA administers TAFA with the assistance of the board. If there are insufficient funds to pay TAFA's bond obligations, the primary government is obligated to transfer money from the state treasury to TAFA in an amount

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sufficient to pay those obligations. Separate financial statements may be obtained by contacting TDA at P.O. Box 12847, Austin, Texas 78711-2847.

**Texas Water Resources Finance Authority**

(Authority) is a legally separate entity created by the Legislature as a governmental entity and body politic and corporate for the purpose of increasing the availability of financing for water-related projects, and primarily benefits the citizens of Texas. A board of directors, composed of the six members of the Texas Water Development Board (TWDB), governs the Authority. The members of the TWDB are appointed by the governor. TWDB, through a sales and servicing agreement, wholly manages the Authority's operations. Prior to any bonds being issued by the Authority, the issuance must be reviewed by the Bond Review Board, which is composed of the governor, lieutenant governor, speaker of the House of Representatives and the Comptroller. Financial statements may be obtained by contacting TWDB at P.O. Box 13231, Austin, Texas 78711-3231.

**Texas Appraiser Licensing and Certification Board**

(TALCB) is a legally separate entity statutorily created as an independent subdivision of the Texas Real Estate Commission (TREC) to serve the real estate community in Texas. The governor appoints the members of the governing board. TREC provides administrative support to TALCB, but has no authority to approve or modify its budget or to set its fees. Although TALCB is not fiscally dependent on TREC, to exclude it would result in the presentation of incomplete financial statements. Financial statements can be obtained by contacting TREC at P.O. Box 12188, Austin, Texas 78711-2188.

**Texas Economic Development Corporation**

(TED Corp.), a legally separate nonprofit corporation, was created to assist, promote, develop and advance economic development in the state of Texas. TED Corp.'s services primarily benefit the Texas citizenry. The board of directors is appointed by the governor. The Office of the Governor is the oversight agency for

TED Corp., and has the ability to remove board members at will. The TED Corp. is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements may be obtained by contacting TED Corp. at P.O. Box 684702, Austin, Texas 78768.

**Texas Small Business Industrial Development Corporation** (TSBIDC) is a legally separate entity and was chartered to promote economic development in the state of Texas. TSBIDC's services primarily benefit the Texas citizenry. The board of directors is appointed by the governor. The Office of the Governor is the oversight agency for TSBIDC. The Articles of Incorporation and Bylaws of TSBIDC cannot be changed without the approval of the Office of the Governor. Separate financial statements may be obtained by contacting the Office of the Governor at P.O. Box 12428, Austin, Texas 78711.

**Texas Disaster Relief Fund** (TDRF), a legally separate nonprofit corporation, was established to help the Office of the Governor provide disaster relief. The services provided by TDRF assist the Office of the Governor in responding to the needs of the citizens before, during and after a disaster in Texas. Based on TDRF's financial relationship with the Office of the Governor, omitting TDRF would result in misleading financial statements. TDRF is reported for the fiscal year ended Dec. 31, 2013. TDRF's financial statements may be obtained by contacting the Office of the Governor at P.O. Box 12428, Austin, Texas 78711.

**Texas Health Services Authority** (THSA) is a legally separate entity created for the improvement of the Texas health care system. THSA promotes and coordinates the electronic exchange of health information throughout the state to ensure information is available to health care providers and to improve patient safety and quality of care. The board of directors consists of 11 members and is appointed by the governor, with the advice and consent of the Senate. The state of Texas has the ability to impose its will upon THSA through the

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ability of the governor to order the dissolution of THSA at any time the governor declares the purposes of THSA are fulfilled or that THSA is inoperative or abandoned. THSA is reported for the fiscal year ended Sept. 30, 2013. THSA's financial statements may be obtained by contacting THSA at 221 E. 9th St., Suite 201, Austin, Texas 78701.

**Beacon State Fund (BSF)** is a legally separate organization established to assist the Governor's Commission for Women (GCW) to promote issues affecting the women of Texas. BSF increases public awareness through the distribution of information, media events and community outreach programs. Members of the board of trustees are appointed by the Office of the Governor or someone designated by the Office of the Governor. The Office of the Governor has fiscal oversight over BSF to ensure funds are expended properly and the public purpose is being accomplished. BSF is reported for the fiscal year ended Dec. 31, 2013. Financial statements may be obtained by contacting the GCW at P.O. Box 12428, Austin, Texas 78711.

**State Agency Council** is a legally separate organization established to assist the GCW by honoring women who have made significant contributions to Texas through their work in state government. The board of directors is appointed by the director of the GCW. The director of the GCW is required to sign all contracts and has check signing privileges. Expenses exceeding \$500 require the GCW director's signature. Financial statements for the State Agency Council may be obtained by contacting the GCW at P.O. Box 12428, Austin, Texas 78711.

**Film Texas Fund** is a legally separate nonprofit organization created to support, encourage and promote the development of the film, television and multimedia industry in Texas. The Film Texas Fund is closely related to the Office of the Governor Texas Film Commission (OGTFC). However, the OGTFC is not financially accountable for the Film Texas Fund and the Film Texas

Fund supports its own mission in promoting the film industry in Texas. Due to the Film Texas Fund's close financial relationship with the OGTFC, omitting the Film Texas Fund would result in misleading financial statements. The Film Texas Fund is reported for the fiscal year ended Dec. 31, 2013. Financial statements for the Film Texas Fund may be obtained by contacting the Office of the Governor at P.O. Box 12428, Austin, Texas 78711.

**Texas Governor's Mansion Administration (TGMA)** is a legally separate nonprofit organization established to support the financial administration of catering and facility expenses associated with the use of the official residence of the governor of the state of Texas for non-political events. TGMA is closely related to the state of Texas because the Office of the Governor provides administrative services, including accounting services, to TGMA. TGMA is reported for the fiscal year ended Dec. 31, 2013. Separate financial statements for TGMA may be obtained by contacting the Office of the Governor at P.O. Box 12428, Austin, Texas 78711.

**Robert G. Carr and Nona K. Carr Scholarship Foundation (Carr Foundation)** is a legally separate entity established for the sole purpose of providing scholarships to students of Angelo State University (ASU), a campus within the Texas Tech University System. The ASU board of regents serves as the governing board for the Carr Foundation, and has the ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operations of the Carr Foundation. Separate financial statements may be obtained by contacting the Carr Foundation at P.O. Box 11007C, ASU Station, San Angelo, Texas 76909.

**University of North Texas Foundation (UNTF)** is a legally separate entity established to raise funding for scholarships for students of the University of North Texas, as well as provide funding for the benefit of the University of North Texas. The majority

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of endowments supporting the University of North Texas scholarships and other University programs are owned by the UNTF. Therefore, the UNTF is closely related to the University of North Texas, and failure to include its financial activities would lead to incomplete financial statements. Separate financial statements may be obtained by contacting the UNTF at 1155 Union Circle #311250, Denton, Texas 76203-5017.

**Casa Verde Research Center, Sociedad Anonimo** (Casa Verde) is a legally separate organization established in Costa Rica to provide research opportunities for students and faculty of Texas A&M University. Casa Verde also provides services to outside organizations, such as study abroad programs to corporations and research and education opportunities for Costa Rican universities. Based on an analysis performed at year end, Casa Verde is neither material to the financial statements, nor would omission of Casa Verde result in misleading financial statements. Casa Verde is no longer reported as a component unit, but is reported here because its activity was removed from the fiscal 2014 financial statements by restating beginning net position. See Note 14 for more information on restatements of beginning balances.

**Representacion de TAMU en la Republica Mexicana, A.C.** (Mexico Center) is a legally separate organization established in Mexico City, Mexico, to serve as a central point of contact for the support and promotion of Texas A&M University's international education, research and outreach activities. In addition, the Mexico Center provides services outside of Texas A&M University, such as to Mexican government entities. Based on an analysis performed at year end, the Mexico Center is neither material to the financial statements, nor would omission of the Mexico Center result in misleading financial statements. The Mexico Center is no longer reported as a component unit, but is reported here because its activity was removed from the fiscal 2014 financial statements by restating beginning net position. See Note 14 for more information on restatements of beginning balances.

**National Biosecurity Foundation** (NBF) is a legally separate nonprofit corporation established to develop national, regional and local biosecurity countermeasures against unconventional weapons, including biological, chemical and radioactive weapons, and communicable diseases applicable to both military and civilian populations. Based on an analysis performed at year end, the NBF is neither material to the financial statements, nor would omission of the NBF result in misleading financial statements. The NBF is no longer reported as a component unit, but is reported here because its activity was removed from the fiscal 2014 financial statements by restating beginning net position. See Note 14 for more information on restatements of beginning balances.

**Texas 4-H Inc.** is a legally separate nonprofit organization established to prepare the youth of Texas to meet the challenges of childhood, adolescence and adulthood through a coordinated, long-term, progressive series of educational experiences that enhance life skills and develop social, emotional, physical and cognitive competencies. Texas 4-H Inc. serves as the central organization for the subordinate organizations and affiliate organizations that compose the 4-H program in Texas. Based on an analysis performed at year end, Texas 4-H Inc. is neither material to the financial statements, nor would omission of Texas 4-H Inc. result in misleading financial statements. Texas 4-H Inc. is no longer reported as a component unit, but is reported here because its activity was removed from the fiscal 2014 financial statements by restating beginning net position. See Note 14 for more information on restatements of beginning balances.

### *Related Organizations*

Related organizations are legally separate, fiscally independent entities for which the state appoints a voting majority of the board, but the state is not financially accountable for the entity.

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**Texas Mutual Insurance Company** (Texas Mutual) operates as a domestic mutual insurance company providing workers' compensation insurance in the state of Texas and also serves as the insurer of last resort. The governor, with the advice and consent of the Senate, appoints five of the nine members of Texas Mutual's board of directors.

**Texas Self-Insurance Group Guaranty Association** (TSIGGA) is a legally separate entity created to provide payment of workers' compensation insurance benefits for injured employees covered by an insolvent workers' compensation self-insurance group. The commissioner of the Division of Workers' Compensation appoints two of the six board members, and approves three other members selected by representatives of the certified workers' compensation self-insurance groups.

**Midwestern State University Charitable Trust** (Trust) is a nonprofit organization with the sole purpose of educational and other activities of Midwestern State University. It is governed by a board of trustees of no less than three members. This board appoints individuals to fill vacancies on the board as they occur with the approval of the Midwestern State University board of regents. The Trust's board of trustees serves under the direction of the board of regents, which has the power by majority vote to appoint or remove any or all of the trustees.

**Charter School Finance Corporation** is a nonprofit organization with the sole purpose of issuing revenue bonds for authorized open-enrollment charter schools for the acquisition, construction, repair or renovation of education facilities at those schools. The Texas Public Finance Authority appoints the board of directors in consultation with the commissioner of the Texas Education Agency.

**Texas State University System Foundation Inc.** (TSUSF) is a nonprofit corporation with the purpose of providing financial support for the universities and colleges within the Texas State University System. The TSUSF provides funds for student scholarships and

faculty awards and assists the chancellor in performing his/her duties. The board of directors is comprised of all members of the Texas State University System board of regents, which is appointed by the governor.

**Texas Department of Public Safety Foundation** (TDPSF) is a legally separate nonprofit corporation established for the purpose of supporting the Texas Department of Public Safety's mission and its employees through financial assistance, recognition of valor and sacrifice and contribution to employees and their family members injured or killed in the line of duty. The majority of the board members is appointed by the chairman of the Public Safety Commission, but TDPSF is not financially dependent upon the Public Safety Commission.

**Operation Game Thief Committee** was established to administer the Operation Game Thief Program. The program facilitates the apprehension and prosecution of persons who violate Texas laws intended to protect the state's natural or cultural resources and the public safety of persons using those natural or cultural resources. The program also pays rewards and death benefits authorized by Texas statute. The Texas Parks and Wildlife Department's executive director appoints the members of the committee.

**Parks and Wildlife Foundation** (PWF) is a legally separate nonprofit organization established to manage and conserve the natural and cultural resources of Texas. The PWF provides private support to the Texas Parks and Wildlife Department (Department), but the Department is not financially accountable for the PWF, nor is the PWF fiscally dependent on the Department. The PWF is governed by a group of trustees, the majority of whom are appointed by the chairman of the Department.

**River Authorities** are political subdivisions created by Texas statute. The Texas Constitution, Article XVI, Section 59, authorizes the Legislature to create districts that conserve and develop natural resources of the state. The conservation and development of the state's natural resources includes the control, storing, preservation and

distribution for irrigation, power and all other useful purposes of storm waters, flood waters and the waters of rivers and streams; the reclamation and irrigation of arid, semiarid and other lands needing irrigation; the reclamation of drainage of overflowed lands and other lands needing drainage; the conservation and development of forests, water and hydro-electric power; the navigation of inland and coastal waters; and the preservation and conservation of all such natural resources of the state. The state of Texas appoints the voting majority for the following 16 river/water authorities:

- Angelina and Neches River Authority
- Brazos River Authority
- Central Colorado River Authority
- Guadalupe-Blanco River Authority
- Lavaca-Navidad River Authority
- Lower Colorado River Authority
- Lower Neches Valley River Authority
- Nueces River Authority
- Red River Authority
- Sabine River Authority
- San Jacinto River Authority
- Sulphur River Basin Authority
- Trinity River Authority
- Upper Colorado River Authority
- Upper Guadalupe River Authority
- Upper Neches Municipal Water Authority

## Note 20

### Deficit Fund Balances/Net Position of Individual Nonmajor Funds

#### Governmental Funds

The **Texas Department of Transportation Project Fund** reported a deficit of \$536 million. The deficit is a result of capital outlay expenditures exceeding revenues and the related “due to” state highway fund of \$468 million in fiscal 2014. The intent is to reimburse the state

highway fund when bonds are issued in fiscal 2015. The State of Texas Highway Improvement, General Obligation Bonds, Series 2014, were issued on October 2014, for \$1.26 billion, for highway improvement projects.

The **Texas Mobility Capital Project Fund** reported a deficit of \$19.1 million. The deficit is a result of expenditures exceeding revenues. In addition, the Texas Transportation Commission has issued \$1.8 billion in bonds in fiscal year 2015. These proceeds will be available to pay or reimburse the state highway fund or mobility fund for authorized purposes.

#### Proprietary Funds

The **Texas Prepaid Tuition Plans** reported a deficit of \$445.6 million. The deficit is due to the difference between the present value of actual and projected contract benefit payments and actual and projected contributions from account holders and investment earnings on those contributions to the Texas Guaranteed Tuition Plan (Plan). The Plan was closed to new enrollment in 2003 when tuition was deregulated. Over the life of the Plan, actual tuition and required fees for Texas public four year colleges and universities grew at a higher percentage rate than the Plan’s investment return.

The **Grand Parkway Transportation Corporation (GPTC)**, a blended component unit of the Texas Department of Transportation, reported a deficit of \$10.2 million. The deficit is due to the payment of bond issuance costs. GPTC issued bonds in fiscal 2013 and incurred \$15.7 million bond issuance expense. None of the segments of the Grand Parkway were opened to traffic as of Aug. 31, 2013, thus no revenues were collected to offset the bond issuance costs. GPTC carried over a negative balance of \$15.9 million bond issuance expense and decrease in fair value of investment from the prior year. Toll revenue generated from this fiscal year resulted in a positive change in net position of \$5.7 million. The revenues have reduced the deficit of the fund balance from \$15.9 million to \$10.2 million.

## Discretely Presented Component Units

The **Texas Property and Casualty Insurance Guaranty Association** reported a deficit of \$65.8 million. The deficit is a result of a large increase of claims due to increased insolvency activity during this reporting period and unrealized losses on securities due to changes in market value.

The **Fair Access to Insurance Requirement Plan Association** reported a deficit of \$4.7 million. The deficit is a result of large storms in 2008. At the time of initial deficit, it was decided not to assess the members or issue public securities to reduce the deficit.

## Note 21

### Tobacco Settlement

The state of Texas settled a lawsuit against certain tobacco manufacturers in 1998. The settlement included monetary and injunctive relief. The settling tobacco manufacturers agreed to remit annual payments to the state. Estimates made at the time of the agreement projected that these payments could total \$15.1 billion over the first 25 years of the agreement. The court-ordered annual payment amounts are subject to adjustments based on the tobacco companies' domestic cigarette sales, the general consumer inflation rate, the profitability of the tobacco companies and any other court-ordered factors. A revenue accrual of \$308.2 million is based on the payments received in December 2014. Tobacco settlement revenues were \$483.8 million in fiscal 2013 and \$496.2 million in fiscal 2014. Cumulative actual tobacco settlement revenues as of fiscal 2014 were \$8.6 billion.

## Note 22

### Donor-Restricted Endowments

The state of Texas has donor-restricted endowments with net appreciation of \$2.9 billion on investments available for authorization for expenditure by the governing board. Details for the amounts of the net appreciation on investments and how they are reported are presented in the table below.

#### Donor-Restricted Endowments

(Amounts in Thousands)

Donor-Restricted Endowments	Amount of Net Appreciation	Reported in Net Position
True Endowments	\$ 2,880,029	Expendable
Term Endowments	41,206	Expendable
	<u>\$ 2,921,235</u>	

True endowments require the principal to be maintained inviolate and in perpetuity. Term endowments allow the principal to be expended after the passage of a stated period of time and all conditions of the endowment are met. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Non-expendable funds are those required to be retained in perpetuity.

The majority of the state's endowments are the results of donations made to institutions of higher education. The Uniform Prudent Management of Institutional Funds Act, Texas Property Code, Chapter 163, provides general guidelines on how endowments should be maintained. An institution may appropriate for expenditures or accumulate as much as the institution determines prudent for the uses, benefits, purposes and duration of the endowment. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan.

## Note 23

### Extraordinary and Special Items

The state did not report extraordinary items in the current fiscal year. Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence.

The state did not report special items in the current fiscal year. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

## Note 24

### Taxes Receivable and Tax Refunds Payable

Taxes receivable and tax refunds payable, as reported in the general fund on the balance sheet – governmental funds, are detailed by tax type in the tables to the right.

Texas franchise tax receivables represent balances due as of Aug. 31, 2014, for business activity that occurred in calendar year 2013. The franchise tax payments were due May 15, 2014; however, taxpayers were allowed to extend the filing date to November 2014.

Franchise taxes are considered earned when the underlying business activity occurs. There are no required estimated payments under this tax. Tax payments are due annually each May 15. The tax earned during the first eight months of calendar year 2014 is not due until May 2015. As a result, the taxes receivable and related revenue that are earned in this eight month period are not measurable and are not accrued at fiscal year-end.

### Taxes Receivable by Tax Type

August 31, 2014 (Amounts in Thousands)

Tax Type	Taxes Receivable
Sales and Use Tax	\$ 1,712,962
Motor Vehicle and Manufactured Housing	146,512
Motor Fuels	5,999
Oil and Natural Gas Production	772,045
Franchise	213,466
Insurance Occupation	237,549
Cigarette and Tobacco	31,200
Other	213,912
<b>Total Taxes Receivable*</b>	<b>\$ 3,333,645</b>
Liquidity Characteristics:	
Current Taxes Receivable	\$ 3,306,431
Noncurrent Taxes Receivable	27,214
<b>Total Taxes Receivable</b>	<b>\$ 3,333,645</b>
* Total Taxes Receivable General Fund	\$ 3,333,645
Motor Fuel Taxes Receivable in Other Governmental Funds:	
State Highway Fund	221,977
Nonmajor Governmental Funds	74,214
<b>Total Taxes Receivable – Balance Sheet – Governmental Funds</b>	<b>\$ 3,629,836</b>

### Tax Refunds Payable by Tax Type

August 31, 2014 (Amounts in Thousands)

Tax Type	Tax Refunds Payable
Oil and Natural Gas Production	\$ 272,333
Franchise	608,755
<b>Total Tax Refunds Payable</b>	<b>\$ 881,088</b>

## Note 25

### Termination Benefits

#### Health Care Related Termination Benefits

Health care continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA members are allowed to remain in their eligible insurance program for 18 months, or 29 months if disabled. Covered dependents are eligible to remain in the program for 36 months. COBRA plan adminis-

trators for the state include the Employees Retirement System of Texas, the University of Texas System and the Texas A&M University System.

For self-insured and fully-insured plans, the insurance carrier performs the billing and collections process for COBRA participants. If the plan is self-insured, the insurance carrier then forwards the premium to the plan administrators, net of a 2 percent administrative fee, which is intended to cover costs related to the billing and collection functions. The plan administrators are responsible for any claims or administrative costs associated with COBRA participants that exceed these payments. For fiscal 2014, the cost to the state was approximately \$34 million for 3,524 COBRA participants.

For the fully-insured health maintenance organization health insurance plans, the insurance carrier retains all premiums and is liable for all claims and expenses. Premium and expense information is not available for these plans.

if an individual fund is both a segment and reported as a major fund. Therefore, the following programs have met the requirements for disclosure. These programs were funded by the issuance of revenue bonds, which require revenues, expenses, gains, losses, assets and liabilities to be separately accounted for:

- The Single Family Bond Program was created to originate below-market rate loans for eligible low- and moderate-income residents who are purchasing a residence.
- The Residential Mortgage Revenue Bond Program (RMRB) was created to purchase single-family loans, while proceeds from the remaining RMRB bond issues are used to purchase pass-through certificates created through the origination of single-family loans.
- The Collateralized Home Mortgage Revenue Bond Program was created to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

## Note 26

### Segment Information

#### Primary Government

A segment is a separately identifiable activity reported as or within enterprise funds for which revenue bonds or other revenue-backed debt instruments are outstanding and for which related expenses, gains, losses, assets and liabilities can be identified. To qualify as a segment, an activity must also be subject to an external requirement to separately account for this revenue stream. Segment disclosure is not required for an activity whose only outstanding debt is conduit debt or

### Condensed Statement of Net Position

August 31, 2014 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Bond Funds
<b>ASSETS</b>			
Current Restricted Assets	\$ 42,886	\$ 16,247	\$ 164
Noncurrent Restricted Assets	497,731	339,935	5,345
Total Assets	<u>540,617</u>	<u>356,182</u>	<u>5,509</u>
Deferred Outflows of Resources	22,441		
<b>LIABILITIES</b>			
Current Liabilities	15,455	7,406	12
Noncurrent Liabilities	447,593	257,108	3,744
Total Liabilities	<u>463,048</u>	<u>264,514</u>	<u>3,756</u>
<b>NET POSITION</b>			
Restricted	<u>100,010</u>	<u>91,668</u>	<u>1,753</u>
Total Net Position	<u>\$ 100,010</u>	<u>\$ 91,668</u>	<u>\$ 1,753</u>

## Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Bond Funds
<b>OPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Income	\$ 26,477	\$ 13,697	\$ 371
Net Increase (Decrease) in Fair Value	(95)	3,984	(276)
Other Operating Revenues	106		
Operating Expenses	(19,100)	(10,358)	(272)
Operating Income	<u>7,388</u>	<u>7,323</u>	<u>(177)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfer In (Out)	(79)	10,904	
Changes in Net Position	<u>7,309</u>	<u>18,227</u>	<u>(177)</u>
Net Position, September 1, 2013	87,761	74,489	1,800
Restatements	4,940	(1,048)	130
Net Position, September 1, 2013, as restated	<u>92,701</u>	<u>73,441</u>	<u>1,930</u>
Net Position, August 31, 2014	<u>\$ 100,010</u>	<u>\$ 91,668</u>	<u>\$ 1,753</u>

## Condensed Statement of Cash Flows

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Bond Funds
<b>NET CASH PROVIDED (USED) BY:</b>			
Operating Activities	\$ 760	\$ (10,848)	\$
Noncapital Financing Activities	(166,741)	(61,191)	(1,005)
Investing Activities	<u>155,758</u>	<u>63,964</u>	<u>1,108</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	<u>(10,223)</u>	<u>(8,075)</u>	<u>103</u>
Cash and Cash Equivalents, September 1, 2013	49,969	23,060	35
Cash and Cash Equivalents, August 31, 2014	<u>\$ 39,746</u>	<u>\$ 14,985</u>	<u>\$ 138</u>

## Note 27

### Service Concession Arrangements

The state of Texas has seven arrangements that fit the criteria of a service concession arrangement (SCA). As the transferor in these arrangements, the state retains ownership rights and title to all assets associated with

an SCA. All of these arrangements were entered into by the Texas Department of Transportation (TxDOT). The fees the operator collects are in the form of tolls. Project maintenance and operations will transfer back to TxDOT once the arrangements have ended.

A general description of each SCA, including status, term and duration, is presented in the table on the following page.

## Service Concession Arrangements

August 31, 2014

Arrangement Name	Construction Status	Term of Concession	Concession Dates	
			Begin	End
IH 10 "Katy Managed Lanes"	Complete	46 years	2010	2055*
SH 130 Segments 5 and 6	Complete	50 years	2012	2062
SH 121 Concession	Complete	50 years	2009	2059
North Tarrant Exp Seg 1 and 2-West	Under Construction	52 years	2009	2061
North Tarrant Exp Seg 3A and 3B	Under Construction	52 years	2009	2061
LBJ/IH-635 Managed Lanes	Under Construction	52 years	2009	2061
Grand Parkway Seg D, E, F1, F2, G	Under Construction	40 years	2013	2053*

\* Estimated. Concession period extends until Harris County/Grand Parkway Transportation Corporation is fully reimbursed for cost of construction and debt service.

These arrangements were entered to:

- Improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion
- Enable the state to deliver these projects faster than would be possible using traditional funding sources
- Shift the majority of the financial risk to the operator

In the year an SCA project opens for traffic, TxDOT records the capital assets acquired under the SCA at their

fair value with a corresponding entry to deferred inflows of resources. The deferred inflows of resources balance will then be reduced and revenue will be recognized in a systematic manner over the term of the arrangement, beginning when the infrastructure assets are placed into operation. Up-front concession payments received are recorded as assets (cash and cash equivalents) with an offset to deferred inflows of resources. Revenue is recognized and the deferred inflows of resources are reduced in a systematic and rational manner over the term of the arrangement. SCA amounts reported as of Aug. 31, 2014, are presented in the table below.

## Service Concession Arrangements – Amounts Recognized in Financial Statements – Governmental Activities

August 31, 2014 (Amounts in Thousands)

Arrangement Name	Cash and Cash Equivalents*	Capital Assets	Deferred Inflows of Resources**
IH 10 "Katy Managed Lanes"	\$	\$	\$ 222,826
SH 130 Segments 5 and 6	119,248	1,444,038	1,467,997
SH 121 Concession	1,611,186	1,322,028	3,411,487
North Tarrant Exp Seg 1 and 2-West		658,919	38,771
North Tarrant Exp Seg 3A and 3B		190,830	
LBJ/IH-635 Managed Lanes		320,104	
Grand Parkway Seg D, E, F1, F2, G		44,012	
	<u>\$ 1,730,434</u>	<u>\$ 3,979,931</u>	<u>\$ 5,141,081</u>

\* The cash and cash equivalents balance is the amount of unspent up-front concession payments.

\*\* The deferred inflows of resources balance represents unamortized up-front payments and capital improvements TxDOT received under these seven SCAs.

In some cases, TxDOT is obligated to make contributions of public funds to the SCA project during the construction period for portions of the project's design, construction or right-of-way costs. Outlays of TxDOT funds related to SCA projects are recorded as additions to construction in progress as they are incurred.

The Grand Parkway Transportation Corporation (GPTC) is a blended component unit of TxDOT. In fiscal 2013, GPTC and TxDOT entered into an arrangement that fits the criteria of an SCA. Pursuant to this arrangement, GPTC is responsible for the design, construction, financing and operation of Segments D (Harris County), E, F1, F2 and G of the Grand Parkway (State Highway 99) for a period until the bonds or other debt secured is fully repaid. GPTC will be entitled to all toll revenues during the operations period. At the end of the arrangement, operation of the roadway will be transferred to TxDOT.

The objective of this arrangement is to deliver this project in partnership with TxDOT more quickly than would be possible under a traditional structure.

As of Aug. 31, 2014, the Texas Transportation Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$286.3 million and \$15.6 billion, respectively. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity. Of the outstanding toll equity loan commitment, \$5.9 billion is related to a toll equity loan agreement (TELA) with the North Texas Tollway Authority and \$9.6 billion is related to a TELA with the GPTC. Under the TELA, TxDOT has agreed to lend a negotiated amount each year should

revenues of the projects be insufficient to cover operations and maintenance, including debt service. The GPTC funds are to be used to pay for certain costs relating to the development, construction, operation, maintenance and financing of Segments D (Harris County), E, F1, F2 and G and the predevelopment of possible extensions or expansions of the Grand Parkway. The maximum amount of money that can be paid by TxDOT to GPTC under the TELA is equal to the aggregate amount of costs that are authorized under Article VIII, Section 7a of the Texas Constitution and Section 222.103 of the Texas Transportation Code, i.e. the "Eligible Costs". As of Aug. 31, 2014, no draw-downs of funding have been requested by GPTC under this arrangement.

GPTC has recognized an intangible asset in the amount of \$1.4 billion for its costs of design, construction and right-of-way acquisition for the year ended Aug. 31, 2014. This amount is reported as business-type activities.

## Note 28

### Deferred Outflows of Resources and Deferred Inflows of Resources

In fiscal 2014, the state reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments, service concession arrangements, bond refunding, the acquisition of Texas Wesleyan University Law School by Texas A&M University, unearned tax prepayment, and various types of revenues earned but not available at the fiscal year end.

The table below presents the balances of deferred outflows of resources and deferred inflows of resources as of Aug. 31, 2014 for governmental activities, business-type activities and governmental funds.

## Deferred Outflows of Resources and Deferred Inflows of Resources

August 31, 2014 (Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Government-wide Financial Statements</b>		
<i>Governmental Activities</i>		
Unearned Tax Prepayments	\$	\$ 85,653
Bond/Debt refunding SCAs (Note 27)	76,655	5,141,081
Total	<u>\$ 76,655</u>	<u>\$ 5,226,734</u>
<i>Business-Type Activities</i>		
Bond/Debt refunding	\$ 53,211	\$ 10,129
Derivatives (Note 7)	488,215	5,934
Government Acquisitions	35,143	
Total	<u>\$ 576,569</u>	<u>\$ 16,063</u>
<b>Fund Financial Statements</b>		
<i>Governmental Funds</i>		
Revenue Earned But Not Available	\$	\$ 275,195
Unearned Tax Prepayments		85,653
Total	<u>\$ 0</u>	<u>\$ 360,848</u>

Deferred outflows of resources in business-type activities of \$488.2 million were related to hedging derivatives in a liability position and \$5.9 million of deferred inflows of resources were related to hedging derivatives in an asset position. The net hedging derivative liability of \$482.3 million is disclosed in Note 7.

Deferred outflows of resources in business-type activities of \$35.1 million represent the unamortized balance of the excess consideration provided by Texas A&M University over the net position acquired in the acquisition of Texas Wesleyan University Law School.

Texas A&M University and Texas Wesleyan University Law School are not in the same financial reporting entity. The objective of the acquisition of Texas Wesleyan University Law School is to enhance the academic ranking of Texas A&M University by having a law school. The acquisition was finalized on Aug. 13, 2013, with no contingent consideration arrangements. The total consideration provided was \$53.9 million, net position acquired was \$14.7 million, and amortization for fiscal 2014 was \$3.9 million.

Deferred inflows of resources in governmental activities of \$5.1 billion were related to service concession arrangements (SCA) entered into by the Texas Department of Transportation (TxDOT) with non-state entities. This amount reflects the unamortized balance of up-front concession payments received and capital improvements acquired from these entities. Details of the state's service concession arrangements are disclosed in Note 27.

Deferred outflows of resources of \$76.7 million in governmental activities were related to losses TxDOT incurred in bond refunding transactions. TxDOT and several universities also had bond refunding transactions in fiscal 2014 in business-type activities for \$10.1 million in deferred inflows of resources related to gains and \$53.2 million in deferred outflows of resources related to losses, respectively.

As a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal 2014, the governmental funds reported deferred inflows of resources of \$275.2 million related to various types of revenues earned but not available within 60 days of fiscal year end. Additionally, the governmental funds reported \$85.7 million of deferred inflows of resources related to tax prepayments allocated for use in fiscal 2015. This is also reported in governmental activities.

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## Note 29

### Nonexchange Financial Guarantees

The state of Texas has two active programs that extend nonexchange financial guarantees to other entities.

**The Texas Education Code, Title 2, Subtitle I, Chapter 45** provides for the guarantee of school district bonds by the permanent school fund (PSF). The PSF is also authorized for use to guarantee revenue bonds issued for certain open-enrollment charter schools designated by the Commissioner of Education. In the event of default by a school district or charter school funds may be withheld from state money payable to the district or school in an amount necessary for payment of principal and/or interest. Guarantees extend through maturity dates of the bonds. At this date no school districts or charter schools have defaulted on their guaranteed bond indebtedness. As of Aug. 31, 2014, the total principal debt guaranteed on bond issues is \$58.4 million.

**The Texas Credit Enhancement Program (TCEP)** was established to provide a guarantee fund for issuing tax exempt revenue bonds to provide financing for the acquisition, construction, repair or renovation of Texas charter school facilities within federal program guidelines. A consortium consisting of the Texas Public Finance Authority Charter School Finance Corporation (CSFC), the Texas Charter Schools Association and Texas Education Agency was awarded a federal grant to create the guarantee fund. The CSFC is a nonprofit corporation created by the Board of Directors of the Texas Public Finance Authority (TPFA) pursuant to section 53.351 of the Texas Education Code. TPFA provides administrative and staff support for CSFC. Reimbursement periods commence on the date of a guarantee payment and end twelve months following such payment. Borrowers will reimburse the Corporation within the guarantee period by making level monthly principal repayments for each guaranty period during the reimbursement period. Guarantees extend through maturity dates of the bonds. At this date no charter schools have defaulted on their guaranteed bond indebtedness. As of Aug. 31, 2014, \$9.5 million of available grant funds have been committed.



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**Section Two (continued)**

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Required Supplementary  
Information  
Other Than MD&A

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## STATE OF TEXAS

## Budgetary Comparison Schedule

### General Fund

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Final to Actual Variance
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 44,398,129	\$ 46,128,403	\$ 45,103,910	\$ (1,024,493)
Federal	32,791,676	35,748,374	35,371,253	(377,121)
Licenses, Fees and Permits	2,503,761	2,719,955	3,034,939	314,984
Interest and Other Investment Income	200,046	127,648	237,755	110,107
Land Income	19,453	19,919	56,001	36,082
Settlement of Claims	538,011	538,647	557,852	19,205
Sales of Goods and Services	1,809,476	2,785,656	2,149,172	(636,484)
Other	3,221,283	3,978,474	3,872,214	(106,260)
Total Revenues	<u>85,481,835</u>	<u>92,047,076</u>	<u>90,383,096</u>	<u>(1,663,980)</u>
<b>EXPENDITURES</b>				
General Government	4,677,737	3,619,935	2,540,042	1,079,893
Education	23,532,842	24,180,256	25,874,627	(1,694,371)
Employee Benefits	1,504,118	16,702	1,888	14,814
Teacher Retirement Benefits	1,807,721	1,807,721	1,956,589	(148,868)
Health and Human Services	38,335,344	43,445,348	46,581,112	(3,135,764)
Public Safety and Corrections	4,415,438	5,554,700	4,909,232	645,468
Transportation	299,882	325,689	99,107	226,582
Natural Resources and Recreation	2,311,188	2,599,407	1,864,886	734,521
Regulatory Services	260,795	333,823	314,847	18,976
Total Expenditures	<u>77,145,065</u>	<u>81,883,581</u>	<u>84,142,330</u>	<u>(2,258,749)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,336,770</u>	<u>10,163,495</u>	<u>6,240,766</u>	<u>(3,922,729)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	1,344,034	1,855,772	4,637,726	2,781,954
Transfer Out	(7,660,553)	(7,666,019)	(8,475,417)	(809,398)
Sale of Capital Assets	6,354	6,868	15,477	8,609
Insurance Recoveries	250	674	8,351	7,677
Available Beginning Balances	7,006,276	7,006,276	7,006,276	
Total Other Financing Sources (Uses)	<u>696,361</u>	<u>1,203,571</u>	<u>3,192,413</u>	<u>1,988,842</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 9,033,131</u>	<u>\$ 11,367,066</u>	<u>\$ 9,433,179</u>	<u>\$ (1,933,887)</u>

## STATE OF TEXAS

## Budgetary Comparison Schedule

### Major Special Revenue Fund – State Highway Fund

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Budgetary Amounts		Actual Amounts	Final
	Original	Final	Budgetary Basis	to Actual Variance
<b>REVENUES</b>				
Taxes	\$ 43,275	\$ 43,275	\$ 2,479,713	\$ 2,436,438
Federal	4,369,344	3,681,039	3,361,625	(319,414)
Licenses, Fees and Permits	1,560,591	1,479,179	1,465,554	(13,625)
Interest and Other Investment Income	10,170	14,204	31,438	17,234
Land Income	8,066	8,066	13,650	5,584
Settlement of Claims	1,554	2,042	17,635	15,593
Sales of Goods and Services	168,477	174,613	9,004	(165,609)
Other	3,497	41,608	21,546	(20,062)
Total Revenues	<u>6,164,974</u>	<u>5,444,026</u>	<u>7,400,165</u>	<u>1,956,139</u>
<b>EXPENDITURES</b>				
General Government	17,257	20,285	21,020	(735)
Employee Benefits	96,037			
Public Safety and Corrections	609,789	745,057	479,452	265,605
Transportation	9,057,861	10,123,456	7,574,967	2,548,489
Regulatory Services	4,996	4,996	4,383	613
Total Expenditures	<u>9,785,940</u>	<u>10,893,794</u>	<u>8,079,822</u>	<u>2,813,972</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(3,620,966)</u>	<u>(5,449,768)</u>	<u>(679,657)</u>	<u>4,770,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	2,772,742	2,372,743	413,600	(1,959,143)
Transfer Out			(392,616)	(392,616)
Sale of Capital Assets	5,612	5,612	7,753	2,141
Insurance Recoveries	11,000	11,000	248	(10,752)
Available Beginning Balances	3,479,932	3,479,932	3,479,932	
Total Other Financing Sources (Uses)	<u>6,269,286</u>	<u>5,869,287</u>	<u>3,508,917</u>	<u>(2,360,370)</u>
Excess of Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	<u>\$ 2,648,320</u>	<u>\$ 419,519</u>	<u>\$ 2,829,260</u>	<u>\$ 2,409,741</u>

## Note to Budgetary Comparison Schedule

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of these differences is presented in the table below.

### Reconciliation of Budgetary Basis to GAAP Basis

August 31, 2014 (Amounts in Thousands)

	General Fund	State Highway Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses – Actual Budgetary Basis	\$ 9,433,179	\$ 2,829,260
Basis of Accounting Differences:		
Receivables and Unearned Revenues	495,793	104,376
Payables	(179,123)	297,676
Perspective Differences:		
Beginning Cash Balances Reported as Other Financing Sources	(7,006,276)	(3,479,932)
Other Revenues Not Budgeted	324,864	1,651,381
Other Expenditures Not Budgeted	(286,945)	(1,057,610)
Entity Differences:		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for Other Activities	33,354	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses – GAAP Basis	<u>\$ 2,814,846</u>	<u>\$ 345,151</u>

The major reconciling items between the budgetary comparison schedule actual and the GAAP financial statements are:

- Basis of Accounting Differences:** Revenues and expenditures are reported on the cash basis of accounting in the budgetary comparison schedule but are reported on the modified accrual basis on the GAAP financial statements. Therefore, unearned revenues, receivables and payables are included as reconciling items.
- Perspective Differences:** Certain revenues and expenditures, including debt service and the disproportionate share portion of the Federal Medical Assistance program, are not budgeted by the Legislature. The activity for these programs is excluded from the budgetary comparison schedule.
- Entity Differences:** Budgets are not established for sources from capital leases. These financing sources are not included in the budgetary comparison schedule.

The beginning cash balances are included as other financing sources in the budgetary comparison schedule. The beginning fund balances are not included as financing sources on the GAAP financial statements.

### Excess of Actual Budgetary Basis Expenditures over Final Budget

**General fund** – The \$1.7 billion variance in education was due to various prior year educational programs in that year's budget primarily being spent in this fiscal year. The \$3.1 billion variance in health and human services is the result of increased expenditures

made from the excess of federal revenues received over estimates by agencies in this particular function. The \$148.9 million variance in teacher retirement benefits results from prior year contributions/allocations reappropriated in this fiscal year as stipulated by legislation.

**Major special revenue fund – state highway fund** – The \$735 thousand variance in general government is the result of authorized expenditures paid from revenues received in excess of estimated appropriations.

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## Basis of Budgeting

The state's budget is prepared on a cash basis. The Texas Constitution limits appropriation bills to two years. The Legislative Budget Board (LBB) is required by statute to adopt an estimated rate of growth for the next biennium and calculate a limit on the amount of state tax revenue, not dedicated by the Texas Constitution, that is available for spending in the next biennium. If the Legislature, by adoption of a resolution approved by a record vote of a majority of the members of each house, finds that an emergency exists and identifies the nature of the emergency, the Legislature may provide appropriations in excess of the adopted limit. The Governor's Budget Office and LBB initiate the process by submitting budget requests to the Legislature. At final passage of the General Appropriations Act by the Legislature, it is sent to the Comptroller for certification. If the Comptroller certifies that appropriated amounts are available in the affected funds, the bill is sent to the governor. If not certified, the Legislature may pass the bill with a four-fifths majority vote. The governor has the option of vetoing the total bill or specific line-item appropriations, but does not have the authority to reduce a line item of appropriation. Upon approval by the governor, the bill becomes law and is the budget authority for state agencies to spend state funds. The Comptroller is responsible for controlling, accounting and reporting expenditures in accordance with the expenditure budgets.

## Legal Level of Budgetary Control

The Texas Constitution requires the Comptroller to submit a *Biennial Revenue Estimate* to the Legislature prior to each regular session. This document contains an itemized estimate of beginning cash balances, anticipated revenues based on laws then in effect and estimat-

ed expenditures from prior appropriations. The Texas Constitution also requires the Comptroller to submit supplementary revenue estimates at any special session of the Legislature and at other necessary times to show probable changes.

The level of legal control for the budget is established at the strategy (line item) level by agency. For example, "Highway Patrol" and "Vehicle Inspection Program" are two of the strategies for the Texas Department of Public Safety. The legal level of budgetary control is defined as the level at which the governing body must approve any over-expenditure of appropriations or transfers of appropriated amounts. Agencies are authorized limited transfer authority between strategies, not to exceed 20 percent, by the General Appropriations Act. Transfers and expenditures are monitored against the original budget by the Comptroller's office to ensure the agency's authorized budget is not exceeded.

The level of legal control for all agencies is documented in the *Appropriation Summary Report*, which is available by request from the Comptroller's office. This separate document includes budget and actual data by appropriation line item for each state agency. State agencies cannot exceed approved appropriations. In certain emergency situations, the governor may authorize additional appropriations from deficiency and emergency appropriation reserves. During fiscal 2014, \$198.2 thousand was transferred to the Texas Veteran's Commission to provide additional funds for staffing needs in processing veteran's claims for disability benefits. Unexpended appropriations generally lapse 60 days after the fiscal year unless they are encumbered during the 60-day "lapse" period. Other appropriations referred to as "reappropriated unexpended balances" represent the continuation of a prior year's balances for completion of a program.

## Schedules of Funding Progress

The schedules of funding progress for the state's pension plans for the three most recent actuarial valuations are presented in the table below.

<b>Schedules of Funding Progress – Pension*</b>						
(Amounts in Thousands)						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (b) - (a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>Employees Retirement System of Texas (ERS)</b>						
08/31/14	\$ 25,431,923	\$ 32,076,395	\$ 6,644,472	79.3%	\$ 5,955,461	111.6%
08/31/13	24,667,639	30,987,987	6,320,348	79.6%	5,959,473	106.1%
08/31/12	24,272,514	29,377,069	5,104,555	82.6%	5,676,509	89.9%
<b>Law Enforcement and Custodial Officer Supplemental Retirement (LECOS)</b>						
08/31/14	\$ 883,595	\$ 1,163,207	\$ 279,612	76.0%	\$ 1,496,013	18.7%
08/31/13	843,017	1,149,712	306,695	73.3%	1,627,699	18.8%
08/31/12	832,451	1,015,668	183,217	82.0%	1,498,979	12.2%
<b>Judicial Retirement System Plan One (JRS1)</b>						
08/31/14	\$ 0	\$ 332,238 **	\$ 332,238	0.0%	\$ 1,764	18,834.4%
08/31/13	0	252,943	252,943	0.0%	1,904	13,284.8%
08/31/12	0	232,922	232,922	0.0%	2,200	10,587.4%
<b>Judicial Retirement System Plan Two (JRS2)</b>						
08/31/14	\$ 348,431	\$ 386,295	\$ 37,864	90.2%	\$ 77,441	48.9%
08/31/13	318,026	359,044	41,018	88.6%	77,854	52.7%
08/31/12	300,433	315,199	14,766	95.3%	68,778	21.5%
<b>Teacher Retirement System of Texas (TRS)</b>						
08/31/14	\$ 128,397,778	\$ 160,035,601	\$ 31,637,823	80.2%	\$ 38,522,207	82.1%
08/31/13	121,729,819	150,666,094	28,936,275	80.8%	36,504,576	79.3%
08/31/12	118,326,042	144,427,226	26,101,184	81.9%	35,444,569	73.6%

\* Addresses for obtaining the financial reports for the pension plans are provided in Note 9.

\*\* AAL for JRS1 is determined based on a 4.17 percent discount rate as of Aug. 31, 2014; otherwise AAL is determined based on an 8.00 percent discount rate for all plans and all years.

The schedules of funding progress for the state's other postemployment benefit (OPEB) plans for the three most recent actuarial valuations are presented in the table below.

<b>Schedules of Funding Progress – OPEB*</b>						
(Amounts in Thousands)						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (b) - (a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>UT System Employee Group Insurance Program (UT Plan)</b>						
12/31/12	\$ 0	\$ 6,939,197	\$ 6,939,197	0.0%	\$ 5,674,298	122.3%
12/31/10	0	5,956,798	5,956,798	0.0%	5,309,413	112.2%
12/31/09	0	5,676,868	5,676,868	0.0%	5,026,491	112.9%
<b>A&amp;M Care Health and Life Plan (A&amp;M Plan)</b>						
09/01/12	\$ 0	\$ 1,924,980	\$ 1,924,980	0.0%	\$ 1,149,300	167.5%
09/01/10	0	1,854,690	1,854,690	0.0%	1,313,538	141.2%
09/01/09	0	1,864,320	1,864,320	0.0%	1,315,292	141.7%

\* Addresses for obtaining the financial reports of the OPEB plans are provided in Note 11.

## Significant Factors Affecting the Comparability of Amounts Reported

Amounts reported in the schedule of funding progress for the following plans varied from the previous year to the current year due to actuarial methods used, and changes in actuarial assumptions or benefit provisions. Significant factors are summarized below.

### Pension Plans

Amounts reported for the ERS, LECOS, and JRS2 plans varied due to interest on the unfunded liability balances, near elimination of smoothed asset losses from 2008-2010, and increased member contribution rates. For the JRS1 plan, the amounts varied due to a decrease in the discount rate. Amounts reported for the TRS plan varied from the previous year due to changes in the benefit provisions and the legislative increases in the member and employer contribution rates.

### OPEB Plans

The University of Texas System (UT) and the Texas A&M University System (A&M) opted to perform actuarial valuations of their respective OPEB plans on a biennial basis rather than on an annual basis starting with fiscal 2012. As of Aug. 31, 2014, the 2012 valuations are still valid.

The following methods and assumptions were modified since the prior valuation of the UT Plan:

- The period of coverage assumption for dependent children and the tobacco usage assumption have been updated to reflect statutory changes and recent plan experience.
- The Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect claims and expense experience since the prior valuation. The Assumed Expenses include provision for the Patient-Centered Outcomes Research Institute fee and the Transitional Reinsurance Program fee.

- 
- The Health Benefit Cost Trend has been updated to reflect changes in short-term expectations of the annual rate of increase of the Assumed Per Capita Health Benefit Costs.

There were changes in assumptions that account for the lower than expected actuarial accrued liability for the A&M Plan since the prior valuation. These changes include a combination of the following factors:

- Factors that decrease the liability include a smaller active population, revision in the post Medicare trend assumptions, and lower than expected claims/contributions.
- Factors that increase the liability include the addition of an excise tax due to the Patient Protection and Affordable Care Act, improved mortality assumptions, and a slightly greater retiree population.

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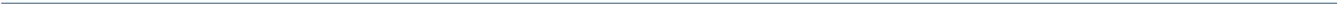
**Section Two (continued)**

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Other Supplementary  
Information Combining  
Financial Statements and  
Schedules

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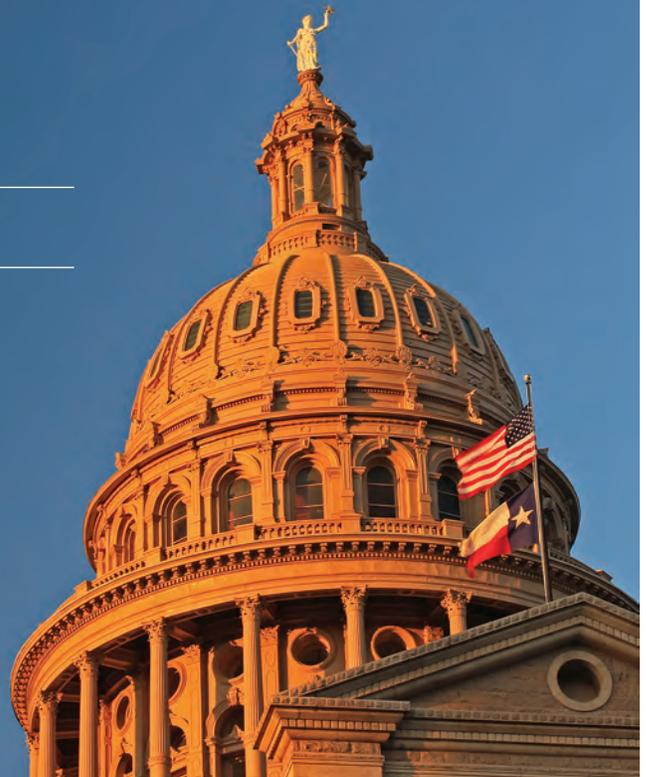
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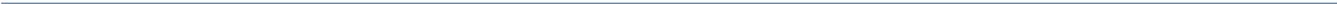
Section Two (continued)

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# Governmental Funds

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## STATE OF TEXAS

**Combining Balance Sheet – Nonmajor Governmental Funds**

August 31, 2014 (Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,346,130	\$ 608,642	\$ 702,795	\$ 52,178	\$ 2,709,745
Short-Term Investments	157,334			39,469	196,803
Receivables:					
Accounts	33	471	2,754		3,258
Taxes	74,214				74,214
Federal	1,944	19,426			21,370
Investment Trades				94	94
Interest and Dividends	12,322	80		25	12,427
Due From Other Funds	73,742		63,032	598	137,372
Interfund Receivable			440		440
Inventories	217		5		222
Prepaid Items	37				37
Investments	1,607,961			1,057,221	2,665,182
Loans and Contracts	867,269				867,269
Restricted:					
Cash and Cash Equivalents	4,725				4,725
Loans and Contracts	852,596				852,596
Other Assets	88,268				88,268
Total Assets	<u>\$ 5,086,792</u>	<u>\$ 628,619</u>	<u>\$ 769,026</u>	<u>\$ 1,149,585</u>	<u>\$ 7,634,022</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 120,115	\$ 320	\$ 240,082	\$ 1,439	\$ 361,956
Investment Trades	384			99	483
Payroll	4,128				4,128
Due To Other Funds	2,686		472,604	34,450	509,740
Interfund Payable	2,575		552		3,127
Unearned Revenues	152		490,641		490,793
Other Liabilities	200		1,780		1,980
Total Liabilities	<u>130,240</u>	<u>320</u>	<u>1,205,659</u>	<u>35,988</u>	<u>1,372,207</u>
Deferred Inflows of Resources:					
Deferred Inflows of Resources	4				4
Total Deferred Inflows of Resources	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Fund Balances:					
Nonspendable	254		5	832,736	832,995
Restricted	4,256,704	628,299	118,419	268,316	5,271,738
Committed	697,014			12,545	709,559
Assigned	2,576				2,576
Unassigned			(555,057)		(555,057)
Total Fund Balances	<u>4,956,548</u>	<u>628,299</u>	<u>(436,633)</u>	<u>1,113,597</u>	<u>6,261,811</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,086,792</u>	<u>\$ 628,619</u>	<u>\$ 769,026</u>	<u>\$ 1,149,585</u>	<u>\$ 7,634,022</u>

## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
<b>REVENUES</b>					
Taxes	\$ 3,482,618	\$	\$	\$	\$ 3,482,618
Federal	2,896	49,999			52,895
Licenses, Fees and Permits	250,526	399,401			649,927
Interest and Other Investment Income	99,238	3,603	3,556	103,584	209,981
Land Income	33			20	53
Sales of Goods and Services	2,267		195,224		197,491
Other	22,848		23	248,417	271,288
Total Revenues	<u>3,860,426</u>	<u>453,003</u>	<u>198,803</u>	<u>352,021</u>	<u>4,864,253</u>
<b>EXPENDITURES</b>					
Current:					
General Government	218,611	786	24,921	2,608	246,926
Education	1,251,026		85	2,458	1,253,569
Employee Benefits	16,365				16,365
Health and Human Services	40		21,354	621	22,015
Public Safety and Corrections	55,612		30,768		86,380
Transportation	5,541	84,962	416,392		506,895
Natural Resources and Recreation	17,192		5,178	2,245	24,615
Regulatory Services	409,488				409,488
Capital Outlay	3,365		1,025,807		1,029,172
Debt Service:					
Principal		679,660			679,660
Interest	145	685,866	28		686,039
Other Financing Fees	648	6,029	917		7,594
Total Expenditures	<u>1,978,033</u>	<u>1,457,303</u>	<u>1,525,450</u>	<u>7,932</u>	<u>4,968,718</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>1,882,393</u>	<u>(1,004,300)</u>	<u>(1,326,647)</u>	<u>344,089</u>	<u>(104,465)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	3,212,410	816,286	35,536		4,064,232
Transfer Out	(3,329,381)	(901)	(189,289)	(19,031)	(3,538,602)
Bonds and Notes Issued	113,740	5,269	125,775		244,784
Bonds Issued for Refunding	15,095	1,505,435			1,520,530
Premiums on Bonds Issued	13,679	200,455			214,134
Payment to Escrow for Refunding	(15,095)	(1,710,915)			(1,726,010)
Sale of Capital Assets	1				1
Total Other Financing Sources (Uses)	<u>10,449</u>	<u>815,629</u>	<u>(27,978)</u>	<u>(19,031)</u>	<u>779,069</u>
Net Change in Fund Balances	<u>1,892,842</u>	<u>(188,671)</u>	<u>(1,354,625)</u>	<u>325,058</u>	<u>674,604</u>
Fund Balances, September 1, 2013	3,226,140	816,971	917,992	788,539	5,749,642
Restatements	(162,434)	(1)			(162,435)
Fund Balances, September 1, 2013, as Restated	<u>3,063,706</u>	<u>816,970</u>	<u>917,992</u>	<u>788,539</u>	<u>5,587,207</u>
Fund Balances, August 31, 2014	<u>\$ 4,956,548</u>	<u>\$ 628,299</u>	<u>\$ (436,633)</u>	<u>\$ 1,113,597</u>	<u>\$ 6,261,811</u>

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## Nonmajor Special Revenue Funds

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The **Property Tax Relief Fund** is outside the general revenue fund. The proceeds of the fund are from allocations of the computation of motor vehicle sales tax, collection of all tobacco products tax increases and calculated amounts from franchise taxes. The fund was established with the intent of reducing school district property taxes.

The **Texas Transportation Corporations** issue bonds and notes – currently only conduit debt – to finance the cost of projects. The corporations act on behalf of the Texas Department of Transportation (TxDOT) in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements entered into by TxDOT.

The **Transportation Infrastructure Fund** makes grants to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. The sources of the fund include federal funds, matching state funds, legislative appropriations, gifts, grants, fees and investment earnings.

The **Water Development Funds** receive proceeds from the sale of Texas Water Development bonds for the purpose of aiding and making funds available to various political subdivisions for projects and other authorized purposes. The funds also receive gifts or grants for the purpose of assisting economically distressed areas. Monies in the funds are invested.

The **System Benefit Fund** receives funds from a nonbypassable fee in an amount not to exceed 65 cents per megawatt hour and interest earned. The funds are used to provide funding for programs to assist low-income electric customers.

The **Available School Fund** receives distributions from the permanent school fund based on total return of investment assets, allocations of motor fuel taxes and appropriations made by the Legislature. The fund is to be used for the support of public schools.

## STATE OF TEXAS

**Combining Balance Sheet – Nonmajor Special Revenue Funds**

August 31, 2014 (Amounts in Thousands)

	Property Tax Relief Fund	Texas Transportation Corporations	Transportation Infrastructure Fund	Water Development Funds	System Benefit Fund	Available School Fund	Other Nonmajor Special Revenue Funds*	Totals
<b>ASSETS</b>								
Cash and Cash Equivalents	\$	\$ 356	\$ 224,882	\$ 299,027	\$ 533,248	\$ 18,334	\$ 270,283	\$ 1,346,130
Short-Term Investments				157,325			9	157,334
Receivables:								
Accounts							33	33
Taxes						74,214		74,214
Federal				10			1,934	1,944
Interest and Dividends	16			3,584		46	8,676	12,322
Due From Other Funds		184		2		71,768	1,788	73,742
Inventories							217	217
Prepaid Items		4					33	37
Investments				1,607,947			14	1,607,961
Loans and Contracts				857,450			9,819	867,269
Restricted:								
Cash and Cash Equivalents							4,725	4,725
Loans and Contracts							852,596	852,596
Other Assets							88,268	88,268
Total Assets	<u>\$ 16</u>	<u>\$ 544</u>	<u>\$ 224,882</u>	<u>\$ 2,925,345</u>	<u>\$ 533,248</u>	<u>\$ 164,362</u>	<u>\$ 1,238,395</u>	<u>\$ 5,086,792</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
Liabilities:								
Payables:								
Accounts	\$	\$ 176	\$ 2,589	\$ 2,016	\$ 112,237	\$	\$ 3,097	\$ 120,115
Investment Trades				384				384
Payroll							4,128	4,128
Due To Other Funds				877			1,809	2,686
Interfund Payable				2,575				2,575
Unearned Revenues							152	152
Other Liabilities							200	200
Total Liabilities	<u>0</u>	<u>176</u>	<u>2,589</u>	<u>5,852</u>	<u>112,237</u>	<u>0</u>	<u>9,386</u>	<u>130,240</u>
Deferred Inflows of Resources:								
Deferred Inflows of Resources						4		4
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>4</u>
Fund Balances:								
Nonspendable		4					250	254
Restricted	16			2,919,307		164,358	1,173,023	4,256,704
Committed			222,293	186	421,011		53,524	697,014
Assigned		364					2,212	2,576
Total Fund Balances	<u>16</u>	<u>368</u>	<u>222,293</u>	<u>2,919,493</u>	<u>421,011</u>	<u>164,358</u>	<u>1,229,009</u>	<u>4,956,548</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16</u>	<u>\$ 544</u>	<u>\$ 224,882</u>	<u>\$ 2,925,345</u>	<u>\$ 533,248</u>	<u>\$ 164,362</u>	<u>\$ 1,238,395</u>	<u>\$ 5,086,792</u>

\* The other nonmajor special revenue funds column includes blended component units and the special revenue funds of the Employees Retirement System of Texas and the student loan fund. These funds do not meet the materiality threshold for separate column presentation.

## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Property Tax Relief Fund	Texas Transportation Corporations	Transportation Infrastructure Fund	Water Development Funds	System Benefit Fund	Available School Fund	Other Nonmajor Special Revenue Funds*	Totals
<b>REVENUES</b>								
Taxes	\$ 2,665,228	\$	\$	\$	\$	\$ 817,390	\$	\$ 3,482,618
Federal				228			2,668	2,896
Licenses, Fees and Permits					17,065		233,461	250,526
Interest and Other Investment Income	626		726	41,635		452	55,799	99,238
Land Income							33	33
Sales of Goods and Services				66			2,201	2,267
Other		2,079		2,047			18,722	22,848
Total Revenues	<u>2,665,854</u>	<u>2,079</u>	<u>726</u>	<u>43,976</u>	<u>17,065</u>	<u>817,842</u>	<u>312,884</u>	<u>3,860,426</u>
<b>EXPENDITURES</b>								
Current:								
General Government							218,611	218,611
Education						1,227,473	23,553	1,251,026
Employee Benefits							16,365	16,365
Health and Human Services							40	40
Public Safety and Corrections							55,612	55,612
Transportation		2,108	3,433					5,541
Natural Resources and Recreation				13,714			3,478	17,192
Regulatory Services					409,488			409,488
Capital Outlay				34			3,331	3,365
Debt Service:								
Interest				145				145
Other Financing Fees				87			561	648
Total Expenditures	<u>0</u>	<u>2,108</u>	<u>3,433</u>	<u>13,980</u>	<u>409,488</u>	<u>1,227,473</u>	<u>321,551</u>	<u>1,978,033</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>2,665,854</u>	<u>(29)</u>	<u>(2,707)</u>	<u>29,996</u>	<u>(392,423)</u>	<u>(409,631)</u>	<u>(8,667)</u>	<u>1,882,393</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer In			225,000	2,009,719		838,672	139,019	3,212,410
Transfer Out	(2,666,189)			(52,320)		(420,244)	(190,628)	(3,329,381)
Bonds and Notes Issued							113,740	113,740
Bonds Issued for Refunding				15,095				15,095
Premiums on Bonds Issued							13,679	13,679
Payment to Escrow for Refunding				(15,095)				(15,095)
Sale of Capital Assets				1				1
Total Other Financing Sources (Uses)	<u>(2,666,189)</u>	<u>0</u>	<u>225,000</u>	<u>1,957,400</u>	<u>0</u>	<u>418,428</u>	<u>75,810</u>	<u>10,449</u>
Net Change in Fund Balances	<u>(335)</u>	<u>(29)</u>	<u>222,293</u>	<u>1,987,396</u>	<u>(392,423)</u>	<u>8,797</u>	<u>67,143</u>	<u>1,892,842</u>
Fund Balances, September 1, 2013	351	397		1,096,877	813,434	155,561	1,159,520	3,226,140
Restatements				(164,780)			2,346	(162,434)
Fund Balances, September 1, 2013, as Restated	<u>351</u>	<u>397</u>	<u>0</u>	<u>932,097</u>	<u>813,434</u>	<u>155,561</u>	<u>1,161,866</u>	<u>3,063,706</u>
Fund Balances, August 31, 2014	<u>\$ 16</u>	<u>\$ 368</u>	<u>\$ 222,293</u>	<u>\$ 2,919,493</u>	<u>\$ 421,011</u>	<u>\$ 164,358</u>	<u>\$ 1,229,009</u>	<u>\$ 4,956,548</u>

\* The other nonmajor special revenue funds column includes blended component units and the special revenue funds of the Employees Retirement System of Texas and the student loan fund. These funds do not meet the materiality threshold for separate column presentation.

## STATE OF TEXAS

## Budgetary Comparison Schedule

### Nonmajor Special Revenue Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Property Tax Relief Fund				Transportation Infrastructure Fund			
	Budgetary Amounts		Actual Amounts	Final To	Budgetary Amounts		Actual Amounts	Final To
	Original	Final	Budgetary Basis	Actual Variance	Original	Final	Budgetary Basis	Actual Variance
<b>REVENUES</b>								
Taxes	\$ 2,791,808	\$ 2,656,364	\$ 2,665,228	\$ 8,864	\$	\$	\$	\$
Federal								
Licenses, Fees and Permits								
Interest and Other Investment Income	1,290	994	962	(32)			726	726
Land Income								
Sales of Goods and Services								
Other								
Total Revenues	<u>2,793,098</u>	<u>2,657,358</u>	<u>2,666,190</u>	<u>8,832</u>	<u>0</u>	<u>0</u>	<u>726</u>	<u>726</u>
<b>EXPENDITURES</b>								
General Government								
Education	2,793,098	2,793,098		2,793,098				
Employee Benefits								
Health and Human Services								
Public Safety and Corrections								
Transportation					225,000	225,000	845	224,155
Natural Resources and Recreation								
Regulatory Services								
Total Expenditures	<u>2,793,098</u>	<u>2,793,098</u>	<u>0</u>	<u>2,793,098</u>	<u>225,000</u>	<u>225,000</u>	<u>845</u>	<u>224,155</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>0</u>	<u>(135,740)</u>	<u>2,666,190</u>	<u>2,801,930</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>(119)</u>	<u>224,881</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer In					225,000	225,000	225,000	
Transfer Out			(2,666,190)	(2,666,190)				
Sale of Capital Assets								
Available Beginning Balances								
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(2,666,190)</u>	<u>(2,666,190)</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	<u>\$ 0</u>	<u>\$ (135,740)</u>	<u>\$ 0</u>	<u>\$ 135,740</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 224,881</u>	<u>\$ 224,881</u>

Continued on the following page

\* The activity of the discretely presented Texas Transportation Corporations is not shown on this schedule because there is no legally adopted budget.

## STATE OF TEXAS

## Budgetary Comparison Schedule

### Nonmajor Special Revenue Funds (continued)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Water Development Funds				System Benefit Fund			
	Budgetary Amounts		Actual Amounts	Final To	Budgetary Amounts		Actual Amounts	Final To
	Original	Final	Budgetary Basis	Actual Variance	Original	Final	Budgetary Basis	Actual Variance
<b>REVENUES</b>								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Federal			253	253				
Licenses, Fees and Permits					145,510	17,077	17,065	(12)
Interest and Other Investment Income	23,642	23,642	41,245	17,603	4,148			
Land Income								
Sales of Goods and Services			143	143				
Other			2,047	2,047				
Total Revenues	<u>23,642</u>	<u>23,642</u>	<u>43,688</u>	<u>20,046</u>	<u>149,658</u>	<u>17,077</u>	<u>17,065</u>	<u>(12)</u>
<b>EXPENDITURES</b>								
General Government								
Education								
Employee Benefits								
Health and Human Services								
Public Safety and Corrections								
Transportation								
Natural Resources and Recreation	6,556	2,012,557	11,740	2,000,817				
Regulatory Services					621,278	623,580	322,346	301,234
Total Expenditures	<u>6,556</u>	<u>2,012,557</u>	<u>11,740</u>	<u>2,000,817</u>	<u>621,278</u>	<u>623,580</u>	<u>322,346</u>	<u>301,234</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	17,086	(1,988,915)	31,948	2,020,863	(471,620)	(606,503)	(305,281)	301,222
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer In	2,000,000	2,000,000	2,009,719	9,719				
Transfer Out			(52,320)	(52,320)				
Sale of Capital Assets			1	1				
Available Beginning Balances	17,138	17,138	17,138		838,530	838,530	838,530	
Total Other Financing Sources (Uses)	<u>2,017,138</u>	<u>2,017,138</u>	<u>1,974,538</u>	<u>(42,600)</u>	<u>838,530</u>	<u>838,530</u>	<u>838,530</u>	<u>0</u>
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	<u>\$ 2,034,224</u>	<u>\$ 28,223</u>	<u>\$ 2,006,486</u>	<u>\$ 1,978,263</u>	<u>\$ 366,910</u>	<u>\$ 232,027</u>	<u>\$ 533,249</u>	<u>\$ 301,222</u>

Concluded on the following page

\* The activity of the discretely presented Texas Transportation Corporations is not shown on this schedule because there is no legally adopted budget.

## STATE OF TEXAS

## Budgetary Comparison Schedule

### Nonmajor Special Revenue Funds (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Available School Fund				Other Nonmajor Special Revenue Funds*			
	Budgetary Amounts		Actual Amounts	Final To	Budgetary Amounts		Actual Amounts	Final To
	Original	Final	Budgetary Basis	Actual Actual	Original	Final	Budgetary Basis	Actual Actual
				Variance				Variance
<b>REVENUES</b>								
Taxes	\$	\$	\$ 814,579	\$ 814,579	\$	\$	\$	\$
Federal					4,250	4,250	1,624	(2,626)
Licenses, Fees and Permits					98,684	98,684	88,080	(10,604)
Interest and Other Investment Income	1,513	685	432	(253)	597	597	1,919	1,322
Land Income							23	23
Sales of Goods and Services					31,795	31,795	2,514	(29,281)
Other					48	63	85	22
Total Revenues	<u>1,513</u>	<u>685</u>	<u>815,011</u>	<u>814,326</u>	<u>135,374</u>	<u>135,389</u>	<u>94,245</u>	<u>(41,144)</u>
<b>EXPENDITURES</b>								
General Government					505,196	172,775	99,983	72,792
Education	1,350,059	1,350,059	1,227,473	122,586			434	(434)
Employee Benefits					602,618	18,899	16,209	2,690
Health and Human Services					17,715	17,756	186	17,570
Public Safety and Corrections					5,500	5,500	2	5,498
Transportation								
Natural Resources and Recreation					3,324	9,071	5,356	3,715
Regulatory Services								
Total Expenditures	<u>1,350,059</u>	<u>1,350,059</u>	<u>1,227,473</u>	<u>122,586</u>	<u>1,134,353</u>	<u>224,001</u>	<u>122,170</u>	<u>101,831</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>(1,348,546)</u>	<u>(1,349,374)</u>	<u>(412,462)</u>	<u>936,912</u>	<u>(998,979)</u>	<u>(88,612)</u>	<u>(27,925)</u>	<u>60,687</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer In	1,767,360	1,634,571	838,672	(795,899)			76,672	76,672
Transfer Out		(420,977)	(420,244)	733			(35,002)	(35,002)
Sale of Capital Assets								
Available Beginning Balances	<u>17,273</u>	<u>17,273</u>	<u>17,273</u>		<u>19,764</u>	<u>19,764</u>	<u>19,764</u>	
Total Other Financing Sources (Uses)	<u>1,784,633</u>	<u>1,230,867</u>	<u>435,701</u>	<u>(795,166)</u>	<u>19,764</u>	<u>19,764</u>	<u>61,434</u>	<u>41,670</u>
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	<u>\$ 436,087</u>	<u>\$ (118,507)</u>	<u>\$ 23,239</u>	<u>\$ 141,746</u>	<u>\$ (979,215)</u>	<u>\$ (68,848)</u>	<u>\$ 33,509</u>	<u>\$ 102,357</u>

\* The activity of the discretely presented Texas Transportation Corporations is not shown on this schedule because there is no legally adopted budget.

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## Nonmajor Debt Service Funds

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The **Texas College Student Loan Bonds Interest and Sinking Fund** receives deposits from the Texas opportunity plan fund for payment of current interest and principal and establishment of a reserve.

The **Texas Department of Transportation Texas Mobility Fund** receives proceeds from the sale of general obligation bonds and the revenues dictated by statute to provide for the debt service requirements of those bonds. The bond proceeds provide a method of financing for the construction, reconstruction, acquisition and expansion of state highway projects. The proceeds remain in the fund until transferred to the state highway fund.

The **Texas Public Finance Authority G.O. Bond Funds** receive proceeds and accrued interest from the sale of general obligation bonds and provide the debt service requirements for those bonds.

The **Texas Public Finance Authority Commercial Paper Funds** receive deposits of any accrued interest on the sale of notes and pledged revenues necessary to make debt service payments.

The **Texas Department of Transportation State Highway Debt Service Fund** receives proceeds and accrued interest from the sale of revenue bonds and provides the debt service requirements for those bonds.

## STATE OF TEXAS

**Combining Balance Sheet – Nonmajor Debt Service Funds**

August 31, 2014 (Amounts in Thousands)

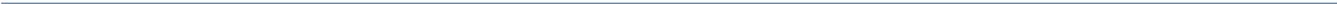
	Texas College Student Loan Bonds Interest and Sinking Fund	Texas Department of Transportation Texas Mobility Fund	Texas Public Finance Authority G.O. Bond Funds	Texas Public Finance Authority Commercial Paper Funds	Texas Department of Transportation State Highway Debt Service Fund	Other Nonmajor Debt Service Funds	Totals
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 111,172	\$ 364,216	\$ 24	\$ 5,117	\$ 128,107	\$ 6	\$ 608,642
Receivables:							
Accounts	471						471
Federal		8,975			10,451		19,426
Interest and Dividends	80						80
Total Assets	<u>\$ 111,723</u>	<u>\$ 373,191</u>	<u>\$ 24</u>	<u>\$ 5,117</u>	<u>\$ 138,558</u>	<u>\$ 6</u>	<u>\$ 628,619</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts	\$ 21	\$ 299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 320
Total Liabilities	<u>21</u>	<u>299</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>320</u>
Fund Balances:							
Restricted	111,702	372,892	24	5,117	138,558	6	628,299
Total Fund Balances	<u>111,702</u>	<u>372,892</u>	<u>24</u>	<u>5,117</u>	<u>138,558</u>	<u>6</u>	<u>628,299</u>
Total Liabilities and Fund Balances	<u>\$ 111,723</u>	<u>\$ 373,191</u>	<u>\$ 24</u>	<u>\$ 5,117</u>	<u>\$ 138,558</u>	<u>\$ 6</u>	<u>\$ 628,619</u>

## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Texas College Student Loan Bonds Interest and Sinking Fund	Texas Department of Transportation Texas Mobility Fund	Texas Public Finance Authority G.O. Bond Funds	Texas Public Finance Authority Commercial Paper Funds	Texas Department of Transportation State Highway Debt Service Fund	Other Nonmajor Debt Service Funds	Totals
<b>REVENUES</b>							
Federal	\$ 21	\$ 21,561	\$ 3,368	\$	\$ 25,049	\$	\$ 49,999
Licenses, Fees and Permits		399,401					399,401
Interest and Other Investment Income	1,178	1,917	9	20	466	13	3,603
Total Revenues	1,199	422,879	3,377	20	25,515	13	453,003
<b>EXPENDITURES</b>							
Current:							
General Government			477	309			786
Transportation		84,962					84,962
Debt Service:							
Principal	52,715	210,385	175,800	5,065	125,995	109,700	679,660
Interest	40,704	317,376	80,441	286	189,306	57,753	685,866
Other Financing Fees		4,136	1,082	811			6,029
Total Expenditures	93,419	616,859	257,800	6,471	315,301	167,453	1,457,303
Deficiency of Revenues Under Expenditures	(92,220)	(193,980)	(254,423)	(6,451)	(289,786)	(167,440)	(1,004,300)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer In	110,603		254,526	11,368	273,247	166,542	816,286
Transfer Out	(900)					(1)	(901)
Bonds and Notes Issued			4,375			894	5,269
Bonds Issued for Refunding		973,775	298,706	232,954			1,505,435
Premium on Bonds Issued		157,759	42,696				200,455
Payment to Escrow for Refunding		(1,127,015)	(346,020)	(237,880)			(1,710,915)
Total Other Financing Sources	109,703	4,519	254,283	6,442	273,247	167,435	815,629
Net Change in Fund Balances	17,483	(189,461)	(140)	(9)	(16,539)	(5)	(188,671)
Fund Balances, September 1, 2013	94,219	562,353	164	5,126	155,097	12	816,971
Restatements						(1)	(1)
Fund Balances, September 1, 2013, as Restated	94,219	562,353	164	5,126	155,097	11	816,970
Fund Balances, August 31, 2014	\$ 111,702	\$ 372,892	\$ 24	\$ 5,117	\$ 138,558	\$ 6	\$ 628,299



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## Nonmajor Capital Projects Funds

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The **Texas Public Finance Authority Administration Project Funds** utilize long-term financing for various state construction, repair or renovation projects. Funds are also used to refinance purchases of equipment by various state agencies.

The **Texas Parks and Wildlife Department Project Funds** are used for the acquisition and development of state park sites. Revenues from park entrance fees are used for the repayments of long-term debt incurred.

The **Texas Facilities Commission Project Funds** are used to administer the state's major and minor building construction programs.

The **Texas Department of Criminal Justice Prison Project Funds** are used for construction of regional centers and for repairs and minor construction of correctional facilities.

The **Texas Juvenile Justice Department Project Funds** are used to pay for minor construction and repairs of the former Texas Youth Commission buildings and facilities.

The **Texas Health Agencies Project Funds** are used to pay for the cost of construction, repair and remodeling for certain mental health facilities and other health related projects.

The **Texas Department of Public Safety Project Funds** are used to finance construction of new Department of Public Safety buildings and crime lab facilities in various state locations.

The **Texas Department of Transportation Project Funds** are used for public road and highway development, construction and improvement projects. The funds are also used to establish, acquire, operate, maintain and dispose of airports and air navigation facilities.

The **Texas Historical Commission Project Funds** are used to provide financial assistance to counties for the repair and renovation of courthouses.

The **Texas Mobility Capital Project Funds** are used to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects.

STATE OF TEXAS

## Combining Balance Sheet – Nonmajor Capital Projects Funds

August 31, 2014 (Amounts in Thousands)

	Texas Public Finance Authority Administration Project Funds	Texas Parks and Wildlife Department Project Funds	Texas Facilities Commission Project Funds	Texas Department of Criminal Justice Prison Department Project Funds	Texas Juvenile Justice Department Project Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,545	\$ 8,284	\$ 29,445	\$ 11,159	\$ 2,307
Accounts Receivable			2,754		
Due From Other Funds			37,284		293
Interfund Receivable		(13)			
Inventories	5				
Total Assets	<u>\$ 2,550</u>	<u>\$ 8,271</u>	<u>\$ 69,483</u>	<u>\$ 11,159</u>	<u>\$ 2,600</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 8	\$ 2,300	\$ 4,336	\$ 1,408	\$
Due To Other Funds					
Interfund Payable		295			
Unearned Revenues					
Other Liabilities			1,225	555	
Total Liabilities	<u>8</u>	<u>2,595</u>	<u>5,561</u>	<u>1,963</u>	<u>0</u>
Fund Balances:					
Nonspendable	5				
Restricted	2,537	5,676	63,922	9,196	2,600
Unassigned					
Total Fund Balances	<u>2,542</u>	<u>5,676</u>	<u>63,922</u>	<u>9,196</u>	<u>2,600</u>
Total Liabilities and Fund Balances	<u>\$ 2,550</u>	<u>\$ 8,271</u>	<u>\$ 69,483</u>	<u>\$ 11,159</u>	<u>\$ 2,600</u>

Texas Health Agencies Project Funds	Texas Department of Public Safety Project Funds	Texas Department of Transportation Project Funds	Texas Historical Commission Project Funds	Texas Mobility Capital Project Funds	Other Nonmajor Capital Projects Funds	Totals
\$ 5,109	\$ 6,760	\$ 613,673	\$ 19,025	\$ (26)	\$ 4,514	\$ 702,795
25,455						2,754
			453			63,032
						440
						5
<u>\$ 30,564</u>	<u>\$ 6,760</u>	<u>\$ 613,673</u>	<u>\$ 19,478</u>	<u>\$ (26)</u>	<u>\$ 4,514</u>	<u>\$ 769,026</u>
\$ 22,294	\$ 2,073	\$ 191,424	\$ 731	\$ 14,035	\$ 1,473	\$ 240,082
		467,569		5,035		472,604
245			12			552
		490,641				490,641
<u>22,539</u>	<u>2,073</u>	<u>1,149,634</u>	<u>743</u>	<u>19,070</u>	<u>1,473</u>	<u>1,205,659</u>
8,025	4,687		18,735		3,041	5
		(535,961)		(19,096)		118,419
<u>8,025</u>	<u>4,687</u>	<u>(535,961)</u>	<u>18,735</u>	<u>(19,096)</u>	<u>3,041</u>	<u>(555,057)</u>
<u>\$ 30,564</u>	<u>\$ 6,760</u>	<u>\$ 613,673</u>	<u>\$ 19,478</u>	<u>\$ (26)</u>	<u>\$ 4,514</u>	<u>\$ 769,026</u>

## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Texas Public Finance Authority Administration Project Funds	Texas Parks and Wildlife Department Project Funds	Texas Facilities Commission Project Funds	Texas Department of Criminal Justice Prison Project Funds	Texas Juvenile Justice Department Project Funds
<b>REVENUES</b>					
Interest and Other Investment Income	\$ 5	\$ 41	\$ 75	\$ 54	\$ 10
Sales of Goods and Services			8,061		
Other Revenues			23		
Total Revenues	<u>5</u>	<u>41</u>	<u>8,159</u>	<u>54</u>	<u>10</u>
<b>EXPENDITURES</b>					
Current:					
General Government	631		14,001		
Education					
Health and Human Services					
Public Safety and Corrections				28,103	
Transportation					
Natural Resources and Recreation		5,178			
Capital Outlay	20	24,428	20,737	4,644	2,376
Debt Service:					
Interest					
Other Financing Fees					
Total Expenditures	<u>651</u>	<u>29,606</u>	<u>34,738</u>	<u>32,747</u>	<u>2,376</u>
Deficiency of Revenues					
Under Expenditures	<u>(646)</u>	<u>(29,565)</u>	<u>(26,579)</u>	<u>(32,693)</u>	<u>(2,366)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	627		6,971		
Transfer Out	(2,109)				
Bonds and Notes Issued	3,125	23,900	28,000	30,000	650
Total Other Financing Sources (Uses)	<u>1,643</u>	<u>23,900</u>	<u>34,971</u>	<u>30,000</u>	<u>650</u>
Net Change in Fund Balances	<u>997</u>	<u>(5,665)</u>	<u>8,392</u>	<u>(2,693)</u>	<u>(1,716)</u>
Fund Balances, September 1, 2013	1,545	11,341	55,530	11,889	4,316
Fund Balances, August 31, 2014	<u>\$ 2,542</u>	<u>\$ 5,676</u>	<u>\$ 63,922</u>	<u>\$ 9,196</u>	<u>\$ 2,600</u>

Texas Health Agencies Project Funds	Texas Department of Public Safety Project Funds	Texas Department of Transportation Project Funds	Texas Historical Commission Project Funds	Texas Mobility Capital Project Funds	Other Nonmajor Capital Projects Funds	Totals
\$ 39	\$ 39	\$ 772 187,163	\$ 91	\$ 2,409	\$ 21	\$ 3,556 195,224 23
<u>39</u>	<u>39</u>	<u>187,935</u>	<u>91</u>	<u>2,409</u>	<u>21</u>	<u>198,803</u>
			10,289			24,921
21,354					85	85
	2,665					21,354
		341		416,051		30,768
						416,392
8,192	19,486	700,469	3,343	238,641	3,471	5,178
						1,025,807
28						28
<u>29,574</u>	<u>22,151</u>	<u>700,810</u>	<u>13,632</u>	<u>917</u> <u>655,609</u>	<u>3,556</u>	<u>917</u> <u>1,525,450</u>
(29,535)	(22,112)	(512,875)	(13,541)	(653,200)	(3,535)	(1,326,647)
27,938						35,536
(17)		(187,163)				(189,289)
7,000	24,100		8,000		1,000	125,775
<u>34,921</u>	<u>24,100</u>	<u>(187,163)</u>	<u>8,000</u>	<u>0</u>	<u>1,000</u>	<u>(27,978)</u>
5,386	1,988	(700,038)	(5,541)	(653,200)	(2,535)	(1,354,625)
2,639	2,699	164,077	24,276	634,104	5,576	917,992
<u>\$ 8,025</u>	<u>\$ 4,687</u>	<u>\$ (535,961)</u>	<u>\$ 18,735</u>	<u>\$ (19,096)</u>	<u>\$ 3,041</u>	<u>\$ (436,633)</u>



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## Nonmajor Permanent Funds

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The **Permanent Health Fund for Higher Education** was established by the Legislature from a portion of the money received in the settlement of *The State of Texas v. The American Tobacco Co., et.al.* The corpus of the account was designated by the Legislature to be preserved. Distributions of earnings on the account are to be transferred to other accounts and used for health care costs, tobacco education and enforcement.

The **National Research University Fund** was established by the Legislature to provide a dedicated, independent and equitable source of funding to enable emerging research universities to achieve national prominence as major research universities. The fund consists of appropriations and transfers under the Texas Constitution and amounts provided by law, gifts, grants and interest. The Texas Constitution required that balances

in the permanent higher education fund be transferred to the national research university fund on Jan. 1, 2010. Funds are allocated to eligible universities based on an equitable formula.

The **Permanent Fund Supporting Military and Veterans Exemptions** (Perm Fund Supporting MIL/VET Exempt) was established by the legislature to receive gifts, grants and investment returns for distributions to higher education institutions to offset the cost of the exemptions to certain veterans and/or dependents. Distributions are determined by the Legislative Budget Board based on each institution's respective share of the aggregate cost to all institutions of the exemptions. The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from the fund.

STATE OF TEXAS

**Combining Balance Sheet – Nonmajor Permanent Funds**

August 31, 2014 (Amounts in Thousands)

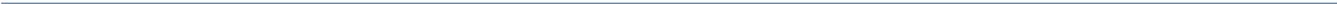
	Permanent Health Fund for Higher Education	National Research University Fund	Perm Fund Supporting MIL/VET Exempt	Other Nonmajor Permanent Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 16,530	\$ 34,484	\$	\$ 1,164	\$ 52,178
Short-Term Investments	5,437	24,714	9,318		39,469
Receivables:					
Investment Trades	18	76			94
Interest and Dividends	5	17	3		25
Due From Other Funds				598	598
Investments	<u>144,453</u>	<u>658,554</u>	<u>250,820</u>	<u>3,394</u>	<u>1,057,221</u>
Total Assets	<u>\$ 166,443</u>	<u>\$ 717,845</u>	<u>\$ 260,141</u>	<u>\$ 5,156</u>	<u>\$ 1,149,585</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 360	\$ 347	\$ 134	\$ 598	\$ 1,439
Investment Trades	18	81			99
Due To Other Funds	210	34,240			34,450
Total Liabilities	<u>588</u>	<u>34,668</u>	<u>134</u>	<u>598</u>	<u>35,988</u>
Fund Balances:					
Nonspendable	149,814	682,922			832,736
Restricted	3,496	255	260,007	4,558	268,316
Committed	12,545				12,545
Total Fund Balances	<u>165,855</u>	<u>683,177</u>	<u>260,007</u>	<u>4,558</u>	<u>1,113,597</u>
Total Liabilities and Fund Balances	<u>\$ 166,443</u>	<u>\$ 717,845</u>	<u>\$ 260,141</u>	<u>\$ 5,156</u>	<u>\$ 1,149,585</u>

## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Permanent Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Permanent Health Fund for Higher Education	National Research University Fund	Perm Fund Supporting MIL/VET Exempt	Other Nonmajor Permanent Funds	Totals
<b>REVENUES</b>					
Interest and Other Investment Income	\$ 16,591	\$ 72,484	\$ 12,009	\$ 2,500	\$ 103,584
Land Income				20	20
Other			248,417		248,417
Total Revenues	<u>16,591</u>	<u>72,484</u>	<u>260,426</u>	<u>2,520</u>	<u>352,021</u>
<b>EXPENDITURES</b>					
Current:					
General Government	396	1,793	419		2,608
Education	329			2,129	2,458
Health and Human Services	621				621
Natural Resources and Recreation	2,244			1	2,245
Total Expenditures	<u>3,590</u>	<u>1,793</u>	<u>419</u>	<u>2,130</u>	<u>7,932</u>
Excess of Revenues Over Expenditures	<u>13,001</u>	<u>70,691</u>	<u>260,007</u>	<u>390</u>	<u>344,089</u>
<b>OTHER FINANCING USES</b>					
Transfer Out	(1,444)	(17,567)		(20)	(19,031)
Total Other Financing Uses	<u>(1,444)</u>	<u>(17,567)</u>	<u>0</u>	<u>(20)</u>	<u>(19,031)</u>
Net Change in Fund Balances	<u>11,557</u>	<u>53,124</u>	<u>260,007</u>	<u>370</u>	<u>325,058</u>
Fund Balances, September 1, 2013	<u>154,298</u>	<u>630,053</u>	<u>0</u>	<u>4,188</u>	<u>788,539</u>
Fund Balances, August 31, 2014	<u>\$ 165,855</u>	<u>\$ 683,177</u>	<u>\$ 260,007</u>	<u>\$ 4,558</u>	<u>\$ 1,113,597</u>



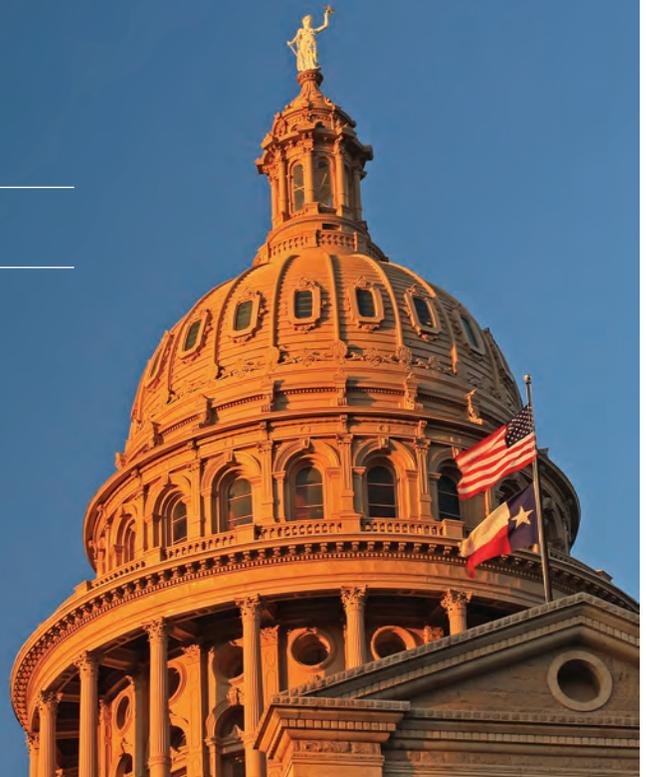
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Section Two (continued)

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# Enterprise Funds

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## Nonmajor Enterprise Funds

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The **Texas Water Development Board Funds** include water development funds, agricultural water conservation funds and water pollution control revolving funds that receive proceeds from bonds issued by the Texas Water Development Board to provide assistance to political subdivisions.

The **Texas Department of Housing and Community Affairs** issues bonds to assist in financing the purchase of homes or the construction of rental housing for families with low to moderate incomes. Loan payments and rentals provide the revenue for debt service payments.

The **Texas Transportation Commission** receives proceeds from the sale of bonds used to finance a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System.

The **Veterans Land Board Loan Program Funds** receive proceeds from the sale of bonds used to administer, originate and service loans from land, housing and home improvement for those qualifying veterans.

The **Texas Department of Criminal Justice Institutional Division** accounts for the proceeds of the institutional division's commissary operations and other miscellaneous revenue.

The **Texas Prepaid Tuition Plans** offer programs that allow Texas families to lock in the cost of future college tuition and required fees at current prices.

The **Grand Parkway Transportation Corporation**, a blended component unit of the Texas Department of Transportation, is authorized to assist and act on behalf of the agency in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project.

## STATE OF TEXAS

## Combining Statement of Net Position – Nonmajor Enterprise Funds

August 31, 2014 (Amounts in Thousands)

	Texas Water Development Board Funds	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 243,540	\$ 32,861	\$ 21,598	\$
Short-Term Investments	576,206		261,485	
Securities Lending Collateral				83,055
Restricted:				
Cash and Cash Equivalents		119,678	33,791	245,397
Short-Term Investments		123		63,978
Loans and Contracts		10,958		66,683
Receivables:				
Federal	1,563			8,653
Other Intergovernmental			200	
Accounts		588	11,358	3,209
Interest and Dividends	35,011	12,024	284	21,016
Investment Trades				
Other		41		
Due From Other Funds	17		26,079	1,780
Interfund Receivable	140			
Inventories		5	864	
Prepaid Items			570	1
Loans and Contracts	187,699	2,725		146,668
Other Current Assets		197		
Total Current Assets	<u>1,044,176</u>	<u>179,200</u>	<u>356,229</u>	<u>640,440</u>
Noncurrent Assets:				
Restricted:				
Cash and Cash Equivalents				
Investments		824,202	114,999	537,858
Receivables				
Loans and Contracts		1,050,033		2,057,966
Other				3,396
Loans and Contracts	4,561,949	50,294		
Investments		2,775		137
Interfund Receivable	2,435			
Other Receivables			50	
Capital Assets:				
Non-Depreciable or Non-Amortizable		31	718,478	16,769
Depreciable or Amortizable, Net		132	2,083,687	52,407
Assets Held in Trust				
Hedging Derivative Asset				5,934
Intangible Assets – Service Concession Arrangements				
Other Noncurrent Assets		228		
Total Noncurrent Assets	<u>4,564,384</u>	<u>1,927,695</u>	<u>2,917,214</u>	<u>2,674,467</u>
Total Assets	<u>5,608,560</u>	<u>2,106,895</u>	<u>3,273,443</u>	<u>3,314,907</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources		22,441	7,071	257,876
Total Deferred Outflows of Resources	<u>0</u>	<u>22,441</u>	<u>7,071</u>	<u>257,876</u>

Texas Department of Criminal Justice Institutional Division	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
\$	\$ 6,379	\$ 16,823	\$ 49,934	\$ 371,135
	78,237	69,837		907,528
	215,738	436,068	1,053	1,051,725
		371,967		436,068
				77,641
				10,216
				200
3,357		3,105	184	21,801
	3,846	974	52	73,207
	144,253			144,253
	148		3,761	3,950
39,218				67,094
			1	141
9,290			925	11,084
			222	793
	35,924		1,851	374,867
				197
<u>51,865</u>	<u>484,525</u>	<u>898,774</u>	<u>57,983</u>	<u>3,713,192</u>
			34,165	34,165
	1,432,001	715,142	95	3,624,297
	127,545			127,545
				3,107,999
				3,396
			18,863	4,631,106
		19,952		22,864
				2,435
				50
283			428	735,989
371			219	2,136,816
			4,266	4,266
				5,934
		1,431,210		1,431,210
				228
<u>654</u>	<u>1,559,546</u>	<u>2,166,304</u>	<u>58,036</u>	<u>15,868,300</u>
<u>52,519</u>	<u>2,044,071</u>	<u>3,065,078</u>	<u>116,019</u>	<u>19,581,492</u>
				287,388
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>287,388</u>

Concluded on the following page

## STATE OF TEXAS

## Combining Statement of Net Position – Nonmajor Enterprise Funds (concluded)

August 31, 2014 (Amounts in Thousands)

	Texas Water Development Board Funds	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts Payroll	\$ 275	\$ 1,448	\$	\$ 20,658
Investment Trades				
Interest	9,933	19,263	3,717	7,719
Due To Other Funds	1,306			1,060
Interfund Payable		262		
Unearned Revenue		5,958	1,009	286
Obligations/Securities Lending				83,055
Employees' Compensable Leave		554		
Notes and Loans Payable				
General Obligation Bonds Payable	47,729			116,159
Revenue Bonds Payable	59,459	21,807	14,139	
Liabilities Payable From Restricted Assets				
Other Current Liabilities		290		508
Total Current Liabilities	<u>118,702</u>	<u>49,582</u>	<u>18,865</u>	<u>229,445</u>
Noncurrent Liabilities:				
Employees' Compensable Leave		433		
Notes and Loans Payable			1,107,370	
General Obligation Bonds Payable	1,256,306			2,333,532
Revenue Bonds Payable	740,067	1,674,310	1,688,318	
Liabilities Payable From Restricted Assets				
Assets Held for Others				
Hedging Derivative Liability		22,441		257,876
Other Noncurrent Liabilities		104,747		
Total Noncurrent Liabilities	<u>1,996,373</u>	<u>1,801,931</u>	<u>2,795,688</u>	<u>2,591,408</u>
Total Liabilities	<u>2,115,075</u>	<u>1,851,513</u>	<u>2,814,553</u>	<u>2,820,853</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources				5,934
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,934</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets		163	636,694	69,176
Restricted for:				
Debt Service		198,731	38,952	
Veterans Land Board Housing Programs				789,370
Other	3,492,411		25,697	
Unrestricted	1,074	78,929	(235,382)	(112,550)
Total Net Position	<u>\$ 3,493,485</u>	<u>\$ 277,823</u>	<u>\$ 465,961</u>	<u>\$ 745,996</u>

<b>Texas Department of Criminal Justice Institutional Division</b>	<b>Texas Prepaid Tuition Plans</b>	<b>Grand Parkway Transportation Corporation</b>	<b>Other Nonmajor Enterprise Funds</b>	<b>Totals</b>
\$ 6,288	\$ 794	\$ 60,901	\$ 1,217	\$ 91,581
1,475			2,217	3,692
	154,314			154,314
		45,909		86,541
525	98	23,164	23	26,176
				262
	863		103	8,219
	78,237			161,292
1,219	70		695	2,538
		12,100		12,100
				163,888
				95,405
	287,005			287,005
				798
<u>9,507</u>	<u>521,381</u>	<u>142,074</u>	<u>4,255</u>	<u>1,093,811</u>
68	49		427	977
		757,666	20,000	1,885,036
				3,589,838
		2,172,512		6,275,207
	1,968,244			1,968,244
			4,266	4,266
				280,317
				104,747
<u>68</u>	<u>1,968,293</u>	<u>2,930,178</u>	<u>24,693</u>	<u>14,108,632</u>
<u>9,575</u>	<u>2,489,674</u>	<u>3,072,252</u>	<u>28,948</u>	<u>15,202,443</u>
		2,989		8,923
<u>0</u>	<u>0</u>	<u>2,989</u>	<u>0</u>	<u>8,923</u>
654			394	707,081
				237,683
				789,370
			1,053	3,519,161
<u>42,290</u>	<u>(445,603)</u>	<u>(10,163)</u>	<u>85,624</u>	<u>(595,781)</u>
<u>\$ 42,944</u>	<u>\$ (445,603)</u>	<u>\$ (10,163)</u>	<u>\$ 87,071</u>	<u>\$ 4,657,514</u>

## STATE OF TEXAS

## Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Texas Water Development Board Funds	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds
<b>OPERATING REVENUES</b>				
Auxiliary Enterprises – Pledged	\$	\$	\$	\$
Other Sales of Goods and Services				7,740
Other Sales of Goods and Services – Pledged			130,902	31,895
Interest and Investment Income	156,155	87,650		88,080
Federal Revenue				48,824
Other	5,597	30,074	13,312	488
Other – Pledged	3,000			
Total Operating Revenues	<u>164,752</u>	<u>117,724</u>	<u>144,214</u>	<u>177,027</u>
<b>OPERATING EXPENSES</b>				
Cost of Goods Sold				
Salaries and Wages	5,906	9,533	1,335	
Payroll Related Costs	761	2,731		
Professional Fees and Services	639	3,178	8,786	74,403
Travel	32	223	11	152
Materials and Supplies	3	302	3,664	2,753
Communication and Utilities	26	145	951	21
Repairs and Maintenance	5	300	8,395	508
Rentals and Leases	58	66		
Printing and Reproduction		68	10	5
Depreciation and Amortization		37	53,652	4,539
Bad Debt Expense		472		
Interest Expense	106,401	70,877		81,185
Employee/Participant Benefit Payments				
Other Expenses	315	8,094	29,818	10,768
Total Operating Expenses	<u>114,146</u>	<u>96,026</u>	<u>106,622</u>	<u>174,334</u>
Operating Income (Loss)	<u>50,606</u>	<u>21,698</u>	<u>37,592</u>	<u>2,693</u>

Texas Department of Criminal Justice Institutional Division	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
\$ 107,304	\$ 43,945	\$	\$ 8,397	\$ 107,304
		10,757		60,082
			647	173,554
				332,532
241	952	35	22,133	48,824
				72,832
				3,000
<u>107,545</u>	<u>44,897</u>	<u>10,792</u>	<u>31,177</u>	<u>798,128</u>
75,474			1,506	76,980
13,515	870	108	11,357	42,624
4,701	221		2,790	11,204
18	2,997	1,001	2,759	93,781
42	8		175	643
925	92	299	1,195	9,233
	40	1	692	1,876
180	320	310	1,777	11,795
720	21		982	1,847
71	4		62	220
78			100	58,406
1				473
			40	258,503
	77,396			77,396
<u>24</u>	<u>19,883</u>	<u>1,320</u>	<u>2,895</u>	<u>73,117</u>
<u>95,749</u>	<u>101,852</u>	<u>3,039</u>	<u>26,330</u>	<u>718,098</u>
11,796	(56,955)	7,753	4,847	80,030

Concluded on the following page

## STATE OF TEXAS

## Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Texas Water Development Board Funds	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal Revenue	\$ 244,105	\$	\$	\$ 3,485
Gifts				25
Land Income			13	
Interest and Investment Income (Loss)	3,906		6,120	33,961
Loan Premium and Fees on Securities Lending				
Investing Activities Expense				
Interest Expense			(136,138)	
Borrower Rebates and Agent Fees				(58)
Gain (Loss) on Sale of Capital Assets				
Settlement of Claims				
Claims and Judgments				
Other Revenues			189	
Other Expenses	(27,424)		(12)	
Total Nonoperating Revenues (Expenses)	<u>220,587</u>	<u>0</u>	<u>(129,828)</u>	<u>37,413</u>
Income (Loss) Before Capital Contributions and Transfers	<u>271,193</u>	<u>21,698</u>	<u>(92,236)</u>	<u>40,106</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital Contributions – Other			30,814	
Transfer In	2,336	3,281	2,075	1,784
Transfer Out	(5,760)			(28,068)
Total Capital Contributions and Transfers	<u>(3,424)</u>	<u>3,281</u>	<u>32,889</u>	<u>(26,284)</u>
Change in Net Position	<u>267,769</u>	<u>24,979</u>	<u>(59,347)</u>	<u>13,822</u>
Net Position, September 1, 2013	3,133,480	248,578	565,192	732,522
Restatements	92,236	4,266	(39,884)	(348)
Net Position, September 1, 2013, as Restated	<u>3,225,716</u>	<u>252,844</u>	<u>525,308</u>	<u>732,174</u>
Net Position, August 31, 2014	<u>\$ 3,493,485</u>	<u>\$ 277,823</u>	<u>\$ 465,961</u>	<u>\$ 745,996</u>

Texas Department of Criminal Justice Institutional Division	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
\$	\$	\$	\$ 7	\$ 247,597
			1,720	1,745
	153,948	977	18	198,930
	286			286
	(1,223)			(1,223)
				(136,138)
	(71)			(129)
1				1
1				1
			(2)	(2)
				189
		(3,017)		(30,453)
2	152,940	(2,040)	1,743	280,817
11,798	95,985	5,713	6,590	360,847
			1	30,815
4,575			1,600	15,651
(24,301)			(5,146)	(63,275)
(19,726)	0	0	(3,545)	(16,809)
(7,928)	95,985	5,713	3,045	344,038
50,872	(541,588)	(15,876)	84,066	4,257,246
			(40)	56,230
50,872	(541,588)	(15,876)	84,026	4,313,476
\$ 42,944	\$ (445,603)	\$ (10,163)	\$ 87,071	\$ 4,657,514

## STATE OF TEXAS

## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Texas Water Development Board Funds	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Proceeds from Customers	\$	\$	\$ 140,534	\$ 20,673
Proceeds from Gifts				1,069
Proceeds from Loan Programs		107,284		404,939
Proceeds from Other Operating Revenues	90	74,430		71,316
Payments to Suppliers for Goods and Services	(4,574)	(21,396)	(52,378)	(91,910)
Payments to Employees	(5,848)	(12,194)	(1,327)	
Payments for Loans Provided		(59,543)		(531,609)
Payments for Other Operating Expenses				(8,540)
Net Cash Provided (Used) by Operating Activities	<u>(10,332)</u>	<u>88,581</u>	<u>86,829</u>	<u>(134,062)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance	351	43,100		1,064,990
Proceeds from Transfers from Other Funds	336,299	3,247	53,604	63,033
Proceeds from Grant Receipts	243,987			
Proceeds from Interfund Payables	17,029			
Proceeds from Other Noncapital Financing Activities				
Payments of Principal on Debt Issuance	(111,729)	(262,084)		(1,010,177)
Payments of Interest	(108,724)	(75,764)		(78,438)
Payments of Other Costs on Debt Issuance	(1,613)	(407)	(67,198)	
Payments for Transfers to Other Funds	(333,963)			(94,215)
Payments for Grant Disbursements	(31,805)			
Payments for Interfund Receivables	(29,824)			
Payments for Other Noncapital Financing Uses				
Net Cash (Used) by Noncapital Financing Activities	<u>(19,992)</u>	<u>(291,908)</u>	<u>(13,594)</u>	<u>(54,807)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance				
Proceeds from Federal Grants and Contracts				3,647
Proceeds from Other Capital and Related Financing Activities			10	
Proceeds from Capital Contributions			200	
Payments for Additions to Capital Assets		(62)	(38)	(7,755)
Payments of Principal on Debt Issuance			(10,155)	
Payments of Interest on Debt Issuance			(65,869)	
Payments of Other Costs on Debt Issuance			(13)	
Net Cash (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(62)</u>	<u>(75,865)</u>	<u>(4,108)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Investments	633,265	275,077	33	305,347
Proceeds from Interest and Investment Income	158,663	42,448	6,309	29,221
Proceeds from Principal Payments on Loans	238,912			
Payments to Acquire Investments	(619,113)	(92,131)	(126)	(308,890)
Payments for Nonprogram Loans Provided	(361,694)			
Net Cash Provided by Investing Activities	<u>50,033</u>	<u>225,394</u>	<u>6,216</u>	<u>25,678</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>19,709</u>	<u>22,005</u>	<u>3,586</u>	<u>(167,299)</u>
Cash and Cash Equivalents, September 1, 2013	182,141	130,534	51,803	412,696
Restatements	41,690			
Cash and Cash Equivalents, September 1, 2013, as Restated	<u>223,831</u>	<u>130,534</u>	<u>51,803</u>	<u>412,696</u>
Cash and Cash Equivalents, August 31, 2014	<u>\$ 243,540</u>	<u>\$ 152,539</u>	<u>\$ 55,389</u>	<u>\$ 245,397</u>

Texas Department of Criminal Justice Institutional Division	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
\$ 108,667	\$ 61,635	\$ 7,687	\$ 9,724	\$ 348,920
				1,069
				512,223
241	680		21,034	167,791
(75,511)	(3,190)	(87)	(1,416)	(250,462)
(18,216)	(1,067)		(14,413)	(53,065)
				(591,152)
(1,981)	(186,608)		(11,211)	(208,340)
<u>13,200</u>	<u>(128,550)</u>	<u>7,600</u>	<u>3,718</u>	<u>(73,016)</u>
		972,596		2,081,037
4,575			2,565	463,323
				243,987
				17,029
			1,725	1,725
		(943,330)	(5,000)	(2,332,320)
		(71,268)	(40)	(334,234)
		(2,848)	(4)	(72,070)
(17,624)			(6,088)	(451,890)
				(31,805)
		(737,435)		(767,259)
			(9)	(9)
<u>(13,049)</u>	<u>0</u>	<u>(782,285)</u>	<u>(6,851)</u>	<u>(1,182,486)</u>
				3,647
				10
				200
(152)			(11)	(8,018)
				(10,155)
				(65,869)
				(13)
<u>(152)</u>	<u>0</u>	<u>0</u>	<u>(11)</u>	<u>(80,198)</u>
19,011	2,067,766	1,109,600		4,410,099
24	32,194	3,396	685	272,940
			2,600	241,512
(19,034)	(2,017,588)	(1,038,085)	(16)	(4,094,983)
			(1,510)	(363,204)
<u>1</u>	<u>82,372</u>	<u>74,911</u>	<u>1,759</u>	<u>466,364</u>
0	(46,178)	(699,774)	(1,385)	(869,336)
0	268,295	1,152,665	86,537	2,284,671
				41,690
<u>0</u>	<u>268,295</u>	<u>1,152,665</u>	<u>86,537</u>	<u>2,326,361</u>
<u>\$ 0</u>	<u>\$ 222,117</u>	<u>\$ 452,891</u>	<u>\$85,152</u>	<u>\$ 1,457,025</u>

Concluded on the following page

STATE OF TEXAS

## Combining Statement of Cash Flows – Nonmajor Enterprise Funds (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Texas Water Development Board Funds	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 50,606	\$ 21,698	\$ 37,592	\$ 2,693
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization		37	53,652	4,539
Bad Debt Expense		472		
Operating Income (Loss) and Cash Flow Categories Classification Differences	(60,303)	32,162		78,595
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	(71)	(524)	(3,681)	(7,073)
(Increase) Decrease in Due From Other Funds				
(Increase) Decrease in Inventories				
(Increase) Decrease in Loans and Contracts		4,001		(210,265)
(Increase) Decrease in Other Assets		6,032		575
(Increase) Decrease in Prepaid Expenses			(734)	
Increase (Decrease) in Payables	4	(2,491)		(3,395)
Increase (Decrease) in Due To Other Funds	(568)			
Increase (Decrease) in Unearned Revenue		(10,188)		
Increase (Decrease) in Employees' Compensable Leave				
Increase (Decrease) in Other Liabilities		37,382		269
Total Adjustments	<u>(60,938)</u>	<u>66,883</u>	<u>49,237</u>	<u>(136,755)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,332)</u>	<u>\$ 88,581</u>	<u>\$ 86,829</u>	<u>\$ (134,062)</u>
<b>NONCASH TRANSACTIONS</b>				
Donation of Capital Assets	\$	\$	\$ 14,853	\$
Net Change in Fair Value of Investments	\$ (27)	\$ 2,424	\$	\$ 25,669
Other	\$	\$	\$	\$ (187)

Texas Department of Criminal Justice Institutional Division	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
\$ 11,796	\$ (56,955)	\$ 7,753	\$ 4,847	\$ 80,030
78			100	58,406
1				473
			(594)	49,860
1,363	11,283	(3,104)	(94)	(1,901)
			339	339
44			76	120
				(206,264)
				6,607
		16	37	(681)
(82)	391	2,935	(628)	(3,266)
			(33)	(601)
	181		(21)	(10,028)
	13		(170)	(157)
	(83,463)		(141)	(45,953)
<u>1,404</u>	<u>(71,595)</u>	<u>(153)</u>	<u>(1,129)</u>	<u>(153,046)</u>
<u>\$ 13,200</u>	<u>\$ (128,550)</u>	<u>\$ 7,600</u>	<u>\$ 3,718</u>	<u>\$ (73,016)</u>
\$	\$	\$	\$ 1	\$ 14,854
\$	\$ 122,251	\$ 296	\$	\$ 150,613
\$	\$	\$	\$	\$ (187)



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## Colleges and Universities – Major Enterprise Fund

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There are six university systems and five independent universities in Texas' primary government presented in a single-column as a major fund on the basic financial statements. Schedules were prepared to report the breakdown of the following universities:

**University of Texas System**  
**Texas A&M University System**  
**Texas Tech University System**  
**University of Houston System**  
**Texas State University System**  
**University of North Texas System**  
**Texas Woman's University**  
**Stephen F. Austin State University**  
**Texas Southern University**  
**Midwestern State University**  
**Texas State Technical College**

## STATE OF TEXAS

# Schedule of Net Position

## Colleges and Universities – Major Enterprise Fund

August 31, 2014 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,647,463	\$ 732,687	\$ 238,340	\$ 245,251	\$ 478,560
Short-Term Investments		128		126,214	
Securities Lending Collateral	997,970				
Restricted:					
Cash and Cash Equivalents	245,414	387,876	125,702	69,201	107,883
Short-Term Investments					
Loans and Contracts					
Receivables:					
Federal	551,479	138,120	30,090	35,905	12,696
Other Intergovernmental	97,899	4,012			15
Accounts	1,184,806	155,889	73,706	25,040	112,560
Interest and Dividends	62,113	6,967	682	559	45
Gifts	145,416	72,825	23,990	31,570	3,448
Investment Trades	64,710	49,226			196
Other	411,588	4,198	3,346	1,531	947
Due From Other Funds	146,967	112,406	141,275	127,090	87,169
Interfund Receivable		25,796			
Inventories	98,079	24,597	4,144	1,984	4,804
Prepaid Items			42,304	37,784	35,256
Loans and Contracts	52,782	29,496	1,686	16,382	13,711
Other Current Assets	231,639	92,730	450		23,917
Total Current Assets	<u>6,938,325</u>	<u>1,836,953</u>	<u>685,715</u>	<u>718,511</u>	<u>881,207</u>
Noncurrent Assets:					
Restricted:					
Cash and Cash Equivalents	(11,515)		48,007		32,625
Short-Term Investments					
Investments	28,649,781	975,494	395,192		157,669
Receivables				46,212	407
Loans and Contracts	74,972	3,028		10,574	
Other					
Loans and Contracts		14,660	4,625		
Investments	5,538,730	2,537,383	1,218,356	803,939	122,421
Interfund Receivable		810,964			
Gifts Receivable	236,977	535,267	55,011		1,970
Capital Assets:					
Non-Depreciable or Non-Amortizable	3,229,712	789,175	152,612	287,196	133,302
Depreciable or Amortizable, Net	10,827,749	3,365,739	1,298,922	1,045,145	1,253,633
Assets Held in Trust		362			
Other Noncurrent Assets	35,060	5,019			
Total Noncurrent Assets	<u>48,581,466</u>	<u>9,037,091</u>	<u>3,172,725</u>	<u>2,193,066</u>	<u>1,702,027</u>
Total Assets	<u>55,519,791</u>	<u>10,874,044</u>	<u>3,858,440</u>	<u>2,911,577</u>	<u>2,583,234</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows of Resources	249,213	35,143		57	
Total Deferred Outflows of Resources	<u>249,213</u>	<u>35,143</u>	<u>0</u>	<u>57</u>	<u>0</u>

University of North Texas System	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Midwestern State University	Texas State Technical College	Totals
\$ 202,837	\$ 11,594 53,725	\$ 72,517 1,140	\$ 11,916	\$ 12,721 9,990	\$ 33,838 6,041	\$ 4,687,724 197,238 997,970
18,524	2,215 65,664	11,899	8,609 3,382	(5,514) 10	5,058 373	976,867 69,419 10
32,182 777	1,909	13,447 36	8,727 4,335	212	11,643	836,410 107,074
72,880 1,439 3,351	14,015 525	10,540 46	24,313	8,190 41	7,011 13	1,688,950 72,430 282,747 114,132
17,086 82,801	4,718 38,585	7,726	592 3,740	1,474 2,282	13,942	445,480 763,983 25,796
2,439	1,303	837	630	238	3,144	142,199
1,539	1,132 5,701	11,763 2,230		9,385		137,624 123,527
28,382						377,118
<u>464,237</u>	<u>201,086</u>	<u>132,181</u>	<u>66,244</u>	<u>41,176</u>	<u>81,063</u>	<u>12,046,698</u>
					110	69,227
				(35)	460	425
85,268	98,842	11,925	47,121	7,042		30,428,334
		1,725				48,344
5,153		4,877	1,006	48		99,658
			8,748			8,748
						19,285
152,316		48,007		40,496		10,461,648
1,689				841		810,964
						831,755
186,836	7,031	11,085	28,522	9,934	19,532	4,854,937
744,057	210,431	198,575	235,644	118,876	131,735	19,430,506
						362
				1,045		41,124
<u>1,175,319</u>	<u>316,304</u>	<u>276,194</u>	<u>321,041</u>	<u>178,247</u>	<u>151,837</u>	<u>67,105,317</u>
<u>1,639,556</u>	<u>517,390</u>	<u>408,375</u>	<u>387,285</u>	<u>219,423</u>	<u>232,900</u>	<u>79,152,015</u>
4,768						289,181
<u>4,768</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>289,181</u>

Concluded on the following page

## STATE OF TEXAS

## Schedule of Net Position

### Colleges and Universities – Major Enterprise Fund (concluded)

August 31, 2014 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System
<b>LIABILITIES</b>					
Current Liabilities:					
Payables:					
Accounts Payable	\$ 1,161,287	\$ 160,095	\$ 44,377	\$ 38,592	\$ 46,862
Other Intergovernmental	462,098	118,602	69,457	49,991	30,021
Federal				120	16,277
Investment Trades	328,992	54,412			3,657
Interest					
Due To Other Funds	15,862	2,140	1,663	464	1,485
Interfund Payable	30,231				
Unearned Revenue	1,380,186	553,266	196,321	211,010	363,733
Obligations/Securities Lending	997,970				
Short-Term Debt	1,121,230		114,963	48,136	
Claims and Judgments	12,468	2,445	1,052	198	
Capital Lease Obligations	2,910	611	17	391	
Employees' Compensable Leave	346,601	20,549	5,046	12,408	11,847
Notes and Loans Payable	20,645	4,752			
General Obligation Bonds Payable					
Revenue Bonds Payable	1,549,170	148,082	31,968	43,984	44,233
Funds Held for Others	20,176	40,302	36,833	21,908	5,584
Other Current Liabilities	249,388	74,459	4,724	1,997	703
Total Current Liabilities	<u>7,699,214</u>	<u>1,179,715</u>	<u>506,421</u>	<u>429,199</u>	<u>524,402</u>
Noncurrent Liabilities:					
Interfund Payable	828,553				
Claims and Judgments	19,503	6,590	12,093		
Capital Lease Obligations	1,584	590		5,859	
Employees' Compensable Leave	180,689	87,967	36,609	12,884	10,918
Notes and Loans Payable	20,137	116,667		450	
General Obligation Bonds Payable					
Revenue Bonds Payable	5,558,189	2,697,639	456,774	879,168	798,069
Assets Held for Others	769,898	95,771			
Net OPEB Obligation	3,359,348	859,766			
Hedging Derivative Liability	207,898				
Other Noncurrent Liabilities	43,825	81,650	477		4,609
Total Noncurrent Liabilities	<u>10,989,624</u>	<u>3,946,640</u>	<u>505,953</u>	<u>898,361</u>	<u>813,596</u>
Total Liabilities	<u>18,688,838</u>	<u>5,126,355</u>	<u>1,012,374</u>	<u>1,327,560</u>	<u>1,337,998</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources	7,140				
Total Deferred Inflows of Resources	<u>7,140</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	6,109,146	1,461,603	885,550	467,616	544,633
Restricted for:					
Education	2,005,870	316,790	300,589	189,347	67,445
Debt Service	3,126		31,210	27	1,375
Capital Projects	147,678	540,347	15,777	8,457	101,977
Funds Held as Permanent Investments:					
Nonexpendable	21,735,209	369,480	622,048	427,088	151,034
Expendable	5,466,324	302,342	119,192	47,584	23,716
Unrestricted	<u>1,605,673</u>	<u>2,792,270</u>	<u>871,700</u>	<u>443,955</u>	<u>355,056</u>
Total Net Position	<u>\$ 37,073,026</u>	<u>\$ 5,782,832</u>	<u>\$ 2,846,066</u>	<u>\$ 1,584,074</u>	<u>\$ 1,245,236</u>

University of North Texas System	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Midwestern State University	Texas State Technical College	Totals
\$ 39,926	\$ 3,368	\$ 3,407	\$ 9,573	\$ 4,667	\$ 3,662	\$ 1,515,816
43,347	4,843	9,271	6,345	4,243	6,907	805,125
6,718	2,083					25,078
	1,741				44	1,905
						387,061
5,773		2,331	1,713		226	10,043
200	383	1,293	741			24,231
		1,506		262	820	32,819
193,887	40,235	66,538	48,296	26,003	15,787	3,095,262
						997,970
76,067						1,360,396
5,846						22,009
118	249	83		74	661	5,114
2,620	2,098	436	1,349	164	744	403,862
			2,202			27,599
		1,030	4,015		1,840	6,885
26,375	4,792	9,070	8,192	4,289	2,789	1,872,944
17,967		15,319		116	2,343	160,548
377	1,149	3,343	6,028	65	1,173	343,406
<u>419,221</u>	<u>60,941</u>	<u>113,627</u>	<u>88,454</u>	<u>39,883</u>	<u>36,996</u>	<u>11,098,073</u>
		8,596		1,524	6,166	844,839
						38,186
60	683	21			2,997	11,794
20,102	1,278	3,881	4,188	1,455	4,404	364,375
15,000			63,497			215,751
		4,515				4,515
389,737	68,809	131,529	77,141	68,867	57,020	11,182,942
1,475						867,144
						4,219,114
						207,898
2,466			1,206	190		134,423
<u>428,840</u>	<u>70,770</u>	<u>148,542</u>	<u>146,032</u>	<u>72,036</u>	<u>70,587</u>	<u>18,090,981</u>
848,061	131,711	262,169	234,486	111,919	107,583	29,189,054
						7,140
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,140</u>
429,303	143,935	53,971	115,210	54,839	82,116	10,347,922
13,275	41,076	14,991	306		458	2,950,147
19	5,367		839			41,963
	61,318	131		1,842	146	877,673
50,874		7,084		4,376	570	23,367,763
16,245		4,460	47,915	12,881		6,040,659
<u>286,547</u>	<u>133,983</u>	<u>65,569</u>	<u>(11,471)</u>	<u>33,566</u>	<u>42,027</u>	<u>6,618,875</u>
<u>\$ 796,263</u>	<u>\$ 385,679</u>	<u>\$ 146,206</u>	<u>\$ 152,799</u>	<u>\$ 107,504</u>	<u>\$ 125,317</u>	<u>\$ 50,245,002</u>

## STATE OF TEXAS

## Schedule of Revenues, Expenses and Changes in Net Position Colleges and Universities – Major Enterprise Fund

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System
<b>OPERATING REVENUES</b>					
Tuition Revenue	\$	\$ 48,076	\$ 14,561	\$	\$
Tuition Revenue – Pledged	2,030,705	1,097,004	430,453	581,405	611,565
Discounts and Allowances	(526,190)	(282,604)	(94,900)	(122,525)	(142,428)
Hospital Revenue – Pledged	10,744,642	9,074			
Discounts and Allowances	(5,995,654)				
Professional Fees	4,699,566	8	270,974		
Professional Fees – Pledged	4,500	1,024	1,023		
Discounts and Allowances	(3,295,052)		(27,442)		
Auxiliary Enterprises					
Auxiliary Enterprises – Pledged	499,560	293,230	144,636	88,578	133,798
Discounts and Allowances	(14,508)	(34,242)		(10,412)	(1,177)
Other Sales of Goods and Services		13,922	5,621		
Other Sales of Goods and Services – Pledged	475,832	243,229	12,029	54,048	22,866
Discounts and Allowances	(476)				
Interest and Investment Income		2,956			
Interest and Investment Income – Pledged					
Federal Revenue	1,241,904	419,768	66,316	63,686	29,598
State Grant Revenue	53	3,436	4,703	6,154	3,742
Other Operating Grant Revenue	355,348	232,880	177,659	3	
Other Operating Grant Revenue – Pledged	764,252	29,398	3,781	33,662	6,723
Other	12,055	22,798	26,822		
Other – Pledged	280,413	37,711		1,452	10,007
Total Operating Revenues	<u>11,276,950</u>	<u>2,137,668</u>	<u>1,036,236</u>	<u>696,051</u>	<u>674,694</u>
<b>OPERATING EXPENSES</b>					
Cost of Goods Sold	111,446	8,925	13,860	2,963	7,346
Salaries and Wages	6,940,199	1,578,533	802,350	562,961	493,653
Payroll Related Costs	1,741,881	362,160	144,839	105,792	102,740
Professional Fees and Services	394,919	333,698	64,091	73,088	56,948
Travel	135,886	77,436	31,104	15,268	18,732
Materials and Supplies	1,498,775	233,048	71,871	41,085	92,887
Communication and Utilities	397,593	131,311	49,670	48,886	44,128
Repairs and Maintenance	261,049	146,086	37,706	17,285	18,054
Rentals and Leases	145,273	65,520	13,076	34,421	5,859
Printing and Reproduction	34,859	11,647	4,949	3,914	4,069
Depreciation and Amortization	1,115,888	279,093	125,461	91,620	84,258
Bad Debt Expense	1,423	724	262		2,184
Interest Expense		56	23	1,542	7
Scholarships	419,749	190,404	67,587	109,619	115,786
Claims and Judgments	26,161	546	2,155	845	117
Net Change in Pension/OPEB Obligations	559,870	140,541			
Other Expenses	1,081,342	210,634	107,285	41,807	23,540
Total Operating Expenses	<u>14,866,313</u>	<u>3,770,362</u>	<u>1,536,289</u>	<u>1,151,096</u>	<u>1,070,308</u>
Operating Loss	<u>(3,589,363)</u>	<u>(1,632,694)</u>	<u>(500,053)</u>	<u>(455,045)</u>	<u>(395,614)</u>

University of North Texas System	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Midwestern State University	Texas State Technical College	Totals
\$ 364,427	\$ 93,541	\$ 3,944	\$ 80,797	\$ 42,095	\$ 7,290	\$ 73,871
(84,646)	(26,369)	(25,386)	(24,833)	(10,813)	(21,018)	(1,361,712)
						10,753,716
134,020						(5,995,654)
(77,138)						5,104,568
		1,780			822	6,547
54,351	27,718	37,259	11,813	9,166	11,553	(3,399,632)
	(6,247)	(9,408)			(3,329)	2,602
		837				1,311,662
40,269		5,382	98	1,517	3,836	(79,323)
						20,380
						859,106
						(476)
					3	2,959
					63	63
70,993	2,342	4,257	13,773	539	2,764	1,915,940
4,405			1,229			23,722
20,116	2,315	708		976	1,025	791,030
			1,054			838,870
	865					62,540
5,532	860	30	4,347	1,413		341,765
<u>532,329</u>	<u>95,025</u>	<u>116,644</u>	<u>88,278</u>	<u>44,893</u>	<u>38,775</u>	<u>16,737,543</u>
5,767	18	9,221			3,229	162,775
419,672	87,623	90,580	89,600	37,388	70,481	11,173,040
76,134	15,497	17,402	15,620	8,356	13,263	2,603,684
45,155	1,989	2,117	6,009	4,832	839	983,685
12,098	2,255	2,676	3,097	1,743	1,081	301,376
46,667	14,262	12,089	9,883	5,894	13,024	2,039,485
18,747	6,948	8,820	6,868	2,693	6,041	721,705
21,059	8,383	4,863	4,805	4,652	2,722	526,664
8,644	2,041	2,384	1,987	707	1,698	281,610
3,838	594	308	658	122	74	65,032
53,867	15,172	16,872	15,656	11,717	11,185	1,820,789
	948	5	2,121	325		7,992
				1	6	1,635
66,325	16,628	18,603	18,968	10,458	13,843	1,047,970
5,267					80	35,171
						700,411
45,281	7,210	7,663	9,882		7,075	1,541,719
<u>828,521</u>	<u>179,568</u>	<u>193,603</u>	<u>185,154</u>	<u>88,888</u>	<u>144,641</u>	<u>24,014,743</u>
(296,192)	(84,543)	(76,959)	(96,876)	(43,995)	(105,866)	(7,277,200)

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## STATE OF TEXAS

## Schedule of Revenues, Expenses and Changes in Net Position Colleges and Universities – Major Enterprise Fund (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal Revenue	\$ 333,810	\$ 204,412	\$ 45,225	\$ 99,822	\$ 108,727
Gifts	393,590	253,801	42,625		17,404
Gifts – Pledged	21,463	426,799	6,168	68,306	2,375
Land Income		15,463			
Interest and Investment Income (Loss)	4,914,417	347,935	133,422		27,831
Interest and Investment Income – Pledged	426,524	103,279	27,065	80,788	
Investing Activities Expense	(94,701)	(6,084)			(40)
Interest Expense	(258,318)	(114,554)	(21,249)	(33,519)	(36,396)
Borrower Rebates and Agent Fees	(1,430)	(2,566)			
Gain (Loss) on Sale of Capital Assets	(35,331)	11,110	(1,172)		(1,397)
Settlement of Claims					
Claims and Judgments		(339)			(251)
Other Revenues		12,368	12,317		1,786
Other Revenues – Pledged	16,748	8,626	3,355	10,889	
Other Expenses	(5,602)	(30,605)	(5,066)	(81,687)	(2,517)
Total Nonoperating Revenues (Expenses)	<u>5,711,170</u>	<u>1,229,645</u>	<u>242,690</u>	<u>144,599</u>	<u>117,522</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>2,121,807</u>	<u>(403,049)</u>	<u>(257,363)</u>	<u>(310,446)</u>	<u>(278,092)</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>					
Capital Contributions – Federal	6,410				20
Capital Contributions/(Distributions) – Other	456,130	42,865	3,815	9	(578)
Contributions to Permanent and Term Endowments	183,462	6,279	31,583	9,846	6,894
Transfer In	2,555,115	1,581,442	475,349	356,287	353,309
Transfer Out	(576,966)	(17,363)	(11,167)	(9,293)	(10,405)
Total Capital Contributions, Endowments and Transfers	<u>2,624,151</u>	<u>1,613,223</u>	<u>499,580</u>	<u>356,849</u>	<u>349,240</u>
Change in Net Position	<u>4,745,958</u>	<u>1,210,174</u>	<u>242,217</u>	<u>46,403</u>	<u>71,148</u>
Net Position, September 1, 2013	32,359,189	4,572,658	2,605,522	1,535,271	1,183,778
Restatements	(32,121)		(1,673)	2,400	(9,690)
Net Position, September 1, 2013, as Restated	<u>32,327,068</u>	<u>4,572,658</u>	<u>2,603,849</u>	<u>1,537,671</u>	<u>1,174,088</u>
Net Position, August 31, 2014	<u>\$ 37,073,026</u>	<u>\$ 5,782,832</u>	<u>\$ 2,846,066</u>	<u>\$ 1,584,074</u>	<u>\$ 1,245,236</u>

University of North Texas System	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Midwestern State University	Texas State Technical College	Totals
\$ 49,780	\$ 21,147	\$ 21,110	\$ 20,156	\$ 8,327	\$ 26,687	\$ 939,203
12,772	3,473	3,353		7,370	340	734,728
6,901			515		1,058	533,585
		197				15,660
21,848	908	1,806	3,800		10	5,451,977
8,799	4,236	3,817	7,273	5,053	132	666,966
		(224)	(314)			(101,363)
(17,327)	(3,149)	(6,707)	(6,017)	(3,247)	(3,079)	(503,562)
						(3,996)
(835)	(298)	359		(134)	(68)	(27,766)
		507		1,796	99	2,402
(72)						(662)
	1,881	64		14	153	28,583
16			936			40,570
(411)	(32)			(29)	(3,840)	(129,789)
<u>81,471</u>	<u>28,166</u>	<u>24,282</u>	<u>26,349</u>	<u>19,150</u>	<u>21,492</u>	<u>7,646,536</u>
<u>(214,721)</u>	<u>(56,377)</u>	<u>(52,677)</u>	<u>(70,527)</u>	<u>(24,845)</u>	<u>(84,374)</u>	<u>369,336</u>
						6,430
1,293		893		9,268	2,111	515,806
234		48	268	337		238,951
269,894	70,636	61,993	75,504	26,537	84,130	5,910,196
(6,062)	(2,420)	(1,369)	(775)	(778)	(992)	(637,590)
<u>265,359</u>	<u>68,216</u>	<u>61,565</u>	<u>74,997</u>	<u>35,364</u>	<u>85,249</u>	<u>6,033,793</u>
<u>50,638</u>	<u>11,839</u>	<u>8,888</u>	<u>4,470</u>	<u>10,519</u>	<u>875</u>	<u>6,403,129</u>
758,457	373,493	136,763	149,194	97,002	124,559	43,895,886
(12,832)	347	555	(865)	(17)	(117)	(54,013)
<u>745,625</u>	<u>373,840</u>	<u>137,318</u>	<u>148,329</u>	<u>96,985</u>	<u>124,442</u>	<u>43,841,873</u>
<u>\$ 796,263</u>	<u>\$ 385,679</u>	<u>\$ 146,206</u>	<u>\$ 152,799</u>	<u>\$ 107,504</u>	<u>\$ 125,317</u>	<u>\$ 50,245,002</u>

**Schedule of Cash Flows****Colleges and Universities – Major Enterprise Fund**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Proceeds from Customers	\$ 6,146,237	\$ 272,176	\$ 293,292	\$ 56,712	\$ 18,409
Proceeds from Tuition and Fees	1,533,015	814,312	359,515	470,012	480,702
Proceeds from Research Grants and Contracts	2,373,996	774,722	246,621	110,931	42,673
Proceeds from Loan Programs	109,311	10,389	5,563	119,029	18,539
Proceeds from Auxiliaries	484,707	244,459	151,269	79,153	132,545
Proceeds from Other Operating Revenues	769,722	97,330		1,459	15,206
Payments to Suppliers for Goods and Services	(4,417,792)	(1,342,635)	(204,736)	(234,064)	(289,803)
Payments to Employees	(8,667,494)	(1,925,727)	(938,861)	(661,657)	(614,777)
Payments for Loans Provided	(117,815)	(7,503)	(6,513)	(116,876)	(17,814)
Payments for Other Operating Expenses		(255,076)	(267,354)	(149,143)	(98,223)
Net Cash (Used) by Operating Activities	<u>(1,786,113)</u>	<u>(1,317,553)</u>	<u>(361,204)</u>	<u>(324,444)</u>	<u>(312,543)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Proceeds from Debt Issuance					
Proceeds from Gifts	344,415	147,619	104,905	56,848	24,548
Proceeds from Endowments	120,599	6,279		9,846	15
Proceeds from Transfers from Other Funds	2,943,461	1,407,035	400,280	238,463	334,669
Proceeds from Loan Programs					74
Proceeds from Grant Receipts	358,183	205,441	45,262	101,139	108,624
Proceeds from Other Noncapital Financing Activities	3,179	128,524	296,151		1,922
Payments of Interest		(480)			
Payments for Transfers to Other Funds	(1,452,858)	(17,705)	(6,460)	(10,757)	
Payments for Other Noncapital Financing Uses	<u>(3,741)</u>	<u>(68,374)</u>	<u>(287,800)</u>		<u>(17,546)</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,313,238</u>	<u>1,808,339</u>	<u>552,338</u>	<u>395,539</u>	<u>452,306</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Sale of Capital Assets	19,799	15,012	91		165
Proceeds from Debt Issuance	1,555,301	758,866	78,700	152,575	71,518
Proceeds from State Grants and Contracts		30,364			
Proceeds from Federal Grants and Contracts					43
Proceeds from Gifts					28,637
Proceeds from Other Capital and Related Financing Activities				30,913	12,351
Proceeds from Capital Contributions	388,194	801	49,213	50,938	
Proceeds from Interfund Payables		1,136			
Payments for Additions to Capital Assets	(1,803,406)	(607,672)	(168,111)	(196,482)	(118,298)
Payments of Principal on Debt Issuance	(1,087,224)	(300,812)	(48,606)	(71,000)	(40,970)
Payments for Capital Leases		(284)		(383)	
Payments of Interest on Debt Issuance	(280,974)	(114,071)	(22,454)	(34,091)	(38,123)
Payments of Other Costs on Debt Issuance	(4,894)	(2,556)		(39,892)	(17)
Payments for Interfund Receivables		(2,397)			
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,213,204)</u>	<u>(221,613)</u>	<u>(111,167)</u>	<u>(107,422)</u>	<u>(84,694)</u>

University of North Texas System	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Midwestern State University	Texas State Technical College	Totals
\$ 98,058	\$ 83,318	\$ 5,883	\$	\$	\$ 3,626	\$ 6,977,711
280,640	42,260	74,676	51,261	29,879	19,911	4,156,183
91,564	5,238	3,849	14,627	2,195	6,590	3,673,006
3,064		56		22		265,973
53,910	12,523	32,871	11,813	9,608	9,321	1,222,179
14,083	3,662	30	8,116	2,931		912,539
(202,570)	(45,247)	(48,989)		(18,070)	(35,819)	(6,839,725)
(492,671)	(111,488)	(107,295)	(111,732)	(46,426)	(85,052)	(13,763,180)
	(57,294)					(323,815)
(84,277)	(9,399)	(19,078)	(62,292)	(11,248)	(14,765)	(970,855)
<u>(238,199)</u>	<u>(76,427)</u>	<u>(57,997)</u>	<u>(88,207)</u>	<u>(31,109)</u>	<u>(96,188)</u>	<u>(4,689,984)</u>
12,761	4,291	2,543	782	7,888	3	706,603
234				337		137,310
276,238	77,446	53,583	83,946	21,425	78,670	5,915,216
	20,014	160				20,248
57,674		21,824	20,156	8,589	26,687	953,579
2		571		1,780	153	432,282
						(480)
(13,201)	(7)	(1,365)		(778)		(1,503,131)
<u>(1,276)</u>					<u>(3,840)</u>	<u>(382,577)</u>
<u>332,432</u>	<u>101,744</u>	<u>77,316</u>	<u>104,884</u>	<u>39,241</u>	<u>101,673</u>	<u>6,279,050</u>
73		534	6,031			41,705
44,510		24,034		1		2,685,505
		8,426				38,790
						43
					1,058	29,695
		198		3,559	99	47,120
		893		736	75	490,850
						1,136
(87,625)	(6,746)	(4,561)	(15,588)	(3,165)	(6,394)	(3,018,048)
(32,230)	(4,570)	(38,042)	(17,912)	(5,729)	(4,977)	(1,652,072)
(120)	(296)	(83)				(1,166)
(20,050)	(3,204)	(6,495)	(5,967)	(3,256)	(3,194)	(531,879)
	(3)	(259)			(992)	(48,613)
		<u>(1,506)</u>			<u>(651)</u>	<u>(4,554)</u>
<u>(95,442)</u>	<u>(14,819)</u>	<u>(16,861)</u>	<u>(33,436)</u>	<u>(7,854)</u>	<u>(14,976)</u>	<u>(1,921,488)</u>

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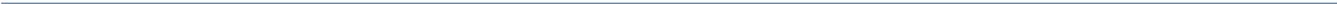
## STATE OF TEXAS

**Schedule of Cash Flows****Colleges and Universities – Major Enterprise Fund (concluded)**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from Sale of Investments	\$ 16,084,245	\$ 2,646,289	\$ 152,147	\$ 537,292	\$ 193,724
Proceeds from Interest and Investment Income	1,821,218	62,416	60,405	48,585	7,946
Payments to Acquire Investments	(16,865,437)	(2,813,441)	(390,166)	(548,207)	(197,665)
Net Cash Provided (Used) by Investing Activities	<u>1,040,026</u>	<u>(104,736)</u>	<u>(177,614)</u>	<u>37,670</u>	<u>4,005</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>353,947</u>	<u>164,437</u>	<u>(97,647)</u>	<u>1,343</u>	<u>59,074</u>
Cash and Cash Equivalents, September 1, 2013	2,527,415	956,126	509,696	313,109	574,000
Restatements					(14,006)
Cash and Cash Equivalents, September 1, 2013, as Restated	<u>2,527,415</u>	<u>956,126</u>	<u>509,696</u>	<u>313,109</u>	<u>559,994</u>
Cash and Cash Equivalents, August 31, 2014	<u>\$ 2,881,362</u>	<u>\$ 1,120,563</u>	<u>\$ 412,049</u>	<u>\$ 314,452</u>	<u>\$ 619,068</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating (Loss)	\$ (3,589,363)	\$ (1,632,694)	\$ (500,053)	\$ (455,045)	\$ (395,614)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:					
Depreciation and Amortization	1,115,888	279,093	125,461	91,620	84,258
Bad Debt Expense	333,794	4,448	432		1,871
Operating Income (Loss) and Cash Flow Categories Classification Differences	8,511	(41)		2,155	(38,748)
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables	(463,453)	(37,976)	(12,564)	9,289	(7,042)
(Increase) Decrease in Due From Other Funds		1,304	(181)		182
(Increase) Decrease in Inventories	(6,911)	133	(431)	(78)	191
(Increase) Decrease in Notes Receivable			(1,095)		(400)
(Increase) Decrease in Loans and Contracts	(8,173)	592			274
(Increase) Decrease in Other Assets	(28,050)	5,835		(1,190)	10,452
(Increase) Decrease in Prepaid Expenses		(10,806)	(3,636)	(3,775)	(208)
Increase (Decrease) in Payables	137,786	(59,031)	4,799	4,358	(2,483)
Increase (Decrease) in Deposits	(1,031)	(151)			269
Increase (Decrease) in Due To Other Funds		(853)	261		(6,949)
Increase (Decrease) in Unearned Revenue	129,458	6,247	21,836	14,508	33,578
Increase (Decrease) in Employees' Compensable Leave	31,000	5,466	1,995	1,146	1,317
Increase (Decrease) in Benefits Payable	559,870	138,251	2,790	5,950	1,096
Increase (Decrease) in Other Liabilities	(5,439)	(17,370)	(818)	6,618	5,413
Total Adjustments	<u>1,803,250</u>	<u>315,141</u>	<u>138,849</u>	<u>130,601</u>	<u>83,071</u>
Net Cash (Used) by Operating Activities	<u>\$ (1,786,113)</u>	<u>\$ (1,317,553)</u>	<u>\$ (361,204)</u>	<u>\$ (324,444)</u>	<u>\$ (312,543)</u>
<b>NONCASH TRANSACTIONS</b>					
Donation of Capital Assets	\$ 248,511	\$ 42,064	\$ 3,871	\$	\$ 1,659
Net Change in Fair Value of Investments	\$ 2,086,546	\$ 274,706	\$ 48,154	\$ 32,157	\$ 19,834
Borrowing Under Capital Lease Purchase	\$ 1,542	\$	\$	\$	\$
Other	\$ (31,488)	\$ 105,958	\$ (561)	\$	\$ 1,072

University of North Texas System	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Midwestern State University	Texas State Technical College	Totals
\$ 9,256	\$ 49,119	\$ 183	\$ 4,155	\$ 39,835	\$ 5,782	\$ 19,722,027
8,639	2,677	2,194	4,153	3,050	217	2,021,500
(10,916)	(63,644)	(9,687)		(43,941)	(35)	(20,943,139)
<u>6,979</u>	<u>(11,848)</u>	<u>(7,310)</u>	<u>8,308</u>	<u>(1,056)</u>	<u>5,964</u>	<u>800,388</u>
5,770	(1,350)	(4,852)	(8,451)	(778)	(3,527)	467,966
219,371	15,159	89,268	28,976	7,985	42,533	5,283,638
(3,780)						(17,786)
<u>215,591</u>	<u>15,159</u>	<u>89,268</u>	<u>28,976</u>	<u>7,985</u>	<u>42,533</u>	<u>5,265,852</u>
<u>\$ 221,361</u>	<u>\$ 13,809</u>	<u>\$ 84,416</u>	<u>\$ 20,525</u>	<u>\$ 7,207</u>	<u>\$ 39,006</u>	<u>\$ 5,733,818</u>
\$ (296,192)	\$ (84,543)	\$ (76,959)	\$ (96,876)	\$ (43,995)	\$ (105,866)	\$ (7,277,200)
53,867	15,172	16,872	15,656	11,717	11,185	1,820,789
	947	5		324		341,821
209	(8,375)	(112)	(7,047)	241	1,404	(41,803)
(23,703)	(1,018)	(1,690)	(4,054)	(2,319)	1,186	(543,344)
	88	464	(966)		319	1,210
(308)	(307)	(336)	(143)	28	(413)	(8,575)
						(1,495)
2,508	174			(5)		(4,630)
(3,747)						(16,700)
935	(6)	(661)	383	(796)		(18,570)
8,775	557	343	3,324	1,478	(3,416)	96,490
		298			(161)	(776)
(333)	(103)	(217)				(8,194)
11,135	996	3,326	2,491	2,066	(605)	225,036
	66	337	103	152	(60)	41,522
	7	151				708,115
<u>8,655</u>	<u>(82)</u>	<u>182</u>	<u>(1,078)</u>	<u></u>	<u>239</u>	<u>(3,680)</u>
<u>57,993</u>	<u>8,116</u>	<u>18,962</u>	<u>8,669</u>	<u>12,886</u>	<u>9,678</u>	<u>2,587,216</u>
<u>\$ (238,199)</u>	<u>\$ (76,427)</u>	<u>\$ (57,997)</u>	<u>\$ (88,207)</u>	<u>\$ (31,109)</u>	<u>\$ (96,188)</u>	<u>\$ (4,689,984)</u>
\$ 1,109	\$	\$	\$	\$ 9,075	\$ 2,024	\$ 308,313
\$ 29,656	\$ 734	\$ 3,156	\$ 7,273	\$ 3,434	\$	\$ 2,505,650
\$ 295	\$	\$	\$	\$	\$ 39	\$ 1,876
\$ 11,364	\$	\$	\$	\$ 107	\$ 591	\$ 87,043



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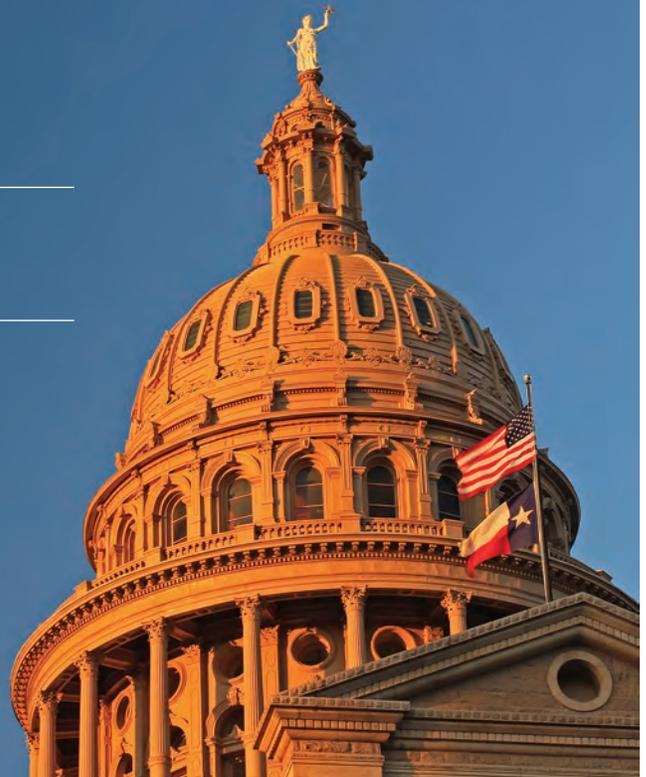
**Section Two (continued)**

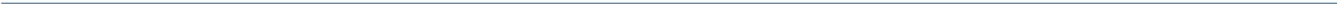
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# Fiduciary Funds

(And Similar Component Units)

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## Pension and Other Employee Benefit Trust Funds

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The **Teacher Retirement System Trust Account** is for the accumulation of resources for pension benefit payments for qualified employees of public education in Texas.

The **State Employees Retirement System (S.E.R.S.) Trust Account** is for the accumulation of resources for pension benefit payments to qualified state employees or beneficiaries.

The **Law Enforcement and Custodial Officer Supplement Retirement Fund** provides supplemental retirement and death benefits for members of the Employees Retirement System of Texas who completed 20 or more years of service or became occupationally disabled or died while serving as commissioned law enforcement officers of a state agency.

The **Judicial Retirement System – Plan Two Trust Fund** accounts for receipt of monies for retirement and death benefits for certain state-paid judges and judicial officers.

The **Texas Emergency Services Retirement System Fund** accounts for the accumulation of resources for pension, death and disability benefits for eligible fire and emergency services personnel who serve without monetary reward.

The **Judicial Retirement System – Plan One Fund** accounts for appropriations received from the state's general revenue fund for annuity and refund payments to eligible judicial employees.

The **Retired School Employees Group Insurance Trust** receives contributions and other funds authorized to be deposited in the fund to pay insurance premiums, to reimburse for claims paid by a non-state entity and to pay administrative expenses. The Teacher Retirement System of Texas, as trustee, administers the fund for public school retirees and their dependents. The public school entities are not considered part of the reporting entity for the state of Texas.

The **State Retiree Health Plan Trust** accounts for the receipt of monies for postemployment health care, life and dental insurance benefits provided under the Group Benefits Program. The Employees Retirement System of Texas, as trustee, administers the fund for retired employees of the state and other non-state entities as specified by the Legislature.

The **Deferred Compensation Trust Fund** receives employee deferrals in accordance with Internal Revenue Code 457, appropriations by the state for the administration of the deferred compensation plan, trust income, and fees. The state of Texas is the only employer participating in the plan.

The **State Employee Cafeteria Plan Trust Fund** receives salary reduction payments and makes disbursements for benefits included in a cafeteria plan, other than Employees Uniform Group Insurance Program coverages. The fund also receives appropriations by the state for the administration of the cafeteria plan.

The **TexaSaver Administrative Trust Fund** receives deferrals, purchases qualified investments and pays expenses associated with administration of the deferred compensation plan.

## STATE OF TEXAS

## Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

August 31, 2014 (Amounts in Thousands)

	Teacher Retirement System Trust Account	S.E.R.S. Trust Account	Law Enforcement and Custodial Officer Supplement Retirement Fund	Judicial Retirement System - Plan Two Trust Fund	Texas Emergency Services Retirement System Fund
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,236,858	\$ 46,058	\$ 2,142	\$ 943	\$ 296
Securities Lending Collateral	22,876,579	1,355,716	47,143	19,744	
Investments:					
U.S. Government	23,074,731	4,667,503	162,335	67,992	
Corporate Equity	22,265,164	6,908,863	240,289	100,642	42,268
Corporate Obligations	214,688				
Foreign Securities	30,236,834	6,984,785	242,929	101,748	23,864
Externally Managed Investments	44,345,751	5,059,929	175,983	73,708	
Other	11,457,939	996,618	34,640	14,462	24,243
Receivables:					
Federal					
Interest and Dividends	217,522	63,995	2,226	932	89
Accounts	195,414	71,670	1,248	1,437	1,055
Investment Trades	949,152	331,390	11,526	4,827	152
Other	42,362				
Due From Other Funds	110,659	12,743			
Prepaid Items					
Properties, at Cost, Net of Accumulated Depreciation or Amortization	38,054	9,913			
<b>Total Assets</b>	<b>157,261,707</b>	<b>26,509,183</b>	<b>920,461</b>	<b>386,435</b>	<b>91,967</b>
<b>LIABILITIES</b>					
Payables:					
Accounts	\$ 47,731	\$ 19,965	\$ 482	\$ 216	\$ 103
Investment Trades	646,946	85,783	2,983	1,250	115
Payroll	4,384				
Annuities	747,291				
Due To Other Funds	6,845	3,860	314	76	
Unearned Revenue		954			66
Employees' Compensable Leave	6,995	2,781			
Obligations/Securities Lending	22,869,876	1,345,724	46,804	19,603	
Other Liabilities	152,396				
<b>Total Liabilities</b>	<b>24,482,464</b>	<b>1,459,067</b>	<b>50,583</b>	<b>21,145</b>	<b>284</b>
<b>NET POSITION</b>					
Held in Trust for Pension Benefits and Other Purposes	132,779,243	25,050,116	869,878	365,290	91,683
<b>Total Net Position</b>	<b>\$ 132,779,243</b>	<b>\$ 25,050,116</b>	<b>\$ 869,878</b>	<b>\$ 365,290</b>	<b>\$ 91,683</b>

Judicial Retirement System - Plan One Fund	Retired School Employees Group Insurance Trust	State Retiree Health Plan Trust	Deferred Compensation Trust Fund	State Employee Cafeteria Plan Trust Fund	TexasSaver Administrative Trust Fund	Totals
\$	\$ 395,767	\$ 15,415	\$ 3,912	\$ 12,583	\$ 7,984	\$ 1,721,958
						24,299,182
						27,972,561
						29,557,226
						214,688
						37,590,160
						49,655,371
		274,247				12,802,149
	44,800	29,281				74,081
	132	2		4	1	284,903
	54,160	11,912	35	6,075	36	343,042
						1,297,047
	80,096					122,458
305	19,966	247		18		143,938
				250		250
						47,967
<u>305</u>	<u>594,921</u>	<u>331,104</u>	<u>3,947</u>	<u>18,930</u>	<u>8,021</u>	<u>186,126,981</u>
\$ 305	\$ 136,444	\$ 157,456	\$ 2,541	\$ 12,717	\$ 5,485	\$ 383,445
	226					737,077
						4,610
		173,029	44	113	82	747,291
		619				184,363
	311					1,639
						10,087
						24,282,007
						152,396
<u>305</u>	<u>136,981</u>	<u>331,104</u>	<u>2,585</u>	<u>12,830</u>	<u>5,567</u>	<u>26,502,915</u>
	457,940		1,362	6,100	2,454	159,624,066
\$ 0	\$ 457,940	\$ 0	\$ 1,362	\$ 6,100	\$ 2,454	\$ 159,624,066

## STATE OF TEXAS

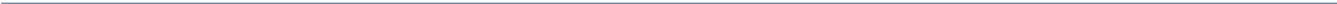
## Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Teacher Retirement System Trust Account	S.E.R.S. Trust Account	Law Enforcement and Custodial Officer Supplement Retirement Fund	Judicial Retirement System - Plan Two Trust Fund	Texas Emergency Services Retirement System Fund
<b>ADDITIONS</b>					
Contributions:					
Member Contributions	\$ 2,425,072	\$ 430,595	\$ 8,180	\$ 5,195	\$ 4,177
State Contributions	1,653,033	482,329	27,758	12,211	
Premium Contributions					
Federal Contributions					
Other Contributions	940,494				
Total Contributions	<u>5,018,599</u>	<u>912,924</u>	<u>35,938</u>	<u>17,406</u>	<u>4,177</u>
Investment Income:					
From Investing Activities:					
Net Increase in Fair Value of Investments	16,443,656	2,655,804	91,227	37,653	11,392
Interest, Dividend and Other	3,118,912	622,341	21,422	8,872	1,051
Total Investing Income	<u>19,562,568</u>	<u>3,278,145</u>	<u>112,649</u>	<u>46,525</u>	<u>12,443</u>
Less Investing Activities Expense	200,672	34,313	1,202	460	538
Net Income from Investing Activities	<u>19,361,896</u>	<u>3,243,832</u>	<u>111,447</u>	<u>46,065</u>	<u>11,905</u>
From Securities Lending Activities:					
Securities Lending Income	122,115	1,092	38	15	
Less Securities Lending Expense:					
Borrower Rebates*	17,465	(8,395)	(289)	(120)	
Management Fees	32,116	957	33	14	
Net Income from Securities Lending	<u>72,534</u>	<u>8,530</u>	<u>294</u>	<u>121</u>	<u>0</u>
Total Net Investment Income	<u>19,434,430</u>	<u>3,252,362</u>	<u>111,741</u>	<u>46,186</u>	<u>11,905</u>
Other Additions:					
Other Revenue	4,143	160			3
Transfer In	17,512	80,466			1,530
Total Other Additions	<u>21,655</u>	<u>80,626</u>	<u>0</u>	<u>0</u>	<u>1,533</u>
Total Additions	<u>24,474,684</u>	<u>4,245,912</u>	<u>147,679</u>	<u>63,592</u>	<u>17,615</u>
<b>DEDUCTIONS</b>					
Benefits	8,550,614	1,919,728	55,228	16,166	4,168
Refunds of Contributions	410,601	106,809	1,919	254	
Transfer Out	80,466	17,602			
Administrative Expenses	39,185	17,692	1,280	255	161
Depreciation and Amortization Expense	2,297	1,474			
Loss on Sale of Properties		4			
Loss on Impairment of Capital Assets	24				
Other Expenses	398	1,029	44	12	5
Total Deductions	<u>9,083,585</u>	<u>2,064,338</u>	<u>58,471</u>	<u>16,687</u>	<u>4,334</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>15,391,099</u>	<u>2,181,574</u>	<u>89,208</u>	<u>46,905</u>	<u>13,281</u>
<b>NET POSITION</b>					
Net Position, September 1, 2013	<u>117,388,144</u>	<u>22,868,542</u>	<u>780,670</u>	<u>318,385</u>	<u>78,402</u>
Net Position, August 31, 2014	<u>\$ 132,779,243</u>	<u>\$ 25,050,116</u>	<u>\$ 869,878</u>	<u>\$ 365,290</u>	<u>\$ 91,683</u>

\* The pension funds of the Employees Retirement System of Texas received rebates from borrowers in excess of payments made to borrowers due to increased demand in the securities lending market.

Judicial Retirement System - Plan One Fund	Retired School Employees Group Insurance Trust	State Retiree Health Plan Trust	Deferred Compensation Trust Fund	State Employee Cafeteria Plan Trust Fund	TexaSaver Administrative Trust Fund	Totals
\$	\$ 189,004	\$ 4,520	\$	\$ 80,109	\$	\$ 3,146,852
	303,695	605,512				3,084,538
	363,631	150,756				514,387
	78,589	63,362				141,951
	393,985			3,105		1,337,584
<u>0</u>	<u>1,328,904</u>	<u>824,150</u>	<u>0</u>	<u>83,214</u>	<u>0</u>	<u>8,225,312</u>
						19,239,732
	2,061	273	14	25	24	3,774,995
<u>0</u>	<u>2,061</u>	<u>273</u>	<u>14</u>	<u>25</u>	<u>24</u>	<u>23,014,727</u>
		18	16	16	31	237,266
<u>0</u>	<u>2,061</u>	<u>255</u>	<u>(2)</u>	<u>9</u>	<u>(7)</u>	<u>22,777,461</u>
						123,260
						8,661
						33,120
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,479</u>
<u>0</u>	<u>2,061</u>	<u>255</u>	<u>(2)</u>	<u>9</u>	<u>(7)</u>	<u>22,858,940</u>
			507	113	398	5,324
27,715	1,292					128,515
<u>27,715</u>	<u>1,292</u>	<u>0</u>	<u>507</u>	<u>113</u>	<u>398</u>	<u>133,839</u>
27,715	1,332,257	824,405	505	83,336	391	31,218,091
27,715	1,416,952	813,823		78,720		12,883,114
	1,292					519,583
	3,624	3,986	320	475	565	99,360
						67,543
						3,771
						4
						24
	3,499	6,596	14	1,985	25	13,607
<u>27,715</u>	<u>1,425,367</u>	<u>824,405</u>	<u>334</u>	<u>81,180</u>	<u>590</u>	<u>13,587,006</u>
<u>0</u>	<u>(93,110)</u>	<u>0</u>	<u>171</u>	<u>2,156</u>	<u>(199)</u>	<u>17,631,085</u>
<u>0</u>	<u>551,050</u>	<u>0</u>	<u>1,191</u>	<u>3,944</u>	<u>2,653</u>	<u>141,992,981</u>
<u>\$ 0</u>	<u>\$ 457,940</u>	<u>\$ 0</u>	<u>\$ 1,362</u>	<u>\$ 6,100</u>	<u>\$ 2,454</u>	<u>\$ 159,624,066</u>



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## Private-Purpose Trust Funds

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The **Tobacco Settlement Permanent Trust (Political Subdivisions)** holds the portion of the money received in the settlement of the State of Texas v. The American Tobacco Co., et. al., designated for the exclusive benefit of other political subdivisions. Other political subdivisions include cities, counties and/or local hospital districts that are responsible for indigent health care. The fund is administered by the Treasury Operations Division of the Texas Comptroller of Public Accounts.

The **Texas Insurance Companies Assets Account – Reserve and Custodial Fund** holds assets in trust for claims associated with insurance company liquidations. Most balances are normally held outside the Treasury. The Department of Insurance administers the fund.

The **Catastrophe Reserve Trust Fund** is a state fund created to provide relief to insurance companies within the state in the event of certain catastrophic losses. Certain property insurers authorized to transact property insurance in Texas make payments to the fund.

The **Inmate Trust and Employee Service Option Fund** accounts for offender commissary and medical accounts along with the Texas Department of Criminal Justice employee commissary, laundry and/or barber contributions.

The **Texas College Savings Plans** receive money contributed by account holders, money acquired from private sources and income from investment of deposits. The plans may be used only to pay costs of program administration and operations, make payments to state, private or independent institutions of higher education and make refunds to account holders.

**Other Private-Purpose Trust Funds** account for other assets held in a trustee capacity where principal and income benefit individuals, private organizations or other governments.

## STATE OF TEXAS

## Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds

August 31, 2014 (Amounts in Thousands)

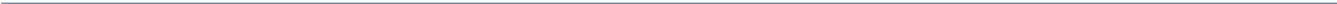
	Tobacco Settlement Permanent Trust (Political Subdivisions)	Texas Insurance Companies Assets Account - Reserve and Custodial Fund	Catastrophe Reserve Trust Fund	Inmate Trust and Employee Service Option Fund	Texas College Savings Plans	Other Private- Purpose Trust Funds	Totals
<b>ASSETS</b>							
Cash and Cash Equivalents	\$	\$ 243,650	\$ 213,833	\$ 10,011	\$ 3,229	\$ 45,260	\$ 515,983
Restricted Cash and Cash Equivalents						14	14
Investments:							
U.S. Government				19,009		1,207	20,216
Corporate Equity	40,698					12,493	53,191
Corporate Obligations						2,247	2,247
Other	2,316,913				500,220	19,446	2,836,579
Receivables:							
Interest and Dividends	23	1			35	14	73
Accounts						138	138
Investment Trades	256						256
Other					68	4,300	4,368
Due From Other Funds							
Properties, at Cost, Net of Accumulated Depreciation or Amortization						765	765
Other Assets		84,727					84,727
<b>Total Assets</b>	<b>2,357,890</b>	<b>328,378</b>	<b>213,833</b>	<b>29,020</b>	<b>503,552</b>	<b>85,884</b>	<b>3,518,557</b>
<b>LIABILITIES</b>							
Payables:							
Accounts	\$ 1,196	\$	\$	\$ 3,600	\$ 67	\$ 18,705	\$ 23,568
Investment Trades	274						274
Interest						10	10
Due To Other Funds					6	1	7
Unearned Revenue					449	17	466
Funds Held for Others		84,727				33	84,760
<b>Total Liabilities</b>	<b>1,470</b>	<b>84,727</b>	<b>0</b>	<b>3,600</b>	<b>522</b>	<b>18,766</b>	<b>109,085</b>
<b>NET POSITION</b>							
Held in Trust for Individuals, Organizations and Other Governments	2,356,420	243,651	213,833	25,420	503,030	67,118	3,409,472
<b>Total Net Position</b>	<b>\$ 2,356,420</b>	<b>\$ 243,651</b>	<b>\$ 213,833</b>	<b>\$ 25,420</b>	<b>\$ 503,030</b>	<b>\$ 67,118</b>	<b>\$ 3,409,472</b>

## STATE OF TEXAS

## Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Tobacco Settlement Permanent Trust (Political Subdivisions)	Texas Insurance Companies Assets Account - Reserve and Custodial Fund	Catastrophe Reserve Trust Fund	Inmate Trust and Employee Service Option Fund	Texas College Savings Plans	Other Private- Purpose Trust Funds	Totals
<b>ADDITIONS</b>							
Contributions:							
Federal Contributions	\$	\$	\$	\$	\$	\$ 8,807	\$ 8,807
Other Contributions					166,402		166,402
Total Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,402</u>	<u>8,807</u>	<u>175,209</u>
Investment Income:							
From Investing Activities:							
Net Appreciation in							
Fair Value of Investments	234,074				61,911	2,271	298,256
Interest and Investment Income	<u>21,813</u>	<u>73</u>	<u>53</u>	<u></u>	<u>2,293</u>	<u>2,873</u>	<u>27,105</u>
Total Investing Income	<u>255,887</u>	<u>73</u>	<u>53</u>	<u>0</u>	<u>64,204</u>	<u>5,144</u>	<u>325,361</u>
Less Investing Activities Expense							
Net Income from Investing Activities	<u></u>	<u></u>	<u></u>	<u></u>	<u>1,868</u>	<u></u>	<u>1,868</u>
Total Net Investment Income	<u>255,887</u>	<u>73</u>	<u>53</u>	<u>0</u>	<u>62,336</u>	<u>5,144</u>	<u>323,493</u>
Other Additions:							
Settlement of Claims						3,858	3,858
Other Revenue		9,560	30,241	142,388	347	2,557	185,093
Transfer In						134	134
Total Other Additions	<u>0</u>	<u>9,560</u>	<u>30,241</u>	<u>142,388</u>	<u>347</u>	<u>6,549</u>	<u>189,085</u>
Total Additions	<u>255,887</u>	<u>9,633</u>	<u>30,294</u>	<u>142,388</u>	<u>229,085</u>	<u>20,500</u>	<u>687,787</u>
<b>DEDUCTIONS</b>							
Benefits					145,234	424	145,658
Transfer Out		134				50	184
Intergovernmental Payments	50,000					10,202	60,202
Administrative Expenses	<u>6,179</u>	<u>1</u>			<u>278</u>	<u>463</u>	<u>6,921</u>
Depreciation and Amortization Expense						39	39
Settlement of Claims		43,306				3,860	47,166
Interest Expense						4	4
Other Expenses	<u></u>	<u>7,704</u>	<u>35</u>	<u>140,325</u>	<u>70</u>	<u>1,021</u>	<u>149,155</u>
Total Deductions	<u>56,179</u>	<u>51,145</u>	<u>35</u>	<u>140,325</u>	<u>145,582</u>	<u>16,063</u>	<u>409,329</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>199,708</u>	<u>(41,512)</u>	<u>30,259</u>	<u>2,063</u>	<u>83,503</u>	<u>4,437</u>	<u>278,458</u>
<b>NET POSITION</b>							
Net Position, September 1, 2013	<u>2,156,712</u>	<u>285,163</u>	<u>183,574</u>	<u>23,357</u>	<u>419,527</u>	<u>62,681</u>	<u>3,131,014</u>
Net Position, August 31, 2014	<u>\$ 2,356,420</u>	<u>\$ 243,651</u>	<u>\$ 213,833</u>	<u>\$ 25,420</u>	<u>\$ 503,030</u>	<u>\$ 67,118</u>	<u>\$ 3,409,472</u>



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## Agency Funds

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The **Texas Public Finance Authority Bond Escrow Account** is used to hold funds for various defeased or refunded bonds.

The **Life, Health, Accident and Casualty Insurance Companies Trust Account** holds cash or securities deposited with the state by insurance companies as required by law.

The **Texas Workers' Compensation Self-Insurance Fund** is used to deposit certified self-insurer security deposits. These deposits may be applied to the self-insurer's incurred liabilities for compensation.

The **City, County, Metropolitan Transit Authority (MTA) and Special Purpose District (SPD) Sales Tax Trust Account** is used to record the receipt of local sales and use tax collected by the Texas Comptroller of Public Accounts for each city, county, metropolitan transit authority and special purpose district authorizing the collection.

**Other Agency Funds** account for other resources held by the state in an agent capacity for individuals, private organizations or other governments.



## STATE OF TEXAS

## Combining Statement of Fiduciary Net Position – Agency Funds

August 31, 2014 (Amounts in Thousands)

	Texas Public Finance Authority Bond Escrow Account	Life, Health, Accident and Casualty Insurance Companies Trust Account	Texas Workers' Compensation Self-Insurance Fund	City, County, MTA and SPD Sales Tax Trust Account	Other Agency Funds	Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$	\$ 735	\$ 7,300	\$ 894,220	\$ 341,492	\$ 1,243,747
Investments:						
U.S. Government	639,015				26	639,041
Corporate Equity					393,298	393,298
Corporate Obligations					108	108
Repurchase Agreements					29,984	29,984
Other					121,134	121,134
Receivables:						
Interest and Dividends	239					239
Accounts					6,765	6,765
Taxes					13	13
Other Intergovernmental					2	2
Due From Other Funds					1,215	1,215
Other Assets		972,806	505,114		111,002	1,588,922
Total Assets	<u>\$ 639,254</u>	<u>\$ 973,541</u>	<u>\$ 512,414</u>	<u>\$ 894,220</u>	<u>\$ 1,005,039</u>	<u>\$ 4,024,468</u>
<b>LIABILITIES</b>						
Payables:						
Accounts	\$	\$	\$	\$	\$ 894	\$ 894
Other Intergovernmental				894,220		894,220
Due To Other Funds					1,213	1,213
Funds Held for Others	639,254	973,541	512,414		1,002,921	3,128,130
Other Liabilities					11	11
Total Liabilities	<u>\$ 639,254</u>	<u>\$ 973,541</u>	<u>\$ 512,414</u>	<u>\$ 894,220</u>	<u>\$ 1,005,039</u>	<u>\$ 4,024,468</u>

## STATE OF TEXAS

## Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Balance September 1, 2013	Additions	Deductions	Balance August 31, 2014
<b>Texas Public Finance Authority</b>				
<b>Bond Escrow Account</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1	\$	\$ 1	\$
Investments	52,762	586,253		639,015
Interest and Dividends Receivable	627		388	239
Total Assets	<u>\$ 53,390</u>	<u>\$ 586,253</u>	<u>\$ 389</u>	<u>\$ 639,254</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 53,390	\$ 585,864	\$	\$ 639,254
Total Liabilities	<u>\$ 53,390</u>	<u>\$ 585,864</u>	<u>\$ 0</u>	<u>\$ 639,254</u>
<b>Life, Health, Accident and Casualty</b>				
<b>Insurance Companies Trust Account</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 318	\$ 743	\$ 326	\$ 735
Other Assets	980,088	211,152	218,434	972,806
Total Assets	<u>\$ 980,406</u>	<u>\$ 211,895</u>	<u>\$ 218,760</u>	<u>\$ 973,541</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 980,406	\$ 211,895	\$ 218,760	\$ 973,541
Total Liabilities	<u>\$ 980,406</u>	<u>\$ 211,895</u>	<u>\$ 218,760</u>	<u>\$ 973,541</u>
<b>Texas Workers' Compensation</b>				
<b>Self-Insurance Fund</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,970	\$ 8,229	\$ 8,899	\$ 7,300
Other Assets	517,566		12,452	505,114
Total Assets	<u>\$ 525,536</u>	<u>\$ 8,229</u>	<u>\$ 21,351</u>	<u>\$ 512,414</u>
<b>LIABILITIES</b>				
Accounts Payable	\$	\$ 900	\$ 900	\$
Funds Held for Others	525,536	259	13,381	512,414
Total Liabilities	<u>\$ 525,536</u>	<u>\$ 1,159</u>	<u>\$ 14,281</u>	<u>\$ 512,414</u>
<b>City, County, MTA and SPD Sales</b>				
<b>Tax Trust Account</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 834,496	\$ 9,773,552	\$ 9,713,828	\$ 894,220
Total Assets	<u>\$ 834,496</u>	<u>\$ 9,773,552</u>	<u>\$ 9,713,828</u>	<u>\$ 894,220</u>
<b>LIABILITIES</b>				
Payables:				
Accounts	\$	\$ 7,712,915	\$ 7,712,915	\$
Other Intergovernmental	834,496	894,220	834,496	894,220
Funds Held for Others		10,608,049	10,608,049	
Total Liabilities	<u>\$ 834,496</u>	<u>\$ 19,215,184</u>	<u>\$ 19,155,460</u>	<u>\$ 894,220</u>

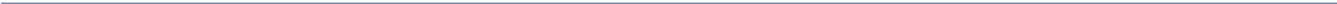
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## STATE OF TEXAS

## Combining Statement of Changes in Assets and Liabilities – Agency Funds (concluded)

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)

	Balance September 1, 2013	Additions	Deductions	Balance August 31, 2014
<b>Other Agency Funds</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 263,967	\$ 10,375,130	\$ 10,297,605	\$ 341,492
Investments	386,950	531,884	374,284	544,550
Receivables:				
Accounts	7,431	6,402	7,068	6,765
Taxes		13		13
Other Intergovernmental	1,126		1,124	2
Due From Other Funds	1,035	2,164	1,984	1,215
Interfund Receivable		2,625	2,625	
Other Assets	109,909	58,852	57,759	111,002
Total Assets	<u>\$ 770,418</u>	<u>\$ 10,977,070</u>	<u>\$ 10,742,449</u>	<u>\$ 1,005,039</u>
<b>LIABILITIES</b>				
Payables:				
Accounts	\$ 323	\$ 738,820	\$ 738,249	\$ 894
Due To Other Funds	4,087	948,548	951,422	1,213
Funds Held for Others	765,997	10,845,445	10,608,521	1,002,921
Other Liabilities	11	11	11	11
Total Liabilities	<u>\$ 770,418</u>	<u>\$ 12,532,824</u>	<u>\$ 12,298,203</u>	<u>\$ 1,005,039</u>
<b>Totals – All Agency Funds</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,106,752	\$ 20,157,654	\$ 20,020,659	\$ 1,243,747
Investments	439,712	1,118,137	374,284	1,183,565
Receivables:				
Interest and Dividends	627		388	239
Accounts	7,431	6,402	7,068	6,765
Taxes		13		13
Other Intergovernmental	1,126		1,124	2
Due From Other Funds	1,035	2,164	1,984	1,215
Interfund Receivable		2,625	2,625	
Other Assets	1,607,563	270,004	288,645	1,588,922
Total Assets	<u>\$ 3,164,246</u>	<u>\$ 21,556,999</u>	<u>\$ 20,696,777</u>	<u>\$ 4,024,468</u>
<b>LIABILITIES</b>				
Payables:				
Accounts	323	8,452,635	8,452,064	894
Other Intergovernmental	834,496	894,220	834,496	894,220
Due To Other Funds	4,087	948,548	951,422	1,213
Funds Held for Others	2,325,329	22,251,512	21,448,711	3,128,130
Other Liabilities	11	11	11	11
Total Liabilities	<u>\$ 3,164,246</u>	<u>\$ 32,546,926</u>	<u>\$ 31,686,704</u>	<u>\$ 4,024,468</u>



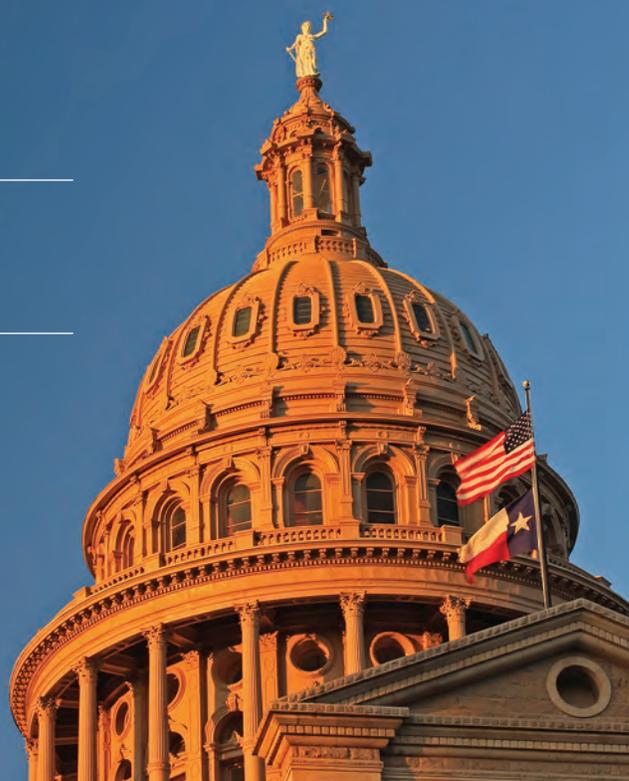
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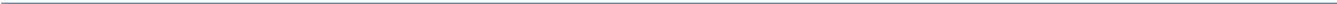
Section Two (concluded)

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## Discretely Presented Component Units

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## Discretely Presented Component Units

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A statement of net position and a statement of activities were prepared to report the breakdown of the following discretely presented component units:

**Teacher Retirement System of Texas**  
**State Bar of Texas**  
**Texas State Affordable Housing Corporation**  
**OneStar National Service Commission Inc.**  
**Texas Low-Level Radioactive Waste Disposal Compact Commission**  
**Texas Prepaid Higher Education Tuition Scholarship Foundation Inc.**  
**Texas Match the Promise Foundation**  
**Texas Windstorm Insurance Association**  
**Surplus Lines Stamping Office of Texas**  
**Texas Health Reinsurance System**  
**Texas Health Insurance Pool**  
**Texas Title Insurance Guaranty Association**  
**Texas Life and Health Insurance Guaranty Association**  
**Texas Property and Casualty Insurance Guaranty Association**  
**Fair Access to Insurance Requirements Plan Association**  
**Texas Boll Weevil Eradication Foundation Inc.**  
**Texas Agricultural Finance Authority**  
**Texas Water Resources Finance Authority**  
**Texas Appraiser Licensing and Certification Board**  
**Texas Economic Development Corporation**  
**Texas Small Business Industrial Development Corporation**  
**Texas Disaster Relief Fund**  
**Texas Health Services Authority**  
**Beacon State Fund**  
**State Agency Council**  
**Film Texas Fund**  
**Texas Governor's Mansion Administration**  
**Robert G. Carr and Nona K. Carr Scholarship Foundation**  
**University of North Texas Foundation**

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units**

August 31, 2014 (Amounts in Thousands)\*

	Teacher Retirement System of Texas	State Bar of Texas	Texas State Affordable Housing Corporation	OneStar National Service Commission	Texas Low-Level Radioactive Waste Disposal Compact Commission	Texas Prepaid Higher Education Tuition Scholarship Foundation Inc.	Texas Match the Promise Foundation	Texas Windstorm Insurance Association
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 230,332	\$ 27,548	\$ 2,206	\$ 746	\$ 476	\$ 15	\$ 54	\$ 439,193
Short-Term Investments		15,320	5,604					
Restricted:								
Cash and Cash Equivalents			5,493	163				
Loans and Contracts			2,091					
Receivables:								
Federal				31				
Other Intergovernmental				8				
Accounts	577	3,208	276					
Interest and Dividends	76		265					
Other								
Inventories		731						
Prepaid Items		591	69					42,788
Loans and Contracts								
Other Current Assets		2,094		13		75	353	12,153
Total Current Assets	230,985	49,492	16,004	961	476	90	407	494,134
Noncurrent Assets:								
Restricted:								
Cash and Cash Equivalents								
Investments			153,087					
Loans and Contracts			8,647					
Loans and Contracts								
Investments			2,371					
Gifts Receivable								
Other Receivables								
Other Noncurrent Assets			9,660					
Capital Assets:								
Non-Depreciable or Non-Amortizable		164	232					
Depreciable or Amortizable, Net		9,079	1,251					10,987
Assets Held in Trust								
Total Noncurrent Assets	0	9,243	175,248	0	0	0	0	10,987
Total Assets	230,985	58,735	191,252	961	476	90	407	505,121

*Continued on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (continued)**

August 31, 2014 (Amounts in Thousands)\*

	Teacher Retirement System of Texas	State Bar of Texas	Texas State Affordable Housing Corporation	OneStar National Service Commission	Texas Low-Level Radioactive Waste Disposal Compact Commission	Texas Prepaid Higher Education Tuition Scholarship Foundation Inc.	Texas Match the Promise Foundation	Texas Windstorm Insurance Association
<b>LIABILITIES</b>								
Current Liabilities:								
Payables:								
Accounts Payable	\$ 207,545	\$ 4,213	\$ 272	\$ 41	\$ 32	\$	\$	\$ 47,576
Interest			1,706					
Due To Primary Government					309			
Unearned Revenue		13,973	382	806				234,740
Capital Lease Obligations		13						
Employees' Compensable Leave	106	561						
Notes and Loans Payable			613					
Revenue Bonds Payable			1,985					
Funds Held for Others		762						
Other Current Liabilities			339			75	68	168,903
Total Current Liabilities	<u>207,766</u>	<u>19,522</u>	<u>5,297</u>	<u>847</u>	<u>341</u>	<u>75</u>	<u>68</u>	<u>451,219</u>
Noncurrent Liabilities:								
Capital Lease Obligations		6						
Employees' Compensable Leave	52	979						
Notes and Loans Payable			2,682					
Revenue Bonds Payable			147,919					
Other Noncurrent Liabilities			3,952					
Total Noncurrent Liabilities	<u>52</u>	<u>985</u>	<u>154,553</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>207,818</u>	<u>20,507</u>	<u>159,850</u>	<u>847</u>	<u>341</u>	<u>75</u>	<u>68</u>	<u>451,219</u>
<b>NET POSITION</b>								
Net Investment in Capital Assets		9,224	1,484					10,987
Restricted for:								
Funds Held as Permanent Investments:								
Nonexpendable								
Expendable								
Other	23,167		12,284	163				
Unrestricted		29,004	17,634	(49)	135	15	339	42,915
Total Net Position	<u>\$ 23,167</u>	<u>\$ 38,228</u>	<u>\$ 31,402</u>	<u>\$ 114</u>	<u>\$ 135</u>	<u>\$ 15</u>	<u>\$ 339</u>	<u>\$ 53,902</u>

*Continued on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (continued)**

August 31, 2014 (Amounts in Thousands)\*

	Surplus Lines Stamping Office of Texas	Texas Health Reinsurance System	Texas Health Insurance Pool	Texas Title Insurance Guaranty Association	Texas Life and Health Insurance Guaranty Association	Texas Property and Casualty Insurance Guaranty Association	Fair Access to Insurance Requirements Plan Association	Texas Boll Weevil Eradication Foundation Inc.
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 482	\$ 464	\$ 3,379	\$ 14,540	\$ 12,872	\$ 47,290	\$ 65,101	\$ 88,795
Short-Term Investments	5,081		53,267		10,421			
Restricted:								
Cash and Cash Equivalents								
Loans and Contracts								
Receivables:								
Federal								1,000
Other Intergovernmental								6,697
Accounts	265		582	529	115	1	15,924	1,445
Interest and Dividends					5	2,168	11	
Other	127				22			10
Inventories								2,761
Prepaid Items	5						7,520	104
Loans and Contracts								
Other Current Assets			43,022				436	
Total Current Assets	<u>5,960</u>	<u>464</u>	<u>100,250</u>	<u>15,069</u>	<u>23,435</u>	<u>49,459</u>	<u>88,992</u>	<u>100,812</u>
Noncurrent Assets:								
Restricted:								
Cash and Cash Equivalents								
Investments								12,721
Loans and Contracts								
Loans and Contracts								
Investments						413,524		
Gifts Receivable								
Other Receivables					321			1,168
Other Noncurrent Assets	43		6		5,683			
Capital Assets:								
Non-Depreciable or Non-Amortizable	114							
Depreciable or Amortizable, Net	1,778		4		70	500		3,085
Assets Held in Trust								
Total Noncurrent Assets	<u>1,935</u>	<u>0</u>	<u>10</u>	<u>0</u>	<u>6,074</u>	<u>414,024</u>	<u>0</u>	<u>16,974</u>
Total Assets	<u>7,895</u>	<u>464</u>	<u>100,260</u>	<u>15,069</u>	<u>29,509</u>	<u>463,483</u>	<u>88,992</u>	<u>117,786</u>

*Continued on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (continued)**

August 31, 2014 (Amounts in Thousands)\*

	Surplus Lines Stamping Office of Texas	Texas Health Reinsurance System	Texas Health Insurance Pool	Texas Title Insurance Guaranty Association	Texas Life and Health Insurance Guaranty Association	Texas Property and Casualty Insurance Guaranty Association	Fair Access to Insurance Requirements Plan Association	Texas Boll Weevil Eradication Foundation Inc.
<b>LIABILITIES</b>								
Current Liabilities:								
Payables:								
Accounts Payroll	\$ 22	\$ 19	\$ 1,067	\$ 146	\$ 904	\$ 1,476	\$ 18,241	\$ 100
Interest								488
Due To Primary Government								2,769
Unearned Revenue			59,609			25,185	43,332	
Capital Lease Obligations								
Employees' Compensable Leave	74							886
Notes and Loans Payable								2,390
Revenue Bonds Payable								
Funds Held for Others								
Other Current Liabilities	113		39,584	1,726	6,986	502,584	32,097	
Total Current Liabilities	<u>261</u>	<u>19</u>	<u>100,260</u>	<u>1,872</u>	<u>7,890</u>	<u>529,245</u>	<u>93,670</u>	<u>6,633</u>
Noncurrent Liabilities:								
Capital Lease Obligations								
Employees' Compensable Leave								
Notes and Loans Payable								16,254
Revenue Bonds Payable								
Other Noncurrent Liabilities					5,600			123
Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,600</u>	<u>0</u>	<u>0</u>	<u>16,377</u>
Total Liabilities	<u>261</u>	<u>19</u>	<u>100,260</u>	<u>1,872</u>	<u>13,490</u>	<u>529,245</u>	<u>93,670</u>	<u>23,010</u>
<b>NET POSITION</b>								
Net Investment in Capital Assets	1,892				69	500		3,085
Restricted for:								
Funds Held as Permanent Investments:								
Nonexpendable								
Expendable								
Other				11,779				12,598
Unrestricted	5,742	445		1,418	15,950	(66,262)	(4,678)	79,093
Total Net Position	<u>\$ 7,634</u>	<u>\$ 445</u>	<u>\$ 0</u>	<u>\$ 13,197</u>	<u>\$ 16,019</u>	<u>\$ (65,762)</u>	<u>\$ (4,678)</u>	<u>\$ 94,776</u>

*Continued on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (continued)**

August 31, 2014 (Amounts in Thousands)\*

	Texas Agricultural Finance Authority	Texas Water Resources Finance Authority	Texas Appraiser Licensing and Certification Board	Texas Economic Development Corporation	Texas Small Business Industrial Development Corporation	Texas Disaster Relief Fund	Texas Health Services Authority	Beacon State Fund
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 18,833	\$ 4,534	\$ 990	\$ 1,345	\$ 846	\$ 855	\$ 6,439	\$ 152
Short-Term Investments		22,635						
Restricted:								
Cash and Cash Equivalents								
Loans and Contracts								
Receivables:								
Federal								
Other Intergovernmental								
Accounts				239				
Interest and Dividends	24	36						
Other								
Inventories			5					
Prepaid Items	4			70				
Loans and Contracts	187	434						
Other Current Assets							40	
Total Current Assets	<u>19,048</u>	<u>27,639</u>	<u>995</u>	<u>1,654</u>	<u>846</u>	<u>855</u>	<u>6,479</u>	<u>152</u>
Noncurrent Assets:								
Restricted:								
Cash and Cash Equivalents								
Investments								
Loans and Contracts								
Loans and Contracts	2,494	4,461						
Investments		48						
Gifts Receivable								
Other Receivables								
Other Noncurrent Assets								
Capital Assets:								
Non-Depreciable or Non-Amortizable								
Depreciable or Amortizable, Net			74	1			10	
Assets Held in Trust								
Total Noncurrent Assets	<u>2,494</u>	<u>4,509</u>	<u>74</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>10</u>	<u>0</u>
Total Assets	<u>21,542</u>	<u>32,148</u>	<u>1,069</u>	<u>1,655</u>	<u>846</u>	<u>855</u>	<u>6,489</u>	<u>152</u>

*Continued on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (continued)**

August 31, 2014 (Amounts in Thousands)\*

	Texas Agricultural Finance Authority	Texas Water Resources Finance Authority	Texas Appraiser Licensing and Certification Board	Texas Economic Development Corporation	Texas Small Business Industrial Development Corporation	Texas Disaster Relief Fund	Texas Health Services Authority	Beacon State Fund
<b>LIABILITIES</b>								
Current Liabilities:								
Payables:								
Accounts Payable	\$ 73	\$	\$ 22	\$ 158	\$	\$	\$ 49	\$
Interest	5		96					
Due To Primary Government								
Unearned Revenue							1,427	
Capital Lease Obligations								
Employees' Compensable Leave	5		71					
Notes and Loans Payable	8,996							
Revenue Bonds Payable								
Funds Held for Others								
Other Current Liabilities							1	
Total Current Liabilities	<u>9,079</u>	<u>0</u>	<u>189</u>	<u>158</u>	<u>0</u>	<u>0</u>	<u>1,477</u>	<u>0</u>
Noncurrent Liabilities:								
Capital Lease Obligations								
Employees' Compensable Leave	9		31					
Notes and Loans Payable								
Revenue Bonds Payable								
Other Noncurrent Liabilities								
Total Noncurrent Liabilities	<u>9</u>	<u>0</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>9,088</u>	<u>0</u>	<u>220</u>	<u>158</u>	<u>0</u>	<u>0</u>	<u>1,477</u>	<u>0</u>
<b>NET POSITION</b>								
Net Investment in Capital Assets								
Restricted for:								
Funds Held as Permanent Investments:								
Nonexpendable								
Expendable								
Other			892					
Unrestricted	<u>12,454</u>	<u>32,148</u>	<u>(43)</u>	<u>1,497</u>	<u>846</u>	<u>855</u>	<u>5,012</u>	<u>152</u>
Total Net Position	<u>\$ 12,454</u>	<u>\$ 32,148</u>	<u>\$ 849</u>	<u>\$ 1,497</u>	<u>\$ 846</u>	<u>\$ 855</u>	<u>\$ 5,012</u>	<u>\$ 152</u>

*Continued on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (continued)**

August 31, 2014 (Amounts in Thousands)\*

	State Agency Council	Film Texas Fund	Texas Governor's Mansion Administration	Robert G. Carr and Nona K. Carr Scholarship Foundation	University of North Texas Foundation	Totals
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 31	\$ 1	\$ 3	\$ 344	\$ 9,494	\$ 977,360
Short-Term Investments					9,761	122,089
Restricted:						
Cash and Cash Equivalents				192		5,848
Loans and Contracts						2,091
Receivables:						
Federal						1,031
Other Intergovernmental						6,705
Accounts			10	3	2	23,176
Interest and Dividends						2,585
Other					297	456
Inventories					8	3,505
Prepaid Items	1				2	51,154
Loans and Contracts						621
Other Current Assets						58,186
Total Current Assets	<u>32</u>	<u>1</u>	<u>13</u>	<u>539</u>	<u>19,564</u>	<u>1,254,807</u>
Noncurrent Assets:						
Restricted:						
Cash and Cash Equivalents						12,721
Investments				131,336	277,683	562,106
Loans and Contracts						8,647
Loans and Contracts						6,955
Investments				78		416,021
Gifts Receivable					17,249	17,249
Other Receivables						1,489
Other Noncurrent Assets						15,392
Capital Assets:						
Non-Depreciable or Non-Amortizable						510
Depreciable or Amortizable, Net						26,839
Assets Held in Trust					7,200	7,200
Total Noncurrent Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>131,414</u>	<u>302,132</u>	<u>1,075,129</u>
Total Assets	<u>32</u>	<u>1</u>	<u>13</u>	<u>131,953</u>	<u>321,696</u>	<u>2,329,936</u>

*Concluded on the following page*

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Net Position – Component Units (concluded)**

August 31, 2014 (Amounts in Thousands)\*

	State Agency Council	Film Texas Fund	Texas Governor's Mansion Administration	Robert G. Carr and Nona K. Carr Scholarship Foundation	University of North Texas Foundation	Totals
<b>LIABILITIES</b>						
Current Liabilities:						
Payables:						
Accounts Payable	\$	\$	\$	\$	\$ 1,198	\$ 283,154
Payroll				22		778
Interest						4,475
Due To Primary Government						309
Unearned Revenue	5					379,459
Capital Lease Obligations						13
Employees' Compensable Leave						1,703
Notes and Loans Payable						11,999
Revenue Bonds Payable						1,985
Funds Held for Others					187,534	188,296
Other Current Liabilities					2,171	754,647
Total Current Liabilities	<u>5</u>	<u>0</u>	<u>0</u>	<u>22</u>	<u>190,903</u>	<u>1,626,818</u>
Noncurrent Liabilities:						
Capital Lease Obligations						6
Employees' Compensable Leave						1,071
Notes and Loans Payable						18,936
Revenue Bonds Payable						147,919
Other Noncurrent Liabilities						9,675
Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>177,607</u>
Total Liabilities	<u>5</u>	<u>0</u>	<u>0</u>	<u>22</u>	<u>190,903</u>	<u>1,804,425</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets						27,241
Restricted for:						
Funds Held as Permanent Investments:						
Nonexpendable				118,785	81,065	199,850
Expendable				13,146	46,281	59,427
Other						60,883
Unrestricted	<u>27</u>	<u>1</u>	<u>13</u>		<u>3,447</u>	<u>178,110</u>
Total Net Position	<u>\$ 27</u>	<u>\$ 1</u>	<u>\$ 13</u>	<u>\$ 131,931</u>	<u>\$ 130,793</u>	<u>\$ 525,511</u>

\* Amounts reported as of Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Activities – Component Units**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)\*

	Teacher Retirement System of Texas	State Bar of Texas	Texas State Affordable Housing Corporation	OneStar National Service Commission Inc.	Texas Low-Level Radioactive Waste Disposal Compact Commission	Texas Prepaid Higher Education Tuition Scholarship Foundation Inc.
<b>EXPENSES</b>						
Salaries and Wages	\$ 1,212	\$ 18,116	\$ 2,104	\$ 902	\$	\$
Payroll Related Costs	336	5,219		199		
Professional Fees and Services	1,020	3,115	379	511	179	
Travel	8	8,337	105	66	46	
Materials and Supplies	3	722		35	1	
Communications and Utilities	1	612		27	1	
Repairs and Maintenance		926				
Rentals and Leases	47	1,315	43	127	6	
Printing and Reproduction		2,917		19	1	
Claims and Judgments		1,347				
Bad Debt Expense						
Cost of Goods Sold		932				
Depreciation and Amortization		983	273			
Other Financing Fees						
Public Assistance Payments				12,556		
Employee/Participant Benefit Payments	1,767,429					
Direct Interest Expense						
Interest Expense – Other		13	6,848			
Other Expenses	19,251	4,959	2,733	63	383	
Total Expenses	<u>1,789,307</u>	<u>49,513</u>	<u>12,485</u>	<u>14,505</u>	<u>617</u>	<u>0</u>
<b>PROGRAM REVENUES</b>						
Charges for Services	1,929,065	41,544	5,791		100	
Operating Grants and Contributions	83	6,541	8,022	14,505		
Total Program Revenues	<u>1,929,148</u>	<u>48,085</u>	<u>13,813</u>	<u>14,505</u>	<u>100</u>	<u>0</u>
Net Program Revenues (Expenses)	<u>139,841</u>	<u>(1,428)</u>	<u>1,328</u>	<u>0</u>	<u>(517)</u>	<u>0</u>
<b>GENERAL REVENUES</b>						
General Revenues						
Unrestricted Investment Earnings	941					
Other General Revenues			1,178		583	
Gain on Sale of Capital Assets						
Total General Revenues	<u>941</u>	<u>0</u>	<u>1,178</u>	<u>0</u>	<u>583</u>	<u>0</u>
Change in Net Position	<u>140,782</u>	<u>(1,428)</u>	<u>2,506</u>	<u>0</u>	<u>66</u>	<u>0</u>
Net Position, September 1, 2013	(117,615)	39,656	31,876	114	69	15
Restatements			(2,980)			
Net Position, September 1, 2013, as Restated	<u>(117,615)</u>	<u>39,656</u>	<u>28,896</u>	<u>114</u>	<u>69</u>	<u>15</u>
Net Position, August 31, 2014	<u>\$ 23,167</u>	<u>\$ 38,228</u>	<u>\$ 31,402</u>	<u>\$ 114</u>	<u>\$ 135</u>	<u>\$ 15</u>

Continued on the following page

\* Amounts reported for the fiscal year ended Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Activities – Component Units (continued)**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)\*

	Texas Match the Promise Foundation	Texas Windstorm Insurance Association	Surplus Lines Stamping Office of Texas	Texas Health Reinsurance System	Texas Health Insurance Pool	Texas Title Insurance Guaranty Association
<b>EXPENSES</b>						
Salaries and Wages	\$	\$ 17,651	\$ 1,269	\$	\$ 426	\$
Payroll Related Costs		1,740	390			
Professional Fees and Services			410		12,584	302
Travel			3	2	3	
Materials and Supplies			34		50	
Communications and Utilities			42			
Repairs and Maintenance			54			
Rentals and Leases		1,281	287		77	
Printing and Reproduction			2			
Claims and Judgments					322,297	
Bad Debt Expense						
Cost of Goods Sold						
Depreciation and Amortization		837	728		3	
Other Financing Fees		20,801				
Public Assistance Payments						
Employee/Participant Benefit Payments						
Direct Interest Expense						
Interest Expense – Other						
Other Expenses	68	77,602	167	7	206	3,585
Total Expenses	68	119,912	3,386	9	335,646	3,887
<b>PROGRAM REVENUES</b>						
Charges for Services		295,130	2,830		325,603	4,978
Operating Grants and Contributions	89	1,077	20	2	10,043	
Total Program Revenues	89	296,207	2,850	2	335,646	4,978
Net Program Revenues (Expenses)	21	176,295	(536)	(7)	0	1,091
<b>GENERAL REVENUES</b>						
General Revenues						
Unrestricted Investment Earnings						
Other General Revenues						
Gain on Sale of Capital Assets						
Total General Revenues	0	0	0	0	0	0
Change in Net Position	21	176,295	(536)	(7)	0	1,091
Net Position, September 1, 2013	318	(122,393)	8,170			12,106
Restatements				452		
Net Position, September 1, 2013, as Restated	318	(122,393)	8,170	452	0	12,106
Net Position, August 31, 2014	\$ 339	\$ 53,902	\$ 7,634	\$ 445	\$ 0	\$ 13,197

Continued on the following page

\* Amounts reported for the fiscal year ended Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Activities – Component Units (continued)**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)\*

	Texas Life and Health Insurance Guaranty Association	Texas Property and Casualty Insurance Guaranty Association	Fair Access to Insurance Requirements Plan Association	Texas Boll Weevil Eradication Foundation Inc.	Texas Agricultural Finance Authority	Texas Water Resources Finance Authority
<b>EXPENSES</b>						
Salaries and Wages	\$ 411	\$ 4,471	\$ 4,922	\$ 10,920	\$ 342	\$ 2
Payroll Related Costs	65		1,865		81	
Professional Fees and Services	152	188		986	13	
Travel		32		224	6	
Materials and Supplies		108		2,582	4	
Communications and Utilities		24		398		
Repairs and Maintenance				518		
Rentals and Leases	156	450	373	549		
Printing and Reproduction		14				
Claims and Judgments	8,652	130,989		3		
Bad Debt Expense				(77)		
Cost of Goods Sold						
Depreciation and Amortization	22	166		1,125		
Other Financing Fees			(1,142)			
Public Assistance Payments					281	7,700
Employee/Participant Benefit Payments						
Direct Interest Expense					(1)	
Interest Expense – Other				249		
Other Expenses	277	604	54,810	1,854	398	12
Total Expenses	<u>9,735</u>	<u>137,046</u>	<u>60,828</u>	<u>19,331</u>	<u>1,124</u>	<u>7,714</u>
<b>PROGRAM REVENUES</b>						
Charges for Services	3,919	18,307	75,343	21,624	879	
Operating Grants and Contributions	13	(5,531)	(150)	17,915	1,200	221
Total Program Revenues	<u>3,932</u>	<u>12,776</u>	<u>75,193</u>	<u>39,539</u>	<u>2,079</u>	<u>221</u>
Net Program Revenues (Expenses)	<u>(5,803)</u>	<u>(124,270)</u>	<u>14,365</u>	<u>20,208</u>	<u>955</u>	<u>(7,493)</u>
<b>GENERAL REVENUES</b>						
General Revenues						
Unrestricted Investment Earnings				192	146	
Other General Revenues				90	8	
Gain on Sale of Capital Assets				1,538		
Total General Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,820</u>	<u>154</u>	<u>0</u>
Change in Net Position	<u>(5,803)</u>	<u>(124,270)</u>	<u>14,365</u>	<u>22,028</u>	<u>1,109</u>	<u>(7,493)</u>
Net Position, September 1, 2013	21,822	58,508	(19,043)	72,748	11,345	39,641
Restatements						
Net Position, September 1, 2013, as Restated	<u>21,822</u>	<u>58,508</u>	<u>(19,043)</u>	<u>72,748</u>	<u>11,345</u>	<u>39,641</u>
Net Position, August 31, 2014	<u>\$ 16,019</u>	<u>\$ (65,762)</u>	<u>\$ (4,678)</u>	<u>\$ 94,776</u>	<u>\$ 12,454</u>	<u>\$ 32,148</u>

*Continued on the following page*

\* Amounts reported for the fiscal year ended Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Activities – Component Units (continued)**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)\*

	Texas Appraiser Licensing and Certification Board	Texas Economic Development Corporation	Texas Small Business Industrial Development Corporation	Texas Disaster Relief Fund	Texas Health Services Authority	Beacon State Fund
<b>EXPENSES</b>						
Salaries and Wages	\$ 927	\$ 59	\$	\$	\$ 527	\$
Payroll Related Costs	278				81	
Professional Fees and Services	75	145		1	1,012	
Travel	29	147	1		31	2
Materials and Supplies	11	125			9	27
Communications and Utilities	9	1			119	2
Repairs and Maintenance	10					
Rentals and Leases	43	108			28	4
Printing and Reproduction		7				6
Claims and Judgments						
Bad Debt Expense						
Cost of Goods Sold						
Depreciation and Amortization	13				4	
Other Financing Fees						
Public Assistance Payments						25
Employee/Participant Benefit Payments						
Direct Interest Expense			1			
Interest Expense – Other						
Other Expenses	153	630	29		23	19
Total Expenses	<u>1,548</u>	<u>1,222</u>	<u>31</u>	<u>1</u>	<u>1,834</u>	<u>85</u>
<b>PROGRAM REVENUES</b>						
Charges for Services	1,985	22			1,830	1
Operating Grants and Contributions		773	6	2	5,001	100
Total Program Revenues	<u>1,985</u>	<u>795</u>	<u>6</u>	<u>2</u>	<u>6,831</u>	<u>101</u>
Net Program Revenues (Expenses)	<u>437</u>	<u>(427)</u>	<u>(25)</u>	<u>1</u>	<u>4,997</u>	<u>16</u>
<b>GENERAL REVENUES</b>						
General Revenues						
Unrestricted Investment Earnings						
Other General Revenues	37					
Gain on Sale of Capital Assets						
Total General Revenues	<u>37</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	<u>474</u>	<u>(427)</u>	<u>(25)</u>	<u>1</u>	<u>4,997</u>	<u>16</u>
Net Position, September 1, 2013	375	1,924	831	854	15	136
Restatements			40			
Net Position, September 1, 2013, as Restated	<u>375</u>	<u>1,924</u>	<u>871</u>	<u>854</u>	<u>15</u>	<u>136</u>
Net Position, August 31, 2014	<u>\$ 849</u>	<u>\$ 1,497</u>	<u>\$ 846</u>	<u>\$ 855</u>	<u>\$ 5,012</u>	<u>\$ 152</u>

Concluded on the following page

\* Amounts reported for the fiscal year ended Aug. 31, 2014, unless otherwise indicated in Note 19.

## STATE OF TEXAS

**Combining Statement of Activities – Component Units (concluded)**

For the Fiscal Year Ended August 31, 2014 (Amounts in Thousands)\*

	State Agency Council	Film Texas Fund	Texas Governor's Mansion Administration	Robert G. Carr and Nona K. Carr Scholarship Foundation	University of North Texas Foundation	Totals
<b>EXPENSES</b>						
Salaries and Wages	\$	\$	\$ 3	\$ 236	\$ 822	\$ 65,322
Payroll Related Costs				67		10,321
Professional Fees and Services				37	632	21,741
Travel				9	11	9,062
Materials and Supplies	1	1	6	32		3,751
Communications and Utilities				1		1,237
Repairs and Maintenance						1,508
Rentals and Leases				3		4,897
Printing and Reproduction				1		2,967
Claims and Judgments						463,288
Bad Debt Expense						(77)
Cost of Goods Sold						932
Depreciation and Amortization						4,154
Other Financing Fees						19,659
Public Assistance Payments					1,273	21,835
Employee/Participant Benefit Payments						1,767,429
Direct Interest Expense						0
Interest Expense – Other						7,110
Other Expenses			4	13	2,741	170,591
Total Expenses	<u>1</u>	<u>1</u>	<u>13</u>	<u>399</u>	<u>5,479</u>	<u>2,575,727</u>
<b>PROGRAM REVENUES</b>						
Charges for Services			17		440	2,729,408
Operating Grants and Contributions			2	17,760	21,874	99,568
Total Program Revenues	<u>0</u>	<u>0</u>	<u>19</u>	<u>17,760</u>	<u>22,314</u>	<u>2,828,976</u>
Net Program Revenues (Expenses)	<u>(1)</u>	<u>(1)</u>	<u>6</u>	<u>17,361</u>	<u>16,835</u>	<u>253,249</u>
<b>GENERAL REVENUES</b>						
General Revenues						
Unrestricted Investment Earnings						1,279
Other General Revenues						1,896
Gain on Sale of Capital Assets						1,538
Total General Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,713</u>
Change in Net Position	<u>(1)</u>	<u>(1)</u>	<u>6</u>	<u>17,361</u>	<u>16,835</u>	<u>257,962</u>
Net Position, September 1, 2013	28	2	7	114,570	115,879	271,958
Restatements					(1,921)	(4,409)
Net Position, September 1, 2013, as Restated	<u>28</u>	<u>2</u>	<u>7</u>	<u>114,570</u>	<u>113,958</u>	<u>267,549</u>
Net Position, August 31, 2014	<u>\$ 27</u>	<u>\$ 1</u>	<u>\$ 13</u>	<u>\$ 131,931</u>	<u>\$ 130,793</u>	<u>\$ 525,511</u>

\* Amounts reported for the fiscal year ended Aug. 31, 2014, unless otherwise indicated in Note 19.

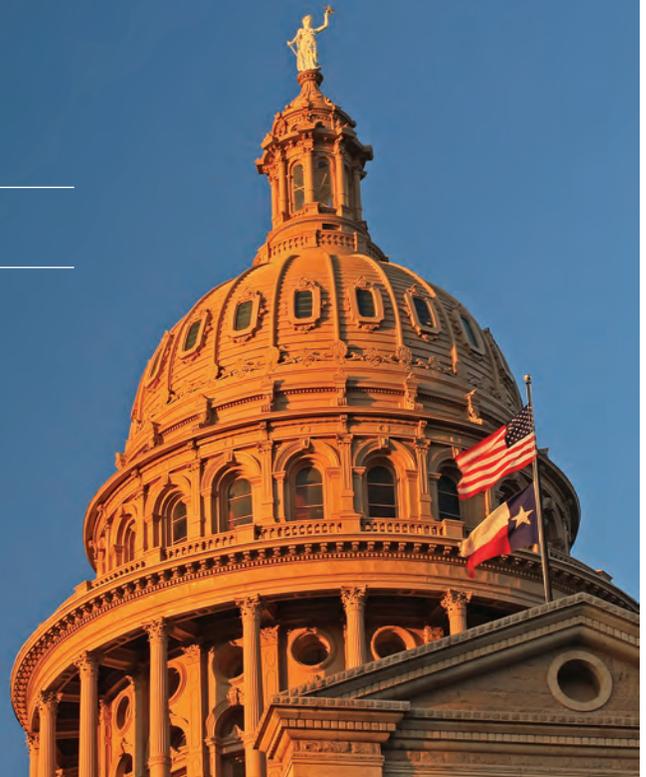
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Section Three

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Statistical Section

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# State of Texas Statistical Section

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and other supplementary information says about the state’s overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the Texas Comprehensive Annual Financial Report databases for the relevant years.



STATE OF TEXAS  
**Statistical Section – Financial Trends Information**  
**Net Position by Component**  
**Last Ten Fiscal Years**

(Amounts in Millions)

	2005	2006	2007	2008	2009
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 53,815	\$ 55,473	\$ 56,438	\$ 58,208	\$ 59,720
Restricted	24,110	25,993	29,347	31,358	32,663
Unrestricted	3,753	8,696	12,565	11,105	3,479
Total Governmental Activities Net Position	<u>81,678</u>	<u>90,162</u>	<u>98,350</u>	<u>100,671</u>	<u>95,862</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	6,253	6,871	7,343	7,385	7,655
Restricted	20,581	22,812	25,815	24,882	18,744
Unrestricted	7,076	8,056	9,741	9,885	8,619
Total Business-Type Activities Net Position	<u>33,910</u>	<u>37,739</u>	<u>42,899</u>	<u>42,152</u>	<u>35,018</u>
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	60,068	62,344	63,781	65,593	67,375
Restricted	44,691	48,805	55,162	56,240	51,407
Unrestricted	10,829	16,752	22,306	20,990	12,098
Total Primary Government Net Position	<u>\$ 115,588</u>	<u>\$ 127,901</u>	<u>\$ 141,249</u>	<u>\$ 142,823</u>	<u>\$ 130,880</u>

	2010	2011	2012	2013	2014
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 60,744	\$ 61,917	\$ 63,458	\$ 64,095	\$ 68,739
Restricted	26,136	32,014	33,817	34,407	41,660
Unrestricted	8,025	3,322	4,497	11,239	9,006
Total Governmental Activities Net Position	<u>94,905</u>	<u>97,253</u>	<u>101,772</u>	<u>109,741</u>	<u>119,405</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	7,933	9,243	9,713	10,330	11,055
Restricted	22,209	24,375	27,539	31,093	40,021
Unrestricted	7,230	8,516	9,553	7,466	5,101
Total Business-Type Activities Net Position	<u>37,372</u>	<u>42,134</u>	<u>46,805</u>	<u>48,889</u>	<u>56,177</u>
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	68,677	71,160	73,171	74,425	79,794
Restricted	48,345	56,389	61,356	65,500	81,681
Unrestricted	15,255	11,838	14,050	18,705	14,107
Total Primary Government Net Position	<u>\$ 132,277</u>	<u>\$ 139,387</u>	<u>\$ 148,577</u>	<u>\$ 158,630</u>	<u>\$ 175,582</u>

Source: 2005 – 2014 state of Texas financial statements

STATE OF TEXAS  
**Statistical Section – Financial Trends Information**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

(Amounts in Thousands)

	2005	2006	2007	2008	2009
<b>GOVERNMENTAL ACTIVITIES:</b>					
<b>Expenses</b>					
General Government	\$ 2,206,793	\$ 2,681,117	\$ 2,555,309	\$ 2,659,822	\$ 3,052,177
Education	16,293,851	18,025,550	21,313,526	24,986,076	24,952,375
Employee Benefits	50,544	56,718	61,171	86,195	220,272
Teacher Retirement State Contributions	2,083,530	1,932,325	2,017,000	1,761,759	1,667,325
Health and Human Services	27,302,426	28,808,315	30,886,484	32,426,046	38,124,180
Public Safety and Corrections	4,086,450	5,084,923	5,035,761	5,020,897	6,026,868
Transportation	3,766,301	4,452,154	4,252,129	4,478,109	4,025,226
Natural Resources and Recreation	1,070,481	961,178	1,217,201	1,451,450	1,673,915
Regulatory Services	349,420	282,067	314,266	398,885	445,938
Interest on General Long-Term Debt	417,854	54,121	229,354	578,059	525,648
Total Expenses	<u>57,627,650</u>	<u>62,338,468</u>	<u>67,882,201</u>	<u>73,847,298</u>	<u>80,713,924</u>
<b>Program Revenues</b>					
<b>Charges for Services:</b>					
General Government	802,588	1,199,924	1,141,278	1,171,997	1,010,388
Education	594,702	626,224	584,971	821,291	474,249
Employee Benefits	97	120	116	107	109
Teacher Retirement State Contributions	10	93,694	26,661		33,624
Health and Human Services	1,124,402	1,177,825	2,059,789	1,832,315	1,825,395
Public Safety and Corrections	463,097	441,803	823,602	331,101	354,117
Transportation	1,342,073	1,373,339	1,530,669	1,785,835	1,920,123
Natural Resources and Recreation	716,981	570,872	714,687	661,657	574,032
Regulatory Services	534,469	596,705	604,199	635,089	646,959
<b>Operating Grants and Contributions</b>	26,667,982	28,979,226	29,995,409	25,900,072	32,410,929
<b>Capital Grants and Contributions</b>	3,253,051	2,803,006	1,823,686	2,585,507	2,619,631
Total Program Revenues	<u>35,499,452</u>	<u>37,862,738</u>	<u>39,305,067</u>	<u>35,724,971</u>	<u>41,869,556</u>
Total Governmental Activities					
Net Program Expense	<u>(22,128,198)</u>	<u>(24,475,730)</u>	<u>(28,577,134)</u>	<u>(38,122,327)</u>	<u>(38,844,368)</u>
<b>General Revenues</b>					
<b>Taxes:</b>					
Sales and Use	16,260,689	18,475,176	20,230,164	21,640,855	21,026,034
Motor Vehicle and Manufactured Housing	2,897,031	3,046,856	3,338,498	3,384,597	2,568,599
Motor Fuels	2,915,680	3,053,476	3,149,043	3,000,148	3,155,941
Franchise	2,203,578	2,632,780	3,273,050	4,712,183	3,303,170
Oil and Natural Gas Production	2,409,276	3,441,638	2,692,032	4,036,033	1,335,296
Insurance Occupation	1,213,627	1,238,846	1,368,340	1,446,828	1,295,330
Cigarette and Tobacco	596,569	547,000	1,325,712	1,454,187	1,564,061
Other	1,435,701	1,558,073	1,694,750	1,744,400	1,680,362
Unrestricted Investment Earnings	327,516	760,207	941,938	1,041,840	178,470
Settlement of Claims	885,975	583,787	538,836	555,476	555,626
Gain on Sale of Capital Assets	8,461	2,762	3,942		
Gain on Other Financial Activity					
Other General Revenues	822,652	1,071,679	1,627,330	1,392,565	1,769,051
<b>Capital Contributions</b>	107	1,449	309	8,653	1,554
<b>Transfers – Internal Activity</b>	<u>(2,966,197)</u>	<u>(3,513,639)</u>	<u>(3,383,910)</u>	<u>(3,909,529)</u>	<u>(4,268,014)</u>
Total General Revenues, Contributions and Transfers	<u>29,010,665</u>	<u>32,900,090</u>	<u>36,800,034</u>	<u>40,508,236</u>	<u>34,165,480</u>
Change in Net Position – Governmental Activities	<u>6,882,467</u>	<u>8,424,360</u>	<u>8,222,900</u>	<u>2,385,909</u>	<u>(4,678,888)</u>

Source: 2005 – 2014 state of Texas financial statements

2010	2011	2012	2013	2014
\$ 3,451,868	\$ 4,037,805	\$ 3,116,737	\$ 2,873,598	\$ 2,967,443
27,344,876	28,643,283	25,724,127	25,321,607	27,138,847
252,457	324,477	423,492	437,939	399,454
2,200,408	2,262,638	2,390,178	2,492,310	2,700,533
41,487,191	44,875,285	44,737,457	44,888,201	48,015,340
6,231,847	5,539,155	5,294,730	5,316,819	5,542,840
4,146,987	4,377,794	4,484,662	5,384,628	5,223,720
1,559,708	1,474,675	1,634,659	1,850,253	1,944,520
447,557	408,115	410,724	461,418	792,267
755,314	797,030	715,148	741,397	750,946
<u>87,878,213</u>	<u>92,740,257</u>	<u>88,931,914</u>	<u>89,768,170</u>	<u>95,475,910</u>
984,639	1,019,521	1,036,382	1,110,854	1,142,351
463,719	632,584	480,475	506,995	801,358
135	100	134	116	70
1,782,704	2,101,440	1,910,599	2,332,588	2,894,301
336,134	330,198	342,782	348,876	338,239
1,891,247	1,999,695	2,224,635	2,363,393	2,492,591
605,751	587,423	699,872	680,996	716,696
687,746	666,158	710,209	707,406	657,008
43,148,227	47,220,463	42,796,231	42,868,081	46,903,926
2,453,183	2,538,949	47,578	31,248	96,802
<u>52,353,485</u>	<u>57,096,531</u>	<u>50,248,897</u>	<u>50,950,553</u>	<u>56,043,342</u>
<u>(35,524,728)</u>	<u>(35,643,726)</u>	<u>(38,683,017)</u>	<u>(38,817,617)</u>	<u>(39,432,568)</u>
19,558,426	21,751,249	24,349,600	26,199,771	27,372,895
2,624,725	3,001,387	3,580,663	3,891,539	4,213,273
3,060,246	3,108,153	3,195,332	3,214,393	3,327,707
3,809,109	3,998,073	4,574,184	4,826,435	5,884,749
2,157,334	3,069,384	3,727,498	4,501,478	4,645,756
1,309,620	1,379,621	1,528,111	1,781,711	1,967,613
1,394,122	1,551,420	1,428,413	1,603,086	1,348,923
1,676,452	1,802,300	1,954,752	2,100,125	2,155,450
575,642	334,621	645,813	142,724	300,423
925,676	584,305	620,898	640,565	574,082
	99	7,163	376	1,865
				6,708
2,017,783	1,533,427	1,880,352	2,045,961	1,755,856
30,845	108,119	930	475	(152,616)
<u>(4,491,627)</u>	<u>(4,179,888)</u>	<u>(3,944,781)</u>	<u>(4,028,026)</u>	<u>(4,130,757)</u>
<u>34,648,353</u>	<u>38,042,270</u>	<u>43,548,928</u>	<u>46,920,613</u>	<u>49,271,927</u>
<u>(876,375)</u>	<u>2,398,544</u>	<u>4,865,911</u>	<u>8,102,996</u>	<u>9,839,359</u>

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STATE OF TEXAS  
**Statistical Section – Financial Trends Information**  
**Changes in Net Position (concluded)**

**Last Ten Fiscal Years**

(Amounts in Thousands)

	2005	2006	2007	2008	2009
<b>BUSINESS-TYPE ACTIVITIES:</b>					
<b>Expenses</b>					
General Government	\$ 142,142	\$ 162,499	\$ 186,628	\$ 177,012	\$ 180,543
Education	14,716,405	15,982,582	17,165,602	18,619,716	20,135,452
Teacher Retirement State Contributions	761,240	813,133	909,845		
Health and Human Services	1,540,459	1,253,431	1,204,609	1,467,185	4,908,112
Public Safety and Corrections	71,308	73,775	75,305	80,607	83,498
Transportation	346	16,339	125,910	164,280	220,881
Natural Resources and Recreation	264,707	284,241	283,653	247,018	304,577
Lottery	2,594,241	2,687,084	2,691,210	2,634,446	2,680,273
Total Expenses	<u>20,090,848</u>	<u>21,273,084</u>	<u>22,642,762</u>	<u>23,390,264</u>	<u>28,513,336</u>
<b>Program Revenues</b>					
<b>Charges for Services:</b>					
General Government	27,947	37,245	42,713	43,106	42,147
Education	6,662,679	7,284,371	8,268,639	8,705,756	9,253,972
Teacher Retirement State Contributions	823,910	861,648	939,879		
Health and Human Services	1,963,403	1,862,804	1,665,242	1,058,134	1,027,897
Public Safety and Corrections	77,521	79,032	82,779	87,365	90,469
Transportation	14	13	16,757	48,958	66,375
Natural Resources and Recreation	22,106	33,716	41,034	42,964	46,682
Lottery	3,663,414	3,775,491	3,774,948	3,672,423	3,720,995
<b>Operating Grants and Contributions</b>	8,086,139	7,200,099	9,001,427	4,808,580	3,613,083
<b>Capital Grants and Contributions</b>	211,726	155,541	197,731	245,962	95,889
Total Program Revenues	<u>21,538,859</u>	<u>21,289,960</u>	<u>24,031,149</u>	<u>18,713,248</u>	<u>17,957,509</u>
Total Business-Type Activities					
Net Program Revenue (Expense)	<u>1,448,011</u>	<u>16,876</u>	<u>1,388,387</u>	<u>(4,677,016)</u>	<u>(10,555,827)</u>
<b>General Revenues</b>					
Unrestricted Investment Earnings	68,423	55,150	245,977	190,974	129,445
Settlement of Claims	20	94	283	6	14,691
Gain on Sale of Capital Assets	6,431	276	13,363	269	609
Other General Revenue	126,957	91,017	266,722	270,787	156,903
<b>Capital Contributions</b>	133	3,874	1,364		
<b>Contributions to Permanent and Term Endowments</b>	145,919	123,939	184,193	167,692	120,404
<b>Special Items</b>		(38,898)	(318,813)	(150,026)	
<b>Transfers – Internal Activity</b>	<u>2,966,197</u>	<u>3,513,639</u>	<u>3,383,910</u>	<u>3,909,529</u>	<u>4,268,014</u>
Total General Revenues, Contributions, Special Items and Transfers	<u>3,314,080</u>	<u>3,749,091</u>	<u>3,776,999</u>	<u>4,389,231</u>	<u>4,690,066</u>
Change in Net Position – Business-Type Activities	<u>4,762,091</u>	<u>3,765,967</u>	<u>5,165,386</u>	<u>(287,785)</u>	<u>(5,865,761)</u>
Change in Net Position – Primary Government	<u>\$ 11,644,558</u>	<u>\$ 12,190,327</u>	<u>\$ 13,388,286</u>	<u>\$ 2,098,124</u>	<u>\$ (10,544,649)</u>

Source: 2005 – 2014 state of Texas financial statements

2010	2011	2012	2013	2014
\$ 162,620	\$ 150,406	\$ 149,663	\$ 149,735	\$ 122,356
20,943,292	22,226,690	22,667,443	23,828,365	24,896,493
7,826,452	6,055,958	5,117,829	3,854,869	2,759,024
87,120	86,262	91,313	91,331	95,749
206,822	209,880	215,845	228,769	248,827
353,641	423,140	346,150	319,094	315,963
2,681,627	2,783,798	3,027,943	3,185,869	3,164,120
<u>32,261,574</u>	<u>31,936,134</u>	<u>31,616,186</u>	<u>31,658,032</u>	<u>31,602,532</u>
47,377	49,717	50,996	57,286	59,977
9,907,344	10,931,371	11,671,987	12,395,115	13,212,424
2,107,474	2,675,581	2,894,246	2,749,160	2,532,273
93,734	95,736	102,593	101,082	107,544
73,312	74,877	85,819	119,152	155,019
44,973	43,374	40,084	45,546	48,705
3,739,165	3,811,862	4,191,587	4,376,786	4,385,331
13,292,594	14,103,243	12,543,063	9,320,966	13,120,148
305,669	281,741	259,750	350,922	522,211
<u>29,611,642</u>	<u>32,067,502</u>	<u>31,840,125</u>	<u>29,516,015</u>	<u>34,143,632</u>
(2,649,932)	131,368	223,939	(2,142,017)	2,541,100
134,195	86,295	133,680	11,566	165,597
1,384	1,215	378	3,187	2,403
	1	543		11,469
241,013	222,640	248,725	164,538	195,964
	3,045			
136,577	126,971	136,800	184,108	238,951
<u>4,491,627</u>	<u>4,179,888</u>	<u>3,944,781</u>	<u>4,028,026</u>	<u>4,130,757</u>
5,004,796	4,620,055	4,464,907	4,391,425	4,745,141
<u>2,354,864</u>	<u>4,751,423</u>	<u>4,688,846</u>	<u>2,249,408</u>	<u>7,286,241</u>
<u>\$ 1,478,489</u>	<u>\$ 7,149,967</u>	<u>\$ 9,554,757</u>	<u>\$10,352,404</u>	<u>\$17,125,600</u>

STATE OF TEXAS  
**Statistical Section – Financial Trends Information**  
**Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years**

(Amounts in Millions)

	2005	2006	2007	2008	2009	2010
<b>GENERAL FUND</b>						
Reserved	\$ 1,752	\$ 1,648	\$ 2,138	\$ 2,471	\$ 3,380	\$ 5,460
Unreserved	286	5,673	8,698	8,184	5,586	2,950
Total General Fund	<u>\$ 2,038</u>	<u>\$ 7,321</u>	<u>\$ 10,836</u>	<u>\$ 10,655</u>	<u>\$ 8,966</u>	<u>\$ 8,410</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>						
Reserved	\$ 24,275	\$ 25,999	\$ 29,054	\$ 27,957	\$ 25,586	\$ 28,193
Unreserved						
Special Revenue	1,460	910	1,847	4,953	5,323	3,343
Capital Projects		7	(11)	(124)	(111)	(204)
Permanent	546	575	632	564	477	1,028
Total All Other Governmental Funds	<u>\$ 26,281</u>	<u>\$ 27,491</u>	<u>\$ 31,522</u>	<u>\$ 33,350</u>	<u>\$ 31,275</u>	<u>\$ 32,360</u>

	2011*	2012	2013	2014
<b>GENERAL FUND</b>				
Nonspendable	\$ 501	\$ 678	\$ 599	\$ 596
Restricted	1,393	1,764	1,160	1,091
Committed	4,185	5,283	5,159	5,138
Assigned	29	44	95	70
Unassigned	1,077	1,095	8,028	10,864
Total General Fund	<u>\$ 7,185</u>	<u>\$ 8,864</u>	<u>\$ 15,041</u>	<u>\$ 17,759</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Nonspendable	\$ 12,254	\$ 12,915	\$ 13,203	\$ 13,837
Restricted	22,606	21,897	23,051	28,344
Committed	758	1,013	883	2,552
Assigned	2	2	2	726
Unassigned	(738)	(511)	(688)	(555)
Total All Other Governmental Funds	<u>\$ 34,882</u>	<u>\$ 35,316</u>	<u>\$ 36,451</u>	<u>\$ 44,904</u>

\* Due to the changes in the state's fund structure initiated when GASB Statement No. 54 was implemented, information for fund balances is only available for the line items presented beginning in fiscal 2011.

Source: 2005 – 2014 state of Texas financial statements

STATE OF TEXAS  
**Statistical Section – Financial Trends Information**  
**Changes in Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years\***

(Amounts in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>REVENUES</b>										
Taxes	\$ 29,830	\$ 33,867	\$ 36,670	\$ 41,256	\$ 37,654	\$ 35,868	\$ 39,632	\$ 44,171	\$ 47,857	\$ 51,413
Federal	25,851	28,212	26,967	28,656	35,699	42,483	44,907	38,219	38,016	39,776
Licenses, Fees and Permits	3,590	4,011	4,324	4,522	4,433	4,533	4,661	5,076	5,178	5,251
Interest and Other Investment Income	3,317	3,218	4,574	(368)	(1,957)	2,171	3,609	3,204	3,011	4,999
Land Income	544	462	422	650	390	384	551	432	473	752
Settlement of Claims	883	583	539	555	555	614	593	611	625	577
Sales of Goods and Services	1,445	1,503	2,697	2,063	1,962	1,816	2,125	1,860	2,355	2,911
Other	1,918	2,159	2,730	2,590	3,192	3,499	3,087	3,888	4,068	4,182
<b>Total Revenues</b>	<b>67,378</b>	<b>74,015</b>	<b>78,923</b>	<b>79,924</b>	<b>81,928</b>	<b>91,368</b>	<b>99,165</b>	<b>97,461</b>	<b>101,583</b>	<b>109,861</b>
<b>EXPENDITURES</b>										
General Government	2,151	2,530	2,415	2,628	3,025	3,352	3,981	3,065	2,804	2,875
Education	16,204	18,025	21,317	24,976	24,941	27,331	28,639	25,715	25,313	27,148
Employee Benefits	12	13	14	14	13	15	14	14	19	18
Teacher Retirement State Contributions				1,781	1,729	1,830	1,854	1,641	1,675	1,957
Health and Human Services	27,192	28,761	30,855	32,355	37,988	41,367	44,869	44,709	44,841	47,947
Public Safety and Corrections	3,952	4,939	4,897	4,864	5,802	6,006	5,415	5,114	5,171	4,891
Transportation	3,246	3,909	3,702	3,895	3,399	3,474	3,647	3,788	4,677	1,068
Natural Resources and Recreation	1,039	930	1,172	1,420	1,606	1,566	1,518	1,619	1,840	4,897
Regulatory Services	345	294	317	393	434	438	407	412	461	791
Capital Outlay	3,735	3,938	4,368	4,404	3,738	3,539	3,737	3,528	3,511	5,529
Debt Service:										
Principal	306	393	437	415	596	731	592	580	706	836
Interest	375	238	370	428	513	720	757	725	737	769
Other Financing Fees		2	14	15	15	41	16	8	7	16
<b>Total Expenditures</b>	<b>58,557</b>	<b>63,972</b>	<b>69,878</b>	<b>77,588</b>	<b>83,799</b>	<b>90,410</b>	<b>95,446</b>	<b>90,918</b>	<b>91,762</b>	<b>98,742</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,821	10,043	9,045	2,336	(1,871)	958	3,719	6,543	9,821	11,119
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer In	7,488	7,343	7,765	13,832	9,737	11,465	6,138	7,278	7,059	9,192
Transfer Out	(12,248)	(12,433)	(12,887)	(17,777)	(14,033)	(15,987)	(10,344)	(11,249)	(10,883)	(13,321)
Bonds and Notes Issued	1,242	1,440	3,471	2,988	1,940	3,808	1,566	338	1,142	953
Bonds Issued for Refunding	208	72	249	515	271	385	547	38	99	2,432
Premiums on Bonds Issued **			126	180	33	48	85	14	200	408
Payment to Escrow for Refunding	(208)	(72)	(263)	(559)	(309)	(214)	(580)	(62)	(113)	(2,671)
Sale of Capital Assets	37	17	29	22	16	14	9	31	17	41
Increases in Obligations Under Capital Leases		3		1		10	3	3		15
Gain on Other Financial Activity										7
Insurance Recoveries		7	2	15	18	15	12	2	5	9
<b>Total Other Financing Sources (Uses)</b>	<b>(3,481)</b>	<b>(3,623)</b>	<b>(1,508)</b>	<b>(783)</b>	<b>(2,327)</b>	<b>(456)</b>	<b>(2,564)</b>	<b>(3,607)</b>	<b>(2,474)</b>	<b>(2,935)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 5,340</b>	<b>\$ 6,420</b>	<b>\$ 7,537</b>	<b>\$ 1,553</b>	<b>\$ (4,198)</b>	<b>\$ 502</b>	<b>\$ 1,155</b>	<b>\$ 2,936</b>	<b>\$ 7,347</b>	<b>\$ 8,184</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>										
	1.2%	1.1%	1.3%	1.2%	1.4%	1.7%	1.5%	1.5%	1.6%	1.7%

\* This table comprises the following funds: general, special revenue, debt service, capital projects and permanent.

\*\* Premiums on bonds issued were combined with bonds and notes issued in years prior to 2007.

Source: 2005 – 2014 state of Texas financial statements

STATE OF TEXAS  
**Statistical Section – Revenue Capacity Information**  
**Taxable Sales by Industry**  
**For the Calendar Years 2004 through 2013\***

(Amounts in Millions)

NAICS** Industry	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, Forestry, Fishing, Hunting	\$ 105	\$ 139	\$ 152	\$ 143	\$ 151	\$ 133	\$ 137	\$ 147	\$ 178	\$ 182
Mining, Quarrying, Oil & Gas Extraction	3,967	5,615	8,833	11,707	15,653	10,398	12,514	21,010	26,978	26,607
Utilities	5,485	6,657	9,068	9,237	10,883	9,623	9,525	9,945	9,266	9,568
Construction	8,132	9,381	11,603	13,258	14,292	10,948	10,834	12,725	15,078	16,621
Manufacturing	17,612	21,576	24,691	26,598	28,913	22,539	23,787	27,910	31,292	33,556
Wholesale Trade	19,047	20,249	25,315	25,853	27,918	21,444	23,447	27,595	30,232	32,199
Retail Trade	108,141	117,266	127,165	134,740	136,845	130,829	133,441	140,924	152,843	162,120
Transportation, Warehousing	1,392	1,212	1,794	2,086	2,884	2,167	2,508	3,092	3,417	3,850
Information	24,843	26,071	28,489	32,242	33,075	32,753	33,036	34,618	36,376	38,237
Finance, Insurance	1,834	2,041	2,112	2,240	2,708	2,684	2,404	2,604	2,642	2,773
Real Estate, Rental, Leasing	5,861	6,829	8,257	8,950	9,526	7,526	7,814	9,204	10,492	11,494
Professional, Scientific, Technical Serv.	5,239	6,219	7,064	7,704	8,528	7,705	7,861	8,766	9,435	10,103
Management of Companies, Enterprises	1,972	1,981	838	595	511	336	322	393	440	511
Admin Supt Waste Mgmt Remediation Serv.	7,560	7,991	8,667	9,374	9,883	9,404	9,508	10,183	10,898	11,331
Educational Services	344	380	417	323	341	368	450	474	460	493
Health Care, Social Assistance	550	593	645	727	759	793	841	846	995	1,041
Arts, Entertainment, Recreation	2,567	2,751	3,033	3,342	3,591	3,544	3,640	3,940	4,136	4,499
Accommodation, Food Services	25,441	27,316	29,746	31,877	33,654	33,260	34,635	37,162	40,439	42,655
Other Services (Except Public Admin)	6,317	6,848	7,254	7,779	7,939	7,216	7,676	8,344	9,211	9,687
Public Administration	2,394	2,522	1,459	1,491	1,645	1,660	1,687	1,961	2,624	2,741
Nonclassifiable	8	7	4	4	4	4	4	6	5	5
Other	142	22	8	8	10	30	19	94	1,213	1,554
<b>Total Taxable Sales</b>	<b>\$ 248,953</b>	<b>\$ 273,666</b>	<b>\$ 306,614</b>	<b>\$ 330,278</b>	<b>\$ 349,713</b>	<b>\$ 315,364</b>	<b>\$ 326,090</b>	<b>\$ 361,943</b>	<b>\$ 398,650</b>	<b>\$ 421,827</b>
Direct Sales Tax Rate	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%

\* Fiscal 2014 data is not available until mid-year of the following fiscal year. Prior years subject to revisions due to length of verification process and amended returns.

\*\* North American Industry Classification System

Note: The amount of sales tax revenue should not be calculated from the table as there are numerous adjustments, allocations and refunds to arrive at actual taxable revenue.

Source: Texas Comptroller of Public Accounts, "Quarterly Sales Tax Reports"

STATE OF TEXAS

**Statistical Section – Revenue Capacity Information**  
**State Tax Collections and Retail Sales**

**Last Ten Fiscal Years**

(Amounts in Millions, Except Per Capita State Tax Collections and Percentage Data)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax Collections*	\$ 29,830	\$ 33,867	\$ 36,670	\$ 41,256	\$ 37,654	\$ 35,868	\$ 39,632	\$ 44,171	\$ 47,857	\$ 51,413
Percentage Tax Collection Change From Prior Year	6.6%	13.5%	8.3%	12.5%	(8.7)%	(4.7)%	10.5%	11.5%	8.3%	7.4%
Resident Population	22.9	23.4	23.9	24.4	24.9	25.3	25.7	26.1	26.5	26.9
Percentage Population Change From Prior Year	2.2%	2.2%	2.1%	2.1%	2.0%	1.6%	1.6%	1.6%	1.5%	1.5%
State Tax Collections Per Capita	\$ 1,303	\$ 1,447	\$ 1,534	\$ 1,691	\$ 1,512	\$ 1,418	\$ 1,542	\$ 1,692	\$ 1,806	\$ 1,911

\* This table comprises the following funds: general, special revenue, debt service and capital projects.

Source: Tax collection figures are from the 2005 – 2014 state of Texas financial statements.

Resident population figures are from the U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis and were revised from prior years due to changes in methodology, inflation factors, price indicators and revisions to interim census figures.

**Total Retail Sales**  
**Last Ten Years\***

(Amounts in Millions)

Year	Retail Sales	Percent Change
2005	\$ 364,788	7.2%
2006	\$ 380,303	4.3%
2007	\$ 394,884	3.8%
2008	\$ 435,256	10.2%
2009	\$ 389,524	(10.5)%
2010	\$ 399,398	2.5%
2011	\$ 432,915	8.4%
2012	\$ 464,382	7.3%
2013	\$ 511,738	10.2%
2014**	\$ 246,597	6.8%

\* Reported amounts for retail sales may be revised as more complete information is received.

\*\* Amount is for first half of 2014 and the percentage change is calculated over the first half of 2013.

Source: Texas Comptroller of Public Accounts

STATE OF TEXAS  
**Statistical Section – Revenue Capacity Information**  
**Texas Gross State Product by Industry**  
**Last Ten Years\***

(Amounts in Millions, Except Percentage Data)

NAICS** Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, Forestry and Fishing	\$ 8,492	\$ 7,650	\$ 8,506	\$ 7,464	\$ 5,964	\$ 9,709	\$ 9,804	\$ 10,194	\$ 13,375	\$ 13,192
% Change	(14.0)	(9.9)	11.2	(12.3)	(20.1)	62.8	1.0	4.0	31.2	(1.4)
Mining and Natural Resources	99,803	116,161	137,043	182,889	119,696	134,618	171,134	190,156	206,214	221,997
% Change	36.0	16.4	18.0	33.5	(34.6)	12.5	27.1	11.1	8.4	7.7
Construction	53,096	59,574	64,581	64,340	61,603	60,096	61,758	67,535	72,595	76,763
% Change	10.5	12.2	8.4	(0.4)	(4.3)	(2.4)	2.8	9.4	7.5	5.7
Manufacturing	147,275	168,625	181,273	163,627	153,204	178,942	210,312	228,050	233,194	245,699
% Change	4.3	14.5	7.5	(9.7)	(6.4)	16.8	17.5	8.4	2.3	5.4
Trade, Transportation and Utilities	186,102	203,909	213,600	220,989	213,255	226,093	240,696	267,490	278,953	294,620
% Change	7.3	9.6	4.8	3.5	(3.5)	6.0	6.5	11.1	4.3	5.6
Information	41,070	41,602	43,326	43,986	41,877	41,167	42,150	44,816	46,153	48,722
% Change	1.7	1.3	4.1	1.5	(4.8)	(1.7)	2.4	6.3	3.0	5.6
Financial Activities	141,719	150,992	158,527	165,722	167,303	175,302	183,743	196,497	207,101	213,896
% Change	6.9	6.5	5.0	4.5	1.0	4.8	4.8	6.9	5.4	3.3
Professional and Business Services	96,392	106,761	118,225	128,510	122,764	128,971	138,121	148,440	156,192	167,452
% Change	9.6	10.8	10.7	8.7	(4.5)	5.1	7.1	7.5	5.2	7.2
Educational and Health Services	58,293	62,493	65,731	70,915	77,579	80,979	83,898	88,329	92,557	96,743
% Change	3.9	7.2	5.2	7.9	9.4	4.4	3.6	5.3	4.8	4.5
Leisure and Hospitality Services	32,280	34,800	35,994	36,722	37,452	38,593	40,211	43,215	45,592	48,047
% Change	4.5	7.8	3.4	2.0	2.0	3.0	4.2	7.5	5.5	5.4
Other Private Services	22,713	24,387	25,255	25,496	26,077	26,644	27,200	28,815	29,903	30,432
% Change	6.4	7.4	3.6	1.0	2.3	2.2	2.1	5.9	3.8	1.8
Government, including Schools	110,857	116,839	124,900	132,671	140,460	147,402	148,296	149,464	150,773	153,233
% Change	5.5	5.4	6.9	6.2	5.9	4.9	0.6	0.8	0.9	1.6
<b>TOTAL</b>	<b>\$ 998,093</b>	<b>\$ 1,093,794</b>	<b>\$ 1,176,962</b>	<b>\$ 1,243,331</b>	<b>\$ 1,167,232</b>	<b>\$ 1,248,516</b>	<b>\$ 1,357,322</b>	<b>\$ 1,463,003</b>	<b>\$ 1,532,605</b>	<b>\$ 1,610,796</b>
% Change	8.4	9.6	7.6	5.6	(6.1)	7.0	8.7	7.8	4.8	5.1
<b>TOTAL</b> (In 2009 Chained Dollars)	<b>1,056,502</b>	<b>1,118,319</b>	<b>1,165,041</b>	<b>1,173,481</b>	<b>1,167,233</b>	<b>1,201,991</b>	<b>1,252,008</b>	<b>1,338,578</b>	<b>1,387,598</b>	<b>1,447,826</b>
% Change	2.0	5.9	4.2	0.7	(0.5)	3.0	4.2	6.9	3.7	4.3

\* The U.S. Bureau of Economic Analysis periodically revises its personal income and gross product data for states. These revisions include data changes for previous years, as new and more complete information becomes available.

\*\* North American Industry Classification System

Source: U.S. Bureau of Economic Analysis for 2005 – 2014 and IHS for 2014

STATE OF TEXAS  
**Statistical Section – Debt Capacity Information**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

(Amounts in Thousands, Except Percentage Data)

	2005	2006	2007	2008	2009
Debt Service Limit*	\$ 1,405,937	\$ 1,518,628	\$ 1,664,884	\$ 1,773,089	\$ 1,795,118
Total Net Debt Service Applicable to Limit	<u>620,989</u>	<u>545,725</u>	<u>605,518</u>	<u>1,450,498</u>	<u>1,464,078</u>
Legal Debt Service Margin	<u>\$ 784,948</u>	<u>\$ 972,903</u>	<u>\$ 1,059,366</u>	<u>\$ 322,591</u>	<u>\$ 331,040</u>
Total Net Debt Service Applicable to Limit as a Percentage of Debt Service Limit	44.2%	35.9%	36.4%	81.8%	81.6%

	2010	2011	2012	2013	2014
Debt Service Limit*	\$ 1,759,856	\$ 1,782,305	\$ 1,908,572	\$ 2,092,423	\$ 2,254,734
Total Net Debt Service Applicable to Limit	<u>1,443,705</u>	<u>1,318,175</u>	<u>1,329,298</u>	<u>1,271,754</u>	<u>1,222,025</u>
Legal Debt Service Margin	<u>\$ 316,151</u>	<u>\$ 464,130</u>	<u>\$ 579,274</u>	<u>\$ 820,669</u>	<u>\$ 1,032,709</u>
Total Net Debt Service Applicable to the Limit as a Percentage of Debt Service Limit	82.0%	74.0%	69.7%	60.8%	54.2%

**Legal Debt Service Margin Calculation for Fiscal 2014**

Unrestricted General Revenue fiscal 2012	\$ 42,287,113
Unrestricted General Revenue fiscal 2013	45,045,108
Unrestricted General Revenue fiscal 2014	47,951,831
Debt Service Limit*	2,254,734
Debt Service Applicable to Limit:	
Debt Service on Outstanding Debt Payable from General Revenue (GR)	542,367
Plus: Estimated Debt Service on Authorized but Unissued Debt Payable From GR	<u>679,658</u>
Total Net Debt Service Applicable to Limit	1,222,025
Legal Debt Service Margin	<u>\$ 1,032,709</u>

\* Debt service limit – Under state law, the maximum annual debt service in any fiscal year on state debt payable from the general revenue fund may not exceed 5 percent of an amount equal to the average of the unrestricted general revenue fund revenues for the three preceding fiscal years.

Source: Texas Bond Review Board

## STATE OF TEXAS

## Statistical Section – Debt Capacity Information

### Ratio of Outstanding Debt by Type

#### Last Ten Fiscal Years

(Amounts in Millions, Except Percentage Data and Per Capita)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita*
	General Obligation Bonds	Revenue Bonds	Notes and Loans	Capital Leases	General Obligation Bonds	Revenue Bonds	Notes and Loans	Capital Leases			
2005	\$ 3,972	\$ 632	\$ 262	\$ 44	\$ 2,815	\$ 11,749	\$ 1,614	\$ 14	\$ 21,102	2.8%	\$ 921
2006	4,479	1,152	331	15	2,739	12,378	1,741	12	22,847	2.8%	975
2007	6,757	2,031	216	11	2,775	12,304	2,029	14	26,137	3.0%	1,094
2008	8,061	3,445	340	10	2,708	13,370	2,437	14	30,385	3.2%	1,247
2009	9,745	3,287	150	8	2,927	15,488	2,348	13	33,966	3.7%	1,366
2010	10,086	5,620	761	15	2,944	17,043	3,103	14	39,586	4.1%	1,565
2011	11,520	5,456	1,150	14	2,956	18,767	2,006	20	41,889	4.0%	1,631
2012	11,314	4,277	1,381	12	3,230	19,033	2,075	22	41,344	3.7%	1,583
2013	12,089	4,100	1,528	2	3,670	20,964	2,322	20	44,695	3.9%	1,687
2014	12,052	4,662	1,295	34	3,765	20,404	2,140	17	44,369	3.6%	1,650

\* Prior years numbers are subject to revisions. Calculation based on resident population figures from U.S. Bureau of the Census and Texas Comptroller of Public Accounts.

Source: 2005 – 2014 state of Texas financial statements

## STATE OF TEXAS

**Statistical Section – Debt Capacity Information****Ratios of General Bonded Debt Outstanding****Last Ten Fiscal Years\***

(Amounts in Millions, Except Percentage Data and General Bonded Debt Per Capita)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bonded Debt (General										
Obligation Bonds Only)	\$ 6,787	\$ 7,218	\$ 9,532	\$ 10,768	\$ 12,672	\$ 13,029	\$ 14,476	\$ 14,544	\$ 15,759	\$ 15,817
Percentage Bonded Debt										
Change From Prior Year	16.3%	6.4%	32.1%	13.0%	17.7%	2.8%	11.1%	0.5%	8.4%	0.4%
Tax Collections	\$ 29,830	\$ 33,867	\$ 36,670	\$ 41,256	\$ 37,654	\$ 35,868	\$ 39,632	\$ 44,171	\$ 47,857	\$ 51,413
Percentage Bonded Debt to										
Tax Collections	22.8%	21.3%	26.0%	26.1%	33.7%	36.3%	36.5%	32.9%	32.9%	30.8%
Resident Population	22.9	23.4	23.9	24.4	24.9	25.3	25.7	26.1	26.6	26.9
General Bonded Debt										
Per Capita	\$ 296	\$ 308	\$ 399	\$ 441	\$ 509	\$ 515	\$ 563	\$ 557	\$ 592	\$ 588

\* Historical data may reflect a variety of changes in methodology, inflation factors, price indicators and revisions to interim census figures made by the U.S. Bureau of Economic Analysis.

Source: Bonded debt and tax collection amounts are from the 2005 – 2014 state of Texas financial statements.

Resident population figures are from the U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

STATE OF TEXAS  
**Statistical Section – Debt Capacity Information**  
**Pledged Revenue Bond Coverage**  
**Last Ten Fiscal Years**

(Amounts in Thousands, Except Ratio Data)

	2005	2006	2007	2008	2009
<b>GOVERNMENTAL ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$ 150,119	\$ 81,011	\$ 5,765,826	\$ 6,748,490	\$ 6,640,110
Operating Expenditures	15,540	1,452	6,881,279	7,447,496	7,233,759
Net Available Revenue	<u>\$ 134,579</u>	<u>\$ 79,559</u>	<u>\$ (1,115,453)</u>	<u>\$ (699,006)</u>	<u>\$ (593,649)</u>
Debt Service –					
Principal	\$ 84,087	\$ 86,056	\$ 104,077	\$ 112,250	\$ 156,490
Interest	26,115	25,764	66,822	118,203	152,025
Total Debt Service	<u>\$ 110,202</u>	<u>\$ 111,820</u>	<u>\$ 170,899</u>	<u>\$ 230,453</u>	<u>\$ 308,515</u>
Coverage Ratio	1.2	0.7	(6.5)	(3.0)	(1.9)
<b>BUSINESS-TYPE ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$ 8,369,686	\$ 9,088,841	\$ 9,869,477	\$ 10,225,735	\$ 10,700,325
Operating Expenditures	839,699	364,043	1,457,567	11,698,563	8,481,872
Net Available Revenue	<u>\$ 7,529,987</u>	<u>\$ 8,724,798</u>	<u>\$ 8,411,910</u>	<u>\$ (1,472,828)</u>	<u>\$ 2,218,453</u>
Debt Service –					
Principal	\$ 532,128	\$ 623,346	\$ 683,150	\$ 420,487	\$ 455,540
Interest	503,958	537,104	560,359	558,666	620,323
Total Debt Service	<u>\$ 1,036,086</u>	<u>\$ 1,160,450</u>	<u>\$ 1,243,509</u>	<u>\$ 979,153</u>	<u>\$ 1,075,863</u>
Coverage Ratio	7.3	7.5	6.8	(1.5)	2.1
<b>COMPONENT UNITS*</b>					
Pledged Revenue Bond Amount	\$ 13,524	\$ 13,704	\$ 13,034	\$ 10,971	\$ 62,397
Operating Expenditures	225	264	91	552	1,051
Net Available Revenue	<u>\$ 13,299</u>	<u>\$ 13,440</u>	<u>\$ 12,943</u>	<u>\$ 10,419</u>	<u>\$ 61,346</u>
Debt Service –					
Principal	\$ 3,628	\$ 5,840	\$ 5,485	\$ 5,090	\$ 78,793
Interest	3,628	4,940	5,051	3,610	16,926
Total Debt Service	<u>\$ 3,628</u>	<u>\$ 10,780</u>	<u>\$ 10,536</u>	<u>\$ 8,700</u>	<u>\$ 95,719</u>
Coverage Ratio	3.7	1.2	1.2	1.2	0.6
Total Combined Coverage Ratio	6.7	6.9	5.1	(1.8)	1.1

\* Component unit amounts from 2005 to 2007 were adjusted to reflect revised reporting of debt coverage in 2008 and 2009.

Note: This bond data includes operating revenues, interest earned on investments, other pledged revenues and other sources.  
Operating expenditures include capital outlay expenditures.

Source: 2005 – 2014 state of Texas financial statements and bond reporting system

2010	2011	2012	2013	2014
\$ 5,522,453	\$ 6,085,973	\$ 6,619,706	\$ 6,823,519	\$ 7,497,602
6,085,684	6,729,036	6,075,344	6,738	7,353,756
<u>\$ (563,231)</u>	<u>\$ (643,063)</u>	<u>\$ 544,362</u>	<u>\$ 6,816,781</u>	<u>\$ 143,846</u>
\$ 168,785	\$ 161,750	\$ 170,650	\$ 172,015	\$ 174,925
147,501	263,708	210,694	203,294	196,102
<u>\$ 316,286</u>	<u>\$ 425,458</u>	<u>\$ 381,344</u>	<u>\$ 375,309</u>	<u>\$ 371,027</u>
(1.8)	(1.5)	1.4	18.2	0.4
\$11,514,734	\$12,864,956	\$13,595,957	\$14,723,022	\$16,052,498
9,202,811	9,986,234	10,516,772	11,780,640	12,203,713
<u>\$ 2,311,923</u>	<u>\$ 2,878,722</u>	<u>\$ 3,079,185</u>	<u>\$ 2,942,382</u>	<u>\$ 3,848,785</u>
\$ 482,474	\$ 638,223	\$ 637,203	\$ 705,187	\$ 773,920
703,116	792,065	827,258	802,272	843,685
<u>\$ 1,185,590</u>	<u>\$ 1,430,288</u>	<u>\$ 1,464,461</u>	<u>\$ 1,507,459</u>	<u>\$ 1,617,605</u>
2.0	2.0	2.1	2.0	2.4
\$ 63,667	\$ 97,297	\$ 42,905	\$ 189,908	\$ 145,536
1,332	1,038	754	217	-
<u>\$ 62,335</u>	<u>\$ 96,259</u>	<u>\$ 42,151</u>	<u>\$ 189,691</u>	<u>\$ 145,536</u>
\$ 42,762	\$ 58,588	\$ 29,849	\$ 92,259	\$ 43,186
5,194	11,760	10,943	11,615	9,463
<u>\$ 47,956</u>	<u>\$ 70,348</u>	<u>\$ 40,792</u>	<u>\$ 103,874</u>	<u>\$ 52,649</u>
1.3	1.4	1.0	1.8	2.8
1.2	1.2	1.9	5.0	2.0

STATE OF TEXAS  
**Statistical Section – Demographic and Economic Information**  
**Texas Nonfarm Employment Detail: Number of Jobs**  
**Calendar Years 2005 – 2014\***

Employment by Industry	2005	2006	2007	2008	2009
<b>GOODS-PRODUCING</b>					
Natural Resources and Mining	166,000	185,800	207,400	230,200	202,200
Construction	566,700	605,300	648,200	673,500	597,500
Manufacturing					
Durables	570,200	599,800	613,100	607,800	536,400
Nondurables	326,700	324,200	321,000	316,800	302,000
Total, Goods-Producing	<u>1,629,600</u>	<u>1,715,100</u>	<u>1,789,700</u>	<u>1,828,300</u>	<u>1,638,100</u>
<b>SERVICE-PROVIDING</b>					
Trade, Transportation, and Utilities					
Wholesale Trade	477,300	497,900	518,900	529,000	499,200
Retail Trade	1,109,100	1,132,300	1,161,200	1,174,300	1,141,700
Transportation and Warehousing	361,300	374,700	387,600	392,400	372,000
Utilities	45,700	44,300	45,500	47,300	47,900
Information	223,100	221,600	221,000	217,200	204,300
Financial Activities					
Finance and Insurance	436,300	451,100	461,700	461,800	452,700
Real Estate and Rental and Leasing	173,100	177,100	182,200	185,300	175,400
Professional and Business Services					
Professional, Scientific and Technical	493,300	522,500	558,200	586,200	563,200
Management, Administrative and Support	668,400	718,300	744,100	750,400	688,700
Educational and Health Services					
Educational Services, Private	140,600	143,100	146,900	148,800	150,700
Health Care and Social Assistance	1,043,800	1,073,500	1,108,600	1,140,600	1,185,600
Leisure and Hospitality	906,800	940,300	979,800	1,006,000	1,006,000
Other Services	347,800	347,800	355,300	363,100	361,100
Government					
Federal Civilian	181,900	185,400	186,300	191,100	197,800
State	346,000	350,200	355,700	361,500	368,200
Local	1,152,700	1,167,800	1,189,200	1,223,100	1,251,900
Total, Service-Providing	<u>8,107,200</u>	<u>8,347,900</u>	<u>8,602,200</u>	<u>8,778,100</u>	<u>8,666,400</u>
Total Nonfarm Employment	<u>9,736,800</u>	<u>10,063,000</u>	<u>10,391,900</u>	<u>10,606,400</u>	<u>10,304,500</u>

\* Data in the table are annual averages. Prior years are subject to annual benchmark revisions.

\*\* Data for 2014 includes estimates for the final month.

Due to confidentiality issues, the names of the ten largest revenue payers are not available. This table provides alternative information regarding the source of the state's major tax revenue.

Source: Texas Workforce Commission and IHS

2010	2011	2012	2013	2014**
206,300	237,400	271,800	290,400	312,500
563,900	563,700	584,400	612,500	638,200
517,000	542,700	568,800	576,100	585,400
295,300	293,200	295,100	295,600	299,600
<u>1,582,500</u>	<u>1,637,000</u>	<u>1,720,100</u>	<u>1,774,600</u>	<u>1,835,700</u>
496,600	516,100	540,800	559,400	580,000
1,136,600	1,160,100	1,186,100	1,220,200	1,253,600
370,700	385,200	402,000	415,500	442,200
48,100	48,400	48,400	48,800	49,600
195,700	195,800	197,400	200,700	207,200
454,400	466,600	481,700	495,000	509,200
171,000	174,100	179,700	186,600	193,700
566,700	587,900	621,500	645,900	673,300
707,900	752,500	788,100	812,600	846,300
155,900	161,400	166,100	173,700	183,900
1,225,100	1,252,300	1,279,400	1,310,100	1,345,900
1,008,000	1,041,000	1,086,000	1,141,000	1,187,000
360,400	367,400	382,400	396,300	403,500
209,700	201,400	199,200	197,000	190,500
374,700	366,000	361,700	364,400	366,500
1,272,200	1,253,300	1,233,100	1,249,700	1,283,700
<u>8,753,700</u>	<u>8,929,500</u>	<u>9,153,600</u>	<u>9,416,900</u>	<u>9,716,100</u>
<u>10,336,200</u>	<u>10,566,500</u>	<u>10,873,700</u>	<u>11,191,500</u>	<u>11,551,800</u>

STATE OF TEXAS

**Statistical Section – Demographic and Economic Information**  
**Texas and U.S. Selected Statistics**

**Last Ten Calendar Years\***

Year	Population (Thousands)				Total Personal Income (Millions)				Per Capita Income			
	Texas	Percent Change	U.S.	Percent Change	Texas	Percent Change	U.S.	Percent Change	Texas	Percent Change	U.S.	Percent Change
2005	22,897	2.0%	296,460	0.9%	756,298	8.7%	10,609,275	5.6%	33,030	6.5%	35,787	4.6%
2006	23,426	2.3%	299,282	1.0%	828,546	9.6%	11,389,000	7.3%	35,369	7.1%	38,054	6.3%
2007	23,891	2.0%	302,227	1.0%	878,517	6.0%	11,994,875	5.3%	36,772	4.0%	39,688	4.3%
2008	24,371	2.0%	304,948	0.9%	963,718	9.7%	12,429,625	3.6%	39,544	7.5%	40,760	2.7%
2009	24,857	2.0%	307,580	0.9%	916,321	(4.9)%	12,087,450	(2.8)%	36,864	(6.8)%	39,299	(3.6)%
2010	25,294	1.8%	310,070	0.8%	960,970	4.9%	12,429,350	2.8%	37,991	3.1%	40,086	2.0%
2011	25,695	1.6%	312,315	0.7%	1,051,688	9.4%	13,201,975	6.2%	40,930	7.7%	42,271	5.5%
2012	26,107	1.6%	314,524	0.7%	1,127,675	7.2%	13,887,700	5.2%	43,195	5.5%	44,155	4.5%
2013	26,497	1.5%	316,746	0.7%	1,160,079	2.9%	14,166,900	2.0%	43,782	1.4%	44,726	1.3%
2014**	26,889	1.5%	319,016	0.7%	1,230,290	6.1%	14,715,958	3.9%	45,754	4.5%	46,129	3.1%

\* Prior years are subject to revisions.

\*\* Numbers for 2014 include some forecast model quarterly estimates for the latter part of the year.

Source: U.S. Bureau of Economic Analysis, U.S. Bureau of the Census and Texas Comptroller of Public Accounts

**Texas and U.S. Employment and  
Unemployment Rates**

**Last Ten Calendar Years\***

(Thousands of Jobs and Percent)

Year	Nonfarm Employment				Unemployment Percentage Rate	
	Texas	Percent Change	U.S.	Percent Change	Texas	U.S.
2005	9,737	2.6%	133,997	1.7%	5.4%	5.1%
2006	10,063	3.3%	136,403	1.8%	4.9%	4.6%
2007	10,392	3.3%	137,935	1.1%	4.3%	4.6%
2008	10,607	2.1%	137,170	(0.6)%	4.9%	5.8%
2009	10,304	(2.9)%	131,220	(4.3)%	7.5%	9.3%
2010	10,336	0.3%	130,272	(0.7)%	8.2%	9.6%
2011	10,566	2.2%	131,849	1.2%	7.9%	8.9%
2012	10,874	2.9%	134,098	1.7%	6.9%	8.1%
2013	11,192	2.9%	136,363	1.7%	6.3%	7.4%
2014**	11,575	3.4%	138,850	1.8%	5.2%	6.2%

\* Prior years numbers are subject to benchmark revisions.

\*\* Texas numbers for 2014 include an estimate for the final month of the year.

Source: Texas Workforce Commission, Texas Comptroller of Public Accounts and U.S. Bureau of Labor Statistics.

STATE OF TEXAS  
**Statistical Section – Operating Information**  
**Full-Time Equivalent Employees by Function**  
**Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>FUNCTION</b>										
General Government	13,435	12,999	13,438	13,155	13,720	13,801	13,692	12,955	13,036	12,786
Education	140,367	144,636	146,944	152,121	156,375	159,918	161,636	161,670	163,239	165,199
Employee Benefits	292	294	302	311	325	344	338	334	335	342
Teacher Retirement State Contributions	451	444	445	454	476	496	514	515	533	584
Health and Human Services	48,389	49,097	50,910	53,161	56,067	58,071	58,717	57,790	57,437	57,659
Public Safety and Corrections	51,397	51,564	50,889	50,340	52,165	53,209	51,771	52,310	50,050	49,996
Transportation	14,551	14,744	14,748	14,148	13,257	12,692	12,513	12,436	12,456	12,456
Natural Resources and Recreation	8,053	8,018	8,014	8,264	8,484	8,646	8,388	7,855	7,930	8,070
Regulatory Services	3,882	3,869	3,828	3,891	4,048	4,052	3,942	3,841	3,819	3,867
Total FTEs	<u>280,817</u>	<u>285,665</u>	<u>289,518</u>	<u>295,845</u>	<u>304,917</u>	<u>311,229</u>	<u>311,511</u>	<u>309,706</u>	<u>308,835</u>	<u>310,959</u>
Percentage Change	2.2%	1.7%	1.3%	2.2%	3.1%	2.1%	0.1%	(0.6)%	(0.3)%	0.7%

Source: Texas State Auditor's Office

STATE OF TEXAS  
**Statistical Section – Operating Information**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years\***

Function	2005	2006	2007	2008	2009
<b>GENERAL GOVERNMENT</b>					
Number of Texas Facilities Commission Owned Facilities	71	75	75	137	137
State Real Property Inventory in Acres	2,446,418	2,425,037	1,322,123	1,325,319	1,329,671
<b>EDUCATION</b>					
Number of School Districts	1,037	1,033	1,031	1,031	1,031
Number of Students	4,383,871	4,505,572	4,576,933	4,671,493	4,749,571
Number of Higher Education Institutions	145	145	145	145	145
<b>HEALTH AND HUMAN SERVICES</b>					
Number of State Mental Health Facilities	39	39	39	39	39
Number of State Hospitals	10	10	10	11	11
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of State Prisons – Texas Department of Criminal Justice only	106	106	106	112	113
Number of Available Beds (Capacity)	155,277	156,520	156,652	160,622	159,656
Number of Authorized Vehicular State Patrol Units	1,095	1,195	1,281	1,281	1,494
<b>TRANSPORTATION</b>					
Centerline Miles of Highways**	79,696	79,849	79,975	80,067	79,903
Number of Bridges***	32,421	33,322	32,996	33,118	33,393
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Managed	117	112	110	93	93
Number of Park Acreage	610,319	608,716	602,892	605,470	614,790

\* Prior years are subject to revisions.

\*\* Highway miles = state maintained centerline miles (miles traveled in one direction regardless of the number of lanes in a roadway). Centerline miles for 2014 are not available until June, 2015.

\*\*\* Number of bridges are the bridges owned by the state. Texas Department of Transportation also works on off-system bridges (county and city-owned bridges). Off-system bridges are not included in the number of bridges total.

Source: Various state agencies and official state agency websites. Complete capital asset statistics by function for all data presented only available from 2005 – 2014.

2010	2011	2012	2013	2014
133	133	131	131	210
1,342,038	1,333,113	1,342,680	1,554,664	1,559,615
1,030	1,029	1,244	1,245	1,238
4,847,844	4,933,617	4,978,120	5,058,939	5,135,880
148	148	148	148	148
39	39	39	39	38
11	11	11	12	12
112	111	111	111	109
159,771	163,144	162,057	161,168	156,756
1,811	1,572	1,791	1,791	1,804
79,992	80,233	80,268	80,323	N/A
33,679	33,883	34,337	34,576	34,892
93	93	94	95	95
604,799	621,491	624,602	630,394	630,597

STATE OF TEXAS  
**Statistical Section – Operating Information**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	2005	2006	2007	2008	2009
<b>GENERAL GOVERNMENT / REGULATORY SERVICES</b>					
Number of Tax Returns Processed	3,796,940	3,904,659	4,251,103	4,054,947	4,471,082
Number of Licenses Issued**	1,494,693	1,554,754	1,166,069	1,243,330	1,310,014
<b>EDUCATION</b>					
Average Daily School Attendance (ADA)	4,099,615	4,205,729	4,260,406	4,326,176	4,420,134
Percent of Students Passing TAKS Test*	62%	67%	70%	72%	74%
Percent of Students Passing STAAR Test*	N/A	N/A	N/A	N/A	N/A
Texas Higher Education Enrollments**	1,184,373	1,211,582	1,228,897	1,264,286	1,366,436
Higher Education Degrees Awarded***	185,326	188,258	193,321	198,298	209,868
<b>HEALTH AND HUMAN SERVICES</b>					
Number of Medicaid Clients Served****	2,779,373	2,873,786	2,832,214	2,877,203	3,002,731
Number of TANF Clients Served ****	219,045	172,776	145,838	125,309	113,786
Number of Immunizations	6,381,835	11,617,682	12,827,417	12,771,928	12,734,334
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of New Prison Population	73,815	74,170	73,525	74,283	72,738
Number of Prison Population Released	69,846	71,214	72,032	72,002	72,218
Average Daily Prison Population	151,448	151,734	152,805	155,588	155,432
Authorized Number of Troopers Patrolling Texas Highways	1,628	1,628	1,689	1,709	1,825
<b>TRANSPORTATION</b>					
Number of Construction Project Preliminary Engineering Plans Completed	989	1,075	877	694	710
Number of Lane Miles Receiving Roadway Surface Improvements: – By Contract	18,554	15,811	13,197	8,462	15,671
– Via State Sources	7,318	6,406	5,984	6,344	5,910
Number of Vehicles Registered	19,624,460	20,609,866	21,432,773	24,359,319	24,607,246
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Visits (in Millions)	5.2	5.0	4.9	4.3	4.5
Number of Parks and Wildlife Licenses Issued*****	2,626,957	2,625,225	2,665,045	2,892,695	2,932,002

\* The TAKS (Texas Assessment of Knowledge and Skills) was phased out beginning in 2012 and was replaced by the STAAR (State of Texas Assessments of Academic Readiness). Due to the transition, ratings were suspended in 2012 while a new accountability system was developed. The new STAAR state rating system became effective in 2013.

\*\* The current year figure is not available. The final count will be revised and certified the following year.

\*\*\* The 2014 degrees conferred will not be available until later in 2015.

\*\*\*\* Medicaid average monthly caseload is based on data through December 2014. Fiscal 2013 data was finalized March 2014, and fiscal 2014 data will be finalized March 2015. TANF is based on data through October 2014.

\*\*\*\*\* Includes commercial and recreational licenses, stamps, tags and permits. Does not include items such as hunting lease license sales, collector's stamp sales, hunt drawing sales and other similar items sold through the Point-of-Sale System.

Other Sources: Various state agencies, state agency reports and official state agency websites. Prior years are subject to revisions.

2010	2011	2012	2013	2014
4,594,272	4,642,495	4,820,459	5,054,013	5,026,391
1,314,903	1,332,146	1,422,788	1,165,705	N/A
4,506,950	4,592,226	4,633,341	4,699,372	4,780,813
77%	76%	N/A	N/A	N/A
N/A	N/A	N/A	77%	77%
1,464,081	1,509,098	1,457,502	1,453,630	N/A
224,498	238,665	251,098	263,371	N/A
3,296,439	3,541,286	3,652,489	3,653,935	3,741,334
121,290	116,386	107,288	93,988	80,804
14,412,427	12,258,819	13,393,087	15,225,244	15,883,882
72,315	73,988	74,232	71,713	71,325
71,063	70,916	77,316	72,071	70,521
154,315	155,830	154,933	151,265	150,620
1,814	1,794	1,791	1,791	1,804
1,169	944	750	905	769
16,160	14,749	18,693	17,941	17,054
6,718	8,389	9,643	8,941	7,939
21,570,282	21,939,786	22,618,153	23,227,032	23,886,263
4.4	4.3	4.3	4.5	4.6
2,749,336	2,873,967	2,891,267	2,961,781	3,028,100



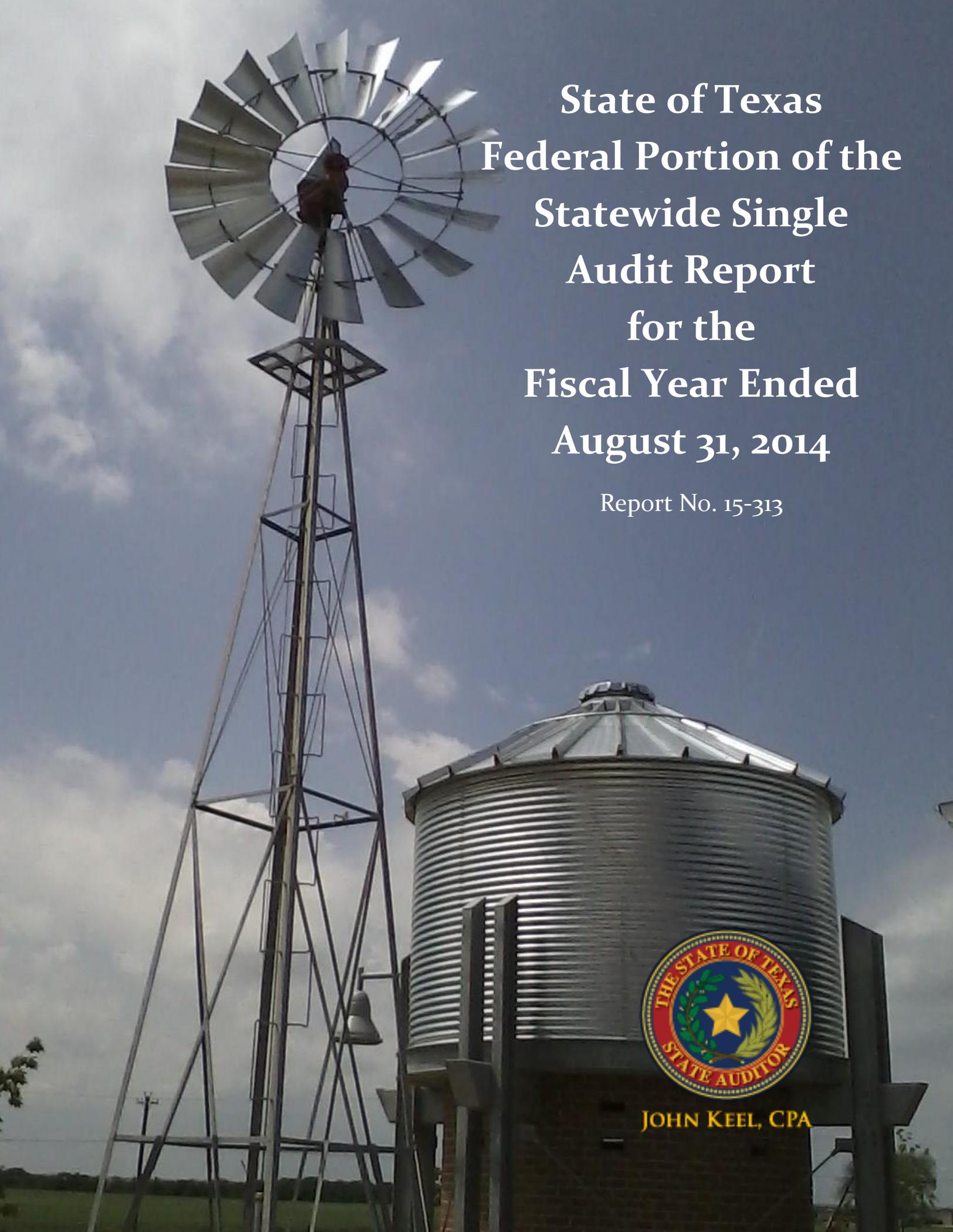




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**State of Texas  
Federal Portion of the  
Statewide Single  
Audit Report  
for the  
Fiscal Year Ended  
August 31, 2014**

Report No. 15-313



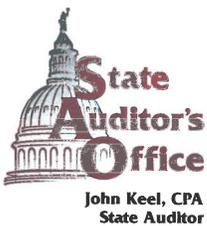
**JOHN KEEL, CPA**

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**Independent Auditors' Reports**  
Federal Portion of  
Statewide Single Audit Report  
For the Year Ended August 31, 2014

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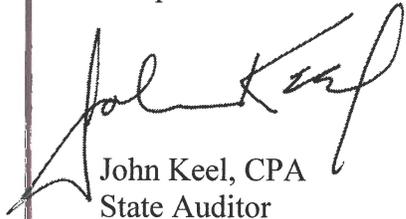


## INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas, as of and for the year ended August 31, 2014, and have issued our report thereon dated February 20, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

As described in Note 1 to the schedule of expenditures of federal awards, the schedule of expenditures of federal awards does not include expenditures of federal awards for six component units of the State of Texas. Each of those component units has its own independent audit in compliance with OMB Circular A-133.



John Keel, CPA  
State Auditor

February 20, 2015

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SAO Report No. 15-320



KPMG LLP  
Suite 1900  
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**Independent Auditors' Report on Compliance  
for Each Major Program and Report on Internal Control Over  
Compliance Required by OMB Circular A-133**

The Honorable Greg Abbott, Governor,  
The Honorable Dan Patrick, Lieutenant Governor,  
The Honorable Joe Straus, Speaker of the House of Representatives,  
Members of the State Legislature, State of Texas

**Report on Compliance for Each Major Federal Program**

We have audited the State of Texas' (the State) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended August 31, 2014. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The State's financial statements include the operations of OneStar National Service Commission, Texas Health Insurance Risk Pool, Texas Boll Weevil Eradication Foundation, Inc., Texas State Affordable Housing Corporation, and Teacher Retirement System of Texas (the component units of the State), which received approximately \$105 million in federal awards which is not included in the schedule of expenditures of federal awards for the year ended August 31, 2014. Our audit, described below, did not include the operations of the component units of the State because each of those component units has engaged other auditors to perform an audit in accordance with OMB Circular A-133, if applicable.

***Management's Responsibility***

Management of the State Agencies and Universities are responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the State's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Student Financial Assistance Cluster, Research and Development Cluster, CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds, CFDA 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters), CFDA-97.067 – Homeland Security Grant Program, CFDA 20.233 – Border Enforcement Grants, and the Highway Planning and Construction Cluster major federal programs (the other auditor major federal programs) which represent approximately 19% of total federal assistance received by the State for the year ended August 31, 2014. The other auditor's major federal programs are identified in the accompanying schedule of findings and questioned costs as major federal programs and were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the other auditor's major federal programs is based solely on the reports of the other auditor. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the State’s compliance.

***Basis for Qualified Opinions***

As identified below and described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

<u>Agency/University</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
General Land Office	CDBG – State–Administered CDBG Cluster	Davis – Bacon Act Subrecipient Monitoring	2014-005
Health and Human Services Commission	TANF Cluster	Subrecipient Monitoring	2014-007
Health and Human Services Commission Department of Aging and Disability Services	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2014-014
University of North Texas	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions – Institutional Eligibility	2014-146
University of Texas at Arlington	Student Financial Assistance Cluster	Eligibility Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Reporting Special Tests and Provisions – Separate Funds Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan) Special Tests and Provisions – Institutional Eligibility	2014-148

Compliance with such requirements is necessary, in our opinion and the opinion of the other auditor, for the State to comply with the requirements applicable to that program.

***Qualified Opinions***

In our opinion, based on our audit and the reports of the other auditor, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major programs identified in the Basis for Qualified Opinions paragraph for the year ended August 31, 2014.



***Unmodified Opinions on Each of the Other Major Federal Programs***

In our opinion, based on our audit and the reports of the other auditor, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended August 31, 2014.

***Other Matters***

The results of our auditing procedures and the reports of the other auditor disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of Aging and Disability Services	Aging Cluster	Matching, Level of Effort, Earmarking Reporting Subrecipient Monitoring	2014-001
		Period of Availability of Federal Funds Reporting	2014-002
Department of Assistive Rehabilitative Services	CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility	2014-003
Department of Family and Protective Services	CFDA 93.658 – Foster Care Title IV–E	Reporting	2014-004
Health and Human Services Commission	TANF Cluster	Special Tests and Provisions – Child Support Non-Cooperation	2014-008
	SNAP Cluster	Special Tests and Provisions – EBT Card Security	2014-009
Health and Human Services Commission Department of Aging and Disability Services Department of State Health Services	CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children CFDA 93.667 – Social Services Block Grant CFDA 93.917 – HIV Care Formula Grants CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse Aging Cluster TANF Cluster	Subrecipient Monitoring	2014-013



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Health and Human Services Commission Department of Aging and Disability Services Department of State Health Services	Medicaid Cluster	Special Tests and Provisions – Provider Health and Safety Standards	2014-015
Office of Attorney General	CFDA 16.576 – Crime Victim Compensation	Allowable Costs/Cost Principles	2014-016
Department of State Health Services	CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children CFDA 93.268 – Immunization Cooperative Agreements	Reporting	2014-018
	CFDA 93.667 – Social Services Block Grant	Matching, Level of Effort, Earmarking Subrecipient Monitoring	2014-019
Texas Higher Education Coordinating Board	CFDA 84.032L – Federal Family Education Loans (Lenders)	Special Tests and Provisions – Individual Record Review Special Tests and Provisions – Enrollment Reports	2014-022
Texas Workforce Commission	CFDA 17.225 – Unemployment Insurance	Special Tests and Provisions – UI Benefit Payments	2014-025
		Special Tests and Provisions – UC Program Integrity– Overpayments	2014-026
Prairie View A&M University	Student Financial Assistance Cluster	Eligibility	2014-101
		Special Tests and Provisions – Verification	2014-102
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2014-103



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of Public Safety	CFDA 20.233 – Border Enforcement Grants	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds	2014-104
		Reporting	2014-105
	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-106
		Procurement and Suspension and Debarment Subrecipient Monitoring Cash Management Special Tests and Provisions – Project Accounting	2014-107
		Reporting	2014-108
	CFDA 97.067 – Homeland Security Grant Program	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-109
		Period of Availability of Federal Funds	2014-111
		Reporting	2014-112
		Subrecipient Monitoring Special Tests and Provisions – Subgrant Awards	2014-113
Texas A&M International University	Student Financial Assistance Cluster	Eligibility	2014-114
Texas A&M University	Student Financial Assistance Cluster	Eligibility	2014-115
Texas A&M University – Corpus Christi	Research and Development Cluster	Reporting	2014-117



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Texas A&M University – Kingsville	Student Financial Assistance Cluster	Eligibility	2014-118
		Special Tests and Provisions – Verification	2014-119
Texas A&M University – Texarkana	Student Financial Assistance Cluster	Eligibility	2014-120
		Special Tests and Provisions – Verification	2014-121
Texas State Technical College – Marshall	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions – Verification	2014-122
Texas State University	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-123
		Special Tests and Provisions – Return of Title IV Funds	2014-124
		Special Tests and Provisions – Enrollment Reporting	2014-125
Texas Tech University	Student Financial Assistance Cluster	Cash Management	2014-126
		Eligibility	2014-127
		Special Tests and Provisions – Verification	2014-128
		Special Tests and Provisions – Enrollment Reporting	2014-129
		Research and Development Cluster	Reporting
Department of Transportation	Highway Planning and Construction Cluster Highway Planning and Construction Cluster – ARRA	Davis – Bacon Act	2014-132



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of Transportation	Highway Planning and Construction Cluster	Procurement and Suspension and Debarment	2014-134
	Highway Planning and Construction Cluster Highway Planning and Construction Cluster – ARRA	Real Property Acquisition Relocation Assistance Special Tests and Provisions – Use of Other State or Local Government Agencies Special Tests and Provisions – Utilities	2014-135
	Highway Planning and Construction Cluster	Reporting	2014-136
	Highway Planning and Construction Cluster Highway Planning and Construction Cluster – ARRA	Subrecipient Monitoring Special Tests and Provisions – R3 – Subrecipient Monitoring	2014-137
		Special Tests and Provisions – Quality Assurance Program Special Tests and Provisions – Project Extensions	2014-138
University of Houston	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-139
		Special Tests and Provisions – Enrollment Reporting	2014-140
	Research and Development Cluster Research and Development Cluster – ARRA	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-141
	Research and Development Cluster	Period of Availability of Federal Funds	2014-142
	Reporting	2014-143	
University of Houston – Downtown	Student Financial Assistance Cluster	Eligibility	2014-144
		Special Tests and Provisions – Verification	2014-145



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
University of North Texas	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-147
University of Texas at Arlington	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-149
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2014-150
		Special Tests and Provisions – Return of Title IV Funds	2014-151
		Special Tests and Provisions – Enrollment Reporting	2014-152
University of Texas at Austin	Student Financial Assistance Cluster	Eligibility	2014-153
		Special Tests and Provisions – Student Loan Repayments	2014-154
University of Texas Health Science Center at Houston	Research and Development Cluster	Equipment and Real Property Management	2014-155
	Research and Development Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-156
	Research and Development Cluster Research and Development Cluster – ARRA	Period of Availability of Federal Funds	2014-157
		Subrecipient Monitoring Special Tests and Provisions – R3 – Subrecipient Monitoring	2014-158



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Activities Allowed or Unallowed	2014-159
	Research and Development Cluster – ARRA	Allowable Costs/Cost Principles Cash Management Period of Availability of Federal Funds	
	Research and Development Cluster	Equipment and Real Property Management	2014-160
		Reporting	2014-161
	Research and Development Cluster Research and Development Cluster - ARRA	Subrecipient Monitoring Special Tests and Provisions – R3 – Subrecipient Monitoring	2014-162
University of Texas Medical Branch at Galveston	Research and Development Cluster	Equipment and Real Property Management	2014-163
		Reporting	2014-164
University of Texas of the Permian Basin	Student Financial Assistance Cluster	Eligibility	2014-166
		Special Tests and Provisions – Verification	2014-167
University of Texas at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2014-168
West Texas A&M University	Student Financial Assistance Cluster	Eligibility	2014-169
		Special Tests and Provisions – Verification	2014-170

Our opinion on each major federal program, based on our audit and the reports of the other auditor, is not modified with respect to these matters.

The State’s responses to the noncompliance findings identified in our audit and the reports of the other auditor are described in the accompanying schedule of findings and questioned costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



## Report on Internal Control Over Compliance

Management of the State Agencies and Universities are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We and the other auditor consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and listed below to be material weaknesses.

<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
General Land Office	CDBG – State–Administered CDBG Cluster	Davis – Bacon Act Subrecipient Monitoring	2014-005
Health and Human Services Commission	TANF Cluster	Subrecipient Monitoring	2014-007
	CFDA 93.767 – Children’s Health Insurance Program Medicaid Cluster	Allowable Costs/Cost Principles	2014-010
Health and Human Services Commission	CFDA 93.767 – Children’s Health Insurance Program	Allowable Costs/Cost Principles	2014-012
Department of State Health Services	CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse Medicaid Cluster		
Health and Human Services Commission Department of Aging and Disability Services	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2014-014
University of North Texas	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions – Institutional Eligibility	2014-146



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
University of Texas at Arlington	Student Financial Assistance Cluster	Eligibility Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Reporting Special Tests and Provisions – Separate Funds Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan) Special Tests and Provisions – Institutional Eligibility	2014-148

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We and the other auditor consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and listed below to be significant deficiencies.

<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of Aging and Disability Services	Aging Cluster	Matching, Level of Effort, Earmarking Reporting Subrecipient Monitoring	2014-001
		Period of Availability of Funds Reporting	2014-002
Department of Assistive and Rehabilitative Services	CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility	2014-003
Department of Family and Protective Services	CFDA 93.658 – Foster Care Title IV–E	Reporting	2014-004



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Health and Human Services Commission	CFDA 93.767 – Children’s Health Insurance Program SNAP Cluster TANF Cluster Medicaid Cluster	Eligibility Special Tests and Provisions – Income Eligibility and Verification System Special Tests and Provisions – Penalty for Refusal to Work Special Tests and Provisions – Adult Custodial Parent of Child under Six When Child Care is Not Available Special Tests and Provisions – Child Support Non-Cooperation Special Tests and Provisions – ADP System for SNAP	2014-006
	TANF Cluster	Special Tests and Provisions – Child Support Non-Cooperation	2014-008
	SNAP Cluster	Special Tests and Provisions – EBT Card Security	2014-009
	Medicaid Cluster	Program Income	2014-011
Health and Human Services Commission Department of Aging and Disability Services Department of State Health Services	CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children CFDA 93.667 – Social Services Block Grant CFDA 93.917 – HIV Care Formula Grants CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse Aging Cluster TANF Cluster	Subrecipient Monitoring	2014-013
Health and Human Services Commission Department of Aging and Disability Services Department of State Health Services	Medicaid Cluster	Special Tests and Provisions – Provider Health and Safety Standards	2014-015



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Office of Attorney General	CFDA 16.576 – Crime Victim Compensation	Allowable Costs/Cost Principles	2014-016
Department of State Health Services	CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs/Cost Principles	2014-017
	CFDA 93.268 – Immunization Cooperative Agreements		
	CFDA 93.917 – HIV Care Formula Grants		
	CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse		
Department of State Health Services	CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2014-018
	CFDA 93.268 – Immunization Cooperative Agreements		
	CFDA 93.667 – Social Services Block Grant	Matching, Level of Effort, Earmarking Subrecipient Monitoring	2014-019
Texas Education Agency	CFDA 84.010 – Title I Grants to Local Educational Agencies	Cash Management Matching, Level of Effort, Earmarking Reporting Eligibility for Subrecipients Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools Special Tests and Provisions – Developing and Implementing Improvement Plans	2014-020
	CFDA 84.048 – Career and Technical Education – Basic Grants to States		
	CFDA 84.287 – Twenty-First Century Community Learning Centers		
	CFDA 84.365 – English Language Acquisition State Grants		
	CFDA 84.367 – Improving Teacher Quality State Grants		
	Special Education Cluster (IDEA) School Improvement Grants Cluster		
School Improvement Grants Cluster – ARRA			



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Texas Education Agency	CFDA 84.010 – Title I Grants to Local Educational Agencies CFDA 84.048 – Career and Technical Education – Basic Grants to States CFDA 84.287 – Twenty-First Century Community Learning Centers CFDA 84.365 – English Language Acquisition State Grants CFDA 84.367 – Improving Teacher Quality State Grants Special Education Cluster (IDEA) School Improvement Grants Cluster School Improvement Grants Cluster – ARRA	Cash Management Matching, Level of Effort, Earmarking Maintenance of Effort (MOE) for Subrecipients Period of Availability of Federal Funds Reporting Subrecipient Monitoring Special Tests and Provisions – ARRA Special Tests and Provisions – Developing and Implementing Improvement Plans	2014-021
Texas Higher Education Coordinating Board	CFDA 84.032L – Federal Family Education Loan (Lenders)	Special Tests and Provisions – Individual Record Review Special Tests and Provisions – Enrollment Reports	2014-022
	CFDA 84.048 – Career and Technical Education–Basic Grants to States	Reporting Subrecipient Monitoring	2014-023
Texas Workforce Commission	CFDA 17.225 – Unemployment Insurance WIA Cluster TANF Cluster	Matching, Level of Effort, Earmarking Reporting Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan	2014-024
	CFDA 17.225 – Unemployment Insurance	Special Tests and Provisions – UI Benefit Payments	2014-025
		Special Tests and Provisions – UC Program Integrity–Overpayments	2014-026
Prairie View A&M University	Student Financial Assistance Cluster	Eligibility	2014-101
		Special Tests and Provisions – Verification	2014-102



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Prairie View A&M University	Student Financial Assistance Cluster	Special Tests and Provisions – Disbursements To or On Behalf of Students	2014-103
Department of Public Safety	CFDA 20.233 – Border Enforcement Grants	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds	2014-104
		Reporting	2014-105
	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-106
		Procurement and Suspension and Debarment Subrecipient Monitoring Cash Management Special Tests and Provisions – Project Accounting	2014-107
		Reporting	2014-108
	CFDA 97.067 – Homeland Security Grant Program	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-109
		Matching, Level of Effort, Earmarking	2014-110
		Period of Availability of Federal Funds	2014-111
		Reporting	2014-112
			Subrecipient Monitoring Special Tests and Provisions – Subgrant Awards
Texas A&M International University	Student Financial Assistance Cluster	Eligibility	2014-114
Texas A&M University	Student Financial Assistance Cluster	Eligibility	2014-115



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Texas A&M University – Corpus Christi	Research and Development Cluster Research and Development Cluster – ARRA	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-116
	Research and Development Cluster	Reporting	2014-117
Texas A&M University – Kingsville	Student Financial Assistance Cluster	Eligibility	2014-118
		Special Tests and Provisions – Verification	2014-119
Texas A&M University – Texarkana	Student Financial Assistance Cluster	Eligibility	2014-120
		Special Tests and Provisions – Verification	2014-121
Texas State Technical College – Marshall	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions – Verification	2014-122
Texas State University	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-123
		Special Tests and Provisions – Return of Title IV Funds	2014-124
Texas Tech University	Student Financial Assistance Cluster	Eligibility	2014-127
		Special Tests and Provisions – Verification	2014-128
		Special Tests and Provisions – Enrollment Reporting	2014-129
	Research and Development Cluster	Reporting	2014-130
Department of Transportation	Highway Planning and Construction Cluster	Activities Allowed or Unallowed	2014-131



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of Transportation	Highway Planning and Construction Cluster Highway Planning and Construction Cluster – ARRA	Davis – Bacon Act	2014-132
	Highway Planning and Construction Cluster	Period of Availability of Federal Funds	2014-133
		Procurement and Suspension and Debarment	2014-134
	Highway Planning and Construction Cluster Highway Planning and Construction Cluster – ARRA	Real Property Acquisition Relocation Assistance Special Tests and Provisions – Use of Other State or Local Government Agencies Special Tests and Provisions - Utilities	2014-135
	Highway Planning and Construction Cluster	Reporting	2014-136
	Highway Planning and Construction Cluster Highway Planning and Construction Cluster – ARRA	Subrecipient Monitoring Special Tests and Provisions – R3 – Subrecipient Monitoring	2014-137
		Special Tests and Provisions – Quality Assurance Program Special Tests and Provisions – Project Extensions	2014-138
University of Houston	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2014-140
	Research and Development Cluster Research and Development Cluster – ARRA	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-141
	Research and Development Cluster	Period of Availability of Federal Funds	2014-142
Reporting		2014-143	
University of Houston – Downtown	Student Financial Assistance Cluster	Eligibility	2014-144



<b>Agency/University</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
University of Houston – Downtown	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-145
University of Texas at Arlington	Student Financial Assistance Cluster	Special Tests and Provisions – Verification	2014-149
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2014-150
		Special Tests and Provisions – Return of Title IV Funds	2014-151
		Special Tests and Provisions – Enrollment Reporting	2014-152
University of Texas at Austin	Student Financial Assistance Cluster	Eligibility	2014-153
		Special Tests and Provisions – Student Loan Repayments	2014-154
University of Texas Health Science Center at Houston	Research and Development Cluster	Equipment and Real Property Management	2014-155
	Research and Development Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2014-156
	Research and Development Cluster Research and Development Cluster – ARRA	Period of Availability of Federal Funds	2014-157
		Subrecipient Monitoring Special Tests and Provisions – R3 – Subrecipient Monitoring	2014-158
University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Activities Allowed or Unallowed	2014-159
	Research and Development Cluster – ARRA	Allowable Costs/Cost Principles Cash Management Period of Availability of Federal Funds	



<u>Agency/University</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Equipment and Real Property Management	2014-160
		Reporting	2014-161
	Research and Development Cluster Research and Development Cluster – ARRA	Subrecipient Monitoring Special Tests and Provisions – R3 – Subrecipient Monitoring	2014-162
University of Texas Medical Branch at Galveston	Research and Development Cluster	Equipment and Real Property Management	2014-163
		Reporting	2014-164
	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Equipment and Real Property Management	2014-165
University of Texas of the Permian Basin	Student Financial Assistance Cluster	Eligibility	2014-166
		Special Tests and Provisions – Verification	2014-167
University of Texas at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2014-168
West Texas A&M University	Student Financial Assistance Cluster	Eligibility	2014-169
		Special Tests and Provisions – Verification	2014-170

The State’s responses to the internal control over compliance findings identified in our audit, based on our audit and the reports of the other auditor, are described in the accompanying schedule of findings and questioned costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**KPMG LLP**

Austin, Texas  
February 20, 2015

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Agriculture</b>					
U.S. Department of Agriculture	10.XXX	AG-05G2-C-12-0002 RBS-13-17 u4129	\$	4,923 48,853 89,537	4,923 48,853 89,537
Total - CFDA 10.XXX			0	143,313	143,313
Agricultural Research Basic and Applied Research	10.001			19,901	19,901
Plant and Animal Disease, Pest Control, and Animal Care	10.025		134,323	4,656,997	4,791,320
Wetlands Reserve Program	10.072			(23,074)	(23,074)
Market News	10.153			9,400	9,400
Federal-State Marketing Improvement Program	10.156				
<i>Pass-Through from New Mexico State University</i>		Q01571		815	815
<i>Pass-Through from New Mexico State University</i>		Q01631		28,001	28,001
Total - CFDA 10.156			0	28,816	28,816
Market Protection and Promotion	10.163			1,373,798	1,373,798
Farmers' Market and Local Food Promotion Program	10.168			23,256	23,256
Specialty Crop Block Grant Program - Farm Bill	10.170		671,162	316,412	987,574
<i>Pass-Through from Texas Pecan Growers Association</i>		SCFB-1314-10		14,446	14,446
Total - CFDA 10.170			671,162	330,858	1,002,020
Grants for Agricultural Research, Special Research Grants	10.200			54,231	54,231
<i>Pass-Through from Kansas State University</i>		S11056		(985)	(985)
<i>Pass-Through from Kansas State University</i>		S14021		7,925	7,925
<i>Pass-Through from University of Florida</i>		1400281490		3,000	3,000
<i>Pass-Through from University of Florida - Gainesville</i>		1500338535		785	785
Total - CFDA 10.200			0	64,956	64,956
Sustainable Agriculture Research and Education	10.215				
<i>Pass-Through from University of Georgia</i>		RD309-117/4893536		7,974	7,974
<i>Pass-Through from University of Georgia</i>		RD309-117/4941046		5,347	5,347
<i>Pass-Through from University of Georgia</i>		RD309-122/4941446		21,102	21,102
<i>Pass-Through from University of Georgia</i>		RD309-125/4940986		21,989	21,989
<i>Pass-Through from University of Georgia</i>		RE675-155/4690388		(146)	(146)
Total - CFDA 10.215			0	56,266	56,266
1890 Institution Capacity Building Grants	10.216			301,796	301,796
Higher Education Institution Challenge Grants Program	10.217				
<i>Pass-Through from Auburn University</i>		12-HORT-373009-TAMU		2,500	2,500
Hispanic Serving Institutions Education Grants	10.223		189,446	787,854	977,300
<i>Pass-Through from University of Puerto Rico - Mayaguez</i>		2013-2014-008		16,819	16,819
Total - CFDA 10.223			189,446	804,673	994,119
Consumer Data and Nutrition Research	10.253			(9,551)	(9,551)
Integrated Programs	10.303		38,474	23,732	62,206
<i>Pass-Through from North Carolina State University</i>		2012-0413-03		14,199	14,199
<i>Pass-Through from North Carolina State University</i>		2012-2604-03		15,517	15,517
<i>Pass-Through from North Carolina State University</i>		2012-2604-17		7,377	7,377

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Agriculture (continued)</b>					
<i>Pass-Through from University of Florida</i>		UFDSP00010050		16,380	16,380
Total - CFDA 10.303			38,474	77,205	115,679
Homeland Security Agricultural	10.304				
<i>Pass-Through from Kansas State University</i>		S13011.01		21,674	21,674
<i>Pass-Through from Purdue University</i>		8000035688-AG		650	650
<i>Pass-Through from University of Florida</i>		UF0SP00010250		27,709	27,709
Total - CFDA 10.304			0	50,033	50,033
International Science and Education Grants	10.305		8,712	22,611	31,323
Specialty Crop Research Initiative	10.309				
<i>Pass-Through from Mississippi State University</i>		015900.340492.02		(7,522)	(7,522)
Agriculture and Food Research Initiative	10.310		112,176	727,352	839,528
<i>Pass-Through from University of Florida</i>		UF10070		41,488	41,488
<i>Pass-Through from University of Florida</i>		UF11147		31,880	31,880
Total - CFDA 10.310			112,176	800,720	912,896
Beginning Farmer and Rancher Development Program	10.311		54,849	166,803	221,652
Sun Grant Program	10.320			1,377	1,377
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326		40,269	195,393	235,662
Rural Housing Preservation Grants	10.433			200,867	200,867
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443		16,000	82,274	98,274
Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)	10.456				
<i>Pass-Through from National Crop Insurance Services</i>		08202012		77,228	77,228
Livestock, Forage, and Crop Risk Management Education and Analysis Tools	10.460		16,994	128,848	145,842
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			5,081,076	5,081,076
Cooperative Extension Service	10.500		77,649	22,706,540	22,784,189
<i>Pass-Through from Kansas State University</i>		S09045		(393)	(393)
<i>Pass-Through from Kansas State University</i>		S12088		8	8
<i>Pass-Through from Kansas State University</i>		S13078		6,813	6,813
<i>Pass-Through from Kansas State University</i>		S14020		110,505	110,505
<i>Pass-Through from Kansas State University</i>		S14086		44,524	44,524
<i>Pass-Through from Kansas State University</i>		S14086.01		5,925	5,925
<i>Pass-Through from Kansas State University</i>		S14117		30,366	30,366
<i>Pass-Through from Kansas State University</i>		S14191		14,361	14,361
<i>Pass-Through from Michigan State University</i>		RC103176V		9,917	9,917
<i>Pass-Through from North Carolina State University</i>		2011-275602		8,689	8,689
<i>Pass-Through from University of Arizona</i>		21662-01		5,885	5,885
<i>Pass-Through from University of Arizona</i>		21662-10		15,391	15,391
<i>Pass-Through from University of Arizona</i>		21662-13		3,257	3,257
<i>Pass-Through from University of Arizona</i>		21663-04		26,486	26,486
<i>Pass-Through from University of Arizona</i>		21663-05		16,620	16,620
<i>Pass-Through from University of Arizona</i>		21663-15		47,898	47,898
<i>Pass-Through from University of Arkansas Cooperative Extension</i>		21660-20		213	213
<i>Pass-Through from University of California - Davis</i>		SA7745		4,043	4,043

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Agriculture (continued)</b>					
<i>Pass-Through from University of Florida</i>		UF11273		496	496
<i>Pass-Through from University of Georgia</i>		RE582-364/4942476		62,882	62,882
<i>Pass-Through from University of Georgia</i>		RE675/171-4944726		4,616	4,616
<i>Pass-Through from University of Georgia</i>		RE675-167/4941486		14,093	14,093
<i>Pass-Through from University of Georgia</i>		RE675-171/4942786		1,549	1,549
<i>Pass-Through from University of Kentucky</i>		3046887200-10-440		94,735	94,735
<i>Pass-Through from University of Nebraska</i>		26-6365-0001-402		40,112	40,112
<i>Pass-Through from University of Nebraska - Lincoln</i>		25-6329-0059-810		50,214	50,214
<i>Pass-Through from University of Nebraska - Lincoln</i>		25-6365-0030-105		34,938	34,938
<i>Pass-Through from University of Nebraska - Lincoln</i>		25-6365-0040-139		9,971	9,971
<i>Pass-Through from University of Nebraska - Lincoln</i>		25-6365-0050-050	24,506	57,952	82,458
Total - CFDA 10.500			102,155	23,428,606	23,530,761
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		136,634,660	366,198,680	502,833,340
Child and Adult Care Food Program	10.558		320,964,016	2,206,541	323,170,557
State Administrative Expenses for Child Nutrition	10.560		7,334,065	16,882,214	24,216,279
WIC Farmers' Market Nutrition Program (FMNP)	10.572		707,808	17,594	725,402
Senior Farmers Market Nutrition Program	10.576		55,276	3,740	59,016
Child Nutrition Discretionary Grants Limited Availability	10.579			19,629	19,629
Supplemental Nutrition Assistance Program, Process and Technology	10.580			30,798	30,798
Fresh Fruit and Vegetable Program	10.582		7,927,894		7,927,894
Forestry Research	10.652			10,223	10,223
Cooperative Forestry Assistance	10.664			4,931,182	4,931,182
Urban and Community Forestry Program	10.675			4,831	4,831
Forest Legacy Program	10.676			1,821,225	1,821,225
Forest Stewardship Program	10.678			2,264	2,264
Forest Health Protection	10.680			434,256	434,256
Water and Waste Disposal Loans and Grants (Section 306C)	10.770			78,805	78,805
Rural Cooperative Development Grants	10.771			147,648	147,648
<i>Pass-Through from Purdue University</i>		8000060031		3,122	3,122
Total - CFDA 10.771			0	150,770	150,770
Soil and Water Conservation	10.902			150,601	150,601
Environmental Quality Incentives Program	10.912		4,980	1,108,552	1,113,532
<i>Pass-Through from North Carolina State University</i>		2012-1632-01		2,768	2,768
Total - CFDA 10.912			4,980	1,111,320	1,116,300
Wildlife Habitat Incentive Program	10.914			2,000	2,000
Total - U.S. Department of Agriculture			475,013,259	432,146,097	907,159,356

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Commerce</b>					
U.S. Department of Commerce	11.XXX	EE-133E-13-SE- 1879PR NEEF1000- 13-01402		14,796	14,796
<i>Pass-Through from Dauphin Island Sea Lab</i>		2483JD-TAMU 02		10,677	10,677
Total - CFDA 11.XXX			0	25,473	25,473
NOAA Mission-Related Education Awards	11.008			73,946	73,946
Economic Development Support for Planning Organizations	11.302			25,557	25,557
Economic Development Technical Assistance	11.303			606,543	606,543
Trade Adjustment Assistance for Firms	11.313		1,003,189	8,062	1,011,251
Interjurisdictional Fisheries Act of 1986	11.407			99,931	99,931
Sea Grant Support	11.417			103,139	103,139
Coastal Zone Management Administration Awards	11.419		1,334,158	264,116	1,598,274
<i>Pass-Through from Houston Advanced Research Center</i>		GLOMIT12-TALR1112		49,644	49,644
Total - CFDA 11.419			1,334,158	313,760	1,647,918
Coastal Zone Management Estuarine Research Reserves	11.420			122,011	122,011
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432			675,450	675,450
Cooperative Fishery Statistics	11.434			248,976	248,976
Southeast Area Monitoring and Assessment Program	11.435			144,013	144,013
Regional Fishery Management Councils	11.441			33,001	33,001
Unallied Industry Projects	11.452			4,187	4,187
Habitat Conservation	11.463			5,208	5,208
<i>Pass-Through from Dauphin Island Sea Lab</i>		121122-00/2483JD- TAMUCC01		19,927	19,927
<i>Pass-Through from Gulf of Mexico Foundation</i>		10-04-000-3924		71,900	71,900
Total - CFDA 11.463			0	97,035	97,035
Coastal Services Center	11.473			16,033	16,033
Fisheries Disaster Relief	11.477				
<i>Pass-Through from Gulf States Marine Fisheries Commission</i>		MM-925-050-2011TXSG-TXSG		111,210	111,210
State and Local Implementation Grant Program	11.549			844,103	844,103
Special Projects	11.553				
<i>Pass-Through from Public Broadcasting Service</i>		51-51-W10606 74		26,825	26,825
Broadband Technology Opportunities Program (BTOP)	11.557			2,000	2,000
ARRA - Broadband Technology Opportunities Program				159,172	159,172
Total - CFDA 11.557			0	161,172	161,172
Measurement and Engineering Research and Standards	11.609			16,670	16,670
Manufacturing Extension Partnership	11.611			603,608	603,608
MBDA Business Center	11.805			477,388	477,388
Total - U.S. Department of Commerce			2,337,347	4,838,093	7,175,440

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Defense</b>					
U.S. Department of Defense	12.XXX	FA3002-09-20002		1,363,221	1,363,221
		HU0001101TS01N10005		15,404	15,404
		N00189-12-P-Z798		769	769
		UTA12-000870 LTR		56,506	56,506
		DTD 08/06/2012			
		UTA13-000802 LTR		37,805	37,805
		DTD 07/18/2013			
		W81K04-12-A-0001		4	4
		W81K04-13-D-0008		856,773	856,773
		W81XWH-11-P-0131		26,296	26,296
		W912L1-13-P00001		517	517
		WM9113M-05-C1087		7,985	7,985
		YOUNG-		32,227	32,227
		MCCAUGHAN/IPAA			
		UTA13-001035		13,823	13,823
<i>Pass-Through from Emergent Space Technologies, Inc.</i>		NAFS-SUBK-13-102		90,189	90,189
<i>Pass-Through from General Dynamics</i>		NAFS-SUBK-13-102		179,359	179,359
<i>Pass-Through from General Dynamics</i>		35-DK40-01-P13-0002		4,200	4,200
<i>Pass-Through from Jacobs Engineering Group, Inc.</i>		ABH-3481		1,019	1,019
<i>Pass-Through from Jacobs Engineering Group, Inc.</i>		W911NF - 12 - C0005		124,152	124,152
<i>Pass-Through from Jsj Technologies, LLC</i>		UNITE 2012		700	700
<i>Pass-Through from Virginia Tech University</i>					
Total - CFDA 12.XXX			0	2,810,949	2,810,949
Procurement Technical Assistance For Business Firms	12.002			1,158,867	1,158,867
Flood Control Projects	12.106			268,783	268,783
Payments to States in Lieu of Real Estate Taxes	12.112			8,763,050	8,763,050
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			708,420	708,420
Estuary Habitat Restoration Program	12.130			197,665	197,665
Basic and Applied Scientific Research	12.300		366,534	2,205,430	2,571,964
<i>Pass-Through from North Carolina State University</i>		2013-0592-01	16,133	203,112	219,245
Total - CFDA 12.300			382,667	2,408,542	2,791,209
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351			44,053	44,053
ROTC Language and Culture Training Grants	12.357				
<i>Pass-Through from Institute Of International Education</i>		2012-GO-TAMU (HQ 0034-08-2-0024)		579	579
<i>Pass-Through from Institute of International Education</i>		2012-GO-UTA		4,837	4,837
<i>Pass-Through from Institute of International Education</i>		2013-GO-TAMU		345,123	345,123
<i>Pass-Through from Institute of International Education</i>		PRIME: H98210-13-2-001			
<i>Pass-Through from Institute of International Education</i>		2013-GO-UTA		148,197	148,197
Total - CFDA 12.357			0	498,736	498,736
National Guard Military Construction Projects	12.400			290,987	290,987
National Guard Military Operations and Maintenance Projects	12.401			(269)	(269)
ARRA - National Guard Military Operations and Maintenance Projects				50,248,758	50,248,758
Total - CFDA 12.401			0	50,248,489	50,248,489

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<b>U.S. Department of Defense (continued)</b>					
National Guard ChalleNGe Program	12.404			2,093,674	2,093,674
Military Medical Research and Development <i>Pass-Through from Baylor College of Medicine</i>	12.420	101710455- W81XWH-12-1-0010	58,295	571,319 4,602	629,614 4,602
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-09-1-021203		110,737	110,737
<i>Pass-Through from University of Tennessee</i>		W81XWH-08-2-0135		9,999	9,999
Total - CFDA 12.420			58,295	696,657	754,952
Basic Scientific Research	12.431			47,117	47,117
National Security Education Program David L. Boren Scholarships	12.551			89,551	89,551
Community Investment	12.600			8,181,913	8,181,913
Community Economic Adjustment Planning Assistance for Joint Land Use Studies	12.610			54,968	54,968
Basic, Applied, and Advanced Research in Science and Engineering <i>Pass-Through from Academy of Applied Science</i>	12.630	13-79		447,838 2,600	447,838 2,600
Total - CFDA 12.630			0	450,438	450,438
Language Grant Program	12.900			6,000	6,000
Mathematical Sciences Grants Program <i>Pass-Through from Mathematical Sciences Research Institute</i>	12.901	H98230-10-1-0260		6,417 1,604	6,417 1,604
Total - CFDA 12.901			0	8,021	8,021
Information Security Grant Program	12.902			169,384	169,384
Research and Technology Development <i>Pass-Through from Northwestern University</i> <i>Pass-Through from Sa Technologies</i>	12.910	SPN00314 SPN00017		73,539 138,167 6,496	73,539 138,167 6,496
Total - CFDA 12.910			0	218,202	218,202
Total - U.S. Department of Defense			440,962	79,414,466	79,855,428
<b>U.S. Department of Housing and Urban Development</b>					
U.S. Department of Housing and Urban Development <i>Pass-Through from City of Lubbock</i>	14.XXX	000010 HSIAC-10-TX-02 2013-R0405	40,859	97,372 25,392 8,249	97,372 66,251 8,249
Total - CFDA 14.XXX			40,859	131,013	171,872
Emergency Solutions Grant Program	14.231		6,646,287	290,683	6,936,970
Home Investment Partnerships Program	14.239		50,609,344	3,264,375	53,873,719
Housing Opportunities for Persons with AIDS	14.241		2,653,866	137,080	2,790,946
ARRA - Tax Credit Assistance Program (Recovery Act Funded)	14.258		2,239,676		2,239,676
Community Compass Technical Assistance and Capacity Building	14.259			3,484	3,484

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<b>U.S. Department of Housing and Urban Development (continued)</b>					
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269			853	853
Fair Housing Assistance Program State and Local	14.401			626,363	626,363
Education and Outreach Initiatives <i>Pass-Through from Dallas County Hospital District</i>	14.416	Other-7016 0		6,231	6,231
Hispanic-Serving Institutions Assisting Communities	14.514			195	195
Historically Black Colleges and Universities Program	14.520			(312)	(312)
Sustainable Communities Regional Planning Grant Program <i>Pass-Through from Capital Area Council of Governments</i> <i>Pass-Through from Capital Area Council of Governments</i> <i>Pass-Through from City of Austin</i>	14.703	UTA11-000522 UTA12-000568 UTAUS CN: 13813	165,051	225,440 179,483 203,826	390,491 179,483 203,826
Total - CFDA 14.703			165,051	608,749	773,800
Lead Hazard Reduction Demonstration Grant Program <i>Pass-Through from City of San Antonio</i>	14.905	2011060443/TXLHD0226		12,704	12,704
Healthy Homes Production Program <i>Pass-Through from City of San Antonio</i>	14.913	TXHHP0009-11		25,512	25,512
Total - U.S. Department of Housing and Urban Development			62,355,083	5,106,930	67,462,013
<b>U.S. Department of the Interior</b>					
U.S. Department of the Interior  <i>Pass-Through from Olgoonik</i>	15.XXX	G13PX01349 P13AC01244 P13AC01279 001		16,800 28,354 17,692 2,074	16,800 28,354 17,692 2,074
Total - CFDA 15.XXX			0	64,920	64,920
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228			34,929	34,929
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			1,959,094	1,959,094
Abandoned Mine Land Reclamation (AMLR) Program	15.252			4,218,330	4,218,330
Science and Technology Projects Related to Coal Mining and Reclamation	15.255			31,161	31,161
Coastal Impact Assistance Program (CIAP) <i>Pass-Through from Matagorda County District</i> <i>Pass-Through from UTB - TSC Port Isabel Palapa</i>	15.426	454170 2011C09307		16,278 34,249	16,278 34,249
Total - CFDA 15.426			0	50,527	50,527
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427			161,649	161,649
GoMESA	15.435		333,638	61,676	395,314
Fish and Wildlife Management Assistance	15.608			52,403	52,403
Coastal Wetlands Planning, Protection and Restoration	15.614			1,008,517	1,008,517
Cooperative Endangered Species Conservation Fund	15.615		47,507	1,597,383	1,644,890
Clean Vessel Act Program	15.616		1,559	233,086	234,645

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<b>U.S. Department of the Interior (continued)</b>					
North American Wetlands Conservation Fund	15.623			14,680	14,680
Enhanced Hunter Education and Safety Program	15.626			191,213	191,213
Multistate Conservation Grant Program	15.628			38,415	38,415
Coastal Program	15.630			102,438	102,438
Partners for Fish and Wildlife	15.631		169,993	56,763	226,756
Landowner Incentive Program	15.633			52,869	52,869
State Wildlife Grants	15.634		219,846	1,450,338	1,670,184
Migratory Bird Joint Ventures	15.637			77,320	77,320
Research Grants (Generic)	15.650			37,125	37,125
Endangered Species Conservation - Recovery Implementation Funds	15.657			39,557	39,557
National Wildlife Refuge Fund	15.659			210,936	210,936
Coastal Impact Assistance Program <i>Pass-Through from Refugio, County of</i>	15.668	F12AF01325	16,387,313	8,243,638 9,038	24,630,951 9,038
Total - CFDA 15.668			16,387,313	8,252,676	24,639,989
Gap Analysis Program	15.811			1,052	1,052
National Geological and Geophysical Data Preservation	15.814			8,410	8,410
Historic Preservation Fund Grants-In-Aid	15.904		151,248	990,980	1,142,228
National Historic Landmark	15.912			1,265	1,265
Outdoor Recreation Acquisition, Development and Planning	15.916			1,319,871	1,319,871
Save America's Treasures	15.929			45,345	45,345
Cooperative Research and Training Programs - Resources of the National Park System	15.945			59,152	59,152
Total - U.S. Department of the Interior			17,311,104	22,424,080	39,735,184
<b>U.S. Department of Justice</b>					
U.S. Department of Justice <i>Pass-Through from City of Austin</i>	16.XXX	302FBI UTA13-000887		32,043 94,846	32,043 94,846
Total - CFDA 16.XXX			0	126,889	126,889
Violence Against Women Act Court Training and Improvement Grants	16.013			538	538
Sexual Assault Services Formula Program	16.017		483,754		483,754
Law Enforcement Assistance FBI Advanced Police Training	16.300		53,250	278,333	331,583
Law Enforcement Assistance FBI Field Police Training	16.302			122,733	122,733
Juvenile Accountability Block Grants	16.523		1,818,428	66,012	1,884,440
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus <i>Pass-Through from North Central Texas College</i>	16.525	2011-WA-AX-0022		279,291 13,179	279,291 13,179
Total - CFDA 16.525			0	292,470	292,470

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Justice (continued)</b>					
OVW Technical Assistance Initiative	16.526			1,032	1,032
Juvenile Justice and Delinquency Prevention Allocation to States	16.540		1,309,395	304,423	1,613,818
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541			298,832	298,832
<i>Pass-Through from Baylor College of Medicine</i>		101898895.00		9,871	9,871
Total - CFDA 16.541			0	308,703	308,703
Missing Children's Assistance	16.543		89,654	389,558	479,212
Title V Delinquency Prevention Program	16.548		42,620		42,620
Crime Victim Assistance	16.575		30,380,139	1,651,501	32,031,640
Crime Victim Compensation	16.576			22,880,578	22,880,578
Edward Byrne Memorial Formula Grant Program	16.579			484,892	484,892
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			373,173	373,173
<i>Pass-Through from Institute for Intergovernmental Research</i>		8000001812		1,741	1,741
Total - CFDA 16.580			0	374,914	374,914
Violence Against Women Formula Grants	16.588		7,544,098	660,993	8,205,091
Residential Substance Abuse Treatment for State Prisoners	16.593		1,229,076	1,797	1,230,873
Corrections Technical Assistance/Clearinghouse	16.603			62,100	62,100
State Criminal Alien Assistance Program	16.606			10,336,844	10,336,844
Bulletproof Vest Partnership Program	16.607			25,916	25,916
Project Safe Neighborhoods	16.609		48,368	91,974	140,342
Public Safety Partnership and Community Policing Grants	16.710			127,391	127,391
<i>Pass-Through from Michigan State University</i>		RC102169SHSU		18,105	18,105
Total - CFDA 16.710			0	145,496	145,496
Juvenile Mentoring Program	16.726			132,262	132,262
<i>Pass-Through from National 4 - H Council</i>		013014		71,494	71,494
<i>Pass-Through from National 4 - H Council</i>		03052013		93,679	93,679
Total - CFDA 16.726			0	297,435	297,435
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735			65,552	65,552
DNA Backlog Reduction Program	16.741			3,981,172	3,981,172
Paul Coverdell Forensic Sciences Improvement Grant	16.742		468,314	131,912	600,226
Capital Case Litigation Initiative	16.746			76,471	76,471
Support for Adam Walsh Act Implementation Grant Program	16.750			8,606	8,606
Congressionally Recommended Awards	16.753			31,068	31,068
ARRA - Internet Crimes against Children Task Force Program (ICAC)	16.800			298,037	298,037

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## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Justice (continued)</b>					
ARRA - State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	16.809				
<i>Pass-Through from New Mexico Institute</i>		8000001972	89,895	79,650	169,545
Second Chance Act Reentry Initiative	16.812			5,139	5,139
NICS Act Record Improvement Program	16.813			121,391	121,391
John R. Justice Prosecutors and Defenders Incentive Act	16.816		105,302		105,302
Equitable Sharing Program	16.922			2,497,814	2,497,814
Total - U.S. Department of Justice			43,662,293	46,201,943	89,864,236
<b>U.S. Department of Labor</b>					
U.S. Department of Labor	17.XXX	DOLB08F421805		(10,195)	(10,195)
Labor Force Statistics	17.002			3,126,024	3,126,024
Compensation and Working Conditions	17.005			260,747	260,747
Unemployment Insurance	17.225		752,244	2,883,783,201	2,884,535,445
Senior Community Service Employment Program	17.235		4,765,543	46,624	4,812,167
Trade Adjustment Assistance	17.245		9,942,751	3,284,601	13,227,352
WIA Pilots, Demonstrations, and Research Projects	17.261			249,809	249,809
Incentive Grants - WIA Section 503	17.267		2,008,252	47,286	2,055,538
H-1B Job Training Grants	17.268		810,781	1,564,658	2,375,439
Work Opportunity Tax Credit Program (WOTC)	17.271			1,003,677	1,003,677
Temporary Labor Certification for Foreign Workers	17.273		8,657	643,117	651,774
Workforce Investment Act (WIA) National Emergency Grants	17.277		2,516,936	44,052	2,560,988
Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280		69,952	417,520	487,472
Occupational Safety and Health Susan Harwood Training	17.502		25,871	323,385	349,256
Consultation Agreements	17.504			2,740,311	2,740,311
Mine Health and Safety Grants	17.600			242,739	242,739
Transition Assistance Program	17.807			(9,714)	(9,714)
Total - U.S. Department of Labor			20,900,987	2,897,757,842	2,918,658,829
<b>U.S. Department of State</b>					
U.S. Department of State	19.XXX				
<i>Pass-Through from Civilian Res and Dev Foundation</i>		CO-80477-12		7,142	7,142
<i>Pass-Through from Institute of International Education</i>		UTA12-000820		11,818	11,818
<i>Pass-Through from Institute of International Education</i>		UTA12-000888		12,368	12,368
<i>Pass-Through from Meridian International Center</i>		SIZ-100-12-CA054		75,463	75,463
<i>Pass-Through from Meridian International Center</i>		SIZ-100-13-GR039		85,163	85,163
<i>Pass-Through from Organization of American States</i>		231716		76,729	76,729
<i>Pass-Through from University of Prishtina</i>		WALKER		10,408	10,408
Total - CFDA 19.XXX			0	279,091	279,091

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For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of State (continued)</b>					
Academic Exchange Programs - Undergraduate Programs	19.009				
<i>Pass-Through from International Research and Exchanges</i>		204541		368	368
<i>Pass-Through from International Research and Exchanges</i>		204542		450	450
<i>Pass-Through from International Research and Exchanges</i>		204543		450	450
<i>Pass-Through from International Research and Exchanges</i>		204544		65	65
<i>Pass-Through from International Research Exchanges</i>		FY14-YALI-UTA-01		29,659	29,659
<i>Pass-Through from World Learning</i>		S01-S-ECAGD-13-CA-129		71,439	71,439
Total - CFDA 19.009			0	102,431	102,431
One-Time International Exchange Grant Program	19.014			40,251	40,251
Environmental and Scientific Partnerships and Programs	19.017			79,959	79,959
Public Diplomacy Programs	19.040			10,000	10,000
Academic Exchange Programs - Graduate Students	19.400				
<i>Pass-Through from Institute of International Education</i>		UTA11-000975		4,893	4,893
<i>Pass-Through from Institute of International Education</i>		UTA13-000926		211,916	211,916
Total - CFDA 19.400			0	216,809	216,809
Academic Exchange Programs - Scholars	19.401				
<i>Pass-Through from Institute of International Education</i>		UTA12-000587		6,133	6,133
<i>Pass-Through from Institute of International Education</i>		UTA14-000348		96,890	96,890
Total - CFDA 19.401			0	103,023	103,023
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415			1,466	1,466
Academic Exchange Programs - English Language Programs	19.421				
<i>Pass-Through from International Research Exchanges</i>		SPN00035		7,878	7,878
Public Diplomacy Programs for Afghanistan and Pakistan	19.501		144,339	664,369	808,708
Total - U.S. Department of State			144,339	1,505,277	1,649,616
<b>U.S. Department of Transportation</b>					
U.S. Department of Transportation	20.XXX				
		DTFH64-12-G-00074		3,500	3,500
		DTFH64-13-00122-00128		29,090	29,090
		HSTS0213HSLR256		14,870	14,870
<i>Pass-Through from Center for Transportation and the Environment</i>		UTA13-001001		33,638	33,638
Total - CFDA 20.XXX			0	81,098	81,098
Airport Improvement Program	20.106		2,458,993	75,519,817	77,978,810
Highway Training and Education	20.215			68,877	68,877
National Motor Carrier Safety	20.218			8,484,549	8,484,549
Performance and Registration Information Systems	20.231			239,445	239,445
Border Enforcement Grants	20.233			20,105,381	20,105,381
Safety Data Improvement Program	20.234			179,688	179,688
Commercial Vehicle Information Systems and Networks	20.237			379,516	379,516
Commercial Drivers License Information System (CDLIS) Modernization Grant	20.238			299,862	299,862

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For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Transportation (continued)</b>					
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319			721,875	721,875
Rail Line Relocation and Improvement	20.320			22,154,507	22,154,507
Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505		1,179,184	257,461	1,436,645
Formula Grants for Rural Areas	20.509		33,637,274	3,737,475	37,374,749
National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	20.614		28,252	243,350	271,602
National Priority Safety Programs	20.616		9,687,283	4,440,905	14,128,188
Pipeline Safety Program State Base Grant	20.700			4,594,692	4,594,692
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			1,463,402	1,463,402
U.S. Merchant Marine Academy	20.807			1,022,111	1,022,111
Total - U.S. Department of Transportation			46,990,986	143,994,011	190,984,997
<b>U.S. Department of the Treasury</b>					
U.S. Department of the Treasury	21.XXX	15-5042-0-2-752 9101036151 CFDA 21.000 ICE123 PL113-6X1350 TX2273200		52,773 5,124,242 149,738 (508) 8,613 28,278	52,773 5,124,242 149,738 (508) 186,180 28,278
Total - CFDA 21.XXX			177,567	5,363,136	5,540,703
Low Income Taxpayer Clinics	21.008			49,682	49,682
Total - U.S. Department of the Treasury			177,567	5,412,818	5,590,385
<b>Office of Personnel Management</b>					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			196,476	196,476
Total - CFDA 27.011			0	196,476	196,476
Total - Office of Personnel Management			0	196,476	196,476
<b>Federal Mediation and Conciliation Service</b>					
Labor Mediation and Conciliation <i>Pass-Through from Humanities Texas</i>	34.001	2014-4563		1,000	1,000
Total - CFDA 34.001			0	1,000	1,000
Total - Federal Mediation and Conciliation Service			0	1,000	1,000
<b>General Services Administration</b>					
Donation of Federal Surplus Personal Property	39.003		10,950,488	80,876	11,031,364
Election Reform Payments	39.011			743,002	743,002
Total - General Services Administration			10,950,488	823,878	11,774,366

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>National Aeronautics and Space Administration</b>					
National Aeronautics and Space Administration	43.XXX	NNX09AJ33G		4,557	4,557
		NNX12AO09H NSR369460		26,682	26,682
<i>Pass-Through from California Institute of Technology</i>		2-1091628		10,639	10,639
<i>Pass-Through from L - 3 Communications</i>		2008-SC-4-0136		47,747	47,747
<i>Pass-Through from Search/extraterrestrial Intelligence Ins</i>		08-SC-1022		1,894	1,894
<i>Pass-Through from Space Telescope Science Institute</i>		HST-EO-12820.03-A		23,330	23,330
Total - CFDA 43.XXX			0	114,849	114,849
Science	43.001		17,068	723,760	740,828
<i>Pass-Through from Teledyne Brown Engineering, Inc.</i>		PO00110481		8,182	8,182
Total - CFDA 43.001			17,068	731,942	749,010
Education	43.008			385,619	385,619
Cross Agency Support	43.009			195,991	195,991
Total - National Aeronautics and Space Administration			17,068	1,428,401	1,445,469
<b>National Endowment For The Humanities</b>					
National Endowment For The Humanities	45.XXX	361420 08062013		1,035	1,035
<i>Pass-Through from American Antiquarian Society</i>		UTA12-000790		4,603	4,603
Total - CFDA 45.XXX			0	5,638	5,638
Promotion of the Arts Grants to Organizations and Individuals	45.024		7,500	59,407	66,907
Promotion of the Arts Partnership Agreements	45.025			869,100	869,100
Promotion of the Humanities Federal/State Partnership	45.129			1,500	1,500
<i>Pass-Through from Humanities Texas</i>		20124282		950	950
<i>Pass-Through from Humanities Texas</i>		2013-4359		2,555	2,555
<i>Pass-Through from Humanities Texas</i>		2013-4423		230	230
<i>Pass-Through from Humanities Texas</i>		2013-4444		2,943	2,943
<i>Pass-Through from Humanities Texas</i>		2013-4471		900	900
<i>Pass-Through from Humanities Texas</i>		2013-4477		1,132	1,132
<i>Pass-Through from Humanities Texas</i>		2013-4482		1,500	1,500
<i>Pass-Through from Humanities Texas</i>		2013-4502		1,354	1,354
<i>Pass-Through from Humanities Texas</i>		2013-4522		1,500	1,500
<i>Pass-Through from Humanities Texas</i>		2013-4553		1,500	1,500
<i>Pass-Through from Humanities Texas</i>		2014-4577		796	796
<i>Pass-Through from Humanities Texas</i>		2014-4586		500	500
<i>Pass-Through from Humanities Texas</i>		2014-4595		1,500	1,500
<i>Pass-Through from Humanities Texas</i>		2014-4607		1,500	1,500
<i>Pass-Through from Humanities Texas</i>		2014-4612		750	750
<i>Pass-Through from Humanities Texas</i>		2014-4626		526	526
<i>Pass-Through from Humanities Texas</i>		8000001977	300	1,449	1,749
<i>Pass-Through from Humanities Texas</i>		8000002159	542	458	1,000
<i>Pass-Through from Humanities Texas</i>		2014-4531		5,126	5,126
<i>Pass-Through from Humanities TX 905</i>		BRIDGING CULTURES		1,177	1,177
Total - CFDA 45.129			842	29,846	30,688
Promotion of the Humanities Challenge Grants	45.130				
<i>Pass-Through from Digital Public Library of America</i>		HC-50017-12		24,435	24,435
Promotion of the Humanities Division of Preservation and Access	45.149		22,903	108,160	131,063

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>National Endowment For The Humanities (continued)</b>					
<i>Pass-Through from Oklahoma Historical Society</i>		11-101		70,286	70,286
Total - CFDA 45.149			22,903	178,446	201,349
Promotion of the Humanities Fellowships and Stipends	45.160			79,349	79,349
Promotion of the Humanities Research	45.161		31,391	63,667	95,058
<i>Pass-Through from Humanities Texas</i>		2013-4555		1,160	1,160
Total - CFDA 45.161			31,391	64,827	96,218
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162			32,158	32,158
Promotion of the Humanities Public Programs	45.164			8,380	8,380
<i>Pass-Through from Gilder Lehrman Institute of American History</i>		02-S130269		1,200	1,200
Total - CFDA 45.164			0	9,580	9,580
Promotion of the Humanities Office of Digital Humanities	45.169		7,461	52,764	60,225
<i>Pass-Through from University of New Mexico</i>		107016-87NO		110,348	110,348
Total - CFDA 45.169			7,461	163,112	170,573
Museums for America	45.301			10,159	10,159
21st Century Museum Professionals	45.307			91,660	91,660
Grants to States	45.310		2,926,413	8,392,804	11,319,217
<i>Pass-Through from Texas State Library Archives Commission</i>		TOBIA/TSLAC		1,640	1,640
Total - CFDA 45.310			2,926,413	8,394,444	11,320,857
National Leadership Grants	45.312		21,071	124,237	145,308
Laura Bush 21st Century Librarian Program	45.313		55,087	673,844	728,931
Total - National Endowment For The Humanities			3,072,668	10,810,242	13,882,910
<b>National Science Foundation</b>					
National Science Foundation	47.XXX	7/16/12 -BCS-1243556		127,623	127,623
		BCS-1152180		123,229	123,229
		CMMI-1443515		44,421	44,421
		DMS-1153918		6,655	6,655
		EAR-1450354 IPA		13,649	13,649
		IOS-1425646		173,706	173,706
		LPA-1357583 IPA		70,584	70,584
		MCB-1420109 IPA		94,849	94,849
		NSD IPA 1321365		113,510	113,510
<i>Pass-Through from Edlab Group Foundation</i>		EQ2012-56 1		4,500	4,500
Total - CFDA 47.XXX			0	772,726	772,726
Engineering Grants	47.041			1,066,793	1,066,793
<i>Pass-Through from Tietronix Software, Inc.</i>		DARPA		6,068	6,068
<i>Pass-Through from Tietronix Software, Inc.</i>		TA20131028		63,064	63,064
Total - CFDA 47.041			0	1,135,925	1,135,925
Mathematical and Physical Sciences	47.049			1,075,329	1,075,329

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from California Institute of Technology</i>		68D-1094595		12,575	12,575
<i>Pass-Through from University of Minnesota</i>		CPS00002006241		25,000	25,000
		DMS-0931945			
<i>Pass-Through from University of Minnesota</i>		DMS-0931945		10,000	10,000
<i>Pass-Through from University of North Carolina - Chapel Hill</i>		232034		(31)	(31)
<i>Pass-Through from University of Notre Dame</i>		PHY-1219444		19,972	19,972
<i>Pass-Through from Utah Institute for Advanced Study</i>		EHR-0314808 7440		527	527
		2307			
Total - CFDA 47.049			0	1,143,372	1,143,372
<b>Geosciences</b>	47.050			173,353	173,353
<i>Pass-Through from Joint Oceanographic Institutions, Inc.</i>		T324A42		90,976	90,976
<i>Pass-Through from Joint Oceanographic Institutions, Inc.</i>		T352B42		9,016	9,016
<i>Pass-Through from Lockheed Martin</i>		NSFDACS1219442		3,327,084	3,327,084
Total - CFDA 47.050			0	3,600,429	3,600,429
<b>Computer and Information Science and Engineering</b>	47.070			570,663	570,663
<i>Pass-Through from Computing Research Association</i>		CIF-E-007		19,327	19,327
Total - CFDA 47.070			0	589,990	589,990
<b>Biological Sciences</b>	47.074			2,391	2,391
<i>Pass-Through from Carnegie Institute of Washington</i>		81074		26,142	26,142
<i>Pass-Through from J. Craig Venter Institute</i>		JCVI-13-006		203,958	203,958
Total - CFDA 47.074			0	232,491	232,491
<b>Social, Behavioral, and Economic Sciences</b>	47.075			244,948	244,948
<i>Pass-Through from Association for Institutional Research</i>		DG-13-32		1,065	1,065
Total - CFDA 47.075			0	246,013	246,013
<b>Education and Human Resources</b>	47.076		564,631	14,119,563	14,684,194
<i>Pass-Through from Collin College</i>		GN0005517		38,772	38,772
<i>Pass-Through from Collin County Community College</i>		DUE--0903239		285	285
<i>Pass-Through from Howard University</i>		0007964		28,943	28,943
		1000046721/47257			
<i>Pass-Through from Missouri University</i>		11052-017		42,216	42,216
<i>Pass-Through from Rice University</i>		R39292-2460005		(411)	(411)
Total - CFDA 47.076			564,631	14,229,368	14,793,999
<b>Office of International and Integrative Activities</b>	47.079			4,663	4,663
<i>Pass-Through from American Association for the Advancement of Science</i>		12042012		16,379	16,379
Total - CFDA 47.079			0	21,042	21,042
Total - National Science Foundation			564,631	21,971,356	22,535,987
<b>Small Business Administration</b>					
<b>Small Business Development Centers</b>	59.037		976,611	4,555,390	5,532,001
<b>Veterans Business Development</b>	59.044			188,368	188,368

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<b>Small Business Administration (continued)</b>					
State Trade and Export Promotion Pilot Grant Program	59.061			99,535	99,535
Total - Small Business Administration			976,611	4,843,293	5,819,904
<b>U.S. Department of Veterans Affairs</b>					
U.S. Department of Veterans Affairs	64.XXX	ESPINOZA/IPAA/CONDE VA000006961 VA671D15230 VA671D32123		33,194 20,215 14,541 13,650	33,194 20,215 14,541 13,650
Total - CFDA 64.XXX			0	81,600	81,600
Grants to States for Construction of State Home Facilities	64.005			3,483,512	3,483,512
Veterans State Nursing Home Care	64.015			48,826,360	48,826,360
Veterans State Hospital Care <i>Pass-Through from Michael E. DeBakey Veterans Affairs Medical Center</i>	64.016	580D45075		18,052 15,088	18,052 15,088
Total - CFDA 64.016			0	33,140	33,140
VA Assistance to United States Paralympic Integrated Adaptive Sports Program <i>Pass-Through from United States Olympic Committee</i>	64.034	2013-PP-001		5,727	5,727
Burial Expenses Allowance for Veterans	64.101			1,965,829	1,965,829
Veterans Information and Assistance	64.115			3,951	3,951
All-Volunteer Force Educational Assistance	64.124			1,131,136	1,131,136
State Cemetery Grants	64.203			625,743	625,743
Total - U.S. Department of Veterans Affairs			0	56,156,998	56,156,998
<b>Environmental Protection Agency</b>					
Environmental Protection Agency <i>Pass-Through from Pegasus Technical Services</i> <i>Pass-Through from Pegasus Technical Services</i> <i>Pass-Through from Pegasus Technical Services</i>	66.XXX	EP-13-H-000531 UTX-13-001 UTX-14-001 UTX-14-001 SWO LIFTED 7.8.14		4,989 15,000 220 2,819	4,989 15,000 220 2,819
<i>Pass-Through from Texas Commission on Environmental Quality</i> <i>Pass-Through from The Cadmus Group, Inc.</i>		SPN00008 SPN00008		25,575 65,100	25,575 65,100
Total - CFDA 66.XXX			0	113,703	113,703
Air Pollution Control Program Support	66.001			343,133	343,133
State Indoor Radon Grants	66.032			7,135	7,135
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act <i>Pass-Through from Central States Air Resource Agencies</i> <i>Pass-Through from National Environmental Educ. and Training</i>	66.034	12-1001-MSO-078 XA-83461801-0	11,582	2,260,674 16,336 4,422	2,272,256 16,336 4,422
Total - CFDA 66.034			11,582	2,281,432	2,293,014
Internships, Training and Workshops for the Office of Air and Radiation	66.037			309,287	309,287

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Environmental Protection Agency (continued)</b>					
State Clean Diesel Grant Program	66.040			115,278	115,278
Congressionally Mandated Projects	66.202			95,302	95,302
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		460,956	1,615,788	2,076,744
<i>Pass-Through from Texas Commission on Environmental Quality</i>		SPN00008		51,892	51,892
Total - CFDA 66.419			460,956	1,667,680	2,128,636
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424			1,432,288	1,432,288
State Underground Water Source Protection	66.433			629,021	629,021
Water Quality Management Planning	66.454		519,130	154,102	673,232
National Estuary Program	66.456		244,035	253,879	497,914
Capitalization Grants for Clean Water State Revolving Funds	66.458		155,934,868	3,736,086	159,670,954
<i>Pass-Through from Texas Commission on Environmental Quality</i>		SPN00008		123,938	123,938
Total - CFDA 66.458			155,934,868	3,860,024	159,794,892
Nonpoint Source Implementation Grants	66.460		1,644,049	4,055,550	5,699,599
<i>Pass-Through from City of League City</i>		MAIN 582-11-13147		82,270	82,270
<i>Pass-Through from City of League City</i>		582-11-13147 TCEQ		6,159	6,159
Total - CFDA 66.460			1,644,049	4,143,979	5,788,028
Capitalization Grants for Drinking Water State Revolving Funds	66.468		75,856,347	8,841,133	84,697,480
<i>Pass-Through from Texas Commission on Environmental Quality</i>		SPN00008		11,299	11,299
Total - CFDA 66.468			75,856,347	8,852,432	84,708,779
Beach Monitoring and Notification Program Implementation Grants	66.472		201,538	24,494	226,032
Gulf of Mexico Program	66.475				
<i>Pass-Through from Jacobs Technology, Inc.</i>		277901	20,123	20,372	40,495
Science To Achieve Results (STAR) Fellowship Program	66.514			38,420	38,420
Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600				
<i>Pass-Through from Texas Commission on Environmental Quality</i>		SPN00008		23,348	23,348
Performance Partnership Grants	66.605		793,482	28,611,502	29,404,984
<i>Pass-Through from Texas Commission on Environmental Quality</i>		SPN00008		5,251	5,251
Total - CFDA 66.605			793,482	28,616,753	29,410,235
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			107,276	107,276
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			922,511	922,511
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			121,167	121,167
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			296,725	296,725
Pollution Prevention Grants Program	66.708			256,911	256,911

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Environmental Protection Agency (continued)</b>					
Multi-Media Capacity Building Grants for States and Tribes	66.709			203,168	203,168
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716		18,895	41,628	60,523
<i>Pass-Through from City of New Orleans</i>		02062014		15,308	15,308
<i>Pass-Through from Ipm Institute of North America</i>		10182011		1,030	1,030
Total - CFDA 66.716			18,895	57,966	76,861
Source Reduction Assistance	66.717			28,407	28,407
Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements	66.802			469,767	469,767
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			2,473,179	2,473,179
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			2,383,169	2,383,169
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809			380,264	380,264
State and Tribal Response Program Grants	66.817			428,538	428,538
International Financial Assistance Projects Sponsored by the Office of International and Tribal Affairs	66.931				
<i>Pass-Through from Border Environment Cooperation Commission</i>		TAA12-022/X4-00F4530		13,282	13,282
Environmental Education Training Program	66.950			(5,187)	(5,187)
Environmental Education Grants	66.951				
<i>Pass-Through from Environmental Education Association of New Mexico</i>		EEANM-REISTLE		1,839	1,839
Total - Environmental Protection Agency			235,705,005	61,121,044	296,826,049
<b>Nuclear Regulatory Commission</b>					
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006			79,438	79,438
<i>Pass-Through from University of Kansas Center for Research</i>		FY2012-087		411	411
Total - CFDA 77.006			0	79,849	79,849
U.S. Nuclear Regulatory Commission Minority Serving Institutions Program (MSIP)	77.007			17,001	17,001
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008			153,329	153,329
Total - Nuclear Regulatory Commission			0	250,179	250,179
<b>U.S. Department of Energy</b>					
U.S. Department of Energy	81.XXX	1263906520		(1,634)	(1,634)
		DE-EE0006648		10,755	10,755
<i>Pass-Through from Oak Ridge National Laboratory</i>		DE-AC05-000R22725		10,305	10,305
<i>Pass-Through from Sandia National Laboratories</i>		1164829		36,157	36,157

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Sandia National Laboratories</i>		1165344		120,175	120,175
<i>Pass-Through from Sandia National Laboratories</i>		1384045		38,209	38,209
<i>Pass-Through from Sandia National Laboratories</i>		PO 1155508		41,795	41,795
		AGTMNT 772242			
Total - CFDA 81.XXX			0	255,762	255,762
State Energy Program	81.041		1,616,682	974,620	2,591,302
ARRA - State Energy Program				1,369,920	1,369,920
Total - CFDA 81.041			1,616,682	2,344,540	3,961,222
Weatherization Assistance for Low-Income Persons	81.042		2,402,493	163,857	2,566,350
ARRA - Weatherization Assistance for Low-Income Persons			436,383	63,478	499,861
Total - CFDA 81.042			2,838,876	227,335	3,066,211
Office of Science Financial Assistance Program	81.049			21,813	21,813
<i>Pass-Through from Acree Technologies, Inc.</i>		107311		44,978	44,978
ARRA - Office of Science Financial Assistance Program					
<i>Pass-Through from National Renewable Energy Lab</i>		AGG-4-42124-01		69,131	69,131
Total - CFDA 81.049			0	135,922	135,922
Nuclear Waste Disposal Siting	81.065				
<i>Pass-Through from Nye County, Nevada</i>		10-014		5,052	5,052
ARRA - Conservation Research and Development	81.086			847,481	847,481
Fossil Energy Research and Development	81.089			202,637	202,637
<i>Pass-Through from Battelle Energy Alliance, LLC</i>		00120106		(8,330)	(8,330)
Total - CFDA 81.089			0	194,307	194,307
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			374,022	374,022
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117			68,925	68,925
<i>Pass-Through from Houston Community College District</i>		DE-EE0005680		2,116	2,116
Total - CFDA 81.117			0	71,041	71,041
Nuclear Energy Research, Development and Demonstration	81.121			101,928	101,928
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123				
<i>Pass-Through from Alabama A and M University</i>		SUB-DE NA0001890 Supplement PVAMU		16,000	16,000
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		7,027,454	4,020	7,031,474
Minority Economic Impact	81.137			26,631	26,631
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		490,656	746,628	1,237,284
Total - U.S. Department of Energy			11,973,668	5,350,669	17,324,337

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Education</b>					
U.S. Department of Education	84.XXX	T195N070272		22,367	22,367
		2013-2014		626	626
<i>Pass-Through from Austin Independent School District</i>		DC-AM574		175,000	175,000
<i>Pass-Through from National Writing Project</i>		06-TX17		239	239
ARRA - U.S. Department of Education					
<i>Pass-Through from Rhode Island Department of Education</i>		3243764		604,813	604,813
Total - CFDA 84.XXX			0	803,045	803,045
Adult Education - Basic Grants to States	84.002		42,026,024	2,683,023	44,709,047
<i>Pass-Through from Harris County Department of Education</i>		V002A120044		1,470	1,470
Total - CFDA 84.002			42,026,024	2,684,493	44,710,517
Title I Grants to Local Educational Agencies	84.010		1,331,688,799	14,019,530	1,345,708,329
Migrant Education State Grant Program	84.011		58,812,419	2,217,505	61,029,924
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		138,468	2,770,588	2,909,056
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	84.015			1,289,091	1,289,091
Undergraduate International Studies and Foreign Language Programs	84.016				
<i>Pass-Through from Center for Cultural and Tech Interchange</i>		HC12742		2,000	2,000
Overseas Programs - Group Projects Abroad	84.021			790,477	790,477
Overseas Programs - Doctoral Dissertation Research Abroad	84.022			2,697	2,697
Higher Education Institutional Aid	84.031		946,109	24,049,823	24,995,932
<i>Pass-Through from El Paso Community College</i>		CC004940 21129-F21129		120,644	120,644
<i>Pass-Through from Laredo Community College</i>		P031S120095		331,158	331,158
<i>Pass-Through from San Antonio College</i>		P031C110039		665,664	665,664
<i>Pass-Through from Western Texas College Foundation</i>		P031S100014		16,851	16,851
Total - CFDA 84.031			946,109	25,184,140	26,130,249
Federal Family Education Loans	84.032L			97,476	97,476
Career and Technical Education -- Basic Grants to States	84.048		76,094,274	8,087,647	84,181,921
<i>Pass-Through from Dell Mar Community College</i>		141107		6,000	6,000
Total - CFDA 84.048			76,094,274	8,093,647	84,187,921
Fund for the Improvement of Postsecondary Education	84.116		5,986	587,125	593,111
<i>Pass-Through from National Commission on Teaching and American Future</i>		2010-0359		2,366	2,366
<i>Pass-Through from University of Louisiana, Lafayette</i>		231080		28,800	28,800
Total - CFDA 84.116			5,986	618,291	624,277
Minority Science and Engineering Improvement	84.120		26,031	1,059,471	1,085,502
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		1,451,135	237,924,560	239,375,695
Rehabilitation Long-Term Training	84.129			1,364,978	1,364,978

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<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>U.S. Department of Education (continued)</b>					
National Institute on Disability and Rehabilitation Research	84.133			78,429	78,429
<i>Pass-Through from Every Child, Inc.</i>		529-07-0083-00001		74,195	74,195
<i>Pass-Through from TIRR Memorial Hermann</i>		H133A110027/ SWADA-UTHSC-H			
Total - CFDA 84.133			0	152,624	152,624
Migrant Education High School Equivalency Program	84.141			1,841,415	1,841,415
Migrant Education Coordination Program	84.144			60,000	60,000
Migrant Education College Assistance Migrant Program	84.149			2,098,314	2,098,314
Business and International Education Projects	84.153			21,379	21,379
Independent Living State Grants	84.169		343,269	882,507	1,225,776
Javits Fellowships	84.170			73,755	73,755
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177			1,787,324	1,787,324
Special Education-Grants for Infants and Families	84.181		24,253,844	5,486,331	29,740,175
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			1,715,204	1,715,204
Bilingual Education Professional Development	84.195			820	820
Education for Homeless Children and Youth	84.196		6,236,637		6,236,637
<i>Pass-Through from Education Service Center - Region X</i>		UTA12-000999		1,038	1,038
<i>Pass-Through from Education Service Center - Region X</i>		UTA13-000903		671,764	671,764
Total - CFDA 84.196			6,236,637	672,802	6,909,439
Graduate Assistance in Areas of National Need	84.200			1,247,254	1,247,254
Fund for the Improvement of Education	84.215			456,195	456,195
<i>Pass-Through from Houston Independent School District</i>		SR113629967899UN3		21,717	21,717
<i>Pass-Through from Lyndon Baines Johnson Foundation</i>		GN0002580		24	24
Total - CFDA 84.215			0	477,936	477,936
Centers for International Business Education	84.220			196,848	196,848
Assistive Technology	84.224		99,144	592,515	691,659
Language Resource Centers	84.229			173,815	173,815
Rehabilitation Training State Vocational Rehabilitation Unit In- Service Training	84.265			360,291	360,291
Eisenhower Professional Development State Grants	84.281		(154)		(154)
Charter Schools	84.282		5,937,886	486,066	6,423,952
Twenty-First Century Community Learning Centers	84.287		115,840,877	5,098,885	120,939,762
<i>Pass-Through from La Vega ISD</i>		161906		18,601	18,601
Total - CFDA 84.287			115,840,877	5,117,486	120,958,363
Foreign Language Assistance	84.293				
<i>Pass-Through from Clear Creek Independent School District</i>		WEAVER CCISD		5,884	5,884
State Grants for Innovative Programs	84.298		(359)		(359)
Education Research, Development and Dissemination	84.305			43,792	43,792

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<b>U.S. Department of Education (continued)</b>					
Capacity Building for Traditionally Underserved Populations	84.315			83,802	83,802
Research in Special Education	84.324			173,955	173,955
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325			2,272,106	2,272,106
<i>Pass-Through from Salus University</i>		83401		23,789	23,789
Total - CFDA 84.325			0	2,295,895	2,295,895
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			948,589	948,589
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		177,840	2,167,392	2,345,232
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331			27,441	27,441
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		1,836,382	16,612,913	18,449,295
<i>Pass-Through from San Antonio Independent School District</i>		RFP 11-037(RC)		122,047	122,047
Total - CFDA 84.334			1,836,382	16,734,960	18,571,342
Child Care Access Means Parents in School	84.335			624,872	624,872
Class Size Reduction	84.340		(940)		(940)
Transition to Teaching	84.350			631,882	631,882
Credit Enhancement for Charter School Facilities	84.354			11,592,324	11,592,324
Reading First State Grants	84.357		(16,308)		(16,308)
Rural Education	84.358		6,549,317	295,600	6,844,917
School Leadership	84.363			546,157	546,157
English Language Acquisition State Grants	84.365		112,995,923	5,695,256	118,691,179
Mathematics and Science Partnerships	84.366		9,197,968	8,786,978	17,984,946
<i>Pass-Through from Bristol Warren Regional School District</i>		UTA14-000197 YR 1 Funds		370,552	370,552
<i>Pass-Through from Bristol Warren Regional School District</i>		UTA14-000197 YR 2 Funds		80,296	80,296
<i>Pass-Through from Education Service Center Region 13</i>		505854		4,255	4,255
<i>Pass-Through from Education Service Center Region 13</i>		507090		8,282	8,282
<i>Pass-Through from Mathis ISD</i>		MOU 9.4.12		776	776
Total - CFDA 84.366			9,197,968	9,251,139	18,449,107
Improving Teacher Quality State Grants	84.367		187,873,805	7,350,988	195,224,793
<i>Pass-Through from National Institute for Excellence in Teaching</i>		PRIME: U367D130024		235,807	235,807
<i>Pass-Through from National Writing Project</i>		02-TX11-SEED2012 2A		4,470	4,470
<i>Pass-Through from National Writing Project</i>		03-TX12-SEED2012		10,377	10,377
<i>Pass-Through from National Writing Project</i>		06-TX16-SEED2012		972	972
<i>Pass-Through from National Writing Project</i>		06-TX-17-SEED2012		12,754	12,754
<i>Pass-Through from National Writing Project</i>		06-TX17-SEED2012		1,530	1,530
<i>Pass-Through from National Writing Project</i>		09-TX19-SEED2012		5,225	5,225
<i>Pass-Through from National Writing Project</i>		92-TX06-SEED2012		1,348	1,348
<i>Pass-Through from National Writing Project Corp</i>		06-TX17-SEED2012		8,432	8,432
<i>Pass-Through from National Writing Project Corp</i>		8000001817		127	127
<i>Pass-Through from National Writing Project Corp</i>		8000002138	300	3,163	3,463
<i>Pass-Through from Texas Christian University</i>		24289-13-01		38,876	38,876
<i>Pass-Through from Texas Christian University</i>		24292-14-00		34,482	34,482

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<b>U.S. Department of Education (continued)</b>					
<i>Pass-Through from Texas Higher Education Coordinating Board</i>		SPN00011		4,364	4,364
<i>Pass-Through from University of California - Berkeley</i>		06-TX15-SEED2012		7,971	7,971
Total - CFDA 84.367			187,874,105	7,720,886	195,594,991
Grants for Enhanced Assessment Instruments	84.368			299,037	299,037
Grants for State Assessments and Related Activities	84.369		3,798,823	17,926,384	21,725,207
Striving Readers	84.371		50,713,963	2,035,998	52,749,961
Academic Competitiveness Grants	84.375			(2,425)	(2,425)
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376			(34,000)	(34,000)
College Access Challenge Grant Program	84.378		2,176,521	4,137,782	6,314,303
Title I Grants to Local Educational Agencies, Recovery Act	84.389		(193,027)		(193,027)
Education Jobs Fund	84.410		(17,001)		(17,001)
ARRA - Education Jobs Fund				(270)	(270)
Total - CFDA 84.410			(17,001)	(270)	(17,271)
Investing in Innovation (i3) Fund	84.411			470,637	470,637
Troops to Teachers	84.815		248,328		248,328
National Writing Project	84.928			9,461	9,461
<i>Pass-Through from National Writing Project</i>		09-TX19		(1,582)	(1,582)
<i>Pass-Through from National Writing Project</i>		99-TX09		(10,078)	(10,078)
<i>Pass-Through from National Writing Project Corp</i>		8000001303		(1)	(1)
<i>Pass-Through from University of California - Berkeley</i>		National Writing Project		10,000	10,000
Total - CFDA 84.928			0	7,800	7,800
Total - U.S. Department of Education			2,039,242,283	406,047,444	2,445,289,727
<b>Scholarship Foundations</b>					
Scholarship Foundations	85.XXX	SPN00276		87,368	87,368
Total - CFDA 85.XXX			0	87,368	87,368
Total - Scholarship Foundations			0	87,368	87,368
<b>National Archives and Records Administration</b>					
National Archives and Records Administration	89.XXX	NAMA-12-C-0011, CLIN 0001-0004, 0006		28,923	28,923
		NAMA-12-C-0011, CLIN 0005		(44)	(44)
Total - CFDA 89.XXX			0	28,879	28,879
National Historical Publications and Records Grants	89.003			1,836,537	1,836,537
Total - National Archives and Records Administration			0	1,865,416	1,865,416

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<b>United States Institute of Peace</b>					
United States Institute of Peace	91.XXX	UTA13-000430		94,418	94,418
Total - CFDA 91.XXX			0	94,418	94,418
Total - United States Institute of Peace			0	94,418	94,418
<b>U.S. Department of Health and Human Services</b>					
U.S. Department of Health and Human Services	93.XXX	20120926NWHWRFP		475	475
		529-14-0029-00001		29,111	29,111
		CNO15944	56,900	58,602	115,502
		HHSN261201200442P		1,803	1,803
		HHSN271201400101P		4,237	4,237
		SPN00012		26,825	26,825
<i>Pass-Through from Billings Clinic</i>		HHSA290201000019I		21,560	21,560
<i>Pass-Through from Houston Academy of Medicine - Texas Med Center Library</i>		HHSN-276-2011-00007C		29,883	29,883
<i>Pass-Through from Houston Academy of Medicine - Texas Med Center Library</i>		HHSN276201100007C		32	32
<i>Pass-Through from Mathematical Policy Research</i>		06997S03186		8,591	8,591
<i>Pass-Through from Memorial Hermann - Texas Medical Center</i>		CMSTGCGNE15		577,495	577,495
<i>Pass-Through from Memorial Hermann Health System</i>		CMSTGCGNE13		154	154
<i>Pass-Through from Memorial Hermann Hospital System</i>		CMSUTHSC13		32,885	32,885
<i>Pass-Through from Memorial Hermann Hospital System</i>		CMSUTHSC15		1,083,038	1,083,038
<i>Pass-Through from Synergy Enterprises, Inc.</i>		1070-205		155,000	155,000
<i>Pass-Through from University of South Carolina</i>		HHSN2712012			
		1 R01 HD072153-01A1		30,188	30,188
Total - CFDA 93.XXX			56,900	2,059,879	2,116,779
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004				
<i>Pass-Through from HIV/AIDS Prevention Education Program</i>		HHPMP101013-02-00		6,994	6,994
Medical Reserve Corps Small Grant Program	93.008				
<i>Pass-Through from Naccho</i>		MRC 13 - 2444		2,342	2,342
<i>Pass-Through from Naccho</i>		MRC 13--2444-C		683	683
<i>Pass-Through from Naccho</i>		MRC 14 -2444		1,047	1,047
Total - CFDA 93.008			0	4,072	4,072
HIV Prevention Programs for Women	93.015			45	45
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018			434,873	434,873
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and	93.041		352,241		352,241
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042		1,014,516		1,014,516
<i>Pass-Through from City of Houston Health and Human Services</i>		4600009795		318,393	318,393
<i>Pass-Through from City of Houston Health and Human Services</i>		FC55472-13		29,653	29,653
Total - CFDA 93.042			1,014,516	348,046	1,362,562
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043		1,280,228		1,280,228

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For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048			369,608	369,608
Alzheimer's Disease Demonstration Grants to States	93.051			(81)	(81)
National Family Caregiver Support, Title III, Part E	93.052		8,592,049	271,029	8,863,078
Training in General, Pediatric, and Public Health Dentistry	93.059			502,549	502,549
Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory <i>Pass-Through from Association of Public Health Laboratories</i>	93.065	56400-200-620-14-01	22,549	73,706	96,255
Global AIDS <i>Pass-Through from Muhimbili University of Health and Allied</i>	93.067	1U2GGH000837-01		40,857	40,857
Public Health Emergency Preparedness	93.069		20,935,697	15,051,069	35,986,766
Environmental Public Health and Emergency Response	93.070		104,788	288,651	393,439
Medicare Enrollment Assistance Program	93.071		1,558,689	192,674	1,751,363
Lifespan Respite Care Program	93.072			352,675	352,675
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077			679,312	679,312
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			23,760	23,760
Guardianship Assistance	93.090			3,661,415	3,661,415
Affordable Care Act (ACA) Personal Responsibility Education Program <i>Pass-Through from Cardea Services</i> <i>Pass-Through from Cardea Services</i> <i>Pass-Through from Change Happens</i>	93.092	UTA12-001046 UTA12-001046 1 90AK0022		7,524 55,265 77,098	7,524 55,265 77,098
Total - CFDA 93.092			0	139,887	139,887
Food and Drug Administration Research	93.103			694,590	694,590
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			32,945	32,945
Area Health Education Centers Point of Service Maintenance and Enhancement Awards <i>Pass-Through from National Academy of Sciences</i> <i>Pass-Through from National Ahec Organization, Inc.</i>	93.107	HSH250200900063C HSH250200900063C	929,691	74,786 783	74,786 783
Total - CFDA 93.107			929,691	1,064,711	1,994,402
Maternal and Child Health Federal Consolidated Programs <i>Pass-Through from Texas Children's Hospital</i>	93.110	D70MC24126	276,075	1,693,796 8,192	1,969,871 8,192
Total - CFDA 93.110			276,075	1,701,988	1,978,063
Environmental Health	93.113			604,211	604,211
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		3,856,281	2,441,035	6,297,316
Oral Diseases and Disorders Research	93.121			577,773	577,773

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For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Nurse Anesthetist Traineeships	93.124			21,836	21,836
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			268,153	268,153
Injury Prevention and Control Research and State and Community Based Programs	93.136		2,115,716	20,321	2,136,037
AIDS Education and Training Centers	93.145				
<i>Pass-Through from Dallas County Hospital District</i>		5940-0		97,474	97,474
<i>Pass-Through from Dallas County Hospital District</i>		OTHER-3085 0		(313)	(313)
<i>Pass-Through from Dallas County Hospital District</i>		OTHER-4454 0		(1,422)	(1,422)
<i>Pass-Through from Parkland Health and Hospital Systems</i>		756004221		6,312	6,312
Total - CFDA 93.145			0	102,051	102,051
Projects for Assistance in Transition from Homelessness	93.150		4,036,056	103,591	4,139,647
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		1,148,944	696,605	1,845,549
Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals	93.156			621,275	621,275
Centers of Excellence	93.157			720,786	720,786
Research Related to Deafness and Communication Disorders	93.173			22,876	22,876
Nursing Workforce Diversity	93.178			206,550	206,550
Disabilities Prevention	93.184		256,007	61,441	317,448
<i>Pass-Through from American Thrombosis and Hemostasis Network</i>		ATHN2011001-VI-3		127,731	127,731
<i>Pass-Through from Christopher and Dana Reeve Foundation</i>		1U59DD000838		4,677	4,677
Total - CFDA 93.184			256,007	193,849	449,856
Graduate Psychology Education Program and Patient Navigator and Chronic Disease Prevention Program	93.191			117,035	117,035
Telehealth Programs	93.211		9,256	299,066	308,322
Hansen's Disease National Ambulatory Care Program	93.215		124,119	27,250	151,369
Family Planning Services	93.217			3,184	3,184
Traumatic Brain Injury State Demonstration Grant Program	93.234			252,919	252,919
Affordable Care Act (ACA) Abstinence Education Program	93.235		2,176,424	1,651,408	3,827,832
Grants to States to Support Oral Health Workforce Activities	93.236		13,950	242	14,192
Policy Research and Evaluation Grants	93.239				
<i>Pass-Through from Center for Poverty Research - UC Davis</i>		201120402-10	5,346	13,180	18,526
State Capacity Building	93.240			327,268	327,268
State Rural Hospital Flexibility Program	93.241		124,137	91,088	215,225
Mental Health Research Grants	93.242			281,438	281,438
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		2,517,606	2,611,619	5,129,225
<i>Pass-Through from Bexar County Juvenile Probation Dept.</i>		UTHSC234/H79TI022883		25,946	25,946
<i>Pass-Through from Bexar County Juvenile Probation Dept.</i>		UTHSC297		99,449	99,449
<i>Pass-Through from Center for Health Care Services</i>		1/1UD1TI023519-001		38,507	38,507
<i>Pass-Through from Hope Action Care</i>		TI18286-01		(2,128)	(2,128)
<i>Pass-Through from Mercer University</i>		420638-UT-04		1,642	1,642

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Mercer University</i>		420639-UT-05		14,405	14,405
<i>Pass-Through from San Antonio Council Alcohol and Drug Abuse</i>		1/1H79TI023996-02		69,387	69,387
<i>Pass-Through from San Antonio Council Alcohol and Drug Abuse</i>		1H79T1024770-01		18,878	18,878
<i>Pass-Through from Starcare Specialty Health System</i>		H79SM059678		324,746	324,746
Total - CFDA 93.243			2,517,606	3,202,451	5,720,057
Advanced Nursing Education Grant Program	93.247		21,421	1,022,924	1,044,345
Geriatric Academic Career Awards	93.250			177,867	177,867
Universal Newborn Hearing Screening	93.251		6,170	261,473	267,643
Poison Center Support and Enhancement Grant Program	93.253			611,770	611,770
Occupational Safety and Health Program	93.262		25,018	1,255,815	1,280,833
Immunization Cooperative Agreements	93.268		4,397,162	401,598,835	405,995,997
Adult Viral Hepatitis Prevention and Control	93.270		5,179	294,299	299,478
Alcohol Research Programs	93.273			213,477	213,477
Drug Abuse and Addiction Research Programs	93.279			1,307,033	1,307,033
Mental Health National Research Service Awards for Research Training	93.282			87,225	87,225
The Affordable Care Act: Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		3,854,589	5,799,070	9,653,659
<i>Pass-Through from Southwest Center for Pediatric Environmental Health</i>		521553060	28,645	114,105	142,750
<i>Pass-Through from Texas Institute for Health Policy Research</i>		RFP 50100-4-210034		551	551
<i>Pass-Through from The National African American Tobacco Prevention</i>		U58DP004975 01		9,425	9,425
Total - CFDA 93.283			3,883,234	5,923,151	9,806,385
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			160,099	160,099
State Partnership Grant Program to Improve Minority Health	93.296			110,166	110,166
Teenage Pregnancy Prevention Program	93.297		102,783	1,857,003	1,959,786
Small Rural Hospital Improvement Grant Program	93.301		994,337	19,534	1,013,871
Minority Health and Health Disparities Research	93.307			2,815	2,815
Trans-NIH Research Support	93.310			150,702	150,702
State Health Insurance Assistance Program	93.324		937,673		937,673
National Center for Advancing Translational Sciences	93.350			549,352	549,352
Advanced Education Nursing Traineeships	93.358			656,450	656,450
Nurse Education, Practice Quality and Retention Grants	93.359		(12,581)	823,225	810,644
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360			551,700	551,700
Nursing Research	93.361			60,056	60,056
National Center for Research Resources	93.389			467,409	467,409
Cancer Cause and Prevention Research	93.393			11,495	11,495

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For the Year Ended August 31, 2014

<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>U.S. Department of Health and Human Services (continued)</b>					
Cancer Treatment Research	93.395			10,000	10,000
<i>Pass-Through from Gynecologic Oncology Group</i>		5 U10 CA027469 33		4,253	4,253
Total - CFDA 93.395			0	14,253	14,253
Cancer Biology Research	93.396			174,677	174,677
Cancer Research Manpower	93.398		12,102	2,583,378	2,595,480
<i>Pass-Through from Oregon Health Sciences University</i>		1002074/R25CA158571		98,510	98,510
ARRA - Cancer Research Manpower				(4,831)	(4,831)
Total - CFDA 93.398			12,102	2,677,057	2,689,159
National Health Service Corps Scholarship Program	93.400			12,634	12,634
<i>Pass-Through from National Hispanic Medical Association</i>		SPN00012		27,740	27,740
Total - CFDA 93.400			0	40,374	40,374
Grants for Training in Primary Care Medicine and Dentistry Training and Enhancement	93.403			280,730	280,730
ARRA Grants for Training in Primary Care Medicine and Dentistry Training and Enhancement				560,713	560,713
Total - CFDA 93.403			0	841,443	841,443
ARRA - Dental Public Health Residency Training Grants	93.404			474	474
ARRA - State Primary Care Offices	93.414			(887)	(887)
Food Safety and Security Monitoring Project	93.448			116,986	116,986
Affordable Care Act (ACA) Nursing Assistant and Home Health Aide Program	93.503				
<i>Pass-Through from Sears Methodist Retirement System, Inc.</i>		T51HP20702		2,690	2,690
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		12,284,007	3,546,931	15,830,938
PPHF National Public Health Improvement Initiative	93.507			324,282	324,282
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510			1,203,779	1,203,779
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511			1,288,583	1,288,583
Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	93.513			285,648	285,648
Affordable Care Act (ACA) Expansion of Physician Assistant Training Program	93.514			502,143	502,143
Affordable Care Act (ACA) Nurse-Managed Health Clinics	93.515			91,412	91,412
Affordable Care Act (ACA) Public Health Training Centers Program	93.516			60,921	60,921
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518		(8,271)		(8,271)
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative	93.521		146,354	1,011,060	1,157,414

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Agreements PPHF					
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523		165,899	76,771	242,670
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526			2,838,708	2,838,708
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531		4,016,837	2,637,327	6,654,164
<i>Pass-Through from North East Texas Public Health District</i>		362167817		44,310	44,310
Total - CFDA 93.531			4,016,837	2,681,637	6,698,474
Affordable Care Act (ACA) Childhood Obesity Research Demonstration	93.535			17,175	17,175
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536			2,441,920	2,441,920
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539			963,164	963,164
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544		6,357	607,674	614,031
Abandoned Infants	93.551				
<i>Pass-Through from New York Council on Adoptable Children</i>		UTA14-000159		39,311	39,311
Promoting Safe and Stable Families	93.556		6,879,803	32,753,370	39,633,173
Child Support Enforcement	93.563			185,728,691	185,728,691
Child Support Enforcement Research	93.564			254,722	254,722
Refugee and Entrant Assistance State Administered Programs	93.566		29,176,881	17,178,496	46,355,377
Low-Income Home Energy Assistance	93.568		152,165,438	1,392,587	153,558,025
Community Services Block Grant	93.569		26,284,063	1,122,973	27,407,036
Refugee and Entrant Assistance Discretionary Grants	93.576		1,659,213	51,754	1,710,967
Refugee and Entrant Assistance Targeted Assistance Grants	93.584		3,833,939		3,833,939
State Court Improvement Program	93.586		342,653	1,043,083	1,385,736
Community-Based Child Abuse Prevention Grants	93.590		490,686	1,480,659	1,971,345
Grants to States for Access and Visitation Programs	93.597		662,553	329,279	991,832
Chafee Education and Training Vouchers Program (ETV)	93.599			2,994,394	2,994,394
Head Start	93.600			922,127	922,127
<i>Pass-Through from Center for Health Care Services</i>		06CH0107		(258)	(258)
Total - CFDA 93.600			0	921,869	921,869
Adoption Incentive Payments	93.603			5,199,505	5,199,505
The Affordable Care Act Medicaid Adult Quality Grants	93.609			(128,695)	(128,695)
Health Care Innovation Awards (HCIA)	93.610		1,311,471	1,003,696	2,315,167
Strong Start for Mothers and Newborns	93.611			228,338	228,338

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Voting Access for Individuals with Disabilities Grants to States	93.617		197,562		197,562
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624			641,142	641,142
Developmental Disabilities Basic Support and Advocacy	93.630		3,311,080	2,009,827	5,320,907
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632			537,675	537,675
Children's Justice Grants to States	93.643			(1,000)	(1,000)
<i>Pass-Through from Texas Center for the Judiciary</i>		CJA-13-03		3,737	3,737
<i>Pass-Through from Texas Center for the Judiciary</i>		G-1201TXCJA-1		65,255	65,255
Total - CFDA 93.643			0	67,992	67,992
Stephanie Tubbs Jones Child Welfare Services Program	93.645			17,680,844	17,680,844
Adoption Opportunities	93.652		275,339	(20,146)	255,193
<i>Pass-Through from Adoption Exchange Association</i>		UTA13-001163		48,197	48,197
Total - CFDA 93.652			275,339	28,051	303,390
Foster Care Title IV-E	93.658		7,191,514	204,029,314	211,220,828
Adoption Assistance	93.659			113,433,571	113,433,571
Social Services Block Grant	93.667		32,691,706	136,403,805	169,095,511
<i>Pass-Through from Houston - Galveston Area Council</i>		725-10		6,611	6,611
Total - CFDA 93.667			32,691,706	136,410,416	169,102,122
Child Abuse and Neglect State Grants	93.669			2,422,112	2,422,112
Child Abuse and Neglect Discretionary Activities	93.670				
<i>Pass-Through from BCFS Health and Human Services</i>		INTERVENTION PROJECT		69,581	69,581
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		4,495,625		4,495,625
Chafee Foster Care Independence Program	93.674			8,442,575	8,442,575
Trans-NIH Recovery Act Research Support	93.701			2,243	2,243
ARRA - Trans-NIH Recovery Act Research Support				(81,278)	(81,278)
Total - CFDA 93.701			0	(79,035)	(79,035)
ARRA - Head Start	93.708			370,280	370,280
ARRA - Health Information Technology Regional Extension Centers Program	93.718		147,405	3,342,424	3,489,829
<i>Pass-Through from Dallas - Fort Worth Hospital Council</i>		2013-301555		96,000	96,000
Total - CFDA 93.718			147,405	3,438,424	3,585,829
ARRA - State Grants to Promote Health Information	93.719		1,402,169	535,680	1,937,849
ARRA - Health Information Technology Professionals in Health Care	93.721			(4,997)	(4,997)
Mental and Behavioral Health Education and Training Grants	93.732			102,844	102,844
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	93.733			128,702	128,702

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<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>U.S. Department of Health and Human Services (continued)</b>					
State Public Health Approaches for Ensuring Qitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	93.735			874,638	874,638
Prevention Public Health Fund: Viral Hepatitis Prevention	93.736			13,380	13,380
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health <i>Pass-Through from Hidalgo Medical Services</i>	93.738				
		04052013 (CDC-RSC PRIME 1U58DP004710)		85,286	85,286
<i>Pass-Through from Hidalgo Medical Services</i>		U58DP004710		72,651	72,651
Total - CFDA 93.738			0	157,937	157,937
Elder Abuse Prevention Interventions Program	93.747			213,996	213,996
PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	93.748			104,399	104,399
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752		281,189	53,231	334,420
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		1,141,562	115,485	1,257,047
Children's Health Insurance Program	93.767			907,104,141	907,104,141
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations <i>Pass-Through from Memorial Hermann Hospital</i>	93.779		(49,721)	2,882,863	2,833,142
		CMSPVAM13-CMSTGCGNE13		578,452	578,452
Total - CFDA 93.779			(49,721)	3,461,315	3,411,594
Money Follows the Person Rebalancing Demonstration <i>Pass-Through from Center for Health Care Services</i>	93.791		72,939	23,717,167	23,790,106
		MAPLES - CHCS		46,444	46,444
Total - CFDA 93.791			72,939	23,763,611	23,836,550
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796			22,751,110	22,751,110
Health Careers Opportunity Program	93.822			713,623	713,623
Area Health Education Centers Infrastructure Development Awards <i>Pass-Through from National AHEC Organization</i>	93.824				
		HSH250200900063C		109	109
Cardiovascular Diseases Research <i>Pass-Through from Emory University</i>	93.837			603,395	603,395
		5K23HL105785-04		126	126
Total - CFDA 93.837			0	603,521	603,521
Blood Diseases and Resources Research <i>Pass-Through from Baylor College of Medicine</i>	93.839			2,063	2,063
		5600860138/101754981		1,549	1,549
Total - CFDA 93.839			0	3,612	3,612
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			245,033	245,033
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			165,134	165,134

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Kidney Diseases, Urology and Hematology Research <i>Pass-Through from Case Western Reserve University</i>	93.849	UTHSCSA-FIND		4,123	4,123
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			676,458	676,458
Allergy, Immunology and Transplantation Research <i>Pass-Through from Texas Biomedical Research Institute</i>	93.855	13-04418.001.001/R56	34,005	316,166	350,171
<i>Pass-Through from Texas Biomedical Research Institute</i>		14-04397.002 NANDAMU		3,353	3,353
<i>Pass-Through from Texas Biomedical Research Institute</i>		BASEMAN/TBRI/ NANDAMU		3,317	3,317
<i>Pass-Through from Texas Biomedical Research Institute</i>		CASALI ADENIJI SUPPO		29,322	29,322
Total - CFDA 93.855			34,005	355,511	389,516
Biomedical Research and Research Training <i>Pass-Through from Baylor College of Medicine</i>	93.859	5T32GM00828024	105,094	1,590,712	1,695,806
<i>Pass-Through from Baylor College of Medicine</i>		5T32GM008280-24		1,530	1,530
<i>Pass-Through from Baylor College of Medicine</i>		5T32GM00828025		29,053	29,053
Total - CFDA 93.859			105,094	1,643,430	1,748,524
Child Health and Human Development Extramural Research <i>Pass-Through from Emory University</i>	93.865	T073484 (HD078077)	605,593	942,177	1,547,770
<i>Pass-Through from George Washington University</i>		5U01HD06854-03		185,083	185,083
Total - CFDA 93.865			605,593	1,195,127	1,800,720
Aging Research	93.866			1,099,970	1,099,970
Vision Research	93.867			318,176	318,176
Medical Library Assistance <i>Pass-Through from Houston Academy of Medicine - Texas Medical Center Library</i>	93.879	HHSN-276-2011- 00007-C		2,718	2,718
<i>Pass-Through from Rice University</i>		5T15LM007093-22		19,591	19,591
Total - CFDA 93.879			0	22,309	22,309
Grants for Primary Care Training and Enhancement	93.884		3,766	2,244,575	2,248,341
Health Care and Other Facilities <i>Pass-Through from Piney Woods Regional Advisory Council</i>	93.887	752603041		596,486	596,486
Total - CFDA 93.887			0	6,067	6,067
Total - CFDA 93.887			0	602,553	602,553
National Bioterrorism Hospital Preparedness Program	93.889		19,344,362	4,770,254	24,114,616
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program <i>Pass-Through from Area Health Education Center of the Plains</i>	93.912	R01RH26267		52,488	52,488
<i>Pass-Through from Madison County</i>		07/23/2012, 1		17,652	17,652
Total - CFDA 93.912			0	70,140	70,140
Grants to States for Operation of Offices of Rural Health	93.913		32,586	105,776	138,362
HIV Emergency Relief Project Grants <i>Pass-Through from Harris County Hospital District</i>	93.914	6H12HA000390-16  GA-05771		420,621	420,621
<i>Pass-Through from Harris County Public Health and Envir Svc</i>		11GEN2004		3,289	3,289

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<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Harris County Public Health and Envir Svc</i>		13GEN0058		98,503	98,503
<i>Pass-Through from Harris County Public Health and Envir Svc</i>		14GEN0092		89,761	89,761
<i>Pass-Through from University Health System</i>		1200076-LS		(11,225)	(11,225)
<i>Pass-Through from University Health System</i>		130106-LS		23,116	23,116
<i>Pass-Through from University Health System</i>		130274		16,156	16,156
<i>Pass-Through from University Health System</i>		RYAN WHITE PART A		141,316	141,316
<i>Pass-Through from University Health System</i>		140135		11,998	11,998
Total - CFDA 93.914			0	793,535	793,535
HIV Care Formula Grants	93.917		21,541,411	65,722,025	87,263,436
<i>Pass-Through from Resource Group</i>		13AUTV00PTB		(10)	(10)
<i>Pass-Through from Resource Group</i>		13UTV00PTB		(698)	(698)
<i>Pass-Through from Resource Group</i>		14aUTV00PTB		281,278	281,278
<i>Pass-Through from Resource Group</i>		14UTV00PTB		39,246	39,246
<i>Pass-Through from Resource Group</i>		14UTV00PTBSUPP		3,740	3,740
<i>Pass-Through from Resource Group</i>		14UTV00SS		84,976	84,976
<i>Pass-Through from Starcare Specialty Health System</i>		2013-042074/2014-001462		274,841	274,841
Total - CFDA 93.917			21,541,411	66,517,463	88,058,874
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918				
<i>Pass-Through from Resource Group</i>		12UTP00RWC		(7)	(7)
<i>Pass-Through from Resource Group</i>		12UTV00RWC		(640)	(640)
<i>Pass-Through from Resource Group</i>		13UTV00RWC		826	826
<i>Pass-Through from Resource Group</i>		14UTV00RWC		41,922	41,922
<i>Pass-Through from Resource Group</i>		15UTV00RWC		5,259	5,259
Total - CFDA 93.918			0	47,360	47,360
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924			309,448	309,448
Special Projects of National Significance	93.928		215,013	172,553	387,566
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938			(7,747)	(7,747)
HIV Prevention Activities Non-Governmental Organization Based	93.939			334,702	334,702
HIV Prevention Activities Health Department Based	93.940		10,412,196	5,584,557	15,996,753
<i>Pass-Through from Harris County Hospital District</i>		03-HSP-0334		12,600	12,600
<i>Pass-Through from Harris County Hospital District</i>		6H12HA000390		496	496
<i>Pass-Through from St. Hope Foundation</i>		03GEN0214		(3,341)	(3,341)
Total - CFDA 93.940			10,412,196	5,594,312	16,006,508
HIV Demonstration, Research, Public and Professional Education Projects	93.941		84,255	602,025	686,280
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected	93.943				
<i>Pass-Through from City of Houston Health and Human Services</i>		C14-001-3		34,847	34,847
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		616,230	2,082,428	2,698,658

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Assistance Programs for Chronic Disease Prevention and	93.945		75,000	556,302	631,302
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			138,713	138,713
Tuberculosis Demonstration, Research, Public and Professional Education	93.947			1,049,020	1,049,020
Block Grants for Community Mental Health Services	93.958		26,355,371	5,022,280	31,377,651
Block Grants for Prevention and Treatment of Substance Abuse <i>Pass-Through from Texas Department of State Health Services</i>	93.959	SPN00012	100,973,512	23,985,961 32,252	124,959,473 32,252
Total - CFDA 93.959			100,973,512	24,018,213	124,991,725
Prevention and Public Health Fund (PPHF) Public Health Traineeships <i>Pass-Through from Association of Schools of Public Health</i>	93.964	U76AH1000204		4,028	4,028
PPHF Geriatric Education Centers <i>Pass-Through from Baylor College of Medicine</i>	93.969	1UB4 HP19052-01	127,983	1,176,606	1,304,589
<i>Pass-Through from Baylor College of Medicine</i>		1UB4HP19052-01		22,140	22,140
<i>Pass-Through from Baylor College of Medicine</i>		5UB4HP19052-04-00		71,747	71,747
<i>Pass-Through from Baylor College of Medicine</i>		741613878		14,772	14,772
<i>Pass-Through from Baylor College of Medicine</i>		PO 5600688478		25,657	25,657
<i>Pass-Through from Health Resources and Services Agency</i>		5UB4HP19052-04-00		23,482	23,482
				19,995	19,995
Total - CFDA 93.969			127,983	1,354,399	1,482,382
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977		4,268,206	1,450,162	5,718,368
Mental Health Disaster Assistance and Emergency Mental	93.982		(630)	1,528	898
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988			(29,762)	(29,762)
International Research and Research Training	93.989			7,799	7,799
Preventive Health and Health Services Block Grant	93.991		1,055,249	98,024	1,153,273
Maternal and Child Health Services Block Grant to the States	93.994		8,558,971	23,904,628	32,463,599
Total - U.S. Department of Health and Human Services			546,864,188	2,330,213,412	2,877,077,600
<b>Corporation for National and Community Service</b>					
Corporation for National and Community Service	94.XXX	MLK Day of Service		8,535	8,535
Retired and Senior Volunteer Program	94.002			118,160	118,160
Learn and Serve America Higher Education <i>Pass-Through from Duke University Press</i>	94.005	11-CNCS-1044		1,260	1,260
AmeriCorps <i>Pass-Through from AmeriCorps</i>	94.006	06AFHTX0010063	123,041	655,029	778,070
<i>Pass-Through from AmeriCorps</i>		600100	12,317	4,594	16,911
<i>Pass-Through from One Star Foundation</i>		13AC150974		8	8
		06AFHTX0010080		1,329,955	1,329,955
<i>Pass-Through from One Star Foundation</i>		14AC160961		1,536	1,536
<i>Pass-Through from Service for Peace</i>		204501		729	729
Total - CFDA 94.006			135,358	1,991,851	2,127,209
Total - Corporation for National and Community Service			135,358	2,119,806	2,255,164

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<b>Executive Office of the President</b>					
High Intensity Drug Trafficking Areas Program <i>Pass-Through from Lone Star Legal Aid</i>	95.001	7485-1		770,802 1,292,418	770,802 1,292,418
Total - CFDA 95.001			0	2,063,220	2,063,220
Total - Executive Office of the President			0	2,063,220	2,063,220
<b>U.S. Department of Homeland Security</b>					
U.S. Department of Homeland Security	97.XXX	302ICE HSBP1011P00943		7,940 4,062	7,940 4,062
Total - CFDA 97.XXX			0	12,002	12,002
State and Local Homeland Security National Training Program	97.005			17,789,769	17,789,769
Non-Profit Security Program <i>Pass-Through from New York/New Jersey Port Authority</i>	97.008	001794205	456,904	4,644 1,051	461,548 1,051
Total - CFDA 97.008			456,904	5,695	462,599
Boating Safety Financial Assistance	97.012			3,896,492	3,896,492
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			256,827	256,827
National Urban Search and Rescue Response System	97.025			1,121,004	1,121,004
Flood Mitigation Assistance	97.029		5,047,169	61,705	5,108,874
Disaster Grants - Public Assistance (Presidentially Declared Disasters) <i>Pass-Through from Village of Surfside Beach</i>	97.036	10-206-000-4101	20,256,684	91,672,661 1,429,047	111,929,345 1,429,047
Total - CFDA 97.036			20,256,684	93,101,708	113,358,392
Hazard Mitigation Grant	97.039		24,864,352	3,561,723	28,426,075
National Dam Safety Program	97.041			539,388	539,388
Emergency Management Performance Grants	97.042		5,788,208	11,976,640	17,764,848
State Fire Training Systems Grants	97.043			22,000	22,000
Assistance to Firefighters Grant <i>Pass-Through from City of Austin</i>	97.044	UTA13-000577		3,942	3,942
Cooperating Technical Partners	97.045		533,839	3,263	537,102
Fire Management Assistance Grant	97.046		29,321	394,747	424,068
Pre-Disaster Mitigation	97.047		1,255,099	11,979	1,267,078
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			26,866	26,866
Emergency Operations Centers	97.052		1,765,405	5,711	1,771,116
Port Security Grant Program <i>Pass-Through from City of Minneapolis</i>	97.056	066530411		106,007 8,290	106,007 8,290
Total - CFDA 97.056			0	114,297	114,297
Centers for Homeland Security	97.061			(13,716)	(13,716)

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<b>U.S. Department of Homeland Security (continued)</b>					
<i>Pass-Through from Jackson State University</i>		634822		100,331	100,331
Total - CFDA 97.061			0	86,615	86,615
Scientific Leadership Awards	97.062			57,052	57,052
Homeland Security Grant Program	97.067		92,414,957	8,027,241	100,442,198
Aviation Research Grants <i>Pass-Through from Systems Research and Applications Corporation</i>	97.069	S3600001		(497)	(497)
Buffer Zone Protection Program (BZPP)	97.078		926,175	29,224	955,399
Driver's License Security Grant Program <i>Pass-Through from Systems Research and Applications Corporation</i>	97.089	S360000171		1,100,807 3,580	1,100,807 3,580
Total - CFDA 97.089			0	1,104,387	1,104,387
Homeland Security Biowatch Program	97.091			2,350,799	2,350,799
Repetitive Flood Claims	97.092		819,807	13,500	833,307
Severe Repetitive Loss Program	97.110		9,081,707	170,617	9,252,324
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111		1,647,153	190,103	1,837,256
Border Interoperability Demonstration Project	97.120		77,693	13,226	90,919
Total - U.S. Department of Homeland Security			164,964,473	144,948,025	309,912,498
<b>U. S. Agency for International Development</b>					
U. S. Agency for International Development <i>Pass-Through from Association of Small Business Development Center</i>	98.XXX	ESTDP 1-04		2,947	2,947
USAID Foreign Assistance for Programs Overseas <i>Pass-Through from Emory University</i>	98.001	101038.5010.001.004- UTA-002		3,073	3,073
<i>Pass-Through from International Executive Svc Corps</i>		SUBAGREEMENT 11287		142,235	142,235
<i>Pass-Through from University of Illinois - Champaign - Urbana</i>		2014-00575-01		370,075	370,075
Total - CFDA 98.001			0	515,383	515,383
USAID Development Partnerships for University Cooperation and Development <i>Pass-Through from American Council on Education</i>	98.012	HED0659722CAR11-01	109,950	(66,894)	43,056
<i>Pass-Through from American Council on Education</i>		HED0659722CAR13-02	54,770	529,339	584,109
Total - CFDA 98.012			164,720	462,445	627,165
Total - U. S. Agency for International Development			164,720	980,775	1,145,495
<b>Total Non-Clustered Programs</b>			3,683,965,088	6,690,174,977	10,374,140,065

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<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
U.S. Department of Agriculture	10.XXX	434840		25,797	25,797
		434850		53,426	53,426
<i>Pass-Through from Cree, Inc.</i>		11 005 911NF 10 20038		77,824	77,824
<i>Pass-Through from Oregon State University</i>		DA736B-A		5,723	5,723
<i>Pass-Through from University of Baltimore</i>		USDA-TX UTA10-000551		34,394	34,394
Total - CFDA 10.XXX			0	197,164	197,164
Agricultural Research Basic and Applied Research	10.001		99,494	3,491,767	3,591,261
<i>Pass-Through from North Carolina State University</i>		2010-0640-06		18,917	18,917
<i>Pass-Through from The National Mango Board</i>		04122010		10,649	10,649
<i>Pass-Through from The National Mango Board</i>		121012 OBJECTIVE 1		28,293	28,293
<i>Pass-Through from University of California - Berkeley</i>		00008265		482,023	482,023
<i>Pass-Through from Utah State University</i>		58-3148-2-033		88,333	88,333
Total - CFDA 10.001			99,494	4,119,982	4,219,476
Plant and Animal Disease, Pest Control, and Animal Care	10.025		12,499	1,551,641	1,564,140
<i>Pass-Through from Texas Citrus Mutual</i>		13-8448-1530		115,616	115,616
<i>Pass-Through from Texas Citrus Mutual</i>		14-8448-1530		23,242	23,242
Total - CFDA 10.025			12,499	1,690,499	1,702,998
Wildlife Services	10.028			6,343	6,343
Wetlands Reserve Program	10.072			2,913	2,913
<i>Pass-Through from Dewberry and Davis, LLC</i>		8000001831		55,289	55,289
Total - CFDA 10.072			0	58,202	58,202
Federal-State Marketing Improvement Program	10.156			49,114	49,114
Transportation Services	10.167			18,147	18,147
Specialty Crop Block Grant Program - Farm Bill	10.170			321,170	321,170
<i>Pass-Through from National Center for Appropriate Technology</i>		SRS M 1400814		14,847	14,847
<i>Pass-Through from Uvalde County Underground Water Conserv</i>		SCFB-1314-26		27,405	27,405
Total - CFDA 10.170			0	363,422	363,422
Grants for Agricultural Research, Special Research Grants	10.200		27,349	509,197	536,546
<i>Pass-Through from Colorado State University</i>		G-1496-1		48,525	48,525
<i>Pass-Through from Kansas State University</i>		S14026		7,499	7,499
<i>Pass-Through from Mississippi State University</i>		SRAC - YEAR 3 OF 3		17,503	17,503
<i>Pass-Through from Oklahoma State University</i>		AC-5-81870.TAMUS		5,387	5,387
<i>Pass-Through from University of Florida</i>		1200139964		(42)	(42)
<i>Pass-Through from University of Florida</i>		1300238618		428	428
<i>Pass-Through from University of Florida</i>		PO 1400281311		42,337	42,337
<i>Pass-Through from University of Florida</i>		PO 1400281312		7,750	7,750
<i>Pass-Through from University of Florida - Gainesville</i>		1300218357		35,874	35,874
<i>Pass-Through from University of Florida - Gainesville</i>		PO 1300213392		1,204	1,204
Total - CFDA 10.200			27,349	675,662	703,011
Cooperative Forestry Research	10.202			756,330	756,330
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			9,153,880	9,153,880
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			4,766,422	4,766,422

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
Grants for Agricultural Research Competitive Research Grants	10.206			203	203
<i>Pass-Through from Michigan State University</i>		SUB RC10133211 2008-35201-302		(2,312)	(2,312)
Total - CFDA 10.206			0	(2,109)	(2,109)
Animal Health and Disease Research	10.207			23,506	23,506
Small Business Innovation Research	10.212				
<i>Pass-Through from Alpha Scents, Inc.</i>		10-0107		1,299	1,299
Sustainable Agriculture Research and Education	10.215				
<i>Pass-Through from University of Georgia</i>		2012-38640-19520		8,607	8,607
<i>Pass-Through from University of Georgia</i>		RD309-122/4940016	11,787	85,329	97,116
<i>Pass-Through from University of Georgia Research Foundation</i>		RD309 109 4786276		10,267	10,267
<i>Pass-Through from University of Georgia Research Foundation</i>		RD309-122/4940056		6,390	6,390
<i>Pass-Through from University of Georgia Research Foundation</i>		RD309-125/4944856		107,907	107,907
Total - CFDA 10.215			11,787	218,500	230,287
1890 Institution Capacity Building Grants	10.216			430,788	430,788
<i>Pass-Through from South Carolina State University</i>		10-576004		33,918	33,918
<i>Pass-Through from Southern University</i>		PO P122095 /SUS- SUAGCENTER-2009- 08-0005		2	2
<i>Pass-Through from Virginia State University</i>		011212		2,568	2,568
Total - CFDA 10.216			0	467,276	467,276
Higher Education Institution Challenge Grants Program	10.217		22,426	71,880	94,306
<i>Pass-Through from Kansas State University</i>		8000001932		35,902	35,902
<i>Pass-Through from Kansas State University</i>		S13107		33,398	33,398
<i>Pass-Through from Oklahoma State University</i>		AA-5-46243-TTU		20,476	20,476
<i>Pass-Through from University of Florida</i>		UF11255		77,957	77,957
<i>Pass-Through from West Virginia University</i>		13-536-TAR		2,172	2,172
Total - CFDA 10.217			22,426	241,785	264,211
Hispanic Serving Institutions Education Grants	10.223		245,003	1,835,617	2,080,620
<i>Pass-Through from Houston Community College System</i>		2011-02409		21,725	21,725
<i>Pass-Through from St. Edward's University</i>		8-001 (2009-38422-19878)		44,221	44,221
<i>Pass-Through from University of Puerto Rico</i>		2008-38422-19211		(4,527)	(4,527)
Total - CFDA 10.223			245,003	1,897,036	2,142,039
Community Food Projects	10.225			1,692	1,692
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250			24,068	24,068
Consumer Data and Nutrition Research	10.253		6,273	19,773	26,046
<i>Pass-Through from Cornell University</i>		62140-10097		29,902	29,902
<i>Pass-Through from University of Kentucky Research Foundation</i>		3048110944-14-164		29	29
Total - CFDA 10.253			6,273	49,704	55,977
Research Innovation and Development Grants in Economic (RIDGE)	10.255				
<i>Pass-Through from Purdue University</i>		8000056289		22,793	22,793
Consumer Data and Information Program	10.256				

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
<i>Pass-Through from Rutgers University</i>		3887, PO S1380974 (58-4000-9-0064)		5,904	5,904
Agricultural Market and Economic Research	10.290		129,364	1,215,136	1,344,500
Integrated Programs	10.303		255,643	653,239	908,882
<i>Pass-Through from Kansas State University</i>		2010-51110-21083		31	31
<i>Pass-Through from Kansas State University</i>		S11058		59,633	59,633
<i>Pass-Through from North Carolina State University</i>		2012-2604-07		18,019	18,019
<i>Pass-Through from North Carolina State University</i>		2012-2604-13		48,297	48,297
<i>Pass-Through from North Carolina State University</i>		2012-2604-22		9,165	9,165
<i>Pass-Through from North Carolina State University</i>		2012-2604-23		11,858	11,858
<i>Pass-Through from University of Arkansas</i>		UA AES 91072-02		4,527	4,527
<i>Pass-Through from University of Nebraska</i>		25-6331-0198-003		22,212	22,212
Total - CFDA 10.303			255,643	826,981	1,082,624
Homeland Security Agricultural	10.304			187,798	187,798
Specialty Crop Research Initiative	10.309		1,151,703	988,139	2,139,842
<i>Pass-Through from Brigham Young University</i>		12-0349 PRIME: 2010-51181-20190		89,040	89,040
<i>Pass-Through from University of Georgia</i>		RC294-317/4893286		40,549	40,549
<i>Pass-Through from Washington State University</i>		112674 G002608		(33)	(33)
Total - CFDA 10.309			1,151,703	1,117,695	2,269,398
Agriculture and Food Research Initiative	10.310		515,502	2,279,857	2,795,359
<i>Pass-Through from Center for Research on the Changing Earth</i>		AGRILIFE-1215514		21,595	21,595
<i>Pass-Through from Cornell University</i>		62524-9804		25,320	25,320
<i>Pass-Through from Cornell University</i>		65850-10196		5,475	5,475
<i>Pass-Through from Iowa State University</i>		416-23-03A		6,745	6,745
<i>Pass-Through from Iowa State University</i>		416-40-16A		53,633	53,633
<i>Pass-Through from Iowa State University</i>		416-40-96E		82,440	82,440
<i>Pass-Through from Louisiana State University</i>		2011-67009-30132/YR 2-5		35,030	35,030
<i>Pass-Through from Louisiana State University</i>		82623		17,120	17,120
<i>Pass-Through from Michigan State University</i>		RC064853TTU		117,021	117,021
<i>Pass-Through from Montclair State University</i>		2012-67009-19742 TAR		16,680	16,680
<i>Pass-Through from Oklahoma State University</i>		2010-85212-20662		103,111	103,111
<i>Pass-Through from Oklahoma State University</i>		434750		248,965	248,965
<i>Pass-Through from Purdue University</i>		8000053333-AG		126,782	126,782
<i>Pass-Through from Purdue University</i>		8000053334-AG		52,491	52,491
<i>Pass-Through from Southern University Agricultural Research and Extension Center</i>		SUSSUAGCENTER 2010 02 007 TTU		18,633	18,633
<i>Pass-Through from The Curators Of The University of Missouri</i>		C00037134-3		3,895	3,895
<i>Pass-Through from The National Mango Board</i>		121012 OBJECTIVE 2		100,009	100,009
<i>Pass-Through from The National Mango Board</i>		121012 OBJECTIVE 4		38,645	38,645
<i>Pass-Through from University of Arkansas</i>		UAAES91118-01		24,120	24,120
<i>Pass-Through from University of Florida</i>		UF 11089		43,550	43,550
<i>Pass-Through from University of Missouri</i>		C00031587-9		867	867
<i>Pass-Through from University of Nebraska</i>		25-6239-0235-304		69,832	69,832
<i>Pass-Through from University of Nebraska - Lincoln</i>		PRIME: 2012-68003-30155 25-6268-0005-003		119,428	119,428
<i>Pass-Through from University of Nebraska - Lincoln</i>		2013-68004-20358			
<i>Pass-Through from University of Nebraska - Lincoln</i>		25-6321-0212-103		64,081	64,081
<i>Pass-Through from University of North Carolina Asheville</i>		14-SA-01		39,128	39,128
<i>Pass-Through from University of Wisconsin</i>		493K872		23,138	23,138
Total - CFDA 10.310			515,502	3,737,591	4,253,093

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
Beginning Farmer and Rancher Development Program	10.311		91,221	166,851	258,072
Biomass Research and Development Initiative Competitive Grants Program (BRDI)	10.312				
<i>Pass-Through from Ceramatec, Inc.</i>		02212013		111,359	111,359
ARRA - Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)	10.315				
<i>Pass-Through from University of Minnesota</i>		H001344230		389	389
Women and Minorities in Science, Technology, Engineering, and Mathematics Fields	10.318			64,257	64,257
Sun Grant Program	10.320			7,662	7,662
<i>Pass-Through from Arkansas State University</i>		2011-51102-31125		15,493	15,493
<i>Pass-Through from Oklahoma State University</i>		AB-5-67630.TAES8 FERNANDEZ	11,548	28,688	40,236
<i>Pass-Through from Oklahoma State University</i>		AB-5-68020.TAES10 MUNSTER		35,929	35,929
<i>Pass-Through from Oklahoma State University</i>		AB-5-68020.TAES11	12,813	40,578	53,391
<i>Pass-Through from South Dakota State University</i>		3TT114		12,560	12,560
<i>Pass-Through from University of Oklahoma</i>		2013-34 AB-5- 68110 OU1		55,424	55,424
<i>Pass-Through from University of Tennessee</i>		8500033504		13,929	13,929
Total - CFDA 10.320			24,361	210,263	234,624
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326		58,555	566,910	625,465
Crop Insurance	10.450			3,333,893	3,333,893
<i>Pass-Through from Grazinglands Conservation Initiative</i>		405223		1,553	1,553
Total - CFDA 10.450			0	3,335,446	3,335,446
Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)	10.456				
<i>Pass-Through from National Crop Insurance Services</i>		NO.D11PC18805/RDE R D12PD00379		44,360	44,360
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			128,567	128,567
Food Safety Cooperative Agreements	10.479			135,935	135,935
Cooperative Extension Service	10.500				
<i>Pass-Through from New York University</i>		S2901-01/S13005 (PO UW495718)		687	687
School Breakfast Program	10.553			7,764	7,764
National School Lunch Program	10.555			18,537	18,537
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			713,435	713,435
<i>Pass-Through from State of Iowa</i>		5888NE1		77	77
Total - CFDA 10.557			0	713,512	713,512
Faculty Exchange Program	10.613			8,427	8,427
Scientific Cooperation Exchange Program with China	10.614		7,827	104,003	111,830

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
Forestry Research	10.652			1,209,253	1,209,253
<i>Pass-Through from University of California - Berkeley</i>		SPN00032		5,954	5,954
Total - CFDA 10.652			0	1,215,207	1,215,207
Cooperative Forestry Assistance	10.664			18,479	18,479
Forest Stewardship Program	10.678			697	697
Forest Health Protection	10.680			22,923	22,923
Rural Cooperative Development Grants	10.771				
<i>Pass-Through from National Sheep Industry Improvement</i>		FY2013 NSIIC		33,869	33,869
National Sheep Industry Improvement Center	10.774				
<i>Pass-Through from National Sheep Industry Improvement</i>		02192014		4,414	4,414
Norman E. Borlaug International Agricultural Science and Technology Fellowship	10.777		15,704	302,124	317,828
Resource Conservation and Development	10.901			16,857	16,857
Soil and Water Conservation	10.902		8,640	518,342	526,982
Soil Survey	10.903			75,942	75,942
Plant Materials for Conservation	10.905			109,266	109,266
Environmental Quality Incentives Program	10.912		63,803	108,373	172,176
<i>Pass-Through from Chesapeake Bay Foundation</i>		434740		58,671	58,671
<i>Pass-Through from Heidelberg</i>		490010		1,405	1,405
<i>Pass-Through from North Plains Groundwater Conservation District</i>		69-3A75-11-184		148,601	148,601
<i>Pass-Through from World Resource Institute</i>		521257057		94,344	94,344
Total - CFDA 10.912			63,803	411,394	475,197
Agricultural Statistics Reports	10.950			79,757	79,757
Technical Agricultural Assistance	10.960		37,375	1,184,221	1,221,596
<i>Pass-Through from Catholic Relief Services</i>		FCC-686-2013-027-00		19,171	19,171
Total - CFDA 10.960			37,375	1,203,392	1,240,767
Scientific Cooperation and Research	10.961			4,301	4,301
Cochran Fellowship Program-International Training-Foreign Participant	10.962			406,953	406,953
Total - U.S. Department of Agriculture			2,784,529	41,933,006	44,717,535
<b>U.S. Department of Commerce</b>					
U.S. Department of Commerce	11.XXX	1263906000		19,748	19,748
		EE-133C-13-SE-1762		20,494	20,494
		UTA06-827		151	151
		UTA13-000383		50,685	50,685
		UTA13-000444		629,358	629,358
<i>Pass-Through from Aurora Flight Sciences</i>		AFS13-1657		31,000	31,000
<i>Pass-Through from Earth Networks, Inc.</i>		SA12-EN102		346,225	346,225
<i>Pass-Through from Industrial Economics, Inc.</i>		5700-TAMU-		135,628	135,628
<i>Pass-Through from Kairos Micro Systems Corp</i>		G (AB133C-11-CQ-0050) FA8650-11-C-1028		(1,218)	(1,218)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Commerce (continued)</b>					
<i>Pass-Through from Nanoelectronics Research Corp</i>		2013-NE-2400	221,742	910,872	1,132,614
<i>Pass-Through from U. S. Dept. of Commerce - NOAA</i>		DG-133E-13-SE-1697 0001		59,412	59,412
<i>Pass-Through from UCAR</i>		Z14-15083		1,611	1,611
<i>Pass-Through from Woods Hole Group, Inc.</i>		2014-0120-000-001-01		9,878	9,878
Total - CFDA 11.XXX			221,742	2,213,844	2,435,586
NOAA Mission-Related Education Awards	11.008				
<i>Pass-Through from University of Puerto Rico at Mayaguez</i>		2013-2014-004		38,417	38,417
Investments for Public Works and Economic Development Facilities	11.300			13,489	13,489
Economic Development Support for Planning Organizations	11.302				
<i>Pass-Through from Sfwq Corporation</i>		08-69-03989		11,925	11,925
Economic Development Technical Assistance	11.303			696	696
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	11.400				
<i>Pass-Through from University of Southern Mississippi</i>		UMS-GR04905-02		508,965	508,965
Sea Grant Support	11.417		202,725	1,833,455	2,036,180
<i>Pass-Through from Maryland Sea Grant</i>		CA12-15SA7528125-A	11,287	2,645	13,932
<i>Pass-Through from Mississippi - Alabama Sea Grant Consortium</i>		USM-GR04114-R/MG/CSP-24 (NA10OAR4170078)		32,041	32,041
<i>Pass-Through from University of Southern Mississippi</i>		USM-GR04114-R/ESV-02	32,162	141,007	173,169
Total - CFDA 11.417			246,174	2,009,148	2,255,322
Coastal Zone Management Administration Awards	11.419			1,054,955	1,054,955
<i>Pass-Through from University of New Hampshire</i>		12-040		144,760	144,760
<i>Pass-Through from University of South Carolina</i>		14-2533, PO 81709		17,109	17,109
Total - CFDA 11.419			0	1,216,824	1,216,824
Coastal Zone Management Estuarine Research Reserves	11.420			509,183	509,183
Climate and Atmospheric Research	11.431			276,334	276,334
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432			28,738	28,738
<i>Pass-Through from Industrial Economics, Inc.</i>		5700-TAMUCC		770,614	770,614
<i>Pass-Through from Mississippi State University</i>		191001-363411-01		(351)	(351)
<i>Pass-Through from University of Miami</i>		S140004, NOAA-NA10OAR4320143		5,397	5,397
Total - CFDA 11.432			0	804,398	804,398
Marine Fisheries Initiative	11.433		1,787	108,330	110,117
Environmental Sciences, Applications, Data, and Education	11.440			19,324	19,324
Unallied Management Projects	11.454		32,092	80,004	112,096
<i>Pass-Through from Gulf of Mexico Alliance</i>		GOMA 121125-00		22,380	22,380
Total - CFDA 11.454			32,092	102,384	134,476
Habitat Conservation	11.463			81,887	81,887
<i>Pass-Through from Fish America Foundation</i>		FAF-11030		11,691	11,691
<i>Pass-Through from Gulf of Mexico Alliance</i>		121119-00		13,342	13,342

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Commerce (continued)</b>					
<i>Pass-Through from The University Of Southern Mississippi</i>		USM-GR04125-D10		17,833	17,833
<i>Pass-Through from University of Southern Mississippi</i>		USM-GR04125- R/HRC-04		7,906	7,906
Total - CFDA 11.463			0	132,659	132,659
Meteorologic and Hydrologic Modernization Development	11.467			114,017	114,017
<i>Pass-Through from University Corp for Atmospheric Research</i>		Z12-93224		1,874	1,874
<i>Pass-Through from University Corporation for Atmospheric Research</i>		Z11 91820		(301)	(301)
Total - CFDA 11.467			0	115,590	115,590
Applied Meteorological Research	11.468			152,168	152,168
Unallied Science Program	11.472			50,910	50,910
Coastal Services Center	11.473				
<i>Pass-Through from Gulf of Mexico Alliance</i>		121133-00		29,700	29,700
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		184,428	505,207	689,635
Educational Partnership Program	11.481				
<i>Pass-Through from Environmental Cooper Science Center</i>		Sub C-3273		159,986	159,986
<i>Pass-Through from Florida A and M University</i>		000953 C-2884 1/18/13		(1,618)	(1,618)
<i>Pass-Through from Florida A and M University</i>		C3580		4,591	4,591
<i>Pass-Through from Florida A and M University</i>		C3953		428,225	428,225
<i>Pass-Through from Howard University</i>		0007342-10000046407		138,056	138,056
Total - CFDA 11.481			0	729,240	729,240
Measurement and Engineering Research and Standards	11.609			718,274	718,274
<i>Pass-Through from University of Louisville Research Foundation</i>		ULRF13-1307-01		46,438	46,438
Total - CFDA 11.609			0	764,712	764,712
Manufacturing Extension Partnership	11.611		412,185	3,508,639	3,920,824
<i>Pass-Through from Illinois Manufacturing Excellence Center</i>		SPN00001		14,608	14,608
Total - CFDA 11.611			412,185	3,523,247	3,935,432
Technology Innovation Program	11.616		57,653	5,491	63,144
<i>Pass-Through from Rutgers University</i>		4-31873 PO 1439899 OC 10223		24,510	24,510
Total - CFDA 11.616			57,653	30,001	87,654
Total - U.S. Department of Commerce			1,156,061	13,866,695	15,022,756
<b>U.S. Department of Defense</b>					
U.S. Department of Defense	12.XXX	1263906570		(56)	(56)
		1263906580		1,177	1,177
		1263907150		186	186
		14-C-0075 CLIN 0001 ACRN AA		160,920	160,920
		2009-0656812-000		(708)	(708)
		CLIN 600 OPT 3-3.14			
		2009-0656812-000		12,667	12,667
		CLIN 601 OPT 4-3.15			

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		2009-0656812-000		7,337	7,337
		CLIN 602 OPT 5-3.16			
		2010-1061915-000		6,432	6,432
		CLIN 504 OTC 5000-3			
		2012-12082100001		270,071	270,071
		CLIN 100 BASE			
		2012-12082100001		531,909	531,909
		CLIN 0106			
		2012-12082100001		417,810	417,810
		CLIN 0107			
		2012-12082100001		402,208	402,208
		CLIN 105			
		2012-12082100001		228,413	228,413
		CLIN 9001			
		2012-12082100001		596,104	596,104
		CLIN 9002			
		2012-12082100001		50,900	50,900
		CLIN 9003			
		58 6208 1 142		304	304
		8000001322	3,581		3,581
		8000002154		9,358	9,358
		99-S130262		(1,289)	(1,289)
		D13PC00202		502,940	502,940
		FA7014-07-C-0036/PET		(2,579)	(2,579)
		FA701409C0006		124	124
		FA8651-13-C-0258		93,116	93,116
		FA8903-12-C-0008		144,983	144,983
		GU/IPAA/NAVY		(1,027)	(1,027)
		H98230-12-C-		181,850	181,850
		0336/CLN 0001 ACNAA			
		HDTRA1-12-C-0007	287,710	273,269	560,979
		HDTRA1-14-C-		65,048	65,048
		0113/Vaccine Candidates			
		HQ0034-12-P-0148		35,010	35,010
		HQ0147-14-C-6003		26,958	26,958
		HR-0011-12-C-0066		18,619	18,619
		HR0011-12-C-0066		403,830	403,830
		HU0001091TS15	55,599	146,075	201,674
		IPAA FOR DR. SCHWACH		42,393	42,393
		M1200873-463631		268	268
		M1400370-469031		38,581	38,581
		N00014-06-G-0218 0042		686,957	686,957
		N00014-06-G-		106,310	106,310
		0218/0043			
		N00014-11-G0041		194,449	194,449
		0008			
		N00014-11-G-0041		20,207	20,207
		0018			
		N00014-11-G-0041		1,458	1,458
		0019			
		N00014-11-G-0041		161,679	161,679
		DO-0014 CLN 0001			
		ACN AA			
		N00014-11-G-0041-		116,831	116,831
		0003			
		N00014-11-G-0041-		573,424	573,424
		0006 CLN 0001 ACN			
		AA AB			

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00014-11-G-0041-0012		104,037	104,037
		N00014-11-G-0041-0013 CLN 0001 ACN AA AB		214,204	214,204
		N00014-11-G-0041-0015		185,470	185,470
		N00014-12-1-0774		482	482
		N00024-07-D-6200 0570 CLN 0003 ACN AA		69,550	69,550
		N00024-07-D-6200, DO 0612 CLN 0003		2,023,972	2,023,972
		N00024-07-D-6200, IRA UTA13-000171		164,923	164,923
		N00024-07-D-6200/0357 CLN 0001 ACN AA		26	26
		N00024-07-D-6200/0365 CLN 0001 ACN AA AB		148	148
		N00024-07-D-6200/0372 CLN 0001 ACN AA AB		1	1
		N00024-07-D-6200/0378 CLN 0001 ACN AA AB		7	7
		N00024-07-D-6200/0383 CLN 0001 ACN AA		56,587	56,587
		N00024-07-D-6200/0386 CLN 0001 ACN AA		239,714	239,714
		N00024-07-D-6200/0387 CLN 0001 ACN AA AB		4	4
		N00024-07-D-6200/0389 CLN 0001 ACN AA		199,515	199,515
		N00024-07-D-6200/0395 CLN 0001 ACN AA		24,381	24,381
		N00024-07-D-6200/0399 CLN 0001 ACN AA		37,964	37,964
		N00024-07-D-6200/0406 CLN 0001 ACN AA		2,859	2,859
		N00024-07-D-6200/0409 CLN 0001 ACN AA AB		1,582,916	1,582,916
		N00024-07-D-6200/0414 CLN 0001 ACN AA AB		8,060	8,060

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200/0420 CLN 0001 ACN AA		77,122	77,122
		N00024-07-D-6200/0424 CLN 0001 ACN AA		61,043	61,043
		N00024-07-D-6200/0426 CLN 0001 ACN AA		21	21
		N00024-07-D-6200/0433 CLN 0001 ACN AA		309,429	309,429
		N00024-07-D-6200/0434 CLN 0001 ACN AA AB		81,587	81,587
		N00024-07-D-6200-0402 CLN 0001 ACN AA		574,453	574,453
		N00024-07-D-6200-0429 CLN 0001 ACN AA AB		1,599,967	1,599,967
		N00024-07-D-6200-0430 CLN 0001 ACN AA		6,041	6,041
		N00024-07-D-6200-0431 CLN 0001 ACN AA		18	18
		N00024-07-D-6200-0435 CLN 0001 ACN AA AB		218	218
		N00024-07-D-6200-0437 CLN 0001 ACN AA AB		141,876	141,876
		N00024-07-D-6200-0438 CLN 0001 ACN AA		74,259	74,259
		N00024-07-D-6200-0441 CLN 0001 ACN AA		48,027	48,027
		N00024-07-D-6200-0442 CLN 0001 ACN AA		78,432	78,432
		N00024-07-D-6200-0443 CLN 0001 ACN AA AB		34,237	34,237
		N00024-07-D-6200-0445 CLN 0001 ACN AA		6,439	6,439
		N00024-07-D-6200-0446 CLN 0001 ACN AA AB		489,564	489,564
		N00024-07-D-6200-0448 CLN 0001 ACN AA		54,193	54,193
		N00024-07-D-6200-0450 CLN 0001 ACN AA		360,541	360,541

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0453 CLN 0001 ACN AA		1,105	1,105
		N00024-07-D-6200-0454 CLIN 0001 ACN AA		50,829	50,829
		N00024-07-D-6200-0455 CLN 0001 ACN AA		825,900	825,900
		N00024-07-D-6200-0456 CLN 0001 ACN AA AB		769,979	769,979
		N00024-07-D-6200-0457 CLN 0001 ACN AA AB		1,379,145	1,379,145
		N00024-07-D-6200-0458 CLN 0001 ACN AA		37,318	37,318
		N00024-07-D-6200-0460 CLN 0001 ACN AA		40	40
		N00024-07-D-6200-0461 CLN 0001 ACN AA AB		60,762	60,762
		N00024-07-D-6200-0462 CLN 0001 ACN AA		428,646	428,646
		N00024-07-D-6200-0463 CLN 0001 ACN AA		93,030	93,030
		N00024-07-D-6200-0464 CLN 0001 ACN AA AB		11,525	11,525
		N00024-07-D-6200-0466 CLN 0001 ACN AA AB		129,295	129,295
		N00024-07-D-6200-0467 CLN 0001 ACN AA		86	86
		N00024-07-D-6200-0468 CLN 0001 ACN AA AB		555,563	555,563
		N00024-07-D-6200-0470 CLN 0001 ACN AA AB		196,881	196,881
		N00024-07-D-6200-0471 CLN 0001 ACN AA		26,796	26,796
		N00024-07-D-6200-0472 CLN 0001 ACN AA		24,551	24,551
		N00024-07-D-6200-0473 CLN 0001 ACN AA		23	23
		N00024-07-D-6200-0474 CLN 0001 ACN AA		133,617	133,617

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0475 CLN 0001 ACN AA		270,773	270,773
		N00024-07-D-6200-0476 CLN 0001 ACN AA		38,680	38,680
		N00024-07-D-6200-0478 CLN 0003 ACN AA		19,277	19,277
		N00024-07-D-6200-0479 P-4279 CLN 0001		142,413	142,413
		N00024-07-D-6200-0480 CLN 0001 ACN AA		521,429	521,429
		N00024-07-D-6200-0482 CLN 0001 ACN AA	20,330	68,087	88,417
		N00024-07-D-6200-0484, P-4265 CLN 0001		51,773	51,773
		N00024-07-D-6200-0485, P-4266 CLN 0001		804,507	804,507
		N00024-07-D-6200-0486 CLN 0003 ACN AA AB		240,219	240,219
		N00024-07-D-6200-0487 CLN 0003 ACN AA		12,853	12,853
		N00024-07-D-6200-0488 P-4276 CLN 0001		2,067,352	2,067,352
		N00024-07-D-6200-0490 CLN 0001 ACN AA		5	5
		N00024-07-D-6200-0492 CLN 0001 ACN AA		89,768	89,768
		N00024-07-D-6200-0493 CLN 0001 ACN AA		14,664	14,664
		N00024-07-D-6200-0494 CLN 0001 ACN AA AB		322,594	322,594
		N00024-07-D-6200-0495 CLN 0003 ACN AA		392,888	392,888
		N00024-07-D-6200-0497 CLN 0003 ACN AA		12,235	12,235
		N00024-07-D-6200-0498 CLN 0001 ACN AA AB		1,055,441	1,055,441
		N00024-07-D-6200-0499 P-4278 CLN 0001		(1,081)	(1,081)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0500 CLN 0001 ACN AA		18	18
		N00024-07-D-6200-0501 CLN 0001 ACN AA		285,255	285,255
		N00024-07-D-6200-0502 CLN 0003 ACN AA		231	231
		N00024-07-D-6200-0504 CLN 0003 ACN AA		81,194	81,194
		N00024-07-D-6200-0505 CLN 0001 ACN AA		95,451	95,451
		N00024-07-D-6200-0506 CLN 0001 ACN AA		43,844	43,844
		N00024-07-D-6200-0508 CLN 0003 ACN AA AB		448,552	448,552
		N00024-07-D-6200-0509 CLN 0003 ACN AA AB		3,293,059	3,293,059
		N00024-07-D-6200-0510 CLN 0003 ACN AA		141,805	141,805
		N00024-07-D-6200-0511 CLN 0003 ACN AA		52,982	52,982
		N00024-07-D-6200-0512 CLN 0003 ACN AA		54,190	54,190
		N00024-07-D-6200-0513 CLN 0003 ACN AA AB		549,297	549,297
		N00024-07-D-6200-0514 CLN 0003 ACN AA AB		1,360,891	1,360,891
		N00024-07-D-6200-0515 CLN 0003 ACN AA		43,700	43,700
		N00024-07-D-6200-0516 CLN 0003 ACN AA		69,942	69,942
		N00024-07-D-6200-0517 CLN 0003 ACN AA		30,455	30,455
		N00024-07-D-6200-0518 CLN 0003 ACN AA		455	455
		N00024-07-D-6200-0519 CLN 0003 ACN AA		3,575	3,575
		N00024-07-D-6200-0520 CLN 0003 ACN AA		1	1

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0521 CLN 0003 ACN AA		(309)	(309)
		N00024-07-D-6200-0522 CLN 0003 ACN AA		246,204	246,204
		N00024-07-D-6200-0523 CLN 0003 ACN AA		30,542	30,542
		N00024-07-D-6200-0524 CLN 0003 ACN AA		4,163	4,163
		N00024-07-D-6200-0525 CLN 0003 ACN AA AB		13,025	13,025
		N00024-07-D-6200-0526 CLN 0003 ACN AA		2	2
		N00024-07-D-6200-0527 CLN 0003 ACN AA		49,704	49,704
		N00024-07-D-6200-0530 CLN 0003 ACN AA		1,249,733	1,249,733
		N00024-07-D-6200-0531 CLN 0003 ACN AA AB		41,573	41,573
		N00024-07-D-6200-0532 CLN 0003 ACN AA AB		687,640	687,640
		N00024-07-D-6200-0533 CLN 0003 ACN AA		61,067	61,067
		N00024-07-D-6200-0534 CLN 0003 ACN AA		425,672	425,672
		N00024-07-D-6200-0535 CLN 0003 ACN AA		326,235	326,235
		N00024-07-D-6200-0536 CLN 0003 ACN AA		395,224	395,224
		N00024-07-D-6200-0537 CLN 0003 ACN AA AB		308,600	308,600
		N00024-07-D-6200-0538 CLN 0003 ACN AA AB		2,360,563	2,360,563
		N00024-07-D-6200-0539 CLN 0003 ACN AA AB		1,070,568	1,070,568
		N00024-07-D-6200-0540 CLN 0003 ACN AA		282,535	282,535
		N00024-07-D-6200-0541 CLN 0003 ACN AA		1,887	1,887

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0542 CLN 0003 ACN AA		213,613	213,613
		N00024-07-D-6200-0543 CLN 0003 ACN AA AB		56,717	56,717
		N00024-07-D-6200-0545 CLN 0003 ACN AA AB		2,054,937	2,054,937
		N00024-07-D-6200-0546 CLN 0003 ACN AA		614,427	614,427
		N00024-07-D-6200-0547 CLN 0003 ACN AA		512,566	512,566
		N00024-07-D-6200-0548 CLN 0003 ACN AA		141,581	141,581
		N00024-07-D-6200-0550 CLN 0003 ACN AA		426,319	426,319
		N00024-07-D-6200-0551 CLN 0003 ACN AA		236,468	236,468
		N00024-07-D-6200-0552 CLN 0003 ACN AA		40,474	40,474
		N00024-07-D-6200-0553 CLN 0003 ACN AA		243,930	243,930
		N00024-07-D-6200-0556 CLN 0003 ACN AA		489,985	489,985
		N00024-07-D-6200-0558 CLN 0003 ACN AA		12,875	12,875
		N00024-07-D-6200-0559 CLN 0003 ACN AA		163,868	163,868
		N00024-07-D-6200-0560 CLN 0003 ACN AA		200,466	200,466
		N00024-07-D-6200-0561 CLN 0003 ACN AA		16,041	16,041
		N00024-07-D-6200-0562 CLN 0003 ACN AA		318,002	318,002
		N00024-07-D-6200-0563 CLN 0003 ACN AA AB		559,334	559,334
		N00024-07-D-6200-0565 CLN 0003 ACN AA		293,208	293,208

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0566 CLN 0003 ACN AA		190,759	190,759
		N00024-07-D-6200-0568 CLN 0003 ACN AA AB		46,068	46,068
		N00024-07-D-6200-0569 CLN 0003 ACN AA		127,826	127,826
		N00024-07-D-6200-0571 CLN 0003 ACN AA AB		189,809	189,809
		N00024-07-D-6200-0573 CLN 0003 ACN AA		266,348	266,348
		N00024-07-D-6200-0574 CLN 0003 ACN AA AB		83,907	83,907
		N00024-07-D-6200-0575 CLN 0003 ACN AA		73,151	73,151
		N00024-07-D-6200-0576 CLN 0003 ACN AA		98,943	98,943
		N00024-07-D-6200-0577 CLN 0003 ACN AA		52,420	52,420
		N00024-07-D-6200-0578 CLN 0003 ACN AA		70,600	70,600
		N00024-07-D-6200-0579 CLN 0003 ACN AA AB		511,292	511,292
		N00024-07-D-6200-0580 CLN 0003 ACN AA		199,964	199,964
		N00024-07-D-6200-0581 CLN 0003 ACN AA AB		238,405	238,405
		N00024-07-D-6200-0582 CLN 0003 ACN AA		146,140	146,140
		N00024-07-D-6200-0583 CLN 0003 ACN AA		288,748	288,748
		N00024-07-D-6200-0584 CLN 0003 ACN AA AB		345,561	345,561
		N00024-07-D-6200-0585 CLN 0003 ACN AA AB		155,494	155,494
		N00024-07-D-6200-0586 CLN 0003 ACN AA		99,492	99,492
		N00024-07-D-6200-0587 CLN 0003 ACN AA		62,454	62,454

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0588 CLN 0003 ACN AA		293,934	293,934
		N00024-07-D-6200-0589 CLN 0003 ACN AA		214,028	214,028
		N00024-07-D-6200-0591 CLN 0003 ACN AA		193,167	193,167
		N00024-07-D-6200-0592 CLN 0003 ACN AA		224,966	224,966
		N00024-07-D-6200-0593 CLN 0003 ACN AA		114,063	114,063
		N00024-07-D-6200-0594 CLN 0003 ACN AA AB		219,170	219,170
		N00024-07-D-6200-0595 CLN 0003 ACN AA		18,517	18,517
		N00024-07-D-6200-0596 CLN 0003 ACN AA AB		359,982	359,982
		N00024-07-D-6200-0597 CLN 0003 ACN AA AB		432,224	432,224
		N00024-07-D-6200-0598 CLN 0003 ACN AA		62,439	62,439
		N00024-07-D-6200-0600 CLN 0003 ACN AA		199,811	199,811
		N00024-07-D-6200-0601 CLN 0003 ACN AA		224,661	224,661
		N00024-07-D-6200-0602 CLN 0003 ACN AA		77,007	77,007
		N00024-07-D-6200-0603 CLN 0003 ACN AA		100,003	100,003
		N00024-07-D-6200-0604 CLN 0003 ACN AA		212,623	212,623
		N00024-07-D-6200-0605 CLN 0003 ACN AA		202,437	202,437
		N00024-07-D-6200-0606 CLN 0003 ACN AA		217,357	217,357
		N00024-07-D-6200-0609 CLN 0003 ACN AA		512,372	512,372
		N00024-07-D-6200-0610 CLN 0003 ACN AA		497,620	497,620

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0611 CLN 0003 ACN AA		63,793	63,793
		N00024-07-D-6200-0613 CLN 0003 ACN AA		281,516	281,516
		N00024-07-D-6200-0614 CLN 0003 ACN AA		3,938	3,938
		N00024-07-D-6200-0615 CLN 0003 ACN AA		76,307	76,307
		N00024-07-D-6200-0616 CLN 0003 ACN AA		306,191	306,191
		N00024-07-D-6200-0617 CLN 0003 ACN AA AB		1,079,318	1,079,318
		N00024-07-D-6200-0618 CLN 0003 ACN AA		272,745	272,745
		N00024-07-D-6200-0619 CLN 0003 ACN AA		20,797	20,797
		N00024-07-D-6200-0622 CLN 0003 ACN AA		53,750	53,750
		N00024-07-D-6200-0623 CLN 0003 ACN AA		10,191	10,191
		N00024-07-D-6200-0624 CLN 0003 ACN AA		2,378	2,378
		N00024-07-D-6200-0625 CLN 0003 ACN AA		1,818	1,818
		N00024-07-D-6200-0626 CLN 0003 ACN AA		12,131	12,131
		N00024-07-D-6200-0627 CLN 0003 ACN AA		106	106
		N00024-07-D-6200-0628 CLN 0003 ACN AA		492,480	492,480
		N00024-07-D-6200-0629 CLN 0003 ACN AA		16,413	16,413
		N00024-07-D-6200-0630 CLN 0003 ACN AA AB		13,370	13,370
		N00024-07-D-6200-0631 CLN 0003 ACRN AA		262,026	262,026

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0632 CLN 0003 ACN AA		3,119	3,119
		N00024-07-D-6200-0634 CLN 0003 ACN AA		2,490	2,490
		N00024-07-D-6200-0635 CLN 0003 ACN AA		10,368	10,368
		N00024-07-D-6200-0636 CLN 0003 ACN AA		46,286	46,286
		N00024-07-D-6200-0637 CLN 0003 ACN AA		37,529	37,529
		N00024-07-D-6200-0644 CLN 0003 ACN AA		83,032	83,032
		N00024-07-D-6200-0645 CLN 0003 ACN AA		21,759	21,759
		N00024-07-D-6200-0649 CLN 0003 ACN AA		7,655	7,655
		N00024-07-D-6200-0650 CLN 0003 ACN AA		155,864	155,864
		N00024-07-D-6200-0651 CLN 0003 ACN AA		167,123	167,123
		N00024-07-D-6200-0654 CLN 0003 ACN AA		260,574	260,574
		N00024-07-D-6200-0656 CLN 0003 ACN AA		47,170	47,170
		N00024-07-D-6200-0658 CLN 0003 ACN AA AB		36,048	36,048
		N00024-07-D-6200-0662 CLN 0003 ACN AA		7,319	7,319
		N00024-07-D-6200-0665 CLN 0003 ACN AA		4,235	4,235
		N00024-07-D-6200-0666 CLN 0003 ACN AA		41,116	41,116
		N00024-07-D-6200-0702 CLN 0003 ACN AA		42,610	42,610
		N00024-07-D-6200-0704 CLN 0003 ACN AA		46,552	46,552
		N00024-07-D-6200-0705 CLN 0003 ACN AA		79,715	79,715

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		N00024-07-D-6200-0710 CLN 0003 ACN AA		7,093	7,093
		N00024-07-D-6200-0716 CLN 0003 ACN AA		926	926
		N3946712GOIPA20		707	707
		N3946712GOIPA23		4,004	4,004
		N41756-13-C-3006		262,305	262,305
		NNX12AI23G		68,987	68,987
		UTA12-000254 SAWYER		217,122	217,122
		UTA12-000271 (GEORGIU)		183,391	183,391
		UTA12-000540		22,587	22,587
		UTA13-000129 Ellington		145,512	145,512
		UTA13-000671		67,228	67,228
		UTA13-000862 1 WILKE		75,024	75,024
		UTA14-000323		47,855	47,855
		W5J9CQ-12-C-0043		175,853	175,853
		W81XWH-09-P-0206 P00007		32,034	32,034
		W81XWH-11-2-0137		121,590	121,590
		W81XWH-12-C-0149		56,352	56,352
		W81XWH-12-P-0477		30,574	30,574
		W81XWH-13-P-0075		37,125	37,125
		W9115U-10-C-0002		2,870,000	2,870,000
		W911NF 10 2 0018		227,306	227,306
		W911NF P00003		34,248	34,248
		W911S0-13-P-0090		9,016	9,016
		W912HQ-11-C-0035	178,470	160,686	339,156
		W912HQ-14-C-0019		51,584	51,584
		W912HZ-10-C-0031 P00005		80,208	80,208
		W912HZ-11-C-0054		3,219	3,219
		W912HZ-13-P-0236		22,565	22,565
		W91CRB-14-C-0019 14-17		4,665	4,665
<i>Pass-Through from Academy of Applied Science</i>		SPN00015		95,109	95,109
<i>Pass-Through from Alion Science and Technology</i>		SUB1122421DP		12,641	12,641
<i>Pass-Through from Alion Science and Technology</i>		S12-68-TEXA, TO 002 (HQ0034-09-A-3014)		82,974	82,974
<i>Pass-Through from Analytic Services, Inc.</i>		S-12-68-TEXA, TK 1-HQ0034-09-A-3017		12,750	12,750
<i>Pass-Through from Analytic Services, Inc.</i>		W911NF-14-C003-TAMU PO33694		64,218	64,218
<i>Pass-Through from Applied Nanotech, Inc.</i>		N41756-12-C-4721, PO12-00328	65,952	637,826	703,778
<i>Pass-Through from Arc Technology</i>		TTU-HAP2		124,204	124,204
<i>Pass-Through from Arc Technology</i>		W900KK-12-C-0037		929	929
<i>Pass-Through from Arcadis U.S., Inc.</i>		SPN00002		21,971	21,971
<i>Pass-Through from Argonne National Laboratory</i>		2F-32641		100,265	100,265
<i>Pass-Through from Ball Aerospace and Technologies</i>		FA8803-13-C-0001		23,500	23,500
<i>Pass-Through from Battelle Memorial Institute</i>		PO US001 0000287704		4,294	4,294

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Battelle Memorial Institute</i>		US001-0000291711		(243)	(243)
<i>Pass-Through from Battelle Memorial Institute, Pacific Northwest</i>		SPN00002		69,558	69,558
<i>Pass-Through from Charles River Analytics, Inc.</i>		SC1313401		58,582	58,582
<i>Pass-Through from Clarkson Aerospace Corporation</i>		UTEP 13-S7700-01-C2		80,970	80,970
<i>Pass-Through from Clear Science Corporation</i>		2013-0001		23,448	23,448
<i>Pass-Through from Cobham Sensor Systems</i>		PO 3067		134,646	134,646
<i>Pass-Through from Coherent Navigation, Inc.</i>		CN-STTR-12-001		70,602	70,602
<i>Pass-Through from Creare, Inc.</i>		67868		70,276	70,276
<i>Pass-Through from Denco, Inc.</i>		445899		24,264	24,264
<i>Pass-Through from Duke University</i>		13-ONR-1112		205,328	205,328
<i>Pass-Through from Entegriion, Inc.</i>		N00014-10-C-0333- UT MRF		160,885	160,885
<i>Pass-Through from Expfederal</i>		CHI-00214997-A0		102,744	102,744
<i>Pass-Through from Femto Scale, Inc.</i>		1330350		19,873	19,873
<i>Pass-Through from Fifth Gait Technologies</i>		S-13017 UTA, PO13017-130006		62,051	62,051
<i>Pass-Through from Flir Systems, Inc.</i>		ENZ-1302-001		181,935	181,935
<i>Pass-Through from Florida State University</i>		R00905 LOA		123,497	123,497
<i>Pass-Through from Ge Global Research</i>		PO 400141033		82,532	82,532
<i>Pass-Through from General Dynamics</i>		08ESM580648		212,293	212,293
<i>Pass-Through from General Dynamics</i>		F5702-11-SC00-UTEP		16,364	16,364
<i>Pass-Through from General Dynamics</i>		FA8650-11-D- 5702/0004LAMPS LOA 01 BENO		26,500	26,500
<i>Pass-Through from Geneva Foundation</i>		S-1245-01		17,782	17,782
<i>Pass-Through from Geneva Foundation</i>		S-1262-01		8,920	8,920
<i>Pass-Through from Geneva Foundation</i>		S-2006-TSNRP-03, 6		92,072	92,072
<i>Pass-Through from Global Engineering and Materials, Inc.</i>		FFP-2011-UTEP-0919	(10,301)		(10,301)
<i>Pass-Through from Government of Israel - Ministry of Defense</i>		PO 4440192556		(385)	(385)
<i>Pass-Through from Griffins Institute, Inc.</i>		CA0116-TTU2013		6,173	6,173
<i>Pass-Through from Harvest Technologies</i>		UTA13-001050		38,161	38,161
<i>Pass-Through from High Performance Technologies, Inc.</i>		14463-PETTT- UTAUSTIN TO7		60,249	60,249
<i>Pass-Through from High Performance Technologies, Inc.</i>		14463-PETTT- UTAUSTIN-T08		109,465	109,465
<i>Pass-Through from Horstman, Inc.</i>		UTA12-000711		18,887	18,887
<i>Pass-Through from Hrl Laboratories, LLC</i>		12081-300654-BS CHANGE NOTICE 7tsk2		48,765	48,765
<i>Pass-Through from Hrl Laboratories, LLC</i>		12081-300654-DS SWA LTR DTD 3-18-13		245,501	245,501
<i>Pass-Through from Hrl Laboratories, LLC</i>		ICARUS 10043-002941		46,560	46,560
<i>Pass-Through from Innovative Science Solutions, Inc.</i>		SB20136		11,002	11,002
<i>Pass-Through from Institute of International Education</i>		NSEP-U631073-UT-HIN-D		316,924	316,924
<i>Pass-Through from Issac Corporation</i>		UTA14-000833		2,207	2,207
<i>Pass-Through from Johns Hopkins University</i>		N66001-12-C-4020		102,844	102,844
<i>Pass-Through from Johns Hopkins University Applied Physics Lab</i>		115773 PRM HM0177- 12-C-0006		64,132	64,132
<i>Pass-Through from Kairos Micro Systems Corp</i>		FA8650-11-C-1028		(172)	(172)
<i>Pass-Through from Knowledge Based Systems, Inc.</i>		5351.200-UTA-2012-5		118,879	118,879
<i>Pass-Through from Lockheed Martin Aeronautics</i>		PO 4100706880		798,441	798,441
<i>Pass-Through from Lynntech, Inc.</i>		FA9550-13-C-0004 2011-AF061-0001		258,252	258,252
<i>Pass-Through from Massachusetts Institute of Technology</i>		7000209254		48,149	48,149
<i>Pass-Through from Metamagnetics, Inc.</i>		11351120052014		3,956	3,956
<i>Pass-Through from Microlink Devices, Inc.</i>		UTA13-000902		23,198	23,198
<i>Pass-Through from Mohawk Innovative Technology, Inc.</i>		UTA13-000786		44,996	44,996

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Mohawk Innovative Technology, Inc.</i>		UTA14-000068		41,666	41,666
<i>Pass-Through from National Institute of Building Sciences</i>		001 ST-15		10,304	10,304
<i>Pass-Through from National Institute of Building Sciences</i>		0011 ST-01 and 02		77,354	77,354
<i>Pass-Through from National Institute of Building Sciences</i>		VACFM05-0875 (Year 2)		75,000	75,000
<i>Pass-Through from New Mexico State University</i>		Q01586 830832-1		75,171	75,171
<i>Pass-Through from NextGen Aeronautics</i>		14-06		18,423	18,423
<i>Pass-Through from Northrop Grumman Corporation</i>		8200170705, UTA12-001161		103,957	103,957
<i>Pass-Through from Northrop Grumman Information Technology</i>		FA8650-05-D-6930		86,687	86,687
<i>Pass-Through from Northrop Grumman Systems Corporation</i>		PO 8140000774		100,000	100,000
<i>Pass-Through from Ohio State University</i>		60036907 PO RF01295891		43,869	43,869
<i>Pass-Through from Omega Optics</i>		UTA11-000981		5,880	5,880
<i>Pass-Through from Omega Optics</i>		UTA11-000982		6,119	6,119
<i>Pass-Through from Omega Optics</i>		UTA12-000706		92,716	92,716
<i>Pass-Through from Omega Optics</i>		UTA12-000707		36,288	36,288
<i>Pass-Through from Omega Optics</i>		UTA14-000080		33,000	33,000
<i>Pass-Through from Omega Optics</i>		UTA14-000445		33,330	33,330
<i>Pass-Through from Omega Optics</i>		UTA14-000620		20,573	20,573
<i>Pass-Through from Omitron, Inc.</i>		UTA12-001216		146,831	146,831
<i>Pass-Through from Penn State University</i>		S12-08-UTEXAS		757	757
<i>Pass-Through from Penn State University</i>		S13-14		87,124	87,124
<i>Pass-Through from Penn State University</i>		S13-25		74,484	74,484
<i>Pass-Through from Photodigm, Inc.</i>		SPN00014		144,680	144,680
<i>Pass-Through from Ppg Industries, Inc.</i>		201202274-001		12,217	12,217
<i>Pass-Through from Pratt and Whitney</i>		27108 8		211,665	211,665
<i>Pass-Through from Prime Photonics, Lc</i>		AFR02-101/UTEP-01		(951)	(951)
<i>Pass-Through from Rand</i>		9920130096		3,578	3,578
<i>Pass-Through from Raytheon Corporation</i>		14026 (N41756-11-C-3878)		59,183	59,183
<i>Pass-Through from Sandia National Laboratories</i>		1233924		127,225	127,225
<i>Pass-Through from Sandia National Laboratories</i>		PO 1189481		(9,067)	(9,067)
<i>Pass-Through from Securboratorion</i>		FA8750-12-C-0150		7,260	7,260
<i>Pass-Through from Select Engineering Services</i>		UTA13-000782		269,248	269,248
<i>Pass-Through from Semerane, Inc.</i>		SPN00015		120,706	120,706
<i>Pass-Through from SoarTech</i>		10248.01		22,060	22,060
<i>Pass-Through from Special Metals Corp</i>		723283		28,688	28,688
<i>Pass-Through from Spectral Energies, LLC</i>		SB1201-001-1		171,001	171,001
<i>Pass-Through from Sri International</i>		69000532		266,936	266,936
<i>Pass-Through from Stanford University</i>		23282210-43822-A		287,508	287,508
<i>Pass-Through from Systems and Materials Research Corporation</i>		100-02		17,597	17,597
<i>Pass-Through from Tasc, Inc.</i>		ORE SS-SC-09-05 TO3		(2)	(2)
<i>Pass-Through from Teledyne Scientific and Imaging, LLC</i>		PO00107452		140,808	140,808
<i>Pass-Through from Texas High Energy Materials</i>		UTA12-001213 SWA		121,349	121,349
<i>Pass-Through from Texas Research Institute, Inc. Austin</i>		F7205-300-02-12-SC1515		85,188	85,188
<i>Pass-Through from Texas Research Institute, Inc. Austin</i>		SPN00002		14,721	14,721
<i>Pass-Through from The Trustees of Columbia University in the City of New York</i>		COLUM-0000002122		(542)	(542)
<i>Pass-Through from Triton</i>		TSI-2434-14-102884		25,981	25,981
<i>Pass-Through from Txl Group, Inc.</i>		2014-0288		27,650	27,650
<i>Pass-Through from U. S. Army Medical Research Acquisition Act</i>		W81XWH-12-C-0085		5,200	5,200
<i>Pass-Through from Ues, Incorporated</i>		S-875-060-023		4,238	4,238
<i>Pass-Through from Ues, Incorporated</i>		S-901-3D2-002		18,793	18,793
<i>Pass-Through from UNCF Special Programs Corp</i>		UNCFSP		(2,521)	(2,521)
<i>Pass-Through from University of Colorado</i>		CU-31539 / PO 1000275891		8,596	8,596
<i>Pass-Through from University of Mississippi</i>		(P-R375) UM 13-05-031		11,139	11,139
<i>Pass-Through from University of Notre Dame</i>		202092-UTA		196,165	196,165
<i>Pass-Through from University Research Foundation, Inc.</i>		PO 11647		57,976	57,976

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Vertical Lift Consortium</i>		SPN00002		248,649	248,649
<i>Pass-Through from Villanova University</i>		RSC13022		11,096	11,096
<i>Pass-Through from Western Solutions</i>		PO 0081323		65,686	65,686
<i>Pass-Through from Wyle Laboratories</i>		T72431/FA8650-12-D-6		40,137	40,137
<i>Pass-Through from Xtreme Alternative Defense Systems Ltd</i>		M67854-12-C-6558		259,793	259,793
<i>Pass-Through from Yale University</i>		C11K11057		241,346	241,346
<i>Pass-Through from Zyvex Labs, LLC</i>		W911NF-13-1-0470		62,448	62,448
Total - CFDA 12.XXX			601,341	73,650,279	74,251,620
Procurement Technical Assistance For Business Firms	12.002			225,959	225,959
<i>Pass-Through from Cgi Federal, Inc.</i>		CGIFED12-ADIP- G2CORE		19,100	19,100
Total - CFDA 12.002			0	245,059	245,059
Aquatic Plant Control	12.100				
<i>Pass-Through from City of Lewisville</i>		FY03-02		16,258	16,258
<i>Pass-Through from Denton County</i>		UNT FY 06-01		179,337	179,337
Total - CFDA 12.100			0	195,595	195,595
Snagging and Clearing for Flood Control	12.108				
<i>Pass-Through from Shear Form</i>		1312241		29,999	29,999
Collaborative Research and Development	12.114			971,654	971,654
<i>Pass-Through from Evans - Hamilton, Inc.</i>		C2440		24,236	24,236
<i>Pass-Through from Halcyon Biomedical, Inc.</i>		HB-UH-001		84,611	84,611
<i>Pass-Through from Lynntech, Inc.</i>		UTD09-68		763	763
<i>Pass-Through from Marshall University Research Corporation</i>		C4840		3,000	3,000
Total - CFDA 12.114			0	1,084,264	1,084,264
Basic and Applied Scientific Research	12.300		1,063,568	30,449,116	31,512,684
<i>Pass-Through from Academy of Applied Science</i>		14-13 / 14-13A		2,103	2,103
<i>Pass-Through from Accacia International</i>		01312014		24,000	24,000
<i>Pass-Through from American Maglev Technology of Florida, Inc.</i>		UTA13-000925		249,994	249,994
<i>Pass-Through from Arcos, Inc.</i>		N0001412C0322		41,010	41,010
<i>Pass-Through from Boston University</i>		4500000045 (FORMERLY GC208303NGE)		13,503	13,503
<i>Pass-Through from Brigham Young University</i>		13-0361		68,912	68,912
<i>Pass-Through from Chamaine University of Honolulu</i>		M1402523		13,660	13,660
<i>Pass-Through from Chemtor, L.P.</i>		8000001970		10,106	10,106
<i>Pass-Through from Chemtor, L.P.</i>		8000001984		22,252	22,252
<i>Pass-Through from Clemson University</i>		1600-202-2008287		6,516	6,516
<i>Pass-Through from Czech Technical University</i>		N62909-13-1-N256		10,625	10,625
<i>Pass-Through from Duke University</i>		14-ONR-1005		142,072	142,072
<i>Pass-Through from Duke University</i>		14-ONR-1123		25,244	25,244
<i>Pass-Through from Empirical Technologies Corporation</i>		N0001410C0240		41,377	41,377
<i>Pass-Through from Empirical Technologies Corporation</i>		NOO01410C0240		38,662	38,662
<i>Pass-Through from Florida State University</i>		R00905		142,671	142,671
<i>Pass-Through from Florida State University</i>		R01682		334,620	334,620
<i>Pass-Through from Georgia Institute of Technology</i>		SPN00018		34,594	34,594
<i>Pass-Through from Helicon Chemical Company, LLC</i>		M1400972		21,480	21,480
<i>Pass-Through from Innovative Decisions, Inc.</i>		IDI-TAMU-1213-2012		33,145	33,145
<i>Pass-Through from Johns Hopkins University</i>		103318 CLIN 1 PROJ R4T02 JHU/APL		22,524	22,524

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Johns Hopkins University</i>		104079		(12,827)	(12,827)
<i>Pass-Through from Jsj Technologies, LLC</i>		8000001906		10,828	10,828
<i>Pass-Through from Massachusetts Institute of Technology</i>		PO 7000133626 MIT		565	565
<i>Pass-Through from Missouri University of Science and Technology</i>		00036448-01		(1,339)	(1,339)
<i>Pass-Through from Noise Figure</i>		N66001-11-C-5205		61,745	61,745
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0710-20 0001		104,841	104,841
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0720-01		1,923,372	1,923,372
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0740-01		913	913
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-01-1 CLIN 0001AA		177,545	177,545
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-01-2 CLIN 0011AA		16,717	16,717
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-01-3 CLIN 0011AB		104,482	104,482
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-01-4 CLIN 0021AA		21,268	21,268
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-02-1 CLIN 0001AA		128,162	128,162
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-02-2 CLIN 0011AA		94,737	94,737
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-03-1 CLIN0001AA		30,907	30,907
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-04-1 CLIN 0001AA		20,323	20,323
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-04-2 CLIN 0011AA		50,893	50,893
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-05-1 CLIN 0001		38,579	38,579
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-05-2 CLIN 0011		41,020	41,020
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0762-06-1 CLIN 0001AA		2,027	2,027
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0781-02		5,049,559	5,049,559
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0781-03		496,002	496,002
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0781-04		512,116	512,116
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-17 CLIN 3001		2	2
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-17 CLIN 3011		41	41
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-17 CLIN 3021		10	10
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-18-2 CLIN 3011		(511)	(511)
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-19-1 CLIN 3001		2	2
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-19-2 CLIN 3011		38,804	38,804
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-19-3 CLIN 3021		14,093	14,093
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-20-1 CLIN 3001		15,393	15,393
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-20-2 CLIN 3011		27,496	27,496
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-21-1 CLIN 4001		158,219	158,219
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-21-2 CLIN 4011		94,202	94,202
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-21-3 CLIN 4021		24,079	24,079

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-22-1 CLIN 4001		166,100	166,100
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-23-1 CLIN 4001		981,238	981,238
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-23-2 CLIN 4011		81,590	81,590
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-24-1 CLIN 4001		173,101	173,101
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-24-2 CLIN 4011		104,774	104,774
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-24-3 CLIN 4021		149,991	149,991
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-25-1 CLIN 4001		40,139	40,139
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-25-2 CLIN 4011		92,556	92,556
<i>Pass-Through from Non - Disclosed Sponsor</i>		26-0797-25-3 CLIN 4021		49,927	49,927
<i>Pass-Through from Oak Ridge National Laboratory</i>		4000124833		46,960	46,960
<i>Pass-Through from Physical Optics Corporation</i>		C0410		76,879	76,879
<i>Pass-Through from Physical Sciences, Inc.</i>		8000001935		15,465	15,465
<i>Pass-Through from Physics, Materials, and Applied Mathematics Research, LLC</i>		8032-01		1,753	1,753
<i>Pass-Through from Princeton University</i>		00002143/4/5		131,889	131,889
<i>Pass-Through from Stanford University</i>		18412450-35520-B 05		942	942
<i>Pass-Through from Stanford University</i>		60535648-104772, 3420586		136,512	136,512
<i>Pass-Through from Systems and Materials Research Cons</i>		8000001918		10,584	10,584
<i>Pass-Through from Systems and Materials Research Cons</i>		8000002039		15,000	15,000
<i>Pass-Through from Systems and Materials Research Cons</i>		8000002137		35,155	35,155
<i>Pass-Through from Texas High Energy Materials</i>		UTCEM-N79446-14- D-1152-1 No.003		31,681	31,681
<i>Pass-Through from Texas Research Institute, Inc. Austin</i>		F7312-13-SC1544		21,359	21,359
<i>Pass-Through from The University of Colorado</i>		1548377		187,806	187,806
<i>Pass-Through from University of California - Berkeley</i>		00008156, N00014-13- 1-0421		80,141	80,141
<i>Pass-Through from University of Florida</i>		UF-EIES-1004011- TEES		14,670	14,670
<i>Pass-Through from University of Michigan</i>		3002186341		11,226	11,226
<i>Pass-Through from University of Michigan</i>		3002453812		33,876	33,876
<i>Pass-Through from University of Minnesota</i>		A002181202		205,117	205,117
<i>Pass-Through from University of Mississippi</i>		12-10-019		58,142	58,142
<i>Pass-Through from University of Oregon</i>		N00014-11-1-0034 235571A		182,424	182,424
<i>Pass-Through from University of Pennsylvania</i>		555991		148,433	148,433
<i>Pass-Through from University of Wisconsin</i>		470K901		98,170	98,170
<i>Pass-Through from Virginia Tech</i>		cr-19794-430345		77,605	77,605
<i>Pass-Through from Woods Hole Oceanographic Institution</i>		A100846		128,746	128,746
<i>Pass-Through from Woods Hole Oceanographic Institution</i>		N00014-12-1-0187		10,144	10,144
<i>Pass-Through from Woods Hole Oceanographic Institution</i>		A101062		28,108	28,108
Total - CFDA 12.300			1,063,568	44,620,654	45,684,222
Navy Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance	12.335				
<i>Pass-Through from Adventium Enterprises, LLC</i>		AEC2012-15-0006		157,239	157,239

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		1,713,979	4,618,217	6,332,196
<i>Pass-Through from Arizona State University</i>		13-174		118,719	118,719
<i>Pass-Through from Board of Trustees of the Leland Stanford Junior University</i>		21030240-40031-A		35	35
<i>Pass-Through from Foundation Applied Molecular Evolution</i>		UTA12-001238		5,555	5,555
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		HDTRA11210051		99,709	99,709
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		HDTRA11410013		6,411	6,411
<i>Pass-Through from Massachusetts Institute of Technology</i>		HSTRA1-10-1-0001		7,406	7,406
<i>Pass-Through from Mri Global (Midwest Research Institute)</i>		534-110705		1,244	1,244
<i>Pass-Through from New York University</i>		UTA10-000736 PI: DR. MAGUED ISKANDER		(554)	(554)
<i>Pass-Through from Rensselaer Polytechnic Institute</i>		8000001707		9,998	9,998
<i>Pass-Through from Science Applications International Corporation</i>		P010113936		393,162	393,162
<i>Pass-Through from University of New Mexico HSC</i>		3RD75		1	1
<i>Pass-Through from Vanderbilt University</i>		HDTRA11310034		338,020	338,020
Total - CFDA 12.351			1,713,979	5,597,923	7,311,902
National Guard Military Operations and Maintenance Projects	12.401			(35,854)	(35,854)
Military Medical Research and Development	12.420		1,427,168	31,099,321	32,526,489
<i>Pass-Through from Advanced Circulatory Systems, Inc.</i>		W81XWH-12-2-0027		5,366	5,366
<i>Pass-Through from American Burn Association</i>		W81XWH0810760		1,373	1,373
<i>Pass-Through from American Burn Association</i>		W81XWH0920194		138,773	138,773
<i>Pass-Through from American Burn Association</i>		W81XWH-09-2-0194	11,386	72,270	83,656
<i>Pass-Through from American Burn Association</i>		W81XWH1110835		11,744	11,744
<i>Pass-Through from Baylor College of Medicine</i>		101671420		2,633	2,633
<i>Pass-Through from Baylor College of Medicine</i>		W81XWH0820132		12,022	12,022
<i>Pass-Through from Baylor College of Medicine</i>		W81-XWH-10-1-046702		479	479
<i>Pass-Through from Baylor College of Medicine</i>		W81XWH-12-0475		34,542	34,542
<i>Pass-Through from Baylor College of Medicine</i>		W81XWH-12-1-0516		31,672	31,672
<i>Pass-Through from Baylor College of Medicine</i>		W81XWH1310286		21,017	21,017
<i>Pass-Through from Board of Trustees of the Leland Stanford Junior University</i>		26710080-50965-A		97,229	97,229
<i>Pass-Through from Boston University</i>		W81XWH-11-2-016103		15,176	15,176
<i>Pass-Through from Cgi Group, Inc.</i>		CGIFED12-ADIP- G2CORE-24		32,007	32,007
<i>Pass-Through from Christopher Reeve Paralysis Foundation</i>		CTN10-2014(MJ)		14,251	14,251
<i>Pass-Through from Clarassance, Inc.</i>		W81XWH1210514		229,312	229,312
<i>Pass-Through from Dana-Farber Cancer Institute</i>		W81XWH-12-1-0459		85,167	85,167
<i>Pass-Through from Ernest Gallo Clinic and Research Center</i>		803-234		44,089	44,089
<i>Pass-Through from Geneva Foundation</i>		HU0001111TS13		18,710	18,710
<i>Pass-Through from Geneva Foundation</i>		S-1170-01/HU0001091T		42,477	42,477
<i>Pass-Through from Geneva Foundation</i>		S-1220-01		57,247	57,247
<i>Pass-Through from Geneva Foundation</i>		W81XWH-06-2-003303		4,020	4,020
<i>Pass-Through from Geneva Foundation</i>		W81XWH130191		45,242	45,242
<i>Pass-Through from Geneva Foundation</i>		W81XWH-13-2-0011		39,802	39,802
<i>Pass-Through from Gertner Institute</i>		W81XWH-11-1-039502		27,537	27,537
<i>Pass-Through from Henry M. Jackson Foundation</i>		707549/W81XWH1-10-2		(131)	(131)
<i>Pass-Through from Huntington Medical Research Institutes</i>		W81 XWH-13-1-105		52,547	52,547
<i>Pass-Through from InBios International</i>		W81XWH		(15,534)	(15,534)
<i>Pass-Through from Indiana University</i>		W81XWH-10-1-054001		(19,457)	(19,457)
<i>Pass-Through from InformMed, Inc.</i>		W81XWH-10-1-0606		732,944	732,944
<i>Pass-Through from Johns Hopkins University</i>		BIOBURDEN STUDY		61	61
<i>Pass-Through from Johns Hopkins University</i>		FIXIT STUDY		570	570

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Johns Hopkins University</i>		W81XWH-10-2-0090		244,220	244,220
<i>Pass-Through from Johns Hopkins University School of Medicine</i>		W81XWH-12-1-0464		49,433	49,433
<i>Pass-Through from Livionex Incorporated</i>		SR09		174,674	174,674
<i>Pass-Through from Lynntech Incorporated</i>		07-26-2013		11,335	11,335
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		W81XWH-10-1-0699		34,960	34,960
<i>Pass-Through from Methodist Hospital Research Institute</i>		6838-002		(6,221)	(6,221)
<i>Pass-Through from Methodist Hospital Research Institute</i>		6865		21,145	21,145
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-09-1-0212		24,051	24,051
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-09-1-0212 02		25,469	25,469
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-09-2-0139 02		427	427
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-10-2-0125		151,344	151,344
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-10-2-0125 02		4,459	4,459
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-11-2-016		2,958	2,958
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-11-2-0168		(5,560)	(5,560)
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-11-2-0168 (PROJ 01)		9,315	9,315
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-11-2-0168 (PROJ 02)		7,758	7,758
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-11-2-0168 (PROJ 03)		5,008	5,008
<i>Pass-Through from Methodist Hospital Research Institute</i>		W81XWH-11-2-0168 02		32,107	32,107
<i>Pass-Through from National Trauma Institute</i>		NTI-NCH-10-020c		(1,984)	(1,984)
<i>Pass-Through from National Trauma Institute</i>		NTITRA10101/W81X WH11		27,759	27,759
<i>Pass-Through from Oregon Health Sciences University</i>		W81XWH-11-0841		89,172	89,172
<i>Pass-Through from Physical Optics Corporation</i>		W81XWH10C0011		47,687	47,687
<i>Pass-Through from Southwest Research Institute</i>		D99068X/W81XWH-10-1		(61,758)	(61,758)
<i>Pass-Through from The Geneva Foundation</i>		W81XWH-06-2-0033		99,884	99,884
<i>Pass-Through from The Geneva Foundation</i>		W81XWH-13-2- 0011/S-1274-02		20,223	20,223
<i>Pass-Through from The Methodist Hospital Research Institute</i>		W81XWH1020125		97,170	97,170
<i>Pass-Through from The Methodist Hospital Research Institute</i>		W81XWH1120168		22,407	22,407
<i>Pass-Through from University of Alabama - Birmingham</i>		W81XWH0510615		5,908	5,908
<i>Pass-Through from University of California - San Francisco</i>		68215C		238,117	238,117
<i>Pass-Through from University of Central Florida</i>		24096036-01		129,549	129,549
<i>Pass-Through from University of Delaware</i>		29998	68,471	153,285	221,756
<i>Pass-Through from University of Pennsylvania</i>		PETERSON/U PENN		2,737	2,737
<i>Pass-Through from University of Pittsburgh</i>		W81XWH-12-2-0023		90,264	90,264
<i>Pass-Through from University of Utah</i>		10015178		(71)	(71)
<i>Pass-Through from University of Utah</i>		10023735/W81XWH-10-2		1,164	1,164
<i>Pass-Through from University of Washington</i>		679669		48,438	48,438
<i>Pass-Through from University of Washington</i>		751989		46	46
<i>Pass-Through from University of Washington</i>		W81XWH-13-2-0093		173,605	173,605
<i>Pass-Through from Vanderbilt University</i>		2437-017449/WFUHS		1,664	1,664
<i>Pass-Through from Wake Forest University Health Sciences</i>		WFUHS 441071C CF-01		16,700	16,700
<i>Pass-Through from Wake Forest University Health Sciences</i>		WFUHS 441078BC CF-08		14,466	14,466
Total - CFDA 12.420			1,507,025	34,937,792	36,444,817
Basic Scientific Research	12.431		5,585,884	9,309,605	14,895,489
<i>Pass-Through from Academy of Applied Science</i>		W911NF-10-2-0076		89	89
<i>Pass-Through from Albany Medical College</i>		460539		14,821	14,821
<i>Pass-Through from Carnegie Mellon University</i>		1130128-258633		74,112	74,112
<i>Pass-Through from Carnegie Mellon University</i>		1130156-292514		12,236	12,236
<i>Pass-Through from Carnegie Mellon University</i>		1130163-311712		71,984	71,984
<i>Pass-Through from Carnegie Mellon University</i>		1130171-323762		32,818	32,818

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Clarkson Aerospace Corporation</i>		12-S567-018-02-C1		26,200	26,200
<i>Pass-Through from Frontier Technology, Inc.</i>		TXAM-12-208060-070		26,447	26,447
<i>Pass-Through from Iowa State University</i>		421-20-27A		519,613	519,613
<i>Pass-Through from Massachusetts Institute of Technology</i>		5710003321		118,840	118,840
<i>Pass-Through from Methodist Hospital Research Institute</i>		6847		972	972
<i>Pass-Through from Ohio State University</i>		60043375/GRT00030881		61,886	61,886
<i>Pass-Through from Silicon Informatics, Inc.</i>		SI-2010-001		5,814	5,814
<i>Pass-Through from Silicon Informatics, Inc.</i>		SI-2012-001		80,393	80,393
<i>Pass-Through from Stanford University</i>		60300261-107307-B		471,741	471,741
<i>Pass-Through from State University of New York at Buffalo</i>		W911NF-11-1-0333		67,546	67,546
<i>Pass-Through from Superpower, Inc.</i>		W911NF-12-2-0044		70,003	70,003
<i>Pass-Through from The Ohio State University Research Foundation</i>		60014918		112,261	112,261
<i>Pass-Through from The University of Washington</i>		727277		71,554	71,554
<i>Pass-Through from University of California - Irvine</i>		2010-2509		16,891	16,891
<i>Pass-Through from University of California - Berkeley</i>		00007320 PO 2000009151		345,379	345,379
<i>Pass-Through from University of Canterbury</i>		W911NF-11-1-0481		55,721	55,721
<i>Pass-Through from University of Dayton Research Institute</i>		RSC14008		24,822	24,822
<i>Pass-Through from University of Illinois - Champaign - Urbana</i>		2007-00748-02		(274)	(274)
<i>Pass-Through from University of Kansas Center for Research, Inc.</i>		No.FY2012-033		6,058	6,058
<i>Pass-Through from University of Maryland</i>		Z845803		70,652	70,652
<i>Pass-Through from University of North Carolina Charlotte</i>		20130358-01-UTX Sub		30,994	30,994
<i>Pass-Through from University of Oklahoma</i>		SPN00002		(2,114)	(2,114)
<i>Pass-Through from University of Washington</i>		548547		40,146	40,146
<i>Pass-Through from University of Washington</i>		SPN00002		52,692	52,692
<i>Pass-Through from Washington University - St. Louis</i>		112459 G003156		535	535
Total - CFDA 12.431			5,585,884	11,790,437	17,376,321
The Language Flagship Grants to Institutions of Higher Education	12.550				
<i>Pass-Through from Institute of International Education</i>		NSEP-U631073-UT- ARA	6,193	352,567	358,760
<i>Pass-Through from Institute of International Education</i>		NSEP-U631073-UT- ARA CREDIT		145,941	145,941
<i>Pass-Through from Institute of International Education</i>		NSEP-U631073-UT- HIN-O		212,809	212,809
Total - CFDA 12.550			6,193	711,317	717,510
Basic, Applied, and Advanced Research in Science and Engineering	12.630		332,975	5,633,612	5,966,587
<i>Pass-Through from Academy of Applied Science</i>		10172013		20,000	20,000
<i>Pass-Through from Academy of Applied Science</i>		W911NF1020076 14- 4914-49A		4,000	4,000
<i>Pass-Through from Dcs Corporation</i>		0003		22,207	22,207
<i>Pass-Through from Dcs Corporation</i>		APX02-0002 0004		378,823	378,823
<i>Pass-Through from Florida International University</i>		800001753-02		46,740	46,740
<i>Pass-Through from Florida International University</i>		SPN00002		4,930	4,930
<i>Pass-Through from John Hopkins University</i>		2001645112/96011249 CLIN2		74,441	74,441
<i>Pass-Through from John Hopkins University</i>		2001645112/96012366 CLIN3		19,939	19,939
<i>Pass-Through from Lawrence Berkeley Laboratory</i>		7056591		168,014	168,014
<i>Pass-Through from Lynntech, Inc.</i>		SOC-043		2,996	2,996

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Nanohmics, Inc.</i>		UTA13-000773		24,993	24,993
<i>Pass-Through from Sikorsky Aircraft</i>		SA-908NP Revised 10.25.12 4500236133		60,922	60,922
<i>Pass-Through from University of Central Florida</i>		16266036		(1,031)	(1,031)
<i>Pass-Through from University of Maryland</i>		FA95500810265		1,995	1,995
Total - CFDA 12.630			332,975	6,462,581	6,795,556
<b>Uniformed Services University Medical Research Projects</b>					
<i>Pass-Through from Geneva Foundation</i>	12.750	S-1226-02		10,939	10,939
<i>Pass-Through from Henry M. Jackson Foundation</i>		726100 2272 UTA11- 000658		49,832	49,832
Total - CFDA 12.750			0	60,771	60,771
<b>Air Force Defense Research Sciences Program</b>					
<i>Pass-Through from Applied Defense Solutions, Inc.</i>	12.800	12-1147-01	3,732,990	13,788,741	17,521,731
<i>Pass-Through from Asian Office of Aerospace Research and Science Program</i>		FA2386-13-1-4119 FA2386-14-1-4069		32,620 159,156	32,620 159,156
<i>Pass-Through from Battelle Memorial Institute</i>		417377		35,757	35,757
<i>Pass-Through from Booz Allen Hamilton, Inc.</i>		M1303340		15,063	15,063
<i>Pass-Through from Brayton Energy</i>		SPN00015		7,554	7,554
<i>Pass-Through from Brown University</i>		00000557 / PO P280811		73,665	73,665
<i>Pass-Through from California Institute of Technology</i>		52-1093210		96,770	96,770
<i>Pass-Through from Case Western Reserve University</i>		RES506636		157,044	157,044
<i>Pass-Through from Clarkson Aerospace Corporation</i>		12-S567-018-02-C1		131,282	131,282
<i>Pass-Through from Clarkson Aerospace Corporation</i>		12-S567-018-02-C2		32,057	32,057
<i>Pass-Through from Clarkson Aerospace Corporation</i>		C5310		42,993	42,993
<i>Pass-Through from Clarkson Aerospace Corporation</i>		FA8650-05-D-1912		6,651	6,651
<i>Pass-Through from Clarkson Aerospace Corporation</i>		PVAM 13-S567-020-02-C2		25,212	25,212
<i>Pass-Through from Clarkson Aerospace Corporation</i>		TAMU 13-S567-020-02-C2		93,773	93,773
<i>Pass-Through from Clarkson Aerospace Corporation</i>		TAMU 13-S7700-02-C2		55,982	55,982
<i>Pass-Through from Clarkson Aerospace Corporation</i>		UHH12-S567-018-02-C2		35,808	35,808
<i>Pass-Through from Clarkson Aerospace Corporation</i>		UHH-13-S7700-01-C2		16,163	16,163
<i>Pass-Through from Clarkson Aerospace Corporation</i>		UHM 13-S7700-01-C2		74,191	74,191
<i>Pass-Through from Clarkson Aerospace Corporation</i>		UHM12-S567-018-02-C2		83,414	83,414
<i>Pass-Through from Clarkson Aerospace Corporation</i>		UTSA 13-S7700-01-C2		34,782	34,782
<i>Pass-Through from Clemson University</i>		1638-200-2008207		(27,047)	(27,047)
<i>Pass-Through from Cobham</i>		10220-001		87,081	87,081
<i>Pass-Through from Duke University</i>		10-AFRL-1023		9,568	9,568
<i>Pass-Through from Erc, Inc.</i>		RS120247 RS140102		6,299	6,299
<i>Pass-Through from Florida International University</i>		800000913-01		73,072	73,072
<i>Pass-Through from General Atomics</i>		PO 4500025271		(22)	(22)
<i>Pass-Through from General Atomics Technology</i>		FA8650-08-C-5911 PHASE III PO 4500027185		(11,265)	(11,265)
<i>Pass-Through from General Atomics Technology</i>		PO 4500015965		(6,115)	(6,115)
<i>Pass-Through from General Dynamics Information Tech, Inc.</i>		08ESM541890/F5702- 11-04-SC63-01		47,010	47,010
<i>Pass-Through from Georgia Institute of Technology</i>		RB848-G1		45,214	45,214
<i>Pass-Through from Georgia Tech Research Corp</i>		RD446-S1		54,241	54,241
<i>Pass-Through from Georgia Tech Research Corp</i>		RD451-S1		48,012	48,012
<i>Pass-Through from Henry M. Jackson Foundation</i>		2381		237,215	237,215
<i>Pass-Through from Iowa State University</i>		421-21-03C		117,277	117,277
<i>Pass-Through from Lynntech, Inc.</i>		M1401451		16,616	16,616

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Lynntech, Inc.</i>		FA8052-11-C-0031		(1,415)	(1,415)
<i>Pass-Through from Lynntech, Inc.</i>		M1401453		36,551	36,551
<i>Pass-Through from Massachusetts Institute of Technology</i>		5710003069		116,203	116,203
<i>Pass-Through from National Center for Defense Manufacturing and Machining</i>		FA8650-12-2-7230	17,297	138,771	156,068
<i>Pass-Through from National Central University</i>		107097		42,515	42,515
<i>Pass-Through from Northrop Grumman</i>		8200134971		414,897	414,897
<i>Pass-Through from Northrop Grumman Corp</i>		2859431		31,395	31,395
<i>Pass-Through from Northrop Grumman Corporation</i>		2870841		17,726	17,726
<i>Pass-Through from Northwestern University</i>		SP0022325- PROJ0007152		407,352	407,352
<i>Pass-Through from Numerica Corporation</i>		1165-001-01		6,374	6,374
<i>Pass-Through from Ohio State University</i>		60036546		7,756	7,756
<i>Pass-Through from Ohio State University</i>		60036546		54,380	54,380
<i>Pass-Through from Ohio State University</i>		RF01344603		289,994	289,994
<i>Pass-Through from Omega Optics</i>		UTA14-000195		86,523	86,523
<i>Pass-Through from Oregon Health Sciences University</i>		90006220 UTHSCSA/FA8		129,138	129,138
<i>Pass-Through from Oregon Health Sciences University</i>		FA8650-10-2-6143		52,729	52,729
<i>Pass-Through from Pacific Defense Solutions</i>		C0810		34,621	34,621
<i>Pass-Through from Physics, Materials, and Applied Mathematics Research, LLC</i>		8039-S1		28,338	28,338
<i>Pass-Through from Purdue University</i>		4104-58166		31,605	31,605
<i>Pass-Through from Research Association for Defense Conversion</i>		FA8750-09-C-0067		(22,654)	(22,654)
<i>Pass-Through from Rice University</i>		FA9550-12-1-0035		171,176	171,176
<i>Pass-Through from Science Applications International Corporation</i>		P010200191		11,431	11,431
<i>Pass-Through from Special Operations Command Africa</i>		W90UKT-10P-0009		24,311	24,311
<i>Pass-Through from Spectral Energies, LLC</i>		SB1306-001-2		1,517	1,517
<i>Pass-Through from Spectral Energies, LLC</i>		SB1310-001-1		21,956	21,956
<i>Pass-Through from Spectral Energies, LLC</i>		SB1317-001-1		93,180	93,180
<i>Pass-Through from Stanford University</i>		22178970-41070-E		(2,214)	(2,214)
<i>Pass-Through from State University of New York Binghamton</i>		60292		123,727	123,727
<i>Pass-Through from Technology Service Corporation</i>		C4041		108,581	108,581
<i>Pass-Through from Technology Service Corporation</i>		TSC-1054-40017		402,180	402,180
<i>Pass-Through from Teledyne Scientific and Imaging, LLC</i>		SPN00015		325,446	325,446
<i>Pass-Through from The Geneva Foundation</i>		S-1695-01		534,680	534,680
<i>Pass-Through from Universal Technology Corporation</i>		14-S7405-16-C1		12,474	12,474
<i>Pass-Through from University Corporation for Atmospheric Research</i>		SPN00015		29,555	29,555
<i>Pass-Through from University of California - Merced</i>		E200QGB743		70,735	70,735
<i>Pass-Through from University of Cincinnati</i>		FA86501126B08		1,470	1,470
<i>Pass-Through from University of Colorado - Boulder</i>		Agreement 1548384		105,384	105,384
<i>Pass-Through from University of Colorado at Boulder</i>		FA9550-12-1-0412		25,496	25,496
<i>Pass-Through from University of Dayton Research Institute</i>		No: RSC12008		3,847	3,847
<i>Pass-Through from University of Dayton Research Institute</i>		RSC13030		278,245	278,245
<i>Pass-Through from University of Illinois Urbana - Champaign</i>		2013-06019-01		39,229	39,229
<i>Pass-Through from University of Maryland College Park</i>		PRIME: FA9550-14-1-0019		205,868	205,868
<i>Pass-Through from University of Michigan</i>		3002498055		127,326	127,326
<i>Pass-Through from University of Missouri</i>		C00030628-2		44,368	44,368
<i>Pass-Through from University of North Carolina Charlotte</i>		SPN00015		53,661	53,661
<i>Pass-Through from University of Southern California</i>		34272240		143,905	143,905
<i>Pass-Through from University of Washington</i>		757225		23,899	23,899
<i>Pass-Through from University of Wisconsin</i>		124K795 3		57,063	57,063
<i>Pass-Through from Utah State University</i>		8000002168		12,038	12,038
<i>Pass-Through from Virginia Tech</i>		450119-19794		100,754	100,754
<i>Pass-Through from Zel Technologies, LLC</i>		7307-TEES-13		20,505	20,505

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Zt Solar, Inc.</i>		SPN00015		51,741	51,741
Total - CFDA 12.800			3,750,287	20,822,167	24,572,454
Language Grant Program	12.900			127,252	127,252
Mathematical Sciences Grants Program	12.901			118,662	118,662
Information Security Grant Program	12.902			99,730	99,730
Research and Technology Development	12.910		539,806	3,053,132	3,592,938
<i>Pass-Through from Arsenal Medical, Inc.</i>		W911NF-12-C-0066		49,011	49,011
<i>Pass-Through from California Institute of Technology</i>		68A-1093709		111,580	111,580
<i>Pass-Through from Cornell University</i>		68272-9975		2,302	2,302
<i>Pass-Through from Fdn Applied Molecular Evolution</i>		UTA13-000282		37,405	37,405
<i>Pass-Through from George Mason University</i>		E2025236		7,044	7,044
<i>Pass-Through from Harvard University</i>		133503-04		591	591
<i>Pass-Through from Harvard University</i>		133534-5057068		134,567	134,567
<i>Pass-Through from Hrl Laboratories, LLC</i>		10043-400140-DS		74,371	74,371
<i>Pass-Through from Kestrel Technology LLC</i>		02-KT-0202-TTU		91,024	91,024
<i>Pass-Through from Lynntech, Inc.</i>		C4880		32,036	32,036
<i>Pass-Through from Massachusetts Institute of Technology</i>		5710002055		(1,475)	(1,475)
<i>Pass-Through from National Energetics</i>		12-63-PULSE-FP014		442,005	442,005
<i>Pass-Through from Northwestern University</i>		SPN00017		50,610	50,610
<i>Pass-Through from Plexon, Inc.</i>		SPN00017		37,856	37,856
<i>Pass-Through from Princeton University</i>		00002138		14,248	14,248
<i>Pass-Through from Purdue University</i>		4104-46105		196,423	196,423
<i>Pass-Through from Purdue University</i>		4104-56056		72,250	72,250
<i>Pass-Through from Queens College</i>		47217A		82,826	82,826
<i>Pass-Through from Sa Technologies</i>		SPN00017		97,659	97,659
<i>Pass-Through from Sri International</i>		123-000023		71,734	71,734
<i>Pass-Through from Sri International</i>		19-000248 HR0011- 12-C-0016		65,758	65,758
<i>Pass-Through from Teledyne Scientific and Imaging, LLC</i>		SPN00017		107,812	107,812
<i>Pass-Through from The Boeing Company</i>		660803	47,006	209,058	256,064
<i>Pass-Through from TriQuint Semiconductor</i>		W31P4Q-12-C-0067 5148725		143,686	143,686
<i>Pass-Through from University of Missouri - Columbia</i>		C00043299-8		3,648	3,648
<i>Pass-Through from University of North Carolina - Chapel Hill</i>		5-55068		108,750	108,750
<i>Pass-Through from University of Notre Dame</i>		ND-202016		157,108	157,108
<i>Pass-Through from Washington State University</i>		119031 G003130		57,477	57,477
Total - CFDA 12.910			586,812	5,510,496	6,097,308
Total - U.S. Department of Defense			15,148,064	206,186,363	221,334,427
<b>Central Intelligence Agency</b>					
Central Intelligence Agency	13.XXX	M1302856-466191- 2.4.13		497	497
Total - CFDA 13.XXX			0	497	497
Total - Central Intelligence Agency			0	497	497
<b>U.S. Department of Housing and Urban Development</b>					
Transformation Initiative Research Grants: Sustainable Community Research Grant Program	14.523			31,204	31,204



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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of the Interior (continued)</b>					
Coastal Impact Assistance Program (CIAP)	15.426				
<i>Pass-Through from Houston Advanced Research Center</i>		CITP07-TALR0212		26,755	26,755
<i>Pass-Through from Houston Advanced Research Center</i>		CITP08-TAMUK0113A		75,321	75,321
<i>Pass-Through from Houston Advanced Research Center</i>		CITP08-TAMUK0113B		34,967	34,967
<i>Pass-Through from Houston Advanced Research Center</i>		CITP08-TAMUK0113C		65,997	65,997
<i>Pass-Through from Houston Advanced Research Center</i>		CITP0910-		129,793	129,793
<i>Pass-Through from Houston Advanced Research Center</i>		CITP0910-IRNR0613B		63,785	63,785
<i>Pass-Through from Houston Advanced Research Center</i>		CITP0910-TALR0513		26,239	26,239
<i>Pass-Through from Houston Advanced Research Center</i>		CITP0910-		38,452	38,452
		TAMUK0513A			
<i>Pass-Through from Houston Advanced Research Center</i>		CITP0910-		41,010	41,010
		TAMUK0513B			
Total - CFDA 15.426			0	502,319	502,319
Safety and Environmental Enforcement Research and Data Collection for Offshore Energy and Mineral Activities	15.441			109,175	109,175
Water Desalination Research and Development Program	15.506			117,779	117,779
<i>Pass-Through from Kii, Inc. - Suns River</i>		2012-0209		1,300	1,300
<i>Pass-Through from University of Arizona</i>		187914		3,207	3,207
Total - CFDA 15.506			0	122,286	122,286
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	15.507			134,240	134,240
Fish and Wildlife Coordination Act	15.517			42,313	42,313
Water Conservation Field Services Program (WCFSP)	15.530			7,491	7,491
Desert and Southern Rockies Landscape Conservation Cooperatives	15.557			22,033	22,033
SECURE Water Act Research Agreements	15.560			18,907	18,907
Fish and Wildlife Management Assistance	15.608			234,495	234,495
<i>Pass-Through from Texas Park and Wildlife Department</i>		SPN00256		2,420	2,420
Total - CFDA 15.608			0	236,915	236,915
Cooperative Endangered Species Conservation Fund	15.615			545,608	545,608
<i>Pass-Through from The Nature Conservancy</i>		8000002090		15,775	15,775
<i>Pass-Through from University of Arizona</i>		F11PX05778		21,026	21,026
Total - CFDA 15.615			0	582,409	582,409
North American Wetlands Conservation Fund	15.623			4,310	4,310
Coastal Program	15.630			325	325
Conservation Grants Private Stewardship for Imperiled Species	15.632				
<i>Pass-Through from International Crane Foundation</i>		GCPLCC 2012		113	113
State Wildlife Grants	15.634			874,980	874,980
<i>Pass-Through from State of Louisiana</i>		8000001765		12,677	12,677
Total - CFDA 15.634			0	887,657	887,657
Wildlife Without Borders-Mexico	15.641			2,673	2,673

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of the Interior (continued)</b>					
Service Training and Technical Assistance (Generic Training)	15.649			26,479	26,479
Research Grants (Generic)	15.650			72,684	72,684
Migratory Bird Monitoring, Assessment and Conservation	15.655			300,442	300,442
Endangered Species Conservation - Recovery Implementation Funds	15.657			26,506	26,506
<i>Pass-Through from Houston Zoo</i>		8000001489		7,201	7,201
Total - CFDA 15.657			0	33,707	33,707
National Fish and Wildlife Foundation	15.663				
<i>Pass-Through from National Fish and Wildlife Foundation</i>		0104.13.040537		13,410	13,410
<i>Pass-Through from National Fish and Wildlife Foundation</i>		1601.12.033309	16,722	11,449	28,171
Total - CFDA 15.663			16,722	24,859	41,581
Coastal Impact Assistance Program	15.668		89,355	631,293	720,648
<i>Pass-Through from Cameron County</i>		2012C06204		4,815	4,815
<i>Pass-Through from Houston Advanced Research Center</i>		AQR07TAMU		72,547	72,547
<i>Pass-Through from Houston Advanced Research Center</i>		IKESURGE12-TAMU0313		94,861	94,861
<i>Pass-Through from Houston Advanced Research Center</i>		IKESURGE12-		240	240
<i>Pass-Through from San Antonio River Authority</i>		8000001920		4,637	4,637
<i>Pass-Through from The Nature Conservancy</i>		TXFO 03 0714 1		1,281	1,281
<i>Pass-Through from Umiatq</i>		10-CIAP-025		68,220	68,220
Total - CFDA 15.668			89,355	877,894	967,249
Cooperative Landscape Conservation	15.669		63,325	133,657	196,982
<i>Pass-Through from International Crane Foundation</i>		GCPLCC 2012 (2)		1,321	1,321
<i>Pass-Through from Wildlife Management Institute, Inc.</i>		2012-04 F11AC00813		24,922	24,922
<i>Pass-Through from Wildlife Management Institute, Inc.</i>		GCPLCC 2013-04		51,428	51,428
Total - CFDA 15.669			63,325	211,328	274,653
Adaptive Science	15.670			130,832	130,832
Assistance to State Water Resources Research Institutes	15.805			63,886	63,886
Earthquake Hazards Research Grants	15.807			67,611	67,611
U.S. Geological Survey Research and Data Collection	15.808			310,774	310,774
<i>Pass-Through from University of Alaska</i>		UAF 12-0047 PO FP21640		6,565	6,565
<i>Pass-Through from University of Hawaii at Hilo</i>		HI120011		3,435	3,435
<i>Pass-Through from University of Southern California</i>		42494318		19,462	19,462
<i>Pass-Through from University of Southern California</i>		SPN00033		5,445	5,445
ARRA - U.S. Geological Survey Research and Data				10,171	10,171
Total - CFDA 15.808			0	355,852	355,852
National Cooperative Geologic Mapping Program	15.810			141,053	141,053
Cooperative Research Units Program	15.812			472,815	472,815
National Geological and Geophysical Data Preservation	15.814			5,025	5,025
National Land Remote Sensing Education Outreach and Research	15.815				
<i>Pass-Through from America View</i>		AV08-TX01		(76)	(76)

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of the Interior (continued)</b>					
<i>Pass-Through from America View</i>		AV13-TX01		17,865	17,865
Total - CFDA 15.815			0	17,789	17,789
Minerals Resources External Research Program	15.816			238	238
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15.819			13,342	13,342
National Climate Change and Wildlife Science Center	15.820				
<i>Pass-Through from University of Oklahoma</i>		2013-13		1,317	1,317
<i>Pass-Through from University of Oklahoma</i>		2013-14		27,748	27,748
<i>Pass-Through from University of Oklahoma</i>		2014-16		18,382	18,382
<i>Pass-Through from University of Oklahoma</i>		2014-17		45,774	45,774
<i>Pass-Through from University of Oklahoma</i>		G12AC00002 SUB		129,830	129,830
		2012-30			
Total - CFDA 15.820			0	223,051	223,051
Historic Preservation Fund Grants-In-Aid	15.904			24,398	24,398
Outdoor Recreation Acquisition, Development and Planning	15.916			81,132	81,132
Rivers, Trails and Conservation Assistance	15.921			1,423	1,423
National Heritage Area Federal Financial Assistance	15.939				
<i>Pass-Through from Cane River National Heritage Area</i>		CA2012-04		1,164	1,164
Natural Resource Stewardship	15.944			3,648	3,648
Cooperative Research and Training Programs - Resources of the National Park System	15.945		3,505	134,825	138,330
Total - U.S. Department of the Interior			814,864	7,023,700	7,838,564
<b>U.S. Department of Justice</b>					
U.S. Department of Justice	16.XXX	1-321-0213168-		5,725	5,725
		FBI-HIG		7,275	7,275
		J-FBI-08-257		(34)	(34)
		J-FBI-10-009	1,777,659	508,349	2,286,008
		(A2M1000902)			
<i>Pass-Through from Battelle Memorial Institute</i>		PO US001-		39,588	39,588
		0000347348			
<i>Pass-Through from Battelle Memorial Institute</i>		US001-0000357722		17,662	17,662
<i>Pass-Through from Ecs Federal, Inc.</i>		FBI-13-UNTHSC-001		133,947	133,947
<i>Pass-Through from Rti International</i>		1-321-0213168		132,148	132,148
<i>Pass-Through from Signature Science, LLC</i>		Classified		277,051	277,051
<i>Pass-Through from University of Portsmouth</i>		14744		21,551	21,551
Total - CFDA 16.XXX			1,777,659	1,143,262	2,920,921
Community Relations Service	16.200		112,787	101,665	214,452
Juvenile Accountability Block Grants	16.523		47,322	263,645	310,967
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525			20,807	20,807
Juvenile Justice and Delinquency Prevention Allocation to States	16.540			9,301	9,301

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Justice (continued)</b>					
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541			104,034	104,034
<i>Pass-Through from John Hopkins University</i>		8000001981		27,425	27,425
Total - CFDA 16.541			0	131,459	131,459
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		73,567	4,976,539	5,050,106
<i>Pass-Through from Houston City of</i>		C74344/UTA11- 000549 PH II		75,717	75,717
<i>Pass-Through from Houston Police Department</i>		FC7435072011-0667		516,526	516,526
Total - CFDA 16.560			73,567	5,568,782	5,642,349
Criminal Justice Research and Development Graduate Research Fellowships	16.562			9,705	9,705
<i>Pass-Through from Forensic Sciences Foundation</i>		Award LTR Dated 10/4/12		1,000	1,000
Total - CFDA 16.562			0	10,705	10,705
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580				
<i>Pass-Through from Institute for Intergovernmental Research</i>		8000002071	30,078	96,858	126,936
<i>Pass-Through from Institute for Intergovernmental Research</i>		8000002072	113,975	275,968	389,943
Total - CFDA 16.580			144,053	372,826	516,879
Crime Victim Assistance/Discretionary Grants	16.582				
<i>Pass-Through from Catholic Charities USA</i>		UTA08-383		1	1
<i>Pass-Through from Lone Star Legal Aid</i>		7484-1 2012-VF-GX-2019		93,005	93,005
Total - CFDA 16.582			0	93,006	93,006
Violence Against Women Formula Grants	16.588			61,552	61,552
Juvenile Mentoring Program	16.726		8,466	74,220	82,686
Edward Byrne Memorial Justice Assistance Grant Program	16.738			32,987	32,987
DNA Backlog Reduction Program	16.741			638,449	638,449
<i>Pass-Through from The Bode Technology Group, Inc.</i>		2012-DN-BX-K056		211,673	211,673
Total - CFDA 16.741			0	850,122	850,122
Edward Byrne Memorial Competitive Grant Program	16.751				
<i>Pass-Through from Institute for Intergovernmental Research</i>		8000002167		56,849	56,849
Total - U.S. Department of Justice			2,163,854	8,791,188	10,955,042
<b>U.S. Department of Labor</b>					
U.S. Department of Labor	17.XXX				
<i>Pass-Through from Aspen Institute</i>		UTA13-000870		156,395	156,395
Employment Service/Wagner-Peyser Funded Activities	17.207			97,938	97,938
<i>Pass-Through from Center for Innovation at Arlington</i>		SPN00004		19,733	19,733
Total - CFDA 17.207			0	117,671	117,671
H-1B Job Training Grants	17.268			85,404	85,404

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Labor (continued)</b>					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282				
<i>Pass-Through from Austin Community College</i>		2014-2015 UTA14-000282		24,596	24,596
<i>Pass-Through from Corp for A Skilled Workforce</i>		2013-02		183,336	183,336
<i>Pass-Through from Corp for A Skilled Workforce</i>		2013-15 / UTA13-000825		10,788	10,788
Total - CFDA 17.282			0	218,720	218,720
Workforce Innovation Fund	17.283				
<i>Pass-Through from Jobs for the Future</i>		UTA12-001153		272,992	272,992
Occupational Safety and Health Susan Harwood Training	17.502			24,312	24,312
Local Veterans' Employment Representative Program	17.804			102,694	102,694
Total - U.S. Department of Labor			0	978,188	978,188
<b>U.S. Department of State</b>					
U.S. Department of State	19.XXX	S-LMAQM-09-CA-031 A001		34	34
<i>Pass-Through from Sandia National Laboratories</i>		PO 999287 REVISION10		77,907	77,907
Total - CFDA 19.XXX			0	77,941	77,941
Environmental and Scientific Partnerships and Programs	19.017			12,280	12,280
Global Threat Reduction	19.033			119,398	119,398
General Department of State Assistance	19.700			1,797,669	1,797,669
Total - U.S. Department of State			0	2,007,288	2,007,288
<b>U.S. Department of Transportation</b>					
U.S. Department of Transportation	20.XXX	DTFH61-12-C-00025	37,156	77,485	114,641
		DTFH6114C00003, PO 48-30-13062	1,676	101,801	103,477
		DTFH6811E00043		120,244	120,244
		DTFH68-11-E-00051		13,600	13,600
		DTFH68-11-E-00054		(2,662)	(2,662)
<i>Pass-Through from Aem Corporation</i>		2321-000-TAMU01		32,245	32,245
<i>Pass-Through from American Road and Transp. Builders Association</i>		DTFH61-11-H-		39,805	39,805
<i>Pass-Through from Applied Pavement Technology, Inc.</i>		SHRP2 15-B WORK AUTHORIZATION 1		(56)	(56)
<i>Pass-Through from Applied Pavement Technology, Inc.</i>		WORK AUTHORIZATION 2		3,579	3,579
<i>Pass-Through from Battelle Memorial Institute</i>		601304-3		45,014	45,014
<i>Pass-Through from Battelle Memorial Institute</i>		601304-8		1,312	1,312
<i>Pass-Through from Battelle Memorial Institute</i>		601304-9		2,554	2,554
<i>Pass-Through from Battelle Memorial Institute</i>		PO US001-601305-3		35,438	35,438
<i>Pass-Through from Battelle Memorial Institute</i>		US001-601304-1		34,934	34,934
<i>Pass-Through from Battelle Memorial Institute</i>		US001-601304-6		11,805	11,805
<i>Pass-Through from Battelle Memorial Institute</i>		US001-601305-2		154,014	154,014
<i>Pass-Through from Booz Allen Hamilton, Inc.</i>		103676SB1M 1		27,687	27,687
<i>Pass-Through from Cambridge Systematics</i>		008852 007		9,527	9,527
<i>Pass-Through from Cambridge Systematics</i>		8780-001 PRIME: DTFH61-13-D-00003		12,600	12,600

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Transportation (continued)</b>					
<i>Pass-Through from Center for Transportation and the Environment</i>		GA-04-7006		75	75
<i>Pass-Through from Center for Transportation and the Environment</i>		UTA10-000072		29	29
<i>Pass-Through from Center for Transportation and the Environment</i>		UTA11-000802 FL-88-0001-00		62,222	62,222
<i>Pass-Through from Center for Transportation and the Environment</i>		UTA12-000814		6,697	6,697
<i>Pass-Through from Houston - Galveston Area Council</i>		TDOT.14.0220-02		79,973	79,973
<i>Pass-Through from Houston - Galveston Area Council</i>		TDOT.14.0603-01		22,177	22,177
<i>Pass-Through from Icf Kaiser International, Inc.</i>		13DDSK0550	12,200	41,176	53,376
<i>Pass-Through from Idaho Transportation Department</i>		TTI-2013-01		59,978	59,978
<i>Pass-Through from Kai, LLC</i>		UTA14-000192		49,438	49,438
<i>Pass-Through from Leidos, Inc.</i>		DTFH61-12-D-00020 / TOPR 6 / BA		4,032	4,032
<i>Pass-Through from Midwest Research Institute</i>		578-110811-01		75,479	75,479
<i>Pass-Through from Mitre Corporation</i>		84443	41,489	33,159	74,648
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		HR 01-52 SUB0000237		67,213	67,213
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		NAS 150 TO 11 HR 09-49B		15,844	15,844
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		SUB0000272 NAS 150, TO 1, HR 03-109	8,250	162,082	170,332
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		SUB0000338 / HR-20-59(047)	14,690	83,710	98,400
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		SUB0000342 HR 15-49	34,934	202,207	237,141
<i>Pass-Through from NAS - National Coop Freight Research</i>		NAS 150 TO7 NCFRP-46 SUB00000398	25,000	85,773	110,773
<i>Pass-Through from NAS - National Cooperative Rail Research</i>		NAS 150, 03	52,110	114,097	166,207
<i>Pass-Through from NAS - Strategic Highway Research Program</i>		SHRP R-15 (C) SUB0000153	31,838	69,868	101,706
<i>Pass-Through from NAS - Transit Cooperative Research Program</i>		NAS 150; TO 08; SUB0000433		35,565	35,565
<i>Pass-Through from NAS - Transit Cooperative Research Program</i>		SUB0000444 / NAS 150, NO.9	28,029	44,042	72,071
<i>Pass-Through from NAS - Transit Cooperative Research Program</i>		TCRP A-38 SUB0000231	22,500	128,406	150,906
<i>Pass-Through from NAS- Strategic Highway Research Program</i>		TRANSIT-73 (SUB0000162)		(105)	(105)
<i>Pass-Through from National Academy of Sciences</i>		2000003995		2,325	2,325
<i>Pass-Through from National Academy of Sciences</i>		HR 25-32		243	243
<i>Pass-Through from National Academy of Sciences</i>		NCFRP-47	35,977	256,186	292,163
<i>Pass-Through from National Academy of Sciences</i>		TRB-2000003585		3,898	3,898
<i>Pass-Through from National Academy of Sciences - Nrc - Trb - Hwy</i>		HR 20-07 (344)	11,900	57,062	68,962
<i>Pass-Through from Oklahoma Department of Transportation</i>		SPR ITEM 2261 34590419	21,115	84,919	106,034
<i>Pass-Through from Oregon State University, Corvallis</i>		J1329A-C		4,037	4,037
<i>Pass-Through from Parker Corporate Enterprises, Inc.</i>		HR 20-06 (02-01)		13,870	13,870
<i>Pass-Through from Resource System Group</i>		UTA11-000910 DTFH61-11-C-00015		127,681	127,681
<i>Pass-Through from Roadsafte LLC</i>		1754TAMU		31,622	31,622
<i>Pass-Through from Transportation Research Board</i>		HR 10-96		2,313	2,313
<i>Pass-Through from University of California - Santa Barbara</i>		KK1228 02		(15)	(15)
<i>Pass-Through from University of South Florida - Center for</i>		2117-1471-00-A/PO		10,425	10,425

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Transportation (continued)</b>					
<i>Urban Transportation Research</i>		0000194850			
Total - CFDA 20.XXX			378,864	2,758,629	3,137,493
Aviation Education	20.100			18,138	18,138
Airport Improvement Program	20.106				
<i>Pass-Through from NAS - Airport Cooperative Research</i>		NAS 150, 13 - ACRP A09-11		13,210	13,210
<i>Pass-Through from Transportation Research Board</i>		ACRP A09-10		151,616	151,616
<i>Pass-Through from Transportation Research Board</i>		M1400603		78,454	78,454
Total - CFDA 20.106			0	243,280	243,280
Aviation Research Grants	20.108		686,013	277,825	963,838
Air Transportation Centers of Excellence	20.109			90,434	90,434
Highway Research and Development Program	20.200			19,944	19,944
<i>Pass-Through from Amec Environ and Infrastructure, Inc.</i>		6420120019F013000005		71,452	71,452
<i>Pass-Through from American Road and Transp. Builders Association</i>		DTFH61-13-H-00022-A		88,977	88,977
<i>Pass-Through from American Road and Transp. Builders Association</i>		DTFH61-13-H-0025-A		40,932	40,932
<i>Pass-Through from Applied Pavement Technology, Inc.</i>		WORK AUTHORIZATION 2		1,028	1,028
<i>Pass-Through from Battelle Memorial Institute</i>		PO US001- 0000401794		328,354	328,354
<i>Pass-Through from Battelle Memorial Institute</i>		PO US001-601304-7		15,804	15,804
<i>Pass-Through from California Department of Transportation</i>		65A0401		146,681	146,681
<i>Pass-Through from Migma Systems, Inc.</i>		P2014683		2,058	2,058
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		HR 14-28, 163511- 1102	15,000	87,801	102,801
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		NAS 150, TO 02, HR 07/23 SUB0000273	13,283	71,938	85,221
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		SUB0000237 (HR 17- 58)	25,000	273,286	298,286
<i>Pass-Through from National Academy of Sciences</i>		HR 10-84	73,913	24,461	98,374
<i>Pass-Through from National Research Council</i>		HR 14-20A PO0000420	18,602	31,194	49,796
<i>Pass-Through from Transportation Research Board of the National Academies</i>		HR 12-97		71,890	71,890
<i>Pass-Through from Transportation Research Board of the National Academies</i>		SUB0000174		36,943	36,943
<i>Pass-Through from University of California - Los Angeles</i>		0159 G RA063		70,432	70,432
Total - CFDA 20.200			145,798	1,383,175	1,528,973
Highway Planning and Construction	20.205			171,885	171,885
<i>Pass-Through from Cambridge Systematics</i>		CS 08500-080 (082)		63,233	63,233
<i>Pass-Through from Cambridge Systematics</i>		NCHRP 20-24B		8,467	8,467
<i>Pass-Through from Economic Development Research Group, Inc.</i>		SHRP 2 C-32		15,531	15,531
<i>Pass-Through from Gulf Coast Rail District</i>		83-2XXIA006		174,549	174,549
<i>Pass-Through from Iowa State University, Ames</i>		404-17- 29 POI29440623		32,718	32,718
<i>Pass-Through from Leidos, Inc.</i>		P010150706; DTFH61- 12-D-00020		1,190	1,190
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		NAS 150, TO 12, HR 09-58		36,772	36,772

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Transportation (continued)</b>					
<i>Pass-Through from NAS - National Cooperative Highway Research Program</i>		NAS 150, TO 10, HR 03-114		64,073	64,073
<i>Pass-Through from Ohio Department of Transportation</i>		26101	5,260	115,371	120,631
<i>Pass-Through from Ohio Department of Transportation</i>		ODT 25302 STATE 134716	100,763	93,182	193,945
<i>Pass-Through from Oregon Department of Transportation</i>		29184		37,820	37,820
<i>Pass-Through from Synesis Partners LLC</i>		AS 13-0036		5,108	5,108
<i>Pass-Through from Trinity Infrastructure, LLC</i>		SPN00020		44,169	44,169
<i>Pass-Through from University of Illinois</i>		11BOB 2011-05776-34		32,436	32,436
<i>Pass-Through from University of Nebraska - Lincoln</i>		26-1121-4019-002		10,817	10,817
<i>Pass-Through from University of Nevada - Reno</i>		P-122-13-803 / UNR- 14-06		5,592	5,592
<i>Pass-Through from University of South Florida - Tampa</i>		2104-1175-00-4		33,217	33,217
<i>Pass-Through from Wayne State University, Detroit</i>		INDEX 3-70047, C2013-0070 5, J117433		22,913	22,913
Total - CFDA 20.205			106,023	969,043	1,075,066
Highway Training and Education	20.215			69,054	69,054
<i>Pass-Through from Georgia Department Of Transportation</i>		PEMSL000600311: PI 0006311		129,649	129,649
Total - CFDA 20.215			0	198,703	198,703
National Motor Carrier Safety	20.218			65,728	65,728
Railroad Research and Development	20.313				
<i>Pass-Through from University of Illinois Urbana - Champaign</i>		2012-06861-01		96,229	96,229
Formula Grants for Rural Areas	20.509			27,633	27,633
Public Transportation Research	20.514			12	12
<i>Pass-Through from Idaho Transportation Department</i>		CPO 02621	41,242	60,748	101,990
Total - CFDA 20.514			41,242	60,760	102,002
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523				
<i>Pass-Through from Center for Transportation and the Environment</i>		UTA12-000559		57,257	57,257
State and Community Highway Safety	20.600			1,259,782	1,259,782
<i>Pass-Through from Nebraska Department of Health and Human</i>		P2013191		15,772	15,772
Total - CFDA 20.600			0	1,275,554	1,275,554
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601			44,062	44,062
National Priority Safety Programs	20.616			1,443,699	1,443,699
University Transportation Centers Program	20.701		410,799	2,014,804	2,425,603
<i>Pass-Through from Michigan State University</i>		RC103194UTA		31,414	31,414
<i>Pass-Through from Missouri University of Science and Technology</i>		00043315-01		35,676	35,676
<i>Pass-Through from Oklahoma State University</i>		AA-5-30090-01		(126)	(126)
<i>Pass-Through from Rutgers University</i>		CAIT-UTC 018		95,422	95,422
<i>Pass-Through from University of Alaska Anchorage</i>		PO441887		(6,142)	(6,142)
<i>Pass-Through from University of Idaho</i>		KLK900-SB-003		274,907	274,907
<i>Pass-Through from University of Illinois</i>		DTRT 13GUTC59		361,392	361,392
<i>Pass-Through from University of Illinois</i>		DTRT13GUTC59	58,035		58,035

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Transportation (continued)</b>					
<i>Pass-Through from University of Michigan - Ann Arbor</i>		3002833944		149,578	149,578
<i>Pass-Through from University of New Orleans</i>		8000001980		64	64
<i>Pass-Through from University of New Orleans</i>		8000002113		10,855	10,855
<i>Pass-Through from University of Oklahoma</i>		2014-25 PRIME: DTRT13-G- UTC36		23,185	23,185
<i>Pass-Through from University of Oklahoma</i>		2014-27		13,098	13,098
<i>Pass-Through from University of South Florida - Tampa</i>		2117-9061-02-A		4,532	4,532
<i>Pass-Through from University of Wisconsin - Madison</i>		Agreement No.430K850		28,101	28,101
Total - CFDA 20.701			468,834	3,036,760	3,505,594
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703				
<i>Pass-Through from National Academy of Sciences</i>		HM-18/163811-1203		6,740	6,740
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	20.724			62,834	62,834
Biobased Transportation Research	20.761				
<i>Pass-Through from Oklahoma State University</i>		AB-5-66090.TAES9 HAYS	47,326	79,514	126,840
<i>Pass-Through from Oklahoma State University</i>		AB-5-67840.TAMU		1,987	1,987
Total - CFDA 20.761			47,326	81,501	128,827
Transportation Planning, Research and Education	20.931			213,634	213,634
Total - U.S. Department of Transportation			1,874,100	12,411,618	14,285,718
<b>Office of Personnel Management</b>					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			851,416	851,416
<i>Pass-Through from Michael E. DeBakey Veterans Affairs Medical Center</i>		D45121		10,366	10,366
<i>Pass-Through from Michael E. DeBakey Veterans Affairs Medical Center</i>		D45124		10,752	10,752
Total - CFDA 27.011			0	872,534	872,534
Total - Office of Personnel Management			0	872,534	872,534
<b>General Services Administration</b>					
General Services Administration	39.XXX				
<i>Pass-Through from General Dynamics</i>		GSA-ML-SC- 0073/07ESM578831		39,120	39,120
<i>Pass-Through from Solid State Scientific Corp</i>		PO 1312-18		39,974	39,974
Total - CFDA 39.XXX			0	79,094	79,094
Donation of Federal Surplus Personal Property	39.003			123,443	123,443
Total - General Services Administration			0	202,537	202,537
<b>Library of Congress</b>					
Library of Congress	42.XXX	CRS 13-05		4,893	4,893

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Library of Congress (continued)</b>					
		Navakas		32,987	32,987
Total - CFDA 42.XXX			0	37,880	37,880
Total - Library of Congress			0	37,880	37,880
<b>National Aeronautics and Space Administration</b>					
National Aeronautics and Space Administration	43.XXX	1456878		9,451	9,451
		NAS5-97213 000076	56,557	302,330	358,887
		NASA SUBAWARD		1,331	1,331
		NCC95849/CA02701		188,251	188,251
		NNC13VB83P		(2)	(2)
		NNG12VI01C, PR 4200418840		46,589	46,589
		NNG12VI01C, PR 4200383751		715,442	715,442
		NNJ04HH01A	67,112	81,537	148,649
		NNJ13ZA04P		198,228	198,228
		NNL13AE05P		19,711	19,711
		NNL14AA00C	133,259	2,166,040	2,299,299
		NNL14AA00C		80,000	80,000
		NNL14AA17T			
		NNL14AA00C	6,776	11,798	18,574
		NNL14AA36T			
		NNL14AA00C		29,930	29,930
		NNL14AB24T			
		NNL14AA00C		13,320	13,320
		NNL14AB31T			
		NNX08AD58G		1,650	1,650
		NNX08AN02G		4,196	4,196
		NNX08AO52G		109,710	109,710
		NNX08AO52G S05		2,037	2,037
		NNX08AW08G		23,631	23,631
		NNX08AZ42A		(19)	(19)
		NNX09AB30G		21,313	21,313
		NNX09AE61G		(5,775)	(5,775)
		NNX09AJ48G		30,560	30,560
		NNX09AM51A		81,061	81,061
		NNX09AM60G		53,385	53,385
		NNX09AR98G		(246)	(246)
		NNX09AV10G	50,513	34,617	85,130
		NNX10AC68G		158,851	158,851
		NNX10AF10G		15,068	15,068
		NNX10AG20G		232,831	232,831
		NNX10AG73G		33,223	33,223
		NNX10AI86G		1,461	1,461
		NNX10AK82H		1,945	1,945
		NNX10AM37G		8,136	8,136
		NNX10AO26G, 09- MDAP09-0087		71,185	71,185
		NNX10AP98G		133,148	133,148
		nnx10at02g		646,817	646,817
		NNX09AI01G			
		NNG12P			
		NNX10AT57A		262,207	262,207

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
		NNX11AJ73G		149,489	149,489
		NNX12AC66G		72,267	72,267
		NNX12AG09G		68,237	68,237
		NNX14AC76G		192,505	192,505
<i>Pass-Through from Advanced Magnet Lab</i>		NNX11AI20A		44,041	44,041
<i>Pass-Through from Area - I, Inc.</i>		UTA13-000562		19,262	19,262
<i>Pass-Through from Balconies Technologies, LLC</i>		UTA13-000615		5,000	5,000
<i>Pass-Through from Balconies Technologies, LLC</i>		UTA13-000810		129,343	129,343
<i>Pass-Through from Baylor College of Medicine</i>		NCC 9-58		17,662	17,662
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1360670		119,591	119,591
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1393349		90,593	90,593
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1405316 1		76,186	76,186
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1416374		43,795	43,795
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1427670		18,547	18,547
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1427764		79,276	79,276
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1427884		355	355
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1427999		53,378	53,378
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1434786		11,679	11,679
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1447311		(8)	(8)
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1450036		33,039	33,039
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1452191		2,666	2,666
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1454803		71,419	71,419
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1454813		19,245	19,245
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1462240		17,512	17,512
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1464593		27,723	27,723
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1473768		26,340	26,340
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1474258		16,998	16,998
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1475398		22,351	22,351
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1475499		41,840	41,840
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1478359		249,869	249,869
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1478584		329,659	329,659
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1478584 02		359,895	359,895

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1479387		(1)	(1)
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1479726		89,014	89,014
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1485095		8,826	8,826
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1485877		6,694	6,694
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1485889		10,672	10,672
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1488676		30,524	30,524
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1491503		462,210	462,210
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1491844		23,310	23,310
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1492688		34,593	34,593
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1492781		69,614	69,614
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1492788		17,682	17,682
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1495153		3,905	3,905
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1497331		7,481	7,481
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		1499150		13,806	13,806
<i>Pass-Through from California Institute of Technology Jet Propulsion Lab</i>		RSA 1510016		7,768	7,768
<i>Pass-Through from California Institute Tech/NASA - Jet Propulsion Lab - Pasadena,</i>		RSA 1474415		140	140
<i>Pass-Through from Columbia University in the City of New York</i>		NNX09AE95G		13,889	13,889
<i>Pass-Through from Embry - Riddle Aeronautical University</i>		61351-03 PO 181231		11,625	11,625
<i>Pass-Through from Emergent Space Technologies, Inc.</i>		UTA13-000563		12,434	12,434
<i>Pass-Through from Georgia Institute of Technology</i>		R9867-G4		49,469	49,469
<i>Pass-Through from Integrated Micro Sensors</i>		NNX10CA41C		9,844	9,844
<i>Pass-Through from Jet Propulsion Laboratory</i>		1506453		12,924	12,924
<i>Pass-Through from Jet Propulsion Laboratory</i>		RSA 1455050		49,399	49,399
<i>Pass-Through from Jpl Subcontract A Prototype</i>		RSA 1349744		21,585	21,585
<i>Pass-Through from Lockheed Martin Engineering Services</i>		BBM006CH9	259,649	30,712	290,361
<i>Pass-Through from Lynntech, Inc.</i>		2011-NAS54C-0001		12,739	12,739
<i>Pass-Through from Micro Aerospace Solutions, Inc.</i>		UTA13-000519		73,038	73,038
<i>Pass-Through from NASA - Jet Propulsion Lab - Pasadena, CA</i>		RSA 1466427		1,725	1,725
<i>Pass-Through from NASA - Jet Propulsion Lab - Pasadena, CA</i>		RSA 1496186		10,430	10,430
<i>Pass-Through from National Institute of Aerospace</i>		T10-6200-UTEX 6322-UTEX		15,875	15,875
<i>Pass-Through from National Institute of Aerospace</i>		T13-6500-UTEX, T.O.6515UTEX		138,310	138,310
<i>Pass-Through from National Institute of Aerospace</i>		T13-6500-UTEX, TO 6528-UTEX		6,157	6,157
<i>Pass-Through from National Space Biomedical Research Institute</i>		NCC 9-58		38,295	38,295
<i>Pass-Through from National Space Biomedical Research Institute</i>		NCC95849/CA02701	39,325		39,325
<i>Pass-Through from Oregon State University</i>		NS226A-A		290	290

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
<i>Pass-Through from Paragon Tec, Inc.</i>		051711		72,469	72,469
<i>Pass-Through from Planetary Resources, Inc.</i>		UTA13-000685		24,876	24,876
<i>Pass-Through from Rio Grande Valley Science Association</i>		RGVSA-TX-2011-00001		20,282	20,282
<i>Pass-Through from Southwest Research Institute</i>		E99046JD		62,534	62,534
<i>Pass-Through from Southwest Research Institute</i>		PO: G57053BT (NASA)		13,329	13,329
<i>Pass-Through from Southwest Research Institute</i>		SWRI HV801		9,132	9,132
<i>Pass-Through from Space Telescope Science Institute</i>		HST-AR-10981.01-A		1,623	1,623
<i>Pass-Through from Space Telescope Science Institute</i>		HST-AR-12629.01-A		95	95
<i>Pass-Through from Space Telescope Science Institute</i>		HST-AR-12819.01-A		3,302	3,302
<i>Pass-Through from Space Telescope Science Institute</i>		HST-AR-12820.01-A		11,858	11,858
<i>Pass-Through from Space Telescope Science Institute</i>		HST-AR-13276.02-A		39,654	39,654
<i>Pass-Through from Space Telescope Science Institute</i>		HST-EO-12476.08-A		3	3
<i>Pass-Through from Space Telescope Science Institute</i>		HST-EO-12629.05		1,732	1,732
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-11706.02-A		26	26
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12060.99-A		22,457	22,457
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12506.04-A		28,724	28,724
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12507.05-A		53,460	53,460
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12879.02		30,708	30,708
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12880.06-A		119,951	119,951
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12896.01-A		26,763	26,763
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-12977.08-A		3,870	3,870
<i>Pass-Through from Space Telescope Science Institute</i>		SPN00006		1,720	1,720
<i>Pass-Through from Space Telescope Science Institute Aura</i>		HSCCT-GO-12979.05-A		2,828	2,828
<i>Pass-Through from Space Telescope Science Institute Aura</i>		HST-AR-13269.05-A		8,483	8,483
<i>Pass-Through from The Boeing Company</i>		785051		139,237	139,237
<i>Pass-Through from The Boeing Company</i>		NAS15-10000/868017		37,387	37,387
<i>Pass-Through from United Negro College Fund</i>		NNX09AV017A-PV		47,461	47,461
<i>Pass-Through from United Negro College Fund Special Programs Corporation</i>		NSTI 2011-2013		34,441	34,441
<i>Pass-Through from United Negro College Fund Special Programs Corporation</i>		NSTI2011-2013		21,835	21,835
<i>Pass-Through from United Negro College Fund Special Programs Corporation</i>		UNCFSP/NNX13AK8 9A		136,128	136,128
<i>Pass-Through from University of California - Los Angeles</i>		2090-S-NB315		(279)	(279)
<i>Pass-Through from University of Michigan</i>		3002951727		8,010	8,010
<i>Pass-Through from University of South Florida</i>		2500-1430-00-B, PO 7000025423		(4)	(4)
<i>Pass-Through from University of Tennessee</i>		A12-422-S001		59,750	59,750
<i>Pass-Through from University of Wisconsin</i>		348K272		56,233	56,233
<i>Pass-Through from Wyle Integrated Science and Engineering Group</i>		T72203		305,113	305,113
Total - CFDA 43.XXX			613,191	10,894,871	11,508,062
Science	43.001		1,751,986	9,055,467	10,807,453
<i>Pass-Through from AlphaSense, Inc.</i>		808-3		26,685	26,685
<i>Pass-Through from American College of Sports Medicine</i>		463461-M1201217		30	30
<i>Pass-Through from American College of Sports Medicine</i>		464041-M1200064		2,631	2,631
<i>Pass-Through from American College of Sports Medicine</i>		467031-M1301979		762	762
<i>Pass-Through from American College of Sports Medicine</i>		M1100657-461321		25	25
<i>Pass-Through from Analytical Mechanics Associates, Inc.</i>		1601-TEAMS2-TAM		99,806	99,806
<i>Pass-Through from Analytical Mechanics Associates, Inc.</i>		NNL12AA09C		30,000	30,000
<i>Pass-Through from Astronomical Society of the Pacific</i>		SPN00006		3,752	3,752
<i>Pass-Through from Baylor College of Medicine</i>		AO00017; PO 5600965730		72,347	72,347
<i>Pass-Through from Baylor College of Medicine</i>		COOP AGMT NCC 9-58-587; NSBRI EO02001		207,959	207,959
<i>Pass-Through from Baylor College of Medicine</i>		PF03504; PO 5600965730		37,293	37,293

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
<i>Pass-Through from Boeing Company</i>		706261		39,359	39,359
<i>Pass-Through from California Institute of Technology</i>		1428150		3,881	3,881
<i>Pass-Through from California Institute of Technology</i>		1439374		5,130	5,130
<i>Pass-Through from California Institute of Technology</i>		65P-1094260		36,282	36,282
<i>Pass-Through from Chandra X - Ray Observatory Center</i>		GO2-13095X		3,841	3,841
<i>Pass-Through from Columbia University</i>		1(GG006669)		30,127	30,127
<i>Pass-Through from Georgetown University</i>		NNX09AU5G		21,407	21,407
<i>Pass-Through from Georgetown University</i>		NNX09AU95G		472,208	472,208
<i>Pass-Through from Georgia Institute of Technology</i>		RE407-G3		17,770	17,770
<i>Pass-Through from HJ Science and Tech, Inc.</i>		NNX13CP49C-1		99,243	99,243
<i>Pass-Through from Innovative Imaging and Research Corp</i>		NNX13CS14C		95,568	95,568
<i>Pass-Through from Jet Propulsion Laboratory</i>		1445180		5,236	5,236
<i>Pass-Through from Johns Hopkins University</i>		105226		829	829
<i>Pass-Through from Johns Hopkins University</i>		115338		12,911	12,911
<i>Pass-Through from Johns Hopkins University Applied Physics Lab</i>		948246 (ILC03)		2,961	2,961
<i>Pass-Through from Johns Hopkins University Applied Physics Lab</i>		BPS/STP-14-181		5,606	5,606
<i>Pass-Through from Lunar and Planetary Institute</i>		02173-04		278	278
<i>Pass-Through from Lunar and Planetary Institute</i>		02173-06		775	775
<i>Pass-Through from National Institute of Aerospace</i>		SPN00006		3,079	3,079
<i>Pass-Through from National Space Biomedical Research Institute</i>		CA00003		38,976	38,976
<i>Pass-Through from National Space Biomedical Research Institute</i>		CA02801	154,460	135,782	290,242
<i>Pass-Through from National Space Biomedical Research Institute</i>		NCC958203		113,453	113,453
<i>Pass-Through from National Space Biomedical Research Institute</i>		NCC95849	227,053		227,053
<i>Pass-Through from Northeastern University</i>		505015-78050		11,543	11,543
<i>Pass-Through from Ohio State University</i>		60039639		39,261	39,261
<i>Pass-Through from Omega Optics, Inc.</i>		8000002176		38,479	38,479
<i>Pass-Through from Physics, Materials, and Applied Mathematics Research, LLC</i>		8043-S1		6,553	6,553
<i>Pass-Through from Planetary Science Institute</i>		1290		23,853	23,853
<i>Pass-Through from Purdue University</i>		4103-51247		80,200	80,200
<i>Pass-Through from Sigma Space Corp</i>		S09112-02		2,627	2,627
<i>Pass-Through from Smithsonian Astrophysical Observatory</i>		G03-14032A		79,095	79,095
<i>Pass-Through from Smithsonian Astrophysical Observatory</i>		G04-15061X		20,848	20,848
<i>Pass-Through from Smithsonian Astrophysical Observatory</i>		G04-15090B		1,694	1,694
<i>Pass-Through from Smithsonian Astrophysical Observatory</i>		GO2-13120X		33,539	33,539
<i>Pass-Through from Smithsonian Astrophysical Observatory</i>		SPN00006		102,140	102,140
<i>Pass-Through from South Dakota State University</i>		3TB135/EUGENIO ARIMA		27,955	27,955
<i>Pass-Through from Southwest Research Institute</i>		1415FC0036/B99076BT		5,713	5,713
<i>Pass-Through from Southwest Research Institute</i>		1415GC0011		11,806	11,806
<i>Pass-Through from Southwest Research Institute</i>		1415GC0033		41,818	41,818
<i>Pass-Through from Southwest Research Institute</i>		B99076BT		20,520	20,520
<i>Pass-Through from Southwest Research Institute</i>		D99081X - LLERA		32,762	32,762
<i>Pass-Through from Southwest Research Institute</i>		F99094MEC-JENSEMA		34,010	34,010
<i>Pass-Through from Southwest Research Institute</i>		F99095MEC-DELMONICO		32,859	32,859
<i>Pass-Through from Southwest Research Institute</i>		SWRI - LLERA		1,356	1,356
<i>Pass-Through from Southwest Research Institute</i>		SWRI- E99074X		34,010	34,010
<i>Pass-Through from Southwest Research Institute</i>		SWRI-CLARK E99080X		36,346	36,346

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
<i>Pass-Through from Southwest Research Institute</i>		SWRI-E99075X		34,010	34,010
<i>Pass-Through from Southwest Research Institute</i>		SWRI-E99079X		35,400	35,400
<i>Pass-Through from Southwest Research Institute</i>		SWRI-EGERT E99081X		34,010	34,010
<i>Pass-Through from Southwest Research Institute</i>		SWRI-GRUBBS E99078X		34,004	34,004
<i>Pass-Through from Southwest Research Institute</i>		SWRI-LIVI E99077X		24,125	24,125
<i>Pass-Through from Southwest Research Institute</i>		SWRI-VINES E99073X		34,010	34,010
<i>Pass-Through from Space Environment Technologies, LLC</i>		CG-2012-3		52,841	52,841
<i>Pass-Through from Stanford University</i>		28879900-49920-A		23,159	23,159
<i>Pass-Through from Tao of Systems Integration, Inc.</i>		11-0662		56,362	56,362
<i>Pass-Through from Tao of Systems Integration, Inc.</i>		M1401982		27,550	27,550
<i>Pass-Through from The University of Georgia</i>		RR185-447/4944326		12,976	12,976
<i>Pass-Through from United Negro Coll Fund Special Prog Corp</i>		NNX09AV17A		31,347	31,347
<i>Pass-Through from Universities Space Research Administration</i>		NNJ11HE31A		16,369	16,369
<i>Pass-Through from Universities Space Research Association</i>		02173-07		5,962	5,962
<i>Pass-Through from Universities Space Research Association</i>		02235-06		36,877	36,877
<i>Pass-Through from Universities Space Research Association</i>		NNJ11HE31A		143,126	143,126
<i>Pass-Through from University of Arizona</i>		82726		10,592	10,592
<i>Pass-Through from University of California Berkeley</i>		00007855- 5		933,513	933,513
<i>Pass-Through from University of Maryland - Baltimore County</i>		0000007336		26,059	26,059
<i>Pass-Through from University of Maryland College Park</i>		Z7680601		115,364	115,364
<i>Pass-Through from University of New Mexico</i>		04806V-874F SUBAWARD, NNX11AG91G		52,956	52,956
<i>Pass-Through from University of New Mexico</i>		04806V-87Q1		39,615	39,615
<i>Pass-Through from University of Oklahoma</i>		8000002043		6,338	6,338
<i>Pass-Through from University Space Research Association</i>		05717-003		26,138	26,138
<i>Pass-Through from VectorNav Technologies, LLC</i>		Sub agreement M1400206		58,181	58,181
<i>Pass-Through from Virginia Tech</i>		426663197/NNX12AF 30G		79,371	79,371
<i>Pass-Through from Woods Hole Oceanographic Institute</i>		A100911		9,148	9,148
<i>Pass-Through from Wyle Laboratories</i>		NNZ10AM34G		22,198	22,198
<i>Pass-Through from Wyle Laboratories</i>		T72314		1,113,031	1,113,031
Total - CFDA 43.001			2,133,499	14,495,078	16,628,577
Aeronautics	43.002			2,030,199	2,030,199
<i>Pass-Through from Johns Hopkins University Applied Physics Lab</i>		948246 (ILC03)		86,292	86,292
<i>Pass-Through from Kestrel Technology LLC</i>		KT-AA07C-TTU		88,459	88,459
Total - CFDA 43.002			0	2,204,950	2,204,950
Exploration	43.003		121,333	1,804,988	1,926,321
<i>Pass-Through from National Space Biomedical Research Institute</i>		NATARAJAN NSBRI	23,843	327,146	350,989
<i>Pass-Through from National Space Grant Foundation</i>		2013-ESMD-XHAB- 02 PRIME: NNX10AJ76A		(691)	(691)
<i>Pass-Through from United Negro College Fund</i>		M1400473		16,036	16,036
Total - CFDA 43.003			145,176	2,147,479	2,292,655
Space Operations	43.007		10,797	608,941	619,738
<i>Pass-Through from Center for the Advancement of Science in Space</i>		GA-2014-128		66,922	66,922

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
<i>Pass-Through from Center for the Advancement of Science in Space, Inc.</i>		GA-2014-132	2,191	47,940	50,131
<i>Pass-Through from Vanderbilt University</i>		NNX12AL35G		8,578	8,578
Total - CFDA 43.007			12,988	732,381	745,369
Education	43.008		2,699,204	2,086,353	4,785,557
Cross Agency Support	43.009			1,078,478	1,078,478
<i>Pass-Through from University of New Mexico</i>		282002-8784		37,805	37,805
Total - CFDA 43.009			0	1,116,283	1,116,283
Total - National Aeronautics and Space Administration			5,604,058	33,677,395	39,281,453
<b>National Endowment For The Humanities</b>					
National Endowment For The Humanities	45.XXX				
<i>Pass-Through from Humanities Texas</i>		2008-3587		(4)	(4)
Promotion of the Arts Grants to Organizations and Individuals	45.024			70,000	70,000
Promotion of the Humanities Federal/State Partnership	45.129				
<i>Pass-Through from Humanities Texas</i>		2013-4449		8,640	8,640
<i>Pass-Through from Humanities Texas</i>		2014-4546		2,014	2,014
<i>Pass-Through from Humanities Texas</i>		8000001923		2,392	2,392
<i>Pass-Through from Humanities TX 905</i>		HTX GRANT 2013-4465		1,000	1,000
Total - CFDA 45.129			0	14,046	14,046
Promotion of the Humanities Division of Preservation and Access	45.149			16,763	16,763
<i>Pass-Through from Educopia Institute</i>		GN0003855		60,613	60,613
<i>Pass-Through from Vanderbilt University</i>		22806-S3		20,261	20,261
Total - CFDA 45.149			0	97,637	97,637
Promotion of the Humanities Fellowships and Stipends	45.160			16,800	16,800
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162			2,358	2,358
Promotion of the Humanities Professional Development	45.163		27,715	227,587	255,302
Promotion of the Humanities Office of Digital Humanities	45.169		10,000	13,013	23,013
Grants to States	45.310			(16)	(16)
National Leadership Grants	45.312			111,910	111,910
Laura Bush 21st Century Librarian Program	45.313		13,003	323,562	336,565
Total - National Endowment For The Humanities			50,718	876,893	927,611
<b>National Science Foundation</b>					
National Science Foundation	47.XXX	IIS-1249442		15,420	15,420
<i>Pass-Through from American Education Research Association</i>		UTA12-001231		13,501	13,501
<i>Pass-Through from Baylor University</i>		32180119-01		97,791	97,791
<i>Pass-Through from Consortium for Ocean Leadership</i>		T338A59		419	419
<i>Pass-Through from Consortium for Ocean Leadership</i>		T338B59		9,271	9,271
<i>Pass-Through from Consortium for Ocean Leadership</i>		T352A59		17,058	17,058

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from Indiana University</i>		IUB-4812439-UTA PO 734307		164,533	164,533
<i>Pass-Through from Navy Systems Management Activity</i>		N41756-12-C-4806		240,564	240,564
<i>Pass-Through from Samuel Roberts Noble Foundation, Incorporated</i>		GN0005967		95,258	95,258
<i>Pass-Through from University of California - Santa Cruz</i>		S0184225		75,968	75,968
<i>Pass-Through from University System of New Hampshire</i>		13-028		45,902	45,902
<i>Pass-Through from Woods Hole Research Institute</i>		WHRC-MG0917-01		27,095	27,095
Total - CFDA 47.XXX			0	802,780	802,780
Engineering Grants	47.041		1,803,145	32,714,124	34,517,269
<i>Pass-Through from Advanced Materials and Processes</i>		P0924122/SUB: 11-1		845	845
<i>Pass-Through from Arizona State University</i>		12-731		152,089	152,089
<i>Pass-Through from Arizona State University</i>		13-959		13,152	13,152
<i>Pass-Through from Auburn University</i>		11-AS-360034-UTHSC		27,462	27,462
<i>Pass-Through from Case Western Reserve University</i>		IIP-1343270		20,695	20,695
<i>Pass-Through from Class on a Chip, Inc.</i>		TXTK 01		952	952
<i>Pass-Through from Computer Aids for Chemical Engineering</i>		C5100		24,620	24,620
<i>Pass-Through from Cornell University</i>		44771-7476		824,448	824,448
<i>Pass-Through from Cornell University</i>		LA 003		5,498	5,498
<i>Pass-Through from Diagtronix, Inc.</i>		1215460		(1,696)	(1,696)
<i>Pass-Through from e Paint Company</i>		IIP-1248681		44,592	44,592
<i>Pass-Through from Georgia Institute of Technology</i>		RB009-G1		7,477	7,477
<i>Pass-Through from Georgia Tech Applied Research Corporation</i>		R0741-G1		63,621	63,621
<i>Pass-Through from Infinity Physics, LLC</i>		UTA13-000759		4,902	4,902
<i>Pass-Through from Infinity Physics, LLC</i>		UTA13-000760		4,902	4,902
<i>Pass-Through from Kampachi Farms, LLC</i>		C13-00252		87,255	87,255
<i>Pass-Through from Los Alamos National Laboratory</i>		237617-1		223,028	223,028
<i>Pass-Through from Mesa Photonics</i>		UTA13-000048		1,460	1,460
<i>Pass-Through from Microsol Technologies, Inc.</i>		1301482/ IIP-1345883		46,746	46,746
<i>Pass-Through from Mississippi State University</i>		CMMI-1437746		30,714	30,714
<i>Pass-Through from Northeastern University - Boston</i>		501947-078050		57,953	57,953
<i>Pass-Through from Omega Optics</i>		UTA11-001008		45,052	45,052
<i>Pass-Through from Physics, Materials, and Applied Mathematics Research, LLC</i>		8036-S1		22,579	22,579
<i>Pass-Through from Princeton University</i>		00001217		196,141	196,141
<i>Pass-Through from Purdue University</i>		NEES-4101-31903		982,985	982,985
<i>Pass-Through from Purdue University</i>		NEES-4101-31914		101,088	101,088
<i>Pass-Through from Purdue University</i>		NEES-4101-58636		1,700	1,700
<i>Pass-Through from Rochal Industries</i>		IIP-1110189		8,114	8,114
<i>Pass-Through from Selenium Ltd</i>		IIP-1256598		21,385	21,385
<i>Pass-Through from Selenium Ltd</i>		SBIR2-TTU		86,368	86,368
<i>Pass-Through from Sentinel Photonics</i>		UTA13-000473		9,988	9,988
<i>Pass-Through from Silexta, Inc.</i>		(IIP-134587) UTA13- 001229		24,992	24,992
<i>Pass-Through from Solarno, Inc.</i>		IIP-1127564		63,193	63,193
<i>Pass-Through from Southern Methodist University</i>		G001139-7501		21,743	21,743
<i>Pass-Through from Stanford University</i>		60397075-105651-A		33,437	33,437
<i>Pass-Through from SyncRef, Inc.</i>		IIP-1214917		1,325	1,325
<i>Pass-Through from Syseng LLC</i>		1321506A		17,957	17,957
<i>Pass-Through from The Pennsylvania State University</i>		4491-UH-NSF-7062		15,446	15,446
<i>Pass-Through from The University of Arizona</i>		2001-MC-425		122,467	122,467
<i>Pass-Through from Universal Technology Corporation</i>		12-S2603-20-C1		5,566	5,566
<i>Pass-Through from University of California - Berkeley</i>		00007900		75,340	75,340
<i>Pass-Through from University of California - Berkeley</i>		00008204/BB00188148		57,114	57,114
<i>Pass-Through from University of California - Riverside</i>		CBET-1144237 01		36,953	36,953

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from University of Cincinnati</i>		004662		5,668	5,668
<i>Pass-Through from University of Colorado at Boulder</i>		0608934		(51)	(51)
<i>Pass-Through from University of Illinois Urbana - Champaign</i>		2013-06137-01		57,968	57,968
<i>Pass-Through from University of Kansas Center for Research, Inc.</i>		SPN00007		16,385	16,385
<i>Pass-Through from University of Massachusetts</i>		SPN00007		3,542	3,542
<i>Pass-Through from University of Massachusetts - Amherst</i>		13 007358C		20,498	20,498
<i>Pass-Through from University of Tennessee - Knoxville</i>		A12-0044-S005		9,339	9,339
<i>Pass-Through from Virginia Tech University</i>		478871-19433		352,710	352,710
Total - CFDA 47.041			1,803,145	36,771,831	38,574,976
Mathematical and Physical Sciences	47.049		859,507	29,499,747	30,359,254
<i>Pass-Through from Bard</i>		DMS-1007775		503	503
<i>Pass-Through from California Institute of Technology</i>		68D-1094596		118,765	118,765
<i>Pass-Through from Carnegie Institution of Washington</i>		7-10220-01		77,412	77,412
<i>Pass-Through from Case Western Reserve University</i>		DMR-0423914		522,143	522,143
<i>Pass-Through from Case Western Reserve University</i>		UTA06-623			
		DMR-0423914		75,715	75,715
		UTA11-288			
		BONNECAZE			
<i>Pass-Through from Case Western Reserve University</i>		DMR-0423914		89,565	89,565
		UTA11-289 ELLISON			
<i>Pass-Through from Columbia University</i>		1 (GG009299)		67,238	67,238
<i>Pass-Through from Columbia University, City of New York</i>		SPN00007		1,033,460	1,033,460
<i>Pass-Through from Iowa State University</i>		420-25-64A PRIME- DMR-1309510		22,378	22,378
<i>Pass-Through from Ohio State University</i>		60018555		65,329	65,329
<i>Pass-Through from Ohio State University</i>		60024878/GRT00018860		23,077	23,077
<i>Pass-Through from Ohio State University</i>		60034168		120,917	120,917
<i>Pass-Through from Princeton University</i>		00001591		119,297	119,297
<i>Pass-Through from Princeton University</i>		00001884		13,977	13,977
<i>Pass-Through from Princeton University</i>		00001885		24,760	24,760
<i>Pass-Through from Princeton University</i>		00002014		99,827	99,827
<i>Pass-Through from Support of Advanced LIGO Upgrade by UTB</i>		PHY-0823459		43,244	43,244
<i>Pass-Through from The City University of New York</i>		40D80-A		54,006	54,006
<i>Pass-Through from University of California - Los Angeles</i>		0518-G-KB563		18,368	18,368
<i>Pass-Through from University of California - Los Angeles</i>		0995 G RA191		76,369	76,369
<i>Pass-Through from University of Illinois</i>		2011-02478-04		29,307	29,307
<i>Pass-Through from University of Michigan</i>		3002099272		40,634	40,634
<i>Pass-Through from University of Michigan</i>		3002558313		1,812	1,812
<i>Pass-Through from University of South Carolina</i>		14-2477		5,283	5,283
<i>Pass-Through from University of Tennessee - Knoxville</i>		A13-0253-S001		62,836	62,836
<i>Pass-Through from University of Washington</i>		GN0004772		100,893	100,893
<i>Pass-Through from Wesleyan University</i>		WESU5011003130		9,056	9,056
Total - CFDA 47.049			859,507	32,415,918	33,275,425
Geosciences	47.050		1,219,095	9,833,539	11,052,634
<i>Pass-Through from Arizona Geological Survey</i>		ICER-1340233		36,866	36,866
<i>Pass-Through from Carleton College</i>		DUE-1125331		889	889
<i>Pass-Through from Columbia University</i>		1GG008898		54,375	54,375
		GG002806			
<i>Pass-Through from Columbia University</i>		3 (GC002456)		54,856	54,856
<i>Pass-Through from Columbia University</i>		9 (GG002806)		54,717	54,717
<i>Pass-Through from Consortium for Ocean Leadership</i>		0652315/BA-115		23,164	23,164
<i>Pass-Through from Consortium for Ocean Leadership</i>		BA 86 T335A86		10,225	10,225

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from Consortium for Ocean Leadership</i>		T341A59		56,082	56,082
<i>Pass-Through from Duke University</i>		14-NSF-1030		52,774	52,774
<i>Pass-Through from Duke University</i>		14-NSF-1030 LOA 1 Latrubesse		37,049	37,049
<i>Pass-Through from El Paso Community College</i>		21708-F21708-71845		2,000	2,000
<i>Pass-Through from Joint Oceanographic Institutions, Inc.</i>		T33A42		394	394
<i>Pass-Through from Joint Oceanographic Institutions, Inc.</i>		T345A42		54,563	54,563
<i>Pass-Through from Lake Superior State University</i>		20653201301		86,315	86,315
<i>Pass-Through from National Academy of Sciences</i>		PGA-P210873		46,880	46,880
<i>Pass-Through from Pennsylvania State University</i>		4839-UTEP-NSF-9285		12,667	12,667
<i>Pass-Through from Portland State University</i>		204FOU432		26,543	26,543
<i>Pass-Through from Purdue University</i>		4101-49945		6,695	6,695
<i>Pass-Through from Research Institutions for Seismology</i>		10-UTEP-SAGE		300,111	300,111
<i>Pass-Through from Rice University</i>		R3D671		23,721	23,721
<i>Pass-Through from Rice University</i>		R3E513		60,744	60,744
<i>Pass-Through from Rice University</i>		R3E515		44,234	44,234
<i>Pass-Through from San Francisco State University</i>		S9-94557		66,827	66,827
<i>Pass-Through from Scripps Institute of Oceanography</i>		41906981		3,431	3,431
<i>Pass-Through from University Corp for Atmospheric Research</i>		W14-16198		346,632	346,632
<i>Pass-Through from University Corporation for Atmospheric Research</i>		Z13-12675		9,492	9,492
<i>Pass-Through from University of Florida</i>		UF13158		15,714	15,714
<i>Pass-Through from University of Florida</i>		UF13220		25,068	25,068
<i>Pass-Through from University of Georgia</i>		RR100-621/4943786		77,555	77,555
<i>Pass-Through from University of Hawaii at Manoa</i>		MA130044		54,768	54,768
<i>Pass-Through from University of Southern California</i>		10002296(REPLACES 157937)		9,992	9,992
<i>Pass-Through from University of Southern California</i>		33425379		9,987	9,987
<i>Pass-Through from University of Southern California</i>		34379431		3,365	3,365
<i>Pass-Through from University of Southern California</i>		Y88409		17,682	17,682
<i>Pass-Through from University of Wyoming</i>		SPN00007		62,983	62,983
Total - CFDA 47.050			1,219,095	11,582,899	12,801,994
<b>Computer and Information Science and Engineering</b>	47.070		867,865	32,957,659	33,825,524
<i>Pass-Through from American Association for the Advancement of Science</i>		AGR DATED 11-26- 12		8,288	8,288
<i>Pass-Through from Bbn Technology Corp.</i>		14303		37,869	37,869
<i>Pass-Through from Johns Hopkins University</i>		2002096800		39,186	39,186
<i>Pass-Through from Miami Dade College</i>		CNS-0940575		14,597	14,597
<i>Pass-Through from Miami Dade College</i>		WJ000864501		77,201	77,201
<i>Pass-Through from Purdue University</i>		4101-47540		242,189	242,189
<i>Pass-Through from Rochester Institute of Tech</i>		31392-01		56,005	56,005
<i>Pass-Through from Spectral Md</i>		SMD1212001		25,794	25,794
<i>Pass-Through from Tulane University</i>		TUL-660-12/13		47,744	47,744
<i>Pass-Through from University of Colorado</i>		1549808 / 1000144247		138,184	138,184
<i>Pass-Through from University of Maryland</i>		Z375601		11,972	11,972
<i>Pass-Through from University of Massachusetts Amherst</i>		13-007042D00		18,825	18,825
<i>Pass-Through from University of Michigan</i>		3002960285		4,962	4,962
<i>Pass-Through from University of Wisconsin - Madison</i>		Agreement 487K281		9,954	9,954
Total - CFDA 47.070			867,865	33,690,429	34,558,294
<b>Biological Sciences</b>	47.074		897,586	15,257,272	16,154,858
<i>Pass-Through from Arizona State University</i>		14-343		28,804	28,804
<i>Pass-Through from Indiana University</i>		BL-4812471-UTA PO 1073425		28,885	28,885
<i>Pass-Through from Iowa State University</i>		420-40-45E		79,180	79,180

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		bd513153		858	858
<i>Pass-Through from Michigan State University</i>		61-2075UT		699,804	699,804
<i>Pass-Through from New York Botanical Garden</i>		NYBG-1115104-02-UT		8,342	8,342
<i>Pass-Through from North Carolina State University</i>		2010-1450-01		73,735	73,735
<i>Pass-Through from Portland State University</i>		MCB43963		48,546	48,546
<i>Pass-Through from Purdue University</i>		4101-19823		5,955	5,955
<i>Pass-Through from Samuel Roberts Noble Foundation, Inc.</i>		2012-934-003		41,913	41,913
<i>Pass-Through from Samuel Roberts Noble Foundation, Incorporated</i>		2012-934-003		171,188	171,188
<i>Pass-Through from Stratus Consulting</i>		S087-1C-1667		211,868	211,868
<i>Pass-Through from University of Arizona</i>		131816		1,390,583	1,390,583
<i>Pass-Through from University of Arizona</i>		Y551899		137	137
<i>Pass-Through from University of California - Davis</i>		201223137-01		73,147	73,147
<i>Pass-Through from University of California - Los Angeles</i>		0521 G RA115		94,821	94,821
<i>Pass-Through from University of Illinois</i>		2009-03499-03		154,731	154,731
<i>Pass-Through from University of Minnesota</i>		H001389101		180,491	180,491
<i>Pass-Through from University of Minnesota</i>		H003254003		106,445	106,445
<i>Pass-Through from University of New Hampshire</i>		14-036		17,384	17,384
<i>Pass-Through from University of Utah</i>		10028702		18,602	18,602
<i>Pass-Through from University of Wisconsin</i>		427K265		114,791	114,791
Total - CFDA 47.074			897,586	18,807,482	19,705,068
Social, Behavioral, and Economic Sciences	47.075		37,280	3,853,527	3,890,807
<i>Pass-Through from American Bar Foundation</i>		S2012-1 (SES- 1228345)		30,071	30,071
<i>Pass-Through from Arizona State University</i>		15-582		6,980	6,980
<i>Pass-Through from Association for Institutional Research</i>		RG12-54		14	14
<i>Pass-Through from Carnegie Mellon University</i>		1121603-280803		109,681	109,681
<i>Pass-Through from Carnegie Mellon University</i>		1122003-327837		66,132	66,132
<i>Pass-Through from Gallaudet University</i>		0000018428 UTA10- 000365		(2,508)	(2,508)
<i>Pass-Through from Gallaudet University</i>		UTA10-000365		18,193	18,193
<i>Pass-Through from Morehead State University</i>		50000022678			
<i>Pass-Through from Rand Corporation</i>		2010-11-204-001		(1,401)	(1,401)
<i>Pass-Through from Rutgers University</i>		9920110077		62,959	62,959
<i>Pass-Through from Rutgers University</i>		00004775 PO		13,847	13,847
<i>Pass-Through from Texas Christian University</i>		S1741423			
<i>Pass-Through from The University of Georgia</i>		24472-14-00		13,643	13,643
<i>Pass-Through from University of Arizona</i>		SMA1262522		1,414	1,414
<i>Pass-Through from University of Cincinnati</i>		Y502734/BCS-0820270		(142)	(142)
<i>Pass-Through from University of Kentucky</i>		SPN00007		66,796	66,796
<i>Pass-Through from Yale University</i>		3048110841-14-146		63,132	63,132
<i>Pass-Through from Yale University</i>		C09D10191		17,523	17,523
Total - CFDA 47.075			37,280	4,319,861	4,357,141
Education and Human Resources	47.076		598,048	22,437,179	23,035,227
<i>Pass-Through from American Education Research Association</i>		LTR DTD 6/25/14		17,422	17,422
<i>Pass-Through from Association of American Geographers</i>		8000002088		31,140	31,140
<i>Pass-Through from Botanical Society of America</i>		01-TX-0733280		5,117	5,117
<i>Pass-Through from Cal State University</i>		GRA2183 1		29,291	29,291
<i>Pass-Through from Carleton College</i>		DUE-1125331		3,035	3,035
<i>Pass-Through from Council of Graduate Schools</i>		M1200160-460321		483	483
<i>Pass-Through from Florida Institute of Technology</i>		201619 (NSF OCE- 1219804)		29,992	29,992
<i>Pass-Through from Houston Community College System</i>		108541		5,091	5,091

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from Kansas State University</i>		SPN00007		(16,276)	(16,276)
<i>Pass-Through from Purdue University</i>		4101-31776		54,044	54,044
<i>Pass-Through from Stevens Institute of Technology</i>		1203198		1,200	1,200
<i>Pass-Through from Tennessee Technological University</i>		1022934		3,617	3,617
<i>Pass-Through from Tennessee Technological University</i>		P0008913 (TTU 5-31239)		14,998	14,998
<i>Pass-Through from University of Illinois - Chicago</i>		2009-03942-04-00		419	419
<i>Pass-Through from University of Virginia</i>		GA10874-136594	10,000	59,538	69,538
<i>Pass-Through from University of Wisconsin</i>		490K873 (DUE-1231286)		48,023	48,023
<i>Pass-Through from University of Wisconsin</i>		490K921		47,805	47,805
<i>Pass-Through from University of Wisconsin - Subcontracts</i>		SPN00007		230	230
<i>Pass-Through from Wright State University</i>		PSP06882		17,839	17,839
ARRA - Education and Human Resources				1,053	1,053
Total - CFDA 47.076			608,048	22,791,240	23,399,288
Polar Programs	47.078		58,151	2,063,474	2,121,625
<i>Pass-Through from Ch2Mhill Constructors, Inc.</i>		PO 817872		212,493	212,493
Total - CFDA 47.078			58,151	2,275,967	2,334,118
Office of International and Integrative Activities	47.079		18,070	779,576	797,646
<i>Pass-Through from Civilian Res and Dev Foundation</i>		ESP1-7030-TR-11		5,919	5,919
<i>Pass-Through from Crdf Global</i>		RUP1-7025-CG-11		2,431	2,431
<i>Pass-Through from John Hopkins University</i>		2001648885		180,820	180,820
<i>Pass-Through from Johns Hopkins University</i>		2001954664		93,095	93,095
<i>Pass-Through from PIRE: An International Pulsar Timing</i>		OISE-0968296		139,984	139,984
Total - CFDA 47.079			18,070	1,201,825	1,219,895
Office of Cyberinfrastructure	47.080		51,497	2,534,325	2,585,822
<i>Pass-Through from California Institute of Technology</i>		SPN00007		48,090	48,090
<i>Pass-Through from Indiana University</i>		BL-4812459-UTHSC/OCI		42,353	42,353
<i>Pass-Through from University of Georgia</i>		RR197-017/4941206		898	898
<i>Pass-Through from University of Illinois - Champaign - Urbana</i>		2009-02232-04		152,857	152,857
<i>Pass-Through from University of Illinois - Champaign - Urbana</i>		2011-00318-08ILLINOIS GRANT CODE: A1536		4,412,359	4,412,359
<i>Pass-Through from University of Illinois - Champaign - Urbana</i>		2011-03885-03 ILLINOIS GRANT CODE: A1101		109,026	109,026
<i>Pass-Through from University of North Carolina - Chapel Hill</i>		5-37180		492	492
<i>Pass-Through from University of Southern California</i>		i10341		4,628	4,628
<i>Pass-Through from Utah State University</i>		12008204		55,490	55,490
<i>Pass-Through from Virginia Polytechnic Institute</i>		478455-19902		7,500	7,500
Total - CFDA 47.080			51,497	7,368,018	7,419,515
Trans-NSF Recovery Act Research Support	47.082		16,995	190,249	207,244
ARRA - Trans-NSF Recovery Act Research Support			317,282	2,564,583	2,881,865
<i>Pass-Through from The University of Arizona</i>		CCF-0844557 PO 2857		163,035	163,035
<i>Pass-Through from University of Florida</i>		UF12066, 2		91,990	91,990
<i>Pass-Through from University of Florida</i>		UF12307		500	500
<i>Pass-Through from University of Louisiana at Lafayette</i>		10-0215		1,067	1,067
<i>Pass-Through from University of Louisiana at Lafayette</i>		10-0215		252	252

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from University of North Dakota</i>		IOS-0845741		28,393	28,393
<i>Pass-Through from University of Washington</i>		700069Z		2,209	2,209
Total - CFDA 47.082			334,277	3,042,278	3,376,555
Total - National Science Foundation			6,754,521	175,070,528	181,825,049
<b>Small Business Administration</b>					
Small Business Development Centers	59.037		316,458	150,566	467,024
Total - CFDA 59.037			316,458	150,566	467,024
Total - Small Business Administration			316,458	150,566	467,024
<b>U.S. Department of Veterans Affairs</b>					
U.S. Department of Veterans Affairs	64.XXX	580-D45086   D35053		26,304	26,304
		580-D45094		20,506	20,506
		671/151 - IPA		20,245	20,245
		ABBOUD/IPAA/AKO		14,348	14,348
		ULOUZ			
		ABBOUD/IPAA/DAY		30,537	30,537
		ABBOUD/IPAA/VIS		50,080	50,080
		WANAD			
		ABBOUD/IPAA/YI		28,639	28,639
		AGUIAR/IPAA/LIN		34,887	34,887
		AGUIAR/IPAA/ORTE		41,202	41,202
		GA			
		AGUIAR/IPAA/WANG		56,731	56,731
		AHUJA/IPAA/CARRI		30,769	30,769
		LLO			
		AHUJA/IPAA/CASTI		67,805	67,805
		BLAN			
		AHUJA/IPAA/CATA		85,241	85,241
		NO			
		AHUJA/IPAA/HE		97,129	97,129
		AHUJA/IPAA/INGALE		10,574	10,574
		AHUJA/IPAA/KOPP		13,871	13,871
		ELAAR			
		AHUJA/IPAA/LIU		25,850	25,850
		AHUJA/IPAA/LOU		14,031	14,031
		AHUJA/IPAA/MANO		49,901	49,901
		HARAN			
		BLOCK/IPAA/FELIE		6,113	6,113
		RS			
		BLOCK/IPAA/FRIED		5,421	5,421
		RICH			
		BLOCK/IPAA/KUMAR		31,575	31,575
		BLOCK/IPAA/NAYAK		31,470	31,470
		BLOCK/IPAA/SHAN		23,181	23,181
		MUGAS			
		CAVAZOS/IPAA/JAI		(1,183)	(1,183)
		ME			
		CHATTERJ/IPAA/JA		19,625	19,625
		DHAV			

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Veterans Affairs (continued)</b>					
		CHATTERJEE/IPAA/ BHAN		12,706	12,706
		CHATTERJEE/IPAA/ FELI		7,152	7,152
		CHATTERJEE/IPAA/ HORN		19,625	19,625
		CHATTERJEE/IPAA/ MIRK		25,804	25,804
		CHATTERJEE/IPAA/ SONG		7,501	7,501
		CHEN/IPAA/DAI		61,714	61,714
		CHEN/IPAA/DEAN		18,371	18,371
		CHEN/IPAA/LU		1,263	1,263
		CHEN/IPAA/MARIN KOVIC		12,670	12,670
		CHEN/IPAA/ZHONG		34,312	34,312
		CLARK/IPAA/CHAN DU		30,626	30,626
		CLARK/IPAA/GAMEZ		44,869	44,869
		CLARK/IPAA/VALE NTE		51,331	51,331
		CYTOKINE ARRAY ANALY		12,296	12,296
		DAWES/IPAA/CARRI ZALE		6,130	6,130
		DUONG/IPAA/DELA GARZA		18,527	18,527
		ESPINOZA/IPAA/CO NDE		16,545	16,545
		ESPINOZA/IPAA/JO NES		5,336	5,336
		ESPINOZA/IPAA/MA CCAR		19,722	19,722
		ESPINOZA/IPAA/MO RIS		51,209	51,209
		ESPINOZA/IPAA/NO EL		67,508	67,508
		ESPINOZA/IPAA/W ANG		23,014	23,014
		FANTI/IPAA/CORNE LL		3,509	3,509
		FANTI/IPAA/CUNNI NGHA		30,980	30,980
		FANTI/IPAA/FOLLI		3,137	3,137
		FANTI/IPAA/HU		59,230	59,230
		FELDMAN/IPAA/HA LANEY		35,396	35,396
		FINLEY/IPAA/HARO		9,520	9,520
		FINLEY/IPAA/NOEL		1,568	1,568
		FOX/IPAA/ACHESO		15,277	15,277
		FOX/IPAA/FORD		8,976	8,976
		FOX/IPAA/FRANKLIN		3,794	3,794
		FOX/IPAA/ZHANG		(18,646)	(18,646)
		FRAZER/IPAA/BENM ANSO		33,016	33,016
		FREEMAN/IPAA/HILL		39,232	39,232

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Veterans Affairs (continued)</b>					
		FREEMAN/IPAA/KO LAPAR		80,431	80,431
		GHOSH- C/IPAA/ESPARZA		51,016	51,016
		GHOSH- CHOUD/IPAA/CUI		7,235	7,235
		GHOSH- CHOUD/IPAA/DAS		13,853	13,853
		GHOSH- CHOUDHURY/IPAA		72,295	72,295
		HABIB/IPAA/KOSTI		6,537	6,537
		HABIB/IPAA/LIANG		48,474	48,474
		HABIB/IPAA/MOHAN		1,994	1,994
		HABIB/IPAA/SALAS		12,982	12,982
		HART/IPAA/CAO		54,138	54,138
		HART/IPAA/HOLLO WAY		56,630	56,630
		HAZUDA/IPAA/JON ES		1,793	1,793
		HORNSBY/IPAA/GA LVAN		5,647	5,647
		HORNSBY/IPAA/MIS HRA		50,400	50,400
		HORNSBY/IPAA/QIU		54,893	54,893
		HORNSBY/IPAA/TA RDIF		8,688	8,688
		IKENO/IPAA/FLORES		9,706	9,706
		KAMAT/IPAA/SHI		54,117	54,117
		KAMAT/IPAA/SHU		38,168	38,168
		KASINATH/IPAA/LEE		48,205	48,205
		KASINATH/IPAA/M ARIAP		21,775	21,775
		KASINATH/IPAA/N ATARA		2,156	2,156
		KUMAR/IPAA/LI		2,364	2,364
		KUMAR/IPAA/RIVA		13,949	13,949
		LEYKUM/IPAA/JON ES		19,763	19,763
		LEYKUM/IPAA/LAN HAM		1,676	1,676
		LEYKUM/IPAA/PEZ ZIA		20,438	20,438
		LI/IPAA/CHEN		48,346	48,346
		LI/IPAA/LI		12,639	12,639
		LI/IPAA/LIU		34,326	34,326
		LUBER/IPAA/HEND RIC		55,681	55,681
		MUSI/IPAA/HARTM AN		26,771	26,771
		MUSI/IPAA/MARKUM		7,051	7,051
		MUSI/IPAA/ORSAK		96,430	96,430
		NOEL/IPAA/JONES		5,442	5,442
		PATTERSON/IPAA/K ELLY		9,358	9,358
		POLLOCK/IPAA/MIC HALE		1,667	1,667

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Veterans Affairs (continued)</b>					
		PUGH/IPAA/ELIZON DO		36,989	36,989
		PUGH/IPAA/FRANK LIN		19,076	19,076
		PUGH/IPAA/LANHAM		19,423	19,423
		PUGH/IPAA/MCMIL LAN		62,226	62,226
		PUGH/IPAA/MOORE -SERV		59,838	59,838
		PUGH/IPAA/NOEL		17,266	17,266
		PUGH/IPAA/ROHDE		15,100	15,100
		PUGH/IPAA/WELLS		30,940	30,940
		RAN/IPAA/CHEN		58,422	58,422
		RAN/IPAA/NA		68,185	68,185
		RICHARDSON/IPAA/ ZHAN		2,543	2,543
		SANCHEZ/IPAA/GA RZA		4,899	4,899
		SANCHEZ- R/IPAA/MINER		33,453	33,453
		SANCHEZ- REILLY/IPAA/ SHIREMAN/IPAA/ZH ANG		4,801	4,801
		STERN/IPAA/MINTZ		60,372	60,372
		STERN/IPAA/PETER SON		5,594	5,594
		STERN/IPAA/PETER SON		8,625	8,625
		STERN/IPAA/STAME TS		7,351	7,351
		STRONG/IPAA/KAD APAKK		70,300	70,300
		STRONG/IPAA/MAR TINEZ		53,252	53,252
		V671D10005		(5,445)	(5,445)
		VA000006961		63,941	63,941
		VA257-P-0380		186	186
		VA260-P-0859, VA663-D22038		(207)	(207)
		WAGNER/IPAA/BERA		13,604	13,604
		WAGNER/IPAA/BHA NDARI		6,666	6,666
		WAGNER/IPAA/TAN		24,838	24,838
		WALTER/IPAA/HIL DRETH		14,955	14,955
		WEINER/IPAA/URIBE		77,205	77,205
		WEINER/IPAA/WIN		77,981	77,981
		YEH/IPAA/DEAN		18,371	18,371
		YEH/IPAA/ZHANG		42,587	42,587
		IIR 12-115		34,019	34,019
<i>Pass-Through from Michael E. DeBakery Veterans Affairs Medical Center</i>					
<i>Pass-Through from National Institute of Building Sciences</i>		VACFM05-0875		10,265	10,265
Total - CFDA 64.XXX			0	3,682,727	3,682,727
Veterans Medical Care Benefits	64.009			21,526	21,526

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Veterans Affairs (continued)</b>					
<i>Pass-Through from US Department Veterans Affairs</i>		VA 256-12-C-0276		107,160	107,160
Total - CFDA 64.009			0	128,686	128,686
Veterans State Hospital Care	64.016			301,315	301,315
<i>Pass-Through from Minneapolis VA Health Care System</i>		108423		1,887	1,887
Total - CFDA 64.016			0	303,202	303,202
Sharing Specialized Medical Resources	64.018			156,724	156,724
Veterans Information and Assistance	64.115			44,790	44,790
Total - U.S. Department of Veterans Affairs			0	4,316,129	4,316,129
<b>Environmental Protection Agency</b>					
Environmental Protection Agency	66.XXX	UTA14-000339		37,285	37,285
<i>Pass-Through from Border Environment Cooperation Commission</i>		TAA14-026 B2020 R6.934		2,214	2,214
<i>Pass-Through from Ch2m Hill, Inc.</i>		UTA13-000767		16,151	16,151
<i>Pass-Through from Okeanos Technologies, LLC</i>		SBIR Phase 2 UTA13- 000888		31,199	31,199
Total - CFDA 66.XXX			0	86,849	86,849
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			176,582	176,582
<i>Pass-Through from Rti International</i>		8-312-0213244- 51380L 1		21,791	21,791
Total - CFDA 66.034			0	198,373	198,373
National Clean Diesel Emissions Reduction Program	66.039			2,562	2,562
Congressionally Mandated Projects	66.202		(119)		(119)
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		69,853	2,005,848	2,075,701
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424				
<i>Pass-Through from The Cadmus Group, Inc.</i>		002-TAU-1/EO-C-08- 002		23,166	23,166
Water Quality Management Planning	66.454				
<i>Pass-Through from Coastal Bend Bays and Estuaries</i>		1421/1311/1411		79,873	79,873
National Estuary Program	66.456			199,569	199,569
Nonpoint Source Implementation Grants	66.460		452,694	2,842,279	3,294,973
<i>Pass-Through from Brazos River Authority</i>		BRA 582-12-10075/ TCEQ-068981125		158,450	158,450
<i>Pass-Through from Indus Corporation</i>		SC-TAMUS-10770		20,365	20,365
Total - CFDA 66.460			452,694	3,021,094	3,473,788
Water Quality Cooperative Agreements	66.463		18,638	107,280	125,918
Capitalization Grants for Drinking Water State Revolving Funds	66.468			(263,170)	(263,170)
Beach Monitoring and Notification Program Implementation Grants	66.472			71,272	71,272

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Environmental Protection Agency (continued)</b>					
Gulf of Mexico Program	66.475			140,023	140,023
Science To Achieve Results (STAR) Research Program	66.509		200,171	1,363,407	1,563,578
<i>Pass-Through from Syracuse University</i>		RD-83418801-1		6,151	6,151
<i>Pass-Through from University of California - Davis</i>		07-003825-01		2,534	2,534
<i>Pass-Through from University of Maryland</i>		Z994601		145,473	145,473
<i>Pass-Through from University of South Florida</i>		83556901, 2104-1198-00-E		12,234	12,234
Total - CFDA 66.509			200,171	1,529,799	1,729,970
Office of Research and Development Consolidated Research/Training/Fellowships	66.511		11,767		11,767
<i>Pass-Through from Benton and Associates, Inc.</i>		SPN00008		34,041	34,041
<i>Pass-Through from Water Research Foundation</i>		SPN00008		47,629	47,629
Total - CFDA 66.511			11,767	81,670	93,437
Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study	66.513			9,600	9,600
Science To Achieve Results (STAR) Fellowship Program	66.514			5,356	5,356
P3 Award: National Student Design Competition for Sustainability	66.516		24,208	35,500	59,708
Regional Applied Research Efforts (RARE)	66.517			1,482	1,482
Performance Partnership Grants	66.605			280,739	280,739
<i>Pass-Through from Texas Commission on Environmental Quality</i>		SPN00008		7,557	7,557
Total - CFDA 66.605			0	288,296	288,296
Pollution Prevention Grants Program	66.708			10,741	10,741
Regional Agricultural IPM Grants	66.714			6,484	6,484
<i>Pass-Through from Louisiana State University</i>		US EPA/PE-00F48501-0 (SUB72656)			
International Financial Assistance Projects Sponsored by the Office of International and Tribal Affairs	66.931			4,894	4,894
<i>Pass-Through from Border Environment Cooperation Commission</i>		TAA12-014 PID 20198 B2012 R6 .974		508	508
<i>Pass-Through from Border Environment Cooperation Commission</i>		TAA12-034		26,050	26,050
<i>Pass-Through from Border Environment Cooperation Commission</i>		TAA12-035		1,658	1,658
<i>Pass-Through from Southwest Border AHEC</i>		BECCS GRANT 4-00F59501-1			
Total - CFDA 66.931			0	33,110	33,110
Total - Environmental Protection Agency			777,212	7,674,777	8,451,989
<b>Nuclear Regulatory Commission</b>					
Nuclear Regulatory Commission	77.XXX			29,468	29,468
<i>Pass-Through from University of California - San Diego</i>		NRC-04-09-134 38935200-SUB, S9000358		11,411	11,411
Total - CFDA 77.XXX			0	40,879	40,879

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Nuclear Regulatory Commission (continued)</b>					
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006			100,019	100,019
<i>Pass-Through from University of Kansas Center for Research, Inc.</i>		FY2012-088		8,370	8,370
Total - CFDA 77.006			0	108,389	108,389
U.S. Nuclear Regulatory Commission Minority Serving Institutions Program (MSIP)	77.007			227,850	227,850
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008			415,622	415,622
U.S. Nuclear Regulatory Commission Office of Research Financial Assistance Program	77.009			98,698	98,698
Total - Nuclear Regulatory Commission			0	891,438	891,438
<b>U.S. Department of Energy</b>					
U.S. Department of Energy	81.XXX	1165342		29,370	29,370
		11122-27		266,380	266,380
		11122-27 LOA: P.EICHHUBL/J.GALE		230,433	230,433
		1247909		24,957	24,957
		1261701		30,049	30,049
		1263906520		1,698	1,698
		1318954		46,368	46,368
		1369513		83,864	83,864
		1370852		60,896	60,896
		1377930		15,759	15,759
		1419258, 0		28,851	28,851
		1442275		149,999	149,999
		2014-0443		24,864	24,864
		202835		8,770	8,770
		267205		35,869	35,869
		4000099939		835	835
		4000118811		4,457	4,457
		4F-30201		88,442	88,442
		7044197		6,111	6,111
		7091750		19,298	19,298
		DE-AC52-09NA29327	67,705	43,325	111,030
		DE-NT0008022		8,570	8,570
		DE-SC0010307 0001		149,401	149,401
		LOA: BENO		46,033	46,033
		S012583-F	24,895	13,443	38,338
		S013464-G		54,960	54,960
		SC-13-389		76,049	76,049
		SPN00023		219,490	219,490
<i>Pass-Through from Alstom Power, Inc.</i>		A-6		41,234	41,234
<i>Pass-Through from Anasys Instruments</i>		UTA13-000824		119,498	119,498
<i>Pass-Through from Argonne National Laboratory</i>		3F-30481		29,766	29,766
<i>Pass-Through from Argonne National Laboratory</i>		3F-31101		8,354	8,354
<i>Pass-Through from Argonne National Laboratory</i>		0F-32721		2,026	2,026
<i>Pass-Through from Argonne National Laboratory</i>		DEAC0206CH11357		147,174	147,174
<i>Pass-Through from Argonne National Laboratory</i>		SPN00010		17,841	17,841
<i>Pass-Through from Battelle</i>		00086303		25,954	25,954

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Battelle</i>		00127393	2,100	71,634	73,734
<i>Pass-Through from Battelle</i>		00128532		127,566	127,566
<i>Pass-Through from Battelle Energy Alliance, LLC</i>		00062780		5,039	5,039
<i>Pass-Through from Battelle Memorial Institute</i>		DEAC0576RL01830		19,979	19,979
<i>Pass-Through from Battelle Pacific Northwest Division</i>		210738		17,185	17,185
<i>Pass-Through from Black Horse Energy, LLC</i>		UTA13-001089		73,088	73,088
<i>Pass-Through from Brookhaven National Laboratory</i>		187182 258086		163,038	163,038
<i>Pass-Through from Brookhaven Science Associates (BSA)</i>		SRS REF M1402265		154,255	154,255
<i>Pass-Through from Bwxt Pantex, LLC</i>		PO 13002		2,341	2,341
<i>Pass-Through from Bwxt Pantex, LLC</i>		PTX01-0000028393		106,615	106,615
<i>Pass-Through from Bwxt Pantex, LLC</i>		PTX01-0000031097		10,750	10,750
<i>Pass-Through from Carnegie Institute of Washington</i>		4-10114-08		62,648	62,648
<i>Pass-Through from Colorado School of Mines</i>		400465		117,349	117,349
<i>Pass-Through from Consolidated Nuclear Security, LLC</i>		DE-AC04-00AL66620		255,601	255,601
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		584808		31,761	31,761
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		584823		270,340	270,340
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		603887		(9,636)	(9,636)
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		609991		19,870	19,870
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		613044		54,915	54,915
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		PO 618223 (DE- AC02-07CH11359)		381	381
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		PO 587019 UTA09- 000809		(2,969)	(2,969)
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		PO 587019 UTA09- 000810		44,060	44,060
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		PO571899		9,506	9,506
<i>Pass-Through from Heliotrope Technologies</i>		UTA14-000630		35,143	35,143
<i>Pass-Through from Idaho National Laboratory</i>		00142223		60,327	60,327
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		6973791 1		8,219	8,219
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		6995407		38,669	38,669
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		6998655		188,680	188,680
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		7000389		338,627	338,627
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		7052152		41,890	41,890
<i>Pass-Through from Lawrence Livermore National Laboratory</i>		B608033		21,205	21,205
<i>Pass-Through from Lawrence Livermore National Laboratory</i>		SRS B606081		434,379	434,379
<i>Pass-Through from Lawrence Livermore National Security LLC</i>		DEAC5207NA27344		172,047	172,047
<i>Pass-Through from Los Alamos National Lab</i>		216365-1		87,502	87,502
<i>Pass-Through from Los Alamos National Lab</i>		246437		16,267	16,267
<i>Pass-Through from Los Alamos National Lab</i>		27594584917-001-10 UTA14-000679		55,708	55,708
<i>Pass-Through from Los Alamos National Lab</i>		281563		46,253	46,253
<i>Pass-Through from Los Alamos National Lab</i>		79506-001-10		624,237	624,237
<i>Pass-Through from Los Alamos National Laboratory</i>		DE-AC52-06NA25		12,141	12,141
<i>Pass-Through from Los Alamos National Security, LLC</i>		162500-1		9,794	9,794
<i>Pass-Through from Los Alamos National Security, LLC</i>		MODIFICATION 1 SPN00010		56,467	56,467
<i>Pass-Through from Massachusetts Institute of Technology</i>		5710003402		275,969	275,969
<i>Pass-Through from National Renewable Energy Lab</i>		AFC-4-42004-01		65,040	65,040
<i>Pass-Through from National Renewable Energy Lab</i>		AFT-2-22439-01		27,289	27,289
<i>Pass-Through from National Renewable Energy Lab</i>		SPN00026		35,805	35,805
<i>Pass-Through from National Renewable Energy Lab</i>		XEJ-2-22054-01		24,446	24,446
<i>Pass-Through from National Renewable Energy Lab</i>		XGG-3-23326-01		87,481	87,481
<i>Pass-Through from National Security Technologies, LLC</i>		158987, 1		20,548	20,548
<i>Pass-Through from Navigant Consulting, Inc.</i>		TSA-11, 4		13,313	13,313
<i>Pass-Through from NVidia Corp</i>		B599861		233,151	233,151
<i>Pass-Through from Pacific Northwest Laboratory</i>		223907		12,490	12,490
<i>Pass-Through from Pacific Northwest Laboratory</i>		232973		36,043	36,043

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Pacific Northwest Laboratory</i>		95172 - 4		20,206	20,206
<i>Pass-Through from Radiabeam Technologies</i>		UTEP-2AMC-SC001		181,481	181,481
<i>Pass-Through from Research Partnership to Secure Energy</i>		07122-41		(7,463)	(7,463)
<i>Pass-Through from Research Partnership to Secure Energy</i>		08121-2701-03 6		13,102	13,102
<i>Pass-Through from Research Partnership to Secure Energy</i>		08122-53		(15,587)	(15,587)
<i>Pass-Through from Research Partnership to Secure Energy</i>		08123-16		(13,887)	(13,887)
<i>Pass-Through from Research Partnership to Secure Energy</i>		09122-41		59,037	59,037
<i>Pass-Through from Research Partnership to Secure Energy</i>		11122-56	24,537	635,166	659,703
<i>Pass-Through from Research Partnership to Secure Energy</i>		11123-32	137,715	138,807	276,522
<i>Pass-Through from Research Partnership to Secure Energy</i>		12122-52		20,975	20,975
<i>Pass-Through from Research Partnership to Secure Energy</i>		LOA: OMELON		4,834	4,834
<i>Pass-Through from Research Partnership to Secure Energy</i>		LOA-LESLI WOOD		19,999	19,999
<i>Pass-Through from Rice University</i>		R16873		42,845	42,845
<i>Pass-Through from Sandia Corporation</i>		1387126 (DE-AC04- 94AL85000)		20,539	20,539
<i>Pass-Through from Sandia National Laboratories</i>		1024157 (REF MASTER AGRMT 772242)		365	365
<i>Pass-Through from Sandia National Laboratories</i>		1174449		59,337	59,337
<i>Pass-Through from Sandia National Laboratories</i>		1197246 1306162 1298011		158,553	158,553
<i>Pass-Through from Sandia National Laboratories</i>		1252537		9,347	9,347
<i>Pass-Through from Sandia National Laboratories</i>		1269622		117	117
<i>Pass-Through from Sandia National Laboratories</i>		1286435		84,597	84,597
<i>Pass-Through from Sandia National Laboratories</i>		1307455		48,540	48,540
<i>Pass-Through from Sandia National Laboratories</i>		1307455 REV 3		62,821	62,821
<i>Pass-Through from Sandia National Laboratories</i>		1315794		76,965	76,965
<i>Pass-Through from Sandia National Laboratories</i>		1351354		3,318	3,318
<i>Pass-Through from Sandia National Laboratories</i>		1361182		38,371	38,371
<i>Pass-Through from Sandia National Laboratories</i>		1364673		66,933	66,933
<i>Pass-Through from Sandia National Laboratories</i>		1414232		14,994	14,994
<i>Pass-Through from Sandia National Laboratories</i>		1420994		155,741	155,741
<i>Pass-Through from Sandia National Laboratories</i>		1439100		105,701	105,701
<i>Pass-Through from Sandia National Laboratories</i>		1465125		6,733	6,733
<i>Pass-Through from Sandia National Laboratories</i>		PO 1367860		263,900	263,900
<i>Pass-Through from Sandia National Laboratories</i>		PO 1371123		9,028	9,028
<i>Pass-Through from Sandia National Laboratories</i>		PO 1386784		56,711	56,711
<i>Pass-Through from Sandia National Laboratories</i>		PO 1451594		18,876	18,876
<i>Pass-Through from Sandia National Laboratories</i>		PO 1475240		24,187	24,187
<i>Pass-Through from Sandia National Laboratories</i>		PO1452528		48,145	48,145
<i>Pass-Through from Savannah River Nuclear Solutions</i>		0000158190		45,083	45,083
<i>Pass-Through from Savannah River Nuclear Solutions, LLC</i>		0000105150		5,680	5,680
<i>Pass-Through from Savannah River Nuclear Solutions, LLC</i>		NO.0000128803		38,849	38,849
<i>Pass-Through from Slac National Accelerator Laboratory</i>		107611		(173)	(173)
<i>Pass-Through from Slac National Accelerator Laboratory</i>		120903		180,444	180,444
<i>Pass-Through from Uchicago Argonne, LLC</i>		2F-32543 M0001		10,688	10,688
<i>Pass-Through from Uchicago Argonne, LLC</i>		3F-32122 M0001		61,188	61,188
<i>Pass-Through from University of Wisconsin - Madison</i>		353K312		62,932	62,932
<i>Pass-Through from URS</i>		244799.US/40819273/1 087477		197,762	197,762
<i>Pass-Through from URS</i>		RES1301977		31,075	31,075
<i>Pass-Through from URS</i>		RES1302670		47,797	47,797
<i>Pass-Through from UT - Battelle, LLC</i>		4000113112		41,450	41,450
<i>Pass-Through from UT - Battelle, LLC</i>		4000118602		292	292
<i>Pass-Through from UT - Battelle, LLC</i>		4000122526		45,548	45,548

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from UT - Battelle, LLC</i>		LOA - PRUDENCIO		38,259	38,259
ARRA - U.S. Department of Energy					
<i>Pass-Through from Battelle Pacific Northwest Laboratory</i>		214116		24,600	24,600
<i>Pass-Through from Denbury Resources</i>		APC INCDE-FE-0002314 & DE-FE-0002381		60,423	60,423
<i>Pass-Through from Denbury Resources</i>		LEUCADIA DE-FE-0002314 & DE-FE-0002381		57,808	57,808
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		7107529		14,772	14,772
<i>Pass-Through from National Renewable Energy Lab</i>		XGG-3-23363-01		3,533	3,533
<i>Pass-Through from Sandia National Laboratories</i>		1086665		6,766	6,766
Total - CFDA 81.XXX			256,952	10,252,944	10,509,896
State Energy Program	81.041			391,340	391,340
<i>Pass-Through from State of Louisiana</i>		2031-14-01		14,967	14,967
Total - CFDA 81.041			0	406,307	406,307
Office of Science Financial Assistance Program	81.049		943,248	25,080,910	26,024,158
<i>Pass-Through from Argonne National Laboratory</i>		156080		401,173	401,173
<i>Pass-Through from Battelle</i>		00090581		83,279	83,279
<i>Pass-Through from Battelle</i>		00090995		6,986	6,986
<i>Pass-Through from Battelle</i>		00091204		9,488	9,488
<i>Pass-Through from Battelle</i>		00095441		24,527	24,527
<i>Pass-Through from Battelle</i>		00100897		2,316	2,316
<i>Pass-Through from Battelle</i>		00119754		127,570	127,570
<i>Pass-Through from Battelle</i>		00120553		180,933	180,933
<i>Pass-Through from Battelle</i>		00121203		313,974	313,974
<i>Pass-Through from Battelle</i>		00121602		1,443,099	1,443,099
<i>Pass-Through from Battelle</i>		00121934		8,794	8,794
<i>Pass-Through from Battelle</i>		00128976		305,426	305,426
<i>Pass-Through from Battelle</i>		C12-00734		498	498
<i>Pass-Through from Brookhaven Science Associates (BSA)</i>		100586		11,118	11,118
<i>Pass-Through from Brookhaven Science Associates (BSA)</i>		264917		4,435	4,435
<i>Pass-Through from Calnetix</i>		12-13857		168,333	168,333
<i>Pass-Through from Hj Science and Tech, Inc.</i>		DE-SC0009553-1		42,383	42,383
<i>Pass-Through from Idaho State University</i>		RACL74-11-268A		11,012	11,012
<i>Pass-Through from Intelligent Optical Systems, Inc.</i>		3215-UTA		40,663	40,663
<i>Pass-Through from Itn Energy Systems, Inc.</i>		CM30-MAGNA		34,879	34,879
<i>Pass-Through from Lawrence Berkeley Lab</i>		7079435		26,431	26,431
<i>Pass-Through from Lawrence Berkeley Laboratory</i>		6924997		16,206	16,206
<i>Pass-Through from Lawrence Livermore National Laboratory</i>		B593921		(1,172)	(1,172)
<i>Pass-Through from Lawrence Livermore National Security, LLC</i>		B575363		4,722	4,722
<i>Pass-Through from Lawrence Livermore National Security, LLC</i>		B599687		713,243	713,243
<i>Pass-Through from Los Alamos National Laboratory</i>		113844-1		14,964	14,964
<i>Pass-Through from Los Alamos National Laboratory</i>		C5760		78,638	78,638
<i>Pass-Through from Los Alamos National Security, LLC</i>		228868		1,652	1,652
<i>Pass-Through from Los Alamos National Security, LLC</i>		257633		42,599	42,599
<i>Pass-Through from Los Alamos National Security, LLC</i>		87536-001-11		9,593	9,593
<i>Pass-Through from Massachusetts Institute of Technology</i>		5710003381		416,791	416,791
<i>Pass-Through from National Renewable Energy Laboratory</i>		XGS-4-42321-01		29,819	29,819
<i>Pass-Through from Ncarbon, Inc.</i>		UTA14-000310		19,494	19,494
<i>Pass-Through from Oak Ridge National Laboratory</i>		4000089499		3,696	3,696
<i>Pass-Through from Pacific Northwest National Laboratory</i>		151687		2,595	2,595
<i>Pass-Through from Pacific Northwest National Laboratory</i>		156080		145,437	145,437
<i>Pass-Through from Pacific Northwest National Laboratory</i>		186345		560	560

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Pacific Northwest National Laboratory</i>		212737		88,452	88,452
<i>Pass-Through from Penn State University</i>		5020-UTA-SU-105B		33,399	33,399
<i>Pass-Through from Regents of University of California</i>		SRS 7062952		5,893	5,893
<i>Pass-Through from Research Partnership to Secure Energy for America</i>		10122-43		252,031	252,031
<i>Pass-Through from Research Partnership to Secure Energy for America</i>		11122-07		288,476	288,476
<i>Pass-Through from Rotating Sleeve Engine Technologies, Inc.</i>		UTA13-000185		24,792	24,792
<i>Pass-Through from Sandia National Laboratories</i>		1132104		17,489	17,489
<i>Pass-Through from Sandia National Laboratories</i>		1190010		17,968	17,968
<i>Pass-Through from Sandia National Laboratories</i>		1274117		5,340	5,340
<i>Pass-Through from Sandia National Laboratories</i>		1441390		50,001	50,001
<i>Pass-Through from Sandia National Laboratories</i>		978619		5,120	5,120
<i>Pass-Through from Saxet Surface Science</i>		95066S10-II		(128)	(128)
<i>Pass-Through from Shear Form</i>		12-0094		15,321	15,321
<i>Pass-Through from Solarno, Inc.</i>		DE-SC0009447		29,610	29,610
<i>Pass-Through from University of California - San Diego</i>		10321283		103,262	103,262
<i>Pass-Through from University of Illinois - Champaign - Urbana</i>		2013-04789-01		37,661	37,661
<i>Pass-Through from University of Illinois at Urbana - Champaign</i>		2011-00313-01		60,763	60,763
<i>Pass-Through from University of Michigan</i>		3001346237		226,013	226,013
<i>Pass-Through from University of Tennessee - Knoxville</i>		A12-0153-S001		71,797	71,797
<i>Pass-Through from University of Virginia</i>		GQ10044-133948		111,549	111,549
<i>Pass-Through from University of Wisconsin</i>		455K674 DE-FC02-07ER64494		205,091	205,091
<i>Pass-Through from University of Wisconsin - Madison</i>		475K860		49,356	49,356
<i>Pass-Through from University of Wisconsin - Madison</i>		356K381		30,558	30,558
<i>Pass-Through from University of Wisconsin - Madison</i>		Sub agreement		239,093	239,093
<i>Pass-Through from Xia, LLC</i>		347K900			
<i>ARRA - Office of Science Financial Assistance Program</i>		UTA11-001024		19,808	19,808
			200,444	3,252,276	3,452,720
Total - CFDA 81.049			1,143,692	35,068,055	36,211,747
University Coal Research	81.057		50,296	202,818	253,114
Office of Scientific and Technical Information	81.064		(7,221)	38,625	31,404
<i>Pass-Through from Sandia National Laboratories</i>		1375508		71,928	71,928
Total - CFDA 81.064			(7,221)	110,553	103,332
Nuclear Waste Disposal Siting	81.065				
<i>Pass-Through from Nye County, Nevada</i>		10-014		10,937	10,937
Regional Biomass Energy Programs	81.079				
<i>Pass-Through from South Dakota State University</i>		3TA153 DE-FC36-05GO85041		11,511	11,511
<i>Pass-Through from South Dakota State University</i>		3TA153 DE-FC36-06G085041/3TG148-05G85041		7,407	7,407
<i>Pass-Through from South Dakota State University</i>		3TH153 DE-FC36-05GO85041		4,110	4,110
Total - CFDA 81.079			0	23,028	23,028
Conservation Research and Development	81.086		1,453,301	434,765	1,888,066
<i>Pass-Through from Gmz Energy, Inc.</i>		DOE-EE-0004840		271,505	271,505
<i>Pass-Through from Penn State University</i>		4944-UTA-DOE-6447		127,005	127,005
Total - CFDA 81.086			1,453,301	833,275	2,286,576

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
Renewable Energy Research and Development	81.087		451,746	2,754,561	3,206,307
<i>Pass-Through from Abb Corporate Research Center</i>		C5120		19,888	19,888
<i>Pass-Through from Advanced Magnet Lab</i>		107196		25,077	25,077
<i>Pass-Through from Arizona State University</i>		13-185		95,849	95,849
<i>Pass-Through from Arkansas State University</i>		SA1151.2		(564)	(564)
<i>Pass-Through from Baryonyx Corporation</i>		DE-EE-000103 - (TAMU-1)		139,265	139,265
<i>Pass-Through from Brookhaven Science Associates, LLC</i>		206492		2,130	2,130
<i>Pass-Through from Cb&amp;i, Inc.</i>		777276-000		5,064	5,064
<i>Pass-Through from Houston Area Research Council</i>		POG10UH		34,152	34,152
<i>Pass-Through from Houston Community College</i>		HCC AGRMT DATED 1/24/2013		4,750	4,750
<i>Pass-Through from Los Alamos National Security, LLC</i>		282767		2,207	2,207
<i>Pass-Through from National Renewable Energy Lab</i>		8000002016		(4,219)	(4,219)
<i>Pass-Through from National Renewable Energy Lab</i>		8000002082		296,483	296,483
<i>Pass-Through from Pacific Northwest National Laboratory</i>		165504		(173)	(173)
<i>Pass-Through from South Dakota State University</i>		3TF148 DE-FC36- 05GO85041		498	498
<i>Pass-Through from Stanford University</i>		60217589-60257757- 51077-M		120,525	120,525
<i>Pass-Through from Stanford University</i>		60516997-51077 Req. 342506		12,211	12,211
<i>Pass-Through from University of Arizona</i>		143187		362,880	362,880
<i>Pass-Through from University of Florida</i>		UF13021 DE- PI0000031		21,217	21,217
<i>Pass-Through from University of Illinois</i>		2012-05477		61,568	61,568
ARRA - Renewable Energy Research and Development			54,133	96,839	150,972
<i>Pass-Through from Arizona Geological Survey</i>		TX-EE0002850: PO BGS11TX98		69,215	69,215
<i>Pass-Through from Donald Danforth Plant Science Center</i>		NAABB 28302-EE		39,364	39,364
<i>Pass-Through from Donald Danforth Plant Science Center</i>		NAABB 28302-P		47,951	47,951
<i>Pass-Through from Southern Methodist University</i>		G001011 7540		(109)	(109)
<i>Pass-Through from Southern Methodist University</i>		G001011-7505		(17,528)	(17,528)
Total - CFDA 81.087			505,879	4,189,101	4,694,980
Fossil Energy Research and Development	81.089		272,886	5,222,850	5,495,736
<i>Pass-Through from Batelle Energy Alliance, LLC</i>		00120106	11,034	196,349	207,383
<i>Pass-Through from Csi Technologies, LLC</i>		10121-4502-01		127,819	127,819
<i>Pass-Through from Csi Technologies, LLC</i>		10122-19		44,231	44,231
<i>Pass-Through from Csi Technologies, LLC</i>		11122-42		51,216	51,216
<i>Pass-Through from General Electric Power and Water</i>		SPN00010		187,134	187,134
<i>Pass-Through from Gsi Environmental, Inc.</i>		SC3875-006		226,154	226,154
<i>Pass-Through from Houston Advanced Research Center</i>		08122-35		46,071	46,071
<i>Pass-Through from Houston Advanced Research Center</i>		EFDTIP-TIP204		55,960	55,960
<i>Pass-Through from Houston Advanced Research Center</i>		EFDTIP-TIP205		23,477	23,477
<i>Pass-Through from Intelligent Optical Systems, Inc.</i>		IOS 3239 DOE-RICO III		10,102	10,102
<i>Pass-Through from Membrane Tech and Rsch, Inc.</i>		373-DOE-FE-13118- UTEXAS		243,874	243,874
<i>Pass-Through from Research Partnership to Secure Energy for America</i>		07123-01		(4,431)	(4,431)
<i>Pass-Through from Research Partnership to Secure Energy for America</i>		10121-4501-01		911,764	911,764
<i>Pass-Through from Rice University</i>		UTA14-000853		59,472	59,472
<i>Pass-Through from Rpssea</i>		SPN00010		50,795	50,795
<i>Pass-Through from Southern States Energy Board</i>		SSEB-SECARB3-973- T13BEG-TI-2008-019	732,624	644,027	1,376,651

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
ARRA - Fossil Energy Research and Development <i>Pass-Through from Calera Corporation</i>		UTA13-000398		46,173	46,173
Total - CFDA 81.089			1,016,544	8,143,037	9,159,581
Environmental Remediation and Waste Processing and Disposal	81.104			(31,052)	(31,052)
National Industrial Competitiveness through Energy, Environment and Economics	81.105			63,693	63,693
Epidemiology and Other Health Studies Financial Assistance Program	81.108			91,686	91,686
Stewardship Science Grant Program <i>Pass-Through from Stanford University</i>	81.112	60300258-107109-A		2,489,134	2,489,134
Total - CFDA 81.112			0	143,564	143,564
Total - CFDA 81.112			0	2,632,698	2,632,698
Defense Nuclear Nonproliferation Research <i>Pass-Through from Lawrence Livermore National Security, LLC</i> <i>Pass-Through from University of California - Berkeley</i>	81.113	B571336 BB00154662/00008127		376,477	376,477
Total - CFDA 81.113			0	54,256	54,256
Total - CFDA 81.113			0	430,733	430,733
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance <i>Pass-Through from Alliance for Sustainable Energy, LLC</i> <i>Pass-Through from Thurgood Marshall Scholarship Fund</i>	81.117	AEJ-2-11809-16 MSI-Visiting Prof- PVAMU-Bellam2012	1,473	264,557	266,030
Total - CFDA 81.117			1,473	80,500	80,500
Total - CFDA 81.117			1,473	18,526	18,526
Total - CFDA 81.117			1,473	363,583	365,056
State Energy Program Special Projects	81.119			(462)	(462)
Nuclear Energy Research, Development and Demonstration <i>Pass-Through from Argonne National Laboratory</i> <i>Pass-Through from Battelle</i> <i>Pass-Through from Battelle</i> <i>Pass-Through from Battelle</i> <i>Pass-Through from Battelle</i> <i>Pass-Through from Battelle</i> <i>Pass-Through from Battelle</i> <i>Pass-Through from Battelle Energy Alliance, LLC</i> <i>Pass-Through from Lawrence Livermore National Laboratory</i> <i>Pass-Through from Lawrence Livermore National Security, LLC</i> <i>Pass-Through from Los Alamos National Security, LLC</i> <i>Pass-Through from Oak Ridge National Laboratory</i> <i>Pass-Through from Oak Ridge National Laboratory</i> <i>Pass-Through from Sandia Corporation</i> <i>Pass-Through from Sandia National Laboratories</i> <i>Pass-Through from Syracuse University</i> <i>Pass-Through from University of Nebraska - Lincoln</i> <i>Pass-Through from Westinghouse Electric Company</i>	81.121	2F-32981 00124068 00124695 00127086 00138966 00139642 00143948 00128931 B599185 B602391 208335-1 208873-1 227811-1 263972 4000105055 4000114530 1271025, REV. 1 1309723 24958-02972-S01 25-1217-0013-002 4500460309	94,910	1,030,683	1,030,683
Total - CFDA 81.121			94,910	19,710	19,710
Total - CFDA 81.121			94,910	(188)	(188)
Total - CFDA 81.121			94,910	102,204	102,204
Total - CFDA 81.121			94,910	255,764	255,764
Total - CFDA 81.121			94,910	64,185	64,185
Total - CFDA 81.121			94,910	52,721	52,721
Total - CFDA 81.121			94,910	38,119	38,119
Total - CFDA 81.121			94,910	228,927	323,837
Total - CFDA 81.121			94,910	13,707	13,707
Total - CFDA 81.121			94,910	259,165	259,165
Total - CFDA 81.121			94,910	29,216	29,216
Total - CFDA 81.121			94,910	59,929	59,929
Total - CFDA 81.121			94,910	89,745	89,745
Total - CFDA 81.121			94,910	52,432	52,432
Total - CFDA 81.121			94,910	75,027	75,027
Total - CFDA 81.121			94,910	31,161	31,161
Total - CFDA 81.121			94,910	20,950	20,950
Total - CFDA 81.121			94,910	30,153	30,153
Total - CFDA 81.121			94,910	27,769	27,769
Total - CFDA 81.121			94,910	138,226	138,226
Total - CFDA 81.121			94,910	151,184	151,184
Total - CFDA 81.121			94,910	2,770,789	2,865,699

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		45,608	145,309	190,917
<i>Pass-Through from Abb, Inc.</i>		DE-OE0000547		33,502	33,502
<i>Pass-Through from Electric Power Research Institute</i>		EP-P39600/C17581		(555)	(555)
<i>Pass-Through from Ge Global Research Center</i>		400040872		719	719
<i>Pass-Through from Superpower, Inc.</i>		099895		396,672	396,672
<i>Pass-Through from Superpower, Inc.</i>		107365		53,216	53,216
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis				634,052	634,052
<i>Pass-Through from Center for the Commercialization of Electronic Technologies</i>		DE-OE0000194		218,222	218,222
<i>Pass-Through from Pecan Street Project, Inc.</i>		DE-FOA-0000036 PRIME		252,541	252,541
<i>Pass-Through from Pecan Street Project, Inc.</i>		DE-FOA-0000036 UTA10-001028		84,845	84,845
<i>Pass-Through from Pecan Street Project, Inc.</i>		DE-FOA-0000036 UTA11-000092		331,554	331,554
<i>Pass-Through from Pecan Street Project, Inc.</i>		DE-FOA-0000036 UTA11-001004		60,563	60,563
Total - CFDA 81.122			45,608	2,210,640	2,256,248
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123		378,103	401,730	779,833
<i>Pass-Through from Alabama A and M University</i>		Sub-DE-NA0001890- PVAMU		33,693	33,693
<i>Pass-Through from Los Alamos National Security, LLC</i>		220423-1; 209668		15,297	15,297
<i>Pass-Through from Sandia National Laboratories</i>		1427597		71,841	71,841
<i>Pass-Through from Sandia National Laboratories</i>		PO 1270244		47	47
Total - CFDA 81.123			378,103	522,608	900,711
Predictive Science Academic Alliance Program	81.124			1,750,642	1,750,642
<i>Pass-Through from Brookhaven National Laboratory</i>		230777		429	429
<i>Pass-Through from Purdue University</i>		4105-47010, 02		225,830	225,830
<i>Pass-Through from Stanford University</i>		60544212-107908		8,044	8,044
<i>Pass-Through from University of Michigan - Ann Arbor</i>		3001058063		(3,246)	(3,246)
Total - CFDA 81.124			0	1,981,699	1,981,699
ARRA - Geologic Sequestration Site Characterization	81.132			25,485	25,485
ARRA - Geologic Sequestration Training and Research Grant Program	81.133		6,700	7,976	14,676
ARRA - Industrial Carbon Capture and Storage (CCS) Application	81.134		1,407,897	925,656	2,333,553
<i>Pass-Through from Siemens</i>		UTA13-000255 / PO 6500021159		(551)	(551)
<i>Pass-Through from Siemens</i>		UTA13-000255 / PO 6500021159 MOD 1		103,121	103,121
Total - CFDA 81.134			1,407,897	1,028,226	2,436,123
Advanced Research Projects Agency - Energy	81.135		3,537,279	5,971,407	9,508,686
<i>Pass-Through from Adma Products, Inc.</i>		C13-00682		168,573	168,573
<i>Pass-Through from Ceramtec, Inc.</i>		UTA14-000129 CREDIT		81,984	81,984
<i>Pass-Through from Georgia Institute of Technology</i>		RD735-G1		158,259	158,259

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Massachusetts Institute of Technology</i>		5710003117		38,986	38,986
<i>Pass-Through from Massachusetts Institute of Technology</i>		DE-AR0000181		214,851	214,851
<i>Pass-Through from Sharp Laboratories of America</i>		UTA13-000404		185,223	185,223
<i>Pass-Through from Superpower, Inc.</i>		107379		14,703	14,703
<i>Pass-Through from Superpower, Inc.</i>		DE-AR0000141		20,018	20,018
<i>Pass-Through from Superpower, Inc.</i>		DE-AR000141		156,417	156,417
<i>Pass-Through from Tai - Yang Research Co.</i>		DE-AR0000337		74,902	74,902
<i>Pass-Through from The Learning Chameleon, Inc.</i>		W31P4Q-12-C-0166		18,907	18,907
<i>Pass-Through from University of California - Los Angeles</i>		GN0005968		98,542	98,542
<i>Pass-Through from University of Maryland - College Park</i>		SPN00010		240,465	240,465
<i>Pass-Through from University of Nevada - Las Vegas</i>		13-738Q-A-00		319,076	319,076
<i>Pass-Through from UT - Battelle, LLC</i>		4000123096		243,825	243,825
ARRA - Advanced Research Projects Agency - Energy				1,590	1,590
<i>Pass-Through from Adma Products, Inc.</i>		C10-361		6,874	6,874
Total - CFDA 81.135			3,537,279	8,014,602	11,551,881
Total - U.S. Department of Energy			9,891,413	79,352,959	89,244,372
<b>U.S. Department of Education</b>					
U.S. Department of Education	84.XXX	1263907070		304	304
<i>Pass-Through from Argonne National Laboratory</i>		3F-31921		59,128	59,128
Total - CFDA 84.XXX			0	59,432	59,432
Adult Education - Basic Grants to States	84.002		11,615	1,367,548	1,379,163
<i>Pass-Through from Harris County Department of Education</i>		HCDE 12 10 12		48,293	48,293
Total - CFDA 84.002			11,615	1,415,841	1,427,456
Special Education Grants to States	84.027				
<i>Pass-Through from Region 17 Education Center</i>		ESC17		163,299	163,299
Higher Education Institutional Aid	84.031			2,850,327	2,850,327
Career and Technical Education -- Basic Grants to States	84.048			686,929	686,929
Fund for the Improvement of Postsecondary Education	84.116		22	253,982	254,004
Minority Science and Engineering Improvement	84.120			379,455	379,455
National Institute on Disability and Rehabilitation Research	84.133		13,755	1,138,878	1,152,633
<i>Pass-Through from Baylor College of Medicine</i>		01748025-2		65,557	65,557
<i>Pass-Through from Baylor Research Institute</i>		H133A120098		64,760	64,760
<i>Pass-Through from Northeastern University</i>		H133G100187		7,442	7,442
<i>Pass-Through from TIRR Memorial Hermann</i>		H133A110027 / SWADA-UTHSCH-14		33,474	33,474
<i>Pass-Through from TIRR Memorial Hermann</i>		H133A12008		50,211	50,211
<i>Pass-Through from TIRR Memorial Hermann</i>		H133B090002		15,868	15,868
<i>Pass-Through from TIRR Memorial Hermann</i>		H133B090002 / 1567-14		17,935	17,935
<i>Pass-Through from University of Wisconsin - Madison</i>		282K763		14,163	14,163
Total - CFDA 84.133			13,755	1,408,288	1,422,043
Migrant Education High School Equivalency Program	84.141			360,510	360,510
Bilingual Education Professional Development	84.195			101,521	101,521
Graduate Assistance in Areas of National Need	84.200			514,535	514,535
<i>Pass-Through from American Institutes for Research</i>		00962-03230		209,523	209,523
Total - CFDA 84.200			0	724,058	724,058

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Education (continued)</b>					
Fund for the Improvement of Education	84.215		216,550	3,264,896	3,481,446
TRIO McNair Post-Baccalaureate Achievement	84.217			612,071	612,071
Centers for International Business Education	84.220			156,738	156,738
Education Research, Development and Dissemination	84.305		1,415,105	6,279,743	7,694,848
<i>Pass-Through from Georgia St University Research Foundation</i>		8000001578		73,509	73,509
<i>Pass-Through from Georgia State University</i>		SP00010952		41,320	41,320
<i>Pass-Through from Georgia State University</i>		SP00010989-01		94,157	94,157
<i>Pass-Through from Harvard University</i>		106553.5053234		20,283	20,283
<i>Pass-Through from Harvard University</i>		108077-5025555		55,443	55,443
<i>Pass-Through from Mathematics Policy Research</i>		ED-01-CO-0039 0005		1,677	1,677
<i>Pass-Through from New York University</i>		F6249-02		14,880	14,880
<i>Pass-Through from Ohio State University</i>		R305A1040430		6,414	6,414
<i>Pass-Through from Pennsylvania State University</i>		4664-UTEP-USDE-0593		24,408	24,408
<i>Pass-Through from Rmc Research Corporation</i>		ID ASSIGNED		(651)	(651)
<i>Pass-Through from Tamu Research Foundation</i>		S110095		235,059	235,059
<i>Pass-Through from University of Leuven (Belgium)</i>		UTA12-000125		86,472	86,472
		RDO35D110024			
<i>Pass-Through from University of Michigan</i>		3002533698		122,327	122,327
<i>Pass-Through from University of Nebraska</i>		24-1714-0069-002		49,489	49,489
Total - CFDA 84.305			1,415,105	7,104,530	8,519,635
Research in Special Education	84.324		1,053,014	3,057,195	4,110,209
<i>Pass-Through from Lehigh University</i>		541821-78007		92,052	92,052
<i>Pass-Through from Lehigh University</i>		542653-78001	21,777	85,971	107,748
<i>Pass-Through from University of Kansas Center for Research</i>		FY2014-045		45,775	45,775
<i>Pass-Through from University of Kansas Center for Research</i>		FY2014-055		26,622	26,622
<i>Pass-Through from University of North Carolina - Chapel Hill</i>		5-39281		229,231	229,231
Total - CFDA 84.324			1,074,791	3,536,846	4,611,637
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		15,134	1,010,714	1,025,848
<i>Pass-Through from University of Florida</i>		UF13023, 105205, (H325A120003)		152,099	152,099
Total - CFDA 84.325			15,134	1,162,813	1,177,947
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			429,651	429,651
<i>Pass-Through from Cal State University Northridge</i>		F-11-2963-3 UTA		436,362	436,362
<i>Pass-Through from Cal State University Northridge</i>		F-11-2963UTA		59,075	59,075
Total - CFDA 84.326			0	925,088	925,088
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		111,829	378,329	490,158
Transition to Teaching	84.350				
<i>Pass-Through from University of Louisiana at Monroe</i>		SVK010-TAMUK-00		283,279	283,279
Early Reading First	84.359				
<i>Pass-Through from Rmc Research Corporation</i>		EDO1CO00550006		2,210	2,210
English Language Acquisition State Grants	84.365			883,246	883,246
Mathematics and Science Partnerships	84.366			1,484,028	1,484,028
Improving Teacher Quality State Grants	84.367		33,439	412,096	445,535
<i>Pass-Through from National Writing Project Corp</i>		NWP 2013-14 SEED GRANT		15,031	15,031

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Education (continued)</b>					
<i>Pass-Through from Texas Christian University - Andrews Institute</i>		24289-00-13		265	265
Total - CFDA 84.367			33,439	427,392	460,831
Grants for Enhanced Assessment Instruments	84.368			266,922	266,922
Striving Readers	84.371			474,115	474,115
<i>Pass-Through from Miko Group, Inc.</i>		ED-ESE-11-C-0057		233,231	233,231
Total - CFDA 84.371			0	707,346	707,346
Statewide Longitudinal Data Systems	84.372			8,585	8,585
College Access Challenge Grant Program	84.378			389,742	389,742
ARRA - Investing in Innovation (i3) Fund	84.396				
<i>Pass-Through from Ohio State University</i>		U396A100027	268,050	269,581	537,631
Investing in Innovation (i3) Fund	84.411		615,243	2,543,105	3,158,348
<i>Pass-Through from Knowledge Works Foundation</i>		U411C110296		61,723	61,723
Total - CFDA 84.411			615,243	2,604,828	3,220,071
Graduate Research Opportunities for Minority Students (Minorities and Retirement Security Program)	84.414			76,064	76,064
Total - U.S. Department of Education			3,775,533	32,948,176	36,723,709
<b>Scholarship Foundations</b>					
Morris K. Udall Fellowship Program	85.401			2,761	2,761
Total - CFDA 85.401			0	2,761	2,761
Total - Scholarship Foundations			0	2,761	2,761
<b>National Archives and Records Administration</b>					
National Historical Publications and Records Grants	89.003			22,929	22,929
Total - CFDA 89.003			0	22,929	22,929
Total - National Archives and Records Administration			0	22,929	22,929
<b>United States Institute of Peace</b>					
United States Institute of Peace	91.XXX	USIP-219-11F		5,876	5,876
Total - CFDA 91.XXX			0	5,876	5,876
Total - United States Institute of Peace			0	5,876	5,876
<b>U.S. Department of Health and Human Services</b>					
U.S. Department of Health and Human Services	93.XXX	1 SC1 NS066987-04		45,483	45,483
		131996/131834		220,977	220,977
		13-IPA1310480-1		49,889	49,889
		13IPA1313352		13,289	13,289
		151965/151432		(6,380)	(6,380)
		153872/153136		1,404	1,404
		200-2009-32594	404,551	425,091	829,642
		200-2011-39475		90,478	90,478
		200-2011-41271	155,417	296,939	452,356

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
		200-2011-41440		6,924	6,924
		200-2012-M-51191		19,723	19,723
		200-2013-M-56765		5,000	5,000
		212-2011-M-40768 1 EXT		4	4
		8000001887		145,529	145,529
		901015	5,053	47,235	52,288
		Build South Texas		151,602	151,602
		Crooks-Ellington-CDC LOA		16,107	16,107
		HHS01002011000151		2,566	2,566
		HHSF223201110109A	156,566	45	156,611
		HHSF223201111595P		799	799
		HSH234200737001C 04		322,831	322,831
		HSH250201000011C		2,241,010	2,241,010
		HHSM-500-2012-0025C		122,152	122,152
		HHSN261201000032I		529	529
		HHSN261201000142C 04		165,273	165,273
		HHSN261201200037I		33,070	33,070
		HHSN261201200210P		1,506	1,506
		HHSN263201200076I		380,578	380,578
		HHSN267200700006C		(86,357)	(86,357)
		HHSN268200900039C 04	22,548	277,917	300,465
		HHSN268201000036C	1,393,370	364,710	1,758,080
		HHSN268201000037C		2,010,097	2,010,097
		HHSN268201100036C		791,358	791,358
		HHSN268201200019C	138,471	120,725	259,196
		HHSN268201200154P		3,014	3,014
		HHSN268201400055P 2R01MH072966		395,107	395,107
		HHSN271201200132P		2,470	2,470
		HHSN272200800048C		1,289,732	1,289,732
		HHSN272201000038I	600,600	919,113	1,519,713
		HHSN272201000040I		490,839	490,839
		HHSN272201000040I		1,422,973	1,422,973
		HHSN272201100018I		178,959	178,959
		HHSN275200800035C/ GMO901016		100,141	100,141
		HHSN27520080035C	62,941	42,165	105,106
		HHSN275201200023C		(965)	(965)
		HHSN275201300018I		42,836	42,836
		HHSN276201000694P		50,249	50,249
		IPA 8011585		2,292	2,292
		N01 CM-2011-00039 01	22,050	178,826	200,876
		N01 CM-62202 09		(33,479)	(33,479)
		N01AI25489		2,610	2,610
		N01-AI-30065		440,226	440,226
		N01-CN-035159 07	426,501	404,913	831,414
		N01DA-13-8908		816,074	816,074
		N01MH090003	(630)	(30,881)	(31,511)
		PO 200-2013-M- 56368		15,711	15,711
		PO: C45117   DEAN SITTIG		63,901	63,901
		W81XWH-10-0101 04		228,864	228,864
		GS10F0086K		4,725	4,725
		ACOSOG-Z1041		18,995	18,995

*Pass-Through from Abt Associate, Inc.*

*Pass-Through from American College of Surgeons*

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from American Institutes for Research</i>		120503029.002 P.O. 13RRG10030		44,577	44,577
<i>Pass-Through from American Type Culture Collection</i>		201005160002		498,295	498,295
<i>Pass-Through from Arkival Technology Corporation</i>		HHSN26120120058C		5,614	5,614
<i>Pass-Through from Baylor College of Medicine</i>		101704286		27,186	27,186
<i>Pass-Through from Baylor College of Medicine</i>		HHSA290200810015C		45,220	45,220
<i>Pass-Through from Baylor College of Medicine</i>		N01-AI-80002		558,700	558,700
<i>Pass-Through from Bioqual Incorporated</i>		HHSN2722010000061		(6,569)	(6,569)
<i>Pass-Through from Children's Hospital of Philadelphia</i>		HHSN261200800001E		120	120
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U10 CA098543-10		22,861	22,861
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U10CA98543		55,284	55,284
<i>Pass-Through from Children's Research Institute</i>		HHSN275201100017C		378	378
<i>Pass-Through from Chrysalis BioTechnology</i>		HHHSN261201300076C		50,328	50,328
<i>Pass-Through from Cincinnati Children's Hosp. Medical Center</i>		HHSN272200800006C		95,250	95,250
<i>Pass-Through from Community Action, Inc.</i>		UTA10-001284		139,235	139,235
<i>Pass-Through from Connectgrids</i>		HHSN276201200681P		1,247	1,247
<i>Pass-Through from Crucell Holland B.V.</i>		HHSN272200800056C		204,385	204,385
<i>Pass-Through from Cubrc, Inc.</i>		2014-01 07822S10		33,959	33,959
<i>Pass-Through from Cubrc, Inc.</i>		HHSN272201100028C		122,612	122,612
<i>Pass-Through from Duke University</i>		GUIDE-IT 2-2 Echo		2,494	2,494
<i>Pass-Through from Duke University</i>		HHSN- 275201000003I		5,944	5,944
<i>Pass-Through from Duke University</i>		HHSN272201000053C		57,869	57,869
<i>Pass-Through from Duke University</i>		HHSN2752010000031		4,835	4,835
<i>Pass-Through from Duke University Medical Center</i>		HHSN27220090002C3 -01		216,938	216,938
<i>Pass-Through from Duke University Medical Center</i>		N01-AI-05419 04		847	847
<i>Pass-Through from Emmes Corporation</i>		HHSN260200500007C		11,071	11,071
<i>Pass-Through from Emmes Corporation</i>		HHSN263201200001C		369,815	369,815
<i>Pass-Through from Evorx Technologies, Inc.</i>		HHSN26120130065		16,016	16,016
<i>Pass-Through from Fairway Medical Technologies</i>		R44CA110137		35,884	35,884
<i>Pass-Through from Feinstein Institute for Medical Research</i>		HHSN271200900019C		3,731	3,731
<i>Pass-Through from Henry M. Jackson Foundation</i>		790936, PROJ 300883- 1.00-60808		8,319	8,319
<i>Pass-Through from Hispanic Association of Colleges and University</i>		13127225		64,977	64,977
<i>Pass-Through from Houston Academy of Medicine</i>		HHSN276201100007C		4,252	4,252
<i>Pass-Through from Houston Academy of Medicine</i>		LOA: XIE Nursing ECHO Subcontract		1,274	1,274
<i>Pass-Through from Houston Academy of Medicine</i>		UTA13-000518		16,456	16,456
<i>Pass-Through from Houston Academy of Medicine - Texas Med Center Library</i>		HHSN276201100007C		1,774	1,774
<i>Pass-Through from Icf Consulting Group, Inc.</i>		CETT Program		(333)	(333)
<i>Pass-Through from Inhibikase Therapeutics, Inc.</i>		HDTRA112C0051		249,544	249,544
<i>Pass-Through from John Snow, Inc.</i>		2013-0095		950	950
<i>Pass-Through from Kansas State University</i>		S13027		47,002	47,002
<i>Pass-Through from La Jolla Institute for Allergy and Immunology</i>		25059-10-384		112,917	112,917
<i>Pass-Through from Leidos Biomedical Research</i>		13XS034-T03		8,712	8,712
<i>Pass-Through from Leidos Biomedical research, Inc.</i>		13XS120/HHSN26120080		20,080	20,080
<i>Pass-Through from Leidos Biomedical Research, Inc.</i>		HHSN261200800001E		161,428	161,428
<i>Pass-Through from Leidos, Inc.</i>		12XS348/HHSN26120080		164,501	164,501

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from LipoMedics, Ltd. Co.</i>		HHSN261201200092C		261	261
<i>Pass-Through from Massachusetts General Hospital</i>		HHSN2712011000061		229,179	229,179
<i>Pass-Through from Mayo Clinic</i>		63344206		18,349	18,349
<i>Pass-Through from Mdc Associates, LLC</i>		MDC-03-03		723	723
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		HHSN26120080043C 03		(22,864)	(22,864)
<i>Pass-Through from Meso Scale Diagnostics, LLC</i>		W81XWH-13C-0196		40,487	40,487
<i>Pass-Through from National Council on Aging</i>		02/09/2012 (HHSN-500-2011-00088C)		170,661	170,661
<i>Pass-Through from New England Research Institutes</i>		N01HC45207		410	410
<i>Pass-Through from North American Association of Central Cancer Registries</i>		2012-08-01 1		36,717	36,717
<i>Pass-Through from North American Association of Central Cancer Registries</i>		M1301387-2012-08-02		(118)	(118)
<i>Pass-Through from Northwestern University</i>		60033872-UTX/HHSN275		221,809	221,809
<i>Pass-Through from Northwestern University</i>		HHSN272201200026C		165,633	165,633
<i>Pass-Through from Nsabp</i>		5 U10 CA012027 37		5,948	5,948
<i>Pass-Through from Omega Optics</i>		UTA12-001008		146,313	146,313
<i>Pass-Through from Omega Optics, Inc.</i>		HHSN261201200043C		49,499	49,499
<i>Pass-Through from Omm Scientific, Inc.</i>		HHSN261201300020C		103,835	103,835
<i>Pass-Through from Public Health Foundation Enterprises</i>		2121.001.001		5,506	5,506
<i>Pass-Through from Radiabeam Technologies</i>		1LPT 001		52,134	52,134
<i>Pass-Through from Radiant Creative Group, LLC</i>		1 R41 CA168107-01		51,004	51,004
<i>Pass-Through from Radiation Oncology Department</i>		RTOG 1072 01		(2,700)	(2,700)
<i>Pass-Through from Radiation Oncology Department</i>		RTOG0539 01		250	250
<i>Pass-Through from Radiation Oncology Department</i>		RTOG-0825 01		19,662	19,662
<i>Pass-Through from Radiation Oncology Department</i>		RTOG-0929 01		15,345	15,345
<i>Pass-Through from Radiation Oncology Department</i>		RTOG-1016 01		(1,001)	(1,001)
<i>Pass-Through from Radiological Society of North America</i>		HHSN268201000050C01		855	855
<i>Pass-Through from Rand Corporation</i>		HHSP23320095649WC		18,314	18,314
<i>Pass-Through from SAIC-Frederick, Inc.</i>		13XS034-T02		46,528	46,528
<i>Pass-Through from SAIC-Frederick, Inc.</i>		13XS034-T01		37,476	37,476
<i>Pass-Through from SAIC-Frederick, Inc.</i>		13XS071		399,449	399,449
<i>Pass-Through from SAIC-Frederick, Inc.</i>		HHSN261200800001E01		311,262	311,262
<i>Pass-Through from SAIC-Frederick, Inc.</i>		SAIC 29XS143 03		(7,176)	(7,176)
<i>Pass-Through from Scripps Research Institute</i>		5-50444		58,767	58,767
<i>Pass-Through from Social and Scientific Systems, Inc.</i>		CRB-SSS-S-12-002253		637	637
<i>Pass-Through from Social and Scientific Systems, Inc.</i>		CRB-SSS-S-12-002254		5,156	5,156
<i>Pass-Through from St. Jude Children's Research Hospital</i>		HHSN272201400006C		3,175	3,175
<i>Pass-Through from St. Jude Children's Research Hospital</i>		N01-AI-70005		143,118	143,118
<i>Pass-Through from Stony Brook University</i>		59329		24,748	24,748
<i>Pass-Through from Strang Cancer Prevention Center</i>		HHSN261200433002C02		(99,192)	(99,192)
<i>Pass-Through from Takeda Vaccines, Inc.</i>		HHSN272201000034C		82,674	82,674
<i>Pass-Through from Tasc, Inc.</i>		FA865014D6519		35,745	35,745
<i>Pass-Through from Tetraphase Pharmaceuticals, Inc.</i>		HHSN272201100028C		150,348	150,348
<i>Pass-Through from Tulane University Medical Center</i>		HHSN272200900049C		556,417	556,417
<i>Pass-Through from University of Alabama - Birmingham</i>		HHSN263201200010C		53,745	53,745
<i>Pass-Through from University of California - San Diego</i>		HHSN271201000036C		107,437	107,437
<i>Pass-Through from University of California - San Francisco</i>		N01AI15416		68,356	68,356
<i>Pass-Through from University of Colorado - Denver</i>		FY14 001005 PO 275143		80,556	80,556
<i>Pass-Through from University of Georgia</i>		RU211-355/4892866		7,848	7,848
<i>Pass-Through from University of New Mexico</i>		DTRA 0103D0009		9,134	9,134
<i>Pass-Through from University of North Carolina - Chapel Hill</i>		5-35131, UTA11-000657		16,038	16,038
<i>Pass-Through from University of Oklahoma Health Science Center</i>		5 N01 CN-53300 02		(688)	(688)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Pennsylvania</i>		HHSN268200800003Cf		31,176	31,176
<i>Pass-Through from University of Pittsburgh</i>		IU01NS081041-01A1		4,505	4,505
<i>Pass-Through from University of South Alabama</i>		HDTRA11400023		16,217	16,217
<i>Pass-Through from University of South Florida</i>		0000018677		4,694	4,694
<i>Pass-Through from University of Utah</i>		HHSN268200900046C		183,723	183,723
<i>Pass-Through from University of Wisconsin - Madison</i>		N01AI90052		1,157,778	1,157,778
<i>Pass-Through from Urban Strategies</i>		HHSP233201300044C		26,719	26,719
<i>Pass-Through from Utah State University</i>		HHSN2720011000191		114,209	114,209
<i>Pass-Through from Utah State University</i>		HHSN2722011000191		21,803	21,803
<i>Pass-Through from Veterans Administration</i>		V688P-2994	288,225	246,616	534,841
<i>Pass-Through from Washington University - St. Louis</i>		HHSN268201000046C		263,154	263,154
<i>Pass-Through from Washington University - St. Louis</i>		WU14-97- IPO2922999X		48,021	48,021
<i>Pass-Through from Westat Corporation</i>		8821S001		13,219	13,219
ARRA - U.S. Department of Health and Human Services		HHSN261201000032I 01		237,405	237,405
<i>Pass-Through from Cleveland Clinic Foundation</i>		HHSN261201000060C		3,860	3,860
Total - CFDA 93.XXX			3,675,663	24,604,360	28,280,023
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004				
<i>Pass-Through from Georgia Morehouse College</i>		5MPCMP081024-05-00		3,281	3,281
<i>Pass-Through from The American Legacy Foundation</i>		7008-TEXAS 5MPCM111059-03-00		84,706	84,706
Total - CFDA 93.004			0	87,987	87,987
Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory	93.065				
<i>Pass-Through from Association of Public Health Laboratories</i>		56400-200-620-13-02		16,574	16,574
<i>Pass-Through from Association of Public Health Laboratories</i>		UTA14-000194 (LOA - Johnson)		10,926	10,926
Total - CFDA 93.065			0	27,500	27,500
Public Health Emergency Preparedness	93.069		39,005	302,927	341,932
<i>Pass-Through from Texas A&amp;M Research Foundation</i>		1 U90 TP0000408-01		15,608	15,608
Total - CFDA 93.069			39,005	318,535	357,540
Environmental Public Health and Emergency Response	93.070			22,093	22,093
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073				
<i>Pass-Through from Mass Department of Public Health</i>		INTF3122J25W40138034		3,356	3,356
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077		130,435	1,568,449	1,698,884
<i>Pass-Through from University of Pittsburgh</i>		3U54DA031659-03		402,763	402,763
Total - CFDA 93.077			130,435	1,971,212	2,101,647
Healthy Marriage Promotion and Responsible Fatherhood	93.086		1,575	582,844	584,419
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092				
<i>Pass-Through from Bcfs Health and Human Services</i>		90AK0023-01-00		85,863	85,863

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Girls Incorporated of Metropolitan Dallas</i>		90AK0017		8,092	8,092
<i>Pass-Through from Inter Tribal Council of Arizona, Inc.</i>		UTSPH-14-00   90AT0013-03		48,474	48,474
Total - CFDA 93.092			0	142,429	142,429
Food and Drug Administration Research	93.103			923,536	923,536
<i>Pass-Through from Boston Children's Hospital</i>		HHSF223200810034C		1,640	1,640
<i>Pass-Through from Harvard Pilgrim Health Care Institute</i>		FDAHHSF223200910006I		4,758	4,758
<i>Pass-Through from Johns Hopkins University</i>		5R01FD003898-03		2,016	2,016
<i>Pass-Through from Lynntech, Inc.</i>		B9900		3,846	3,846
Total - CFDA 93.103			0	935,796	935,796
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104				
<i>Pass-Through from Adoption Exchange Association</i>		UTA13-001162		328,926	328,926
Maternal and Child Health Federal Consolidated Programs	93.110		72,672	754,498	827,170
<i>Pass-Through from Texas Children's Hospital</i>		1D70MC24126-01-00		7,654	7,654
<i>Pass-Through from Texas Health Institute</i>		THI-2012-01		83,973	83,973
Total - CFDA 93.110			72,672	846,125	918,797
Environmental Health	93.113		718,997	8,295,142	9,014,139
<i>Pass-Through from Alafair Biosciences, Inc.</i>		UTA14-000830		16,375	16,375
<i>Pass-Through from Baylor College of Medicine</i>		5R01ES01968904		22,354	22,354
<i>Pass-Through from BioTex, Inc.</i>		C2140		43,415	43,415
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5R01ES01776705		135,321	135,321
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5R01ES02145202		202,274	202,274
<i>Pass-Through from Intelligent Optical Systems, Inc.</i>		IOS 3217--UTA		47,512	47,512
<i>Pass-Through from Lake Superior State University</i>		20122201201		69,709	69,709
<i>Pass-Through from Michigan State University</i>		5 R01 ES017777 03		2,181	2,181
<i>Pass-Through from Mss Services, Inc.</i>		NIH-TEXAM-001		15,434	15,434
<i>Pass-Through from Omega Optics</i>		UTA13-000912		192,705	192,705
<i>Pass-Through from Radikal Therapeutics Incorporated</i>		3U01ES02115402S1		4,803	4,803
<i>Pass-Through from The Emmes Corporation</i>		B6400		8,562	8,562
<i>Pass-Through from Tulane University</i>		5U19ES020677-03		33,179	33,179
<i>Pass-Through from University of Alabama - Birmingham</i>		000350461-004/5U01ES		61,226	61,226
<i>Pass-Through from University of North Carolina - Chapel Hill</i>		5-31826		36,651	36,651
<i>Pass-Through from University of Rochester</i>		5R01ES01725004		20,643	20,643
<i>Pass-Through from Vanderbilt University</i>		VUMC 40571		35,493	35,493
<i>Pass-Through from Washington State University</i>		101449G002612		(7,682)	(7,682)
<i>Pass-Through from Winthrop University</i>		5R01ES02311602		9,703	9,703
Total - CFDA 93.113			718,997	9,245,000	9,963,997
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			6,075	6,075
Oral Diseases and Disorders Research	93.121		1,763,082	9,467,866	11,230,948
<i>Pass-Through from Aquilus Pharmaceuticals, Inc.</i>		AQ-1362/1R43DE022207		2,103	2,103
<i>Pass-Through from Baylor College of Medicine</i>		101790898		15,585	15,585
<i>Pass-Through from Baylor College of Medicine</i>		101838751		7,340	7,340
<i>Pass-Through from Baylor College of Medicine</i>		101838751, 5600957497		8,254	8,254
<i>Pass-Through from Baylor College of Medicine</i>		5600922761		25,275	25,275
<i>Pass-Through from Baylor College of Medicine</i>		5R03DE021739-02		129,457	129,457
<i>Pass-Through from Dartmouth Medical School</i>		1 R01 DE022772 01		111,172	111,172

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Harvard School of Dental Medicine</i>		1R01DE023061-01A1		63,789	63,789
<i>Pass-Through from Meharry Medical College</i>		110630HX142		20,908	20,908
<i>Pass-Through from Methodist Hospital Research Institute</i>		29070010-0004		74,513	74,513
<i>Pass-Through from New York University</i>		F7454-02		18,566	18,566
<i>Pass-Through from President and Fellows of Harvard College</i>		5R01DE021051-05		183,521	183,521
<i>Pass-Through from Primus Consulting</i>		10/26/2012 (2R44DE02-0204-02)		112,156	112,156
<i>Pass-Through from Rann Research Corp</i>		1R43DE021936-01A1		18	18
<i>Pass-Through from Research Foundation of Stony Brook</i>		58291-2-1096644 / 1104160		1,762	1,762
<i>Pass-Through from Research Foundation of Suny</i>		1073219-150810		(85,928)	(85,928)
<i>Pass-Through from Rice University</i>		R22091		685	685
<i>Pass-Through from Texas A&amp;M Health Science Center Research Foundation</i>		SPN00012		7,792	7,792
<i>Pass-Through from Tufts University</i>		3R01DE021464-02S1		(17)	(17)
<i>Pass-Through from University of Alabama - Birmingham</i>		000412838-005/1U19DE		658,301	658,301
<i>Pass-Through from University of California - Davis</i>		5R01DE015038-07		54,485	54,485
<i>Pass-Through from University of California - Los Angeles</i>		5 U01DE017593 07		69,637	69,637
<i>Pass-Through from University of California - San Francisco</i>		7295SC		103,991	103,991
<i>Pass-Through from University of Iowa</i>		1000555741/U OF IOWA		(2,448)	(2,448)
<i>Pass-Through from University of Massachusetts Lowell</i>		R01DE021084		319,393	319,393
<i>Pass-Through from University of Massachusetts Lowell</i>		S51110000022697		113,536	113,536
<i>Pass-Through from University of Michigan</i>		1 K23 DE020197 01		(353)	(353)
<i>Pass-Through from University of North Carolina</i>		COCHRAN: S/G DE014577		1,176	1,176
<i>Pass-Through from University of Pittsburgh</i>		5R01DE016148-08		(36,053)	(36,053)
<i>Pass-Through from University of Pittsburgh</i>		5U01DE020078-05		68,419	68,419
<i>Pass-Through from University of South Dakota</i>		USD0810/R01DE018707		3,950	3,950
<i>Pass-Through from University of South Dakota</i>		USD1105/R01DE021084		5,473	5,473
Total - CFDA 93.121			1,763,082	11,524,324	13,287,406
Emergency Medical Services for Children	93.127				
<i>Pass-Through from Baylor College of Medicine</i>		1H34MC26199-01-01		3,406	3,406
<i>Pass-Through from Baylor College of Medicine</i>		5H34MC19347-03-00		9,351	9,351
<i>Pass-Through from Medical College of Wisconsin</i>		1 H34MC26201-01-02		4,023	4,023
Total - CFDA 93.127			0	16,780	16,780
Grants to Increase Organ Donations	93.134				
<i>Pass-Through from Rutgers University</i>		R38OT26376-01-02		160,068	160,068
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		290,983	1,452,922	1,743,905
<i>Pass-Through from Emory University</i>		5U48DP001909-05		34,844	34,844
<i>Pass-Through from Emory University</i>		T165360		3,827	3,827
Total - CFDA 93.135			290,983	1,491,593	1,782,576
Injury Prevention and Control Research and State and Community Based Programs	93.136			558,074	558,074
<i>Pass-Through from University of Utah</i>		10028739-01 / 1U01CE022188-01		12,464	12,464
<i>Pass-Through from University of Utah</i>		10028739-01 / 5U01CE022188-02		314,828	314,828
Total - CFDA 93.136			0	885,366	885,366

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
NIEHS Hazardous Waste Worker Health and Safety Training	93.142		131,082	149,684	280,766
NIEHS Superfund Hazardous Substances Basic Research and Education	93.143			747	747
AIDS Education and Training Centers <i>Pass-Through from Dallas County Hospital District</i>	93.145	5940-0		10,224	10,224
Centers of Excellence	93.157			856,389	856,389
Human Genome Research <i>Pass-Through from Baylor College of Medicine</i>	93.172		35,036	639,651	674,687
		5U54HG003273-11REV / 101568329		487,924	487,924
<i>Pass-Through from Brigham and Women's Hospital</i>		1 U41 HG007497 01		170,562	170,562
<i>Pass-Through from Johns Hopkins University</i>		2001505187//5U54HG006542-03		68,144	68,144
<i>Pass-Through from Stanford University</i>		5 R01 HG005855 04		90,051	90,051
<i>Pass-Through from University of North Carolina Chapel Hill</i>		5-33581		50,385	50,385
<i>Pass-Through from University of North Carolina, Chapel Hill</i>		1U01HG007416-01		319,253	319,253
<i>Pass-Through from University of North Carolina, Chapel Hill</i>		1U01HG007416-01 / 5-33726		10,990	10,990
<i>Pass-Through from University of North Carolina, Chapel Hill</i>		3U01HG004803-04S1		26,103	26,103
<i>Pass-Through from University of North Carolina, Chapel Hill</i>		5U01HG004803-04		75,447	75,447
<i>Pass-Through from University of Southern California</i>		159433/1R01HG006015		142,416	142,416
<i>Pass-Through from University of Southern California</i>		47821890/R21HG006761		13,277	13,277
<i>Pass-Through from University of Washington</i>		748627		4,425	4,425
<i>Pass-Through from University of Washington</i>		756653		12,596	12,596
<i>Pass-Through from Vanderbilt University</i>		R01 HG006844/40635		121,430	121,430
Total - CFDA 93.172			35,036	2,232,654	2,267,690
Research Related to Deafness and Communication Disorders	93.173		338,068	5,990,386	6,328,454
<i>Pass-Through from Case Western Reserve University</i>		5 R01 DC010816-02		23,237	23,237
<i>Pass-Through from Duke University</i>		1U24DC012206		2,138	2,138
<i>Pass-Through from Duke University Medical Center</i>		4R33DC00863202		4,352	4,352
<i>Pass-Through from Johns Hopkins University</i>		2R01DC004797		(12,517)	(12,517)
<i>Pass-Through from Leland Stanford Junior University</i>		21059120-37668-A		25,197	25,197
<i>Pass-Through from McGill University</i>		5R01DC00578809		16,019	16,019
<i>Pass-Through from Medical Nanotechnologies, Inc.</i>		1R41ES018002-01		(1,198)	(1,198)
<i>Pass-Through from Mgh Institute of Health Professions</i>		300255		30,168	30,168
<i>Pass-Through from Nationwide Children's Hospital</i>		5R01DC011321-02		2,480	2,480
<i>Pass-Through from Northwestern University</i>		SP0003688/DC006243		198,877	198,877
<i>Pass-Through from Ohio University</i>		UT16312		150,227	150,227
<i>Pass-Through from Silicon Audio Labs, Inc.</i>		UTA14-000283		25,604	25,604
<i>Pass-Through from University of Oklahoma</i>		2011-45		32,077	32,077
<i>Pass-Through from University of Southern California</i>		PO 51255775		60,904	60,904
<i>Pass-Through from University of Wisconsin at Madison</i>		483K615		33,539	33,539
<i>Pass-Through from Vanderbilt University Medical Center</i>		5R01DC00840804		2,832	2,832
<i>Pass-Through from Vulintus, LLC</i>		R43DC013467		30,320	30,320
Total - CFDA 93.173			338,068	6,614,642	6,952,710
Telehealth Programs	93.211		988	26,463	27,451
Research and Training in Complementary and Alternative Medicine	93.213		269,283	2,160,972	2,430,255
<i>Pass-Through from Baylor College of Medicine</i>		5600596858		25,693	25,693
<i>Pass-Through from Baylor College of Medicine</i>		5R21AT004673-03REV NCE		(778)	(778)

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Medical College of Wisconsin</i>		5R01AT005522-04		2,499	2,499
<i>Pass-Through from Mount Sinai School of Medicine</i>		0254-3205-4609		27,127	27,127
<i>Pass-Through from Ohio State University</i>		R01AT006552	158,259	696,216	854,475
ARRA - Research and Training in Complementary and Alternative Medicine				6,227	6,227
Total - CFDA 93.213			427,542	2,917,956	3,345,498
National Research Service Awards Health Services Research Training	93.225		95,605	105,949	201,554
Research on Healthcare Costs, Quality and Outcomes	93.226		103,039	3,223,353	3,326,392
<i>Pass-Through from Agency for Healthcare Research and Pass-Through from Baylor College of Medicine</i>		1R25HS023214-01		29,381	29,381
<i>Pass-Through from Massachusetts General Hospital</i>		1R01HS022087-01		36,585	36,585
<i>Pass-Through from National Marrow Donor Program</i>		5R01HS013099-02		1,383	1,383
<i>Pass-Through from University of Chicago</i>		RFP C13-0020		121,810	121,810
<i>Pass-Through from University of Washington</i>		FP049252-C		5,740	5,740
<i>Pass-Through from Veterans Medical Research Foundation</i>		5R01HS021233-02		64,608	64,608
		08512-309442		45,871	45,871
Total - CFDA 93.226			103,039	3,528,731	3,631,770
National Center on Sleep Disorders Research	93.233			443,542	443,542
Affordable Care Act (ACA) Abstinence Education Program	93.235			193,972	193,972
Policy Research and Evaluation Grants	93.239				
<i>Pass-Through from Stanford Center on Poverty and Inequality</i>		60079362-104354-F		11,015	11,015
<i>Pass-Through from Stanford University</i>		60209608-104354-G		692	692
Total - CFDA 93.239			0	11,707	11,707
Mental Health Research Grants	93.242		2,715,059	23,441,969	26,157,028
<i>Pass-Through from Arizona State University</i>		14-401		12,054	12,054
<i>Pass-Through from Baylor College of Medicine</i>		5600698319		(1,668)	(1,668)
<i>Pass-Through from Baylor College of Medicine</i>		5R01MH053932-14		29,340	29,340
<i>Pass-Through from Beth Israel Deaconess Medical Center</i>		R01 MH078113		19,180	19,180
<i>Pass-Through from Biomedical Development Corporation</i>		STTR/R41MH091997		36,972	36,972
<i>Pass-Through from Brandeis University</i>		1R01MH086518		24,662	24,662
<i>Pass-Through from Brandeis University</i>		5R01MH086518-05		79,931	79,931
<i>Pass-Through from Cold Spring Harbor Lab</i>		55520112		94,890	94,890
<i>Pass-Through from Columbia University</i>		5R01MH08110704		39,536	39,536
<i>Pass-Through from Duke University Medical Center</i>		R01MH081234		41,175	41,175
<i>Pass-Through from Feinstein Institute for Medical Research</i>		500414-UTHSCSA-01		(6,873)	(6,873)
<i>Pass-Through from Georgia State University</i>		7R01MH092923 02		72,203	72,203
<i>Pass-Through from Gradient Biomodeling, LLC</i>		1R43MH101892-01		85,183	85,183
<i>Pass-Through from Hartford Hospital</i>		A07077M08A00728		13,792	13,792
<i>Pass-Through from John Hopkins University</i>		P01MH070306	20,332	401,565	421,897
<i>Pass-Through from John Hopkins University</i>		R01MH087233		16,589	16,589
<i>Pass-Through from Johns Hopkins University</i>		5R01MH093665-03		171,633	171,633
<i>Pass-Through from Lifespan</i>		712-7420/MH079179-04		25,754	25,754
<i>Pass-Through from Medical University of South Carolina</i>		UTHSCSA/1R01MH083928		547	547
<i>Pass-Through from Mount Sinai School of Medicine</i>		1 P50 MH096890-01		(893)	(893)
<i>Pass-Through from Mount Sinai School of Medicine</i>		5P50MH096890-02		142,893	142,893
<i>Pass-Through from Mount Sinai School of Medicine</i>		5P50MH096890-03		64,607	64,607

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Oregon Health Sciences University</i>		1002650 TEXHOU		13,193	13,193
<i>Pass-Through from Oregon Research Institute</i>		R01 MH086582		40,494	40,494
<i>Pass-Through from Oregon Research Institute</i>		R01MH097720		134,992	134,992
<i>Pass-Through from Progenitec, Inc.</i>		SPN00012		4,790	4,790
<i>Pass-Through from Purdue University</i>		1R21MH096927-01		10,138	10,138
<i>Pass-Through from Purdue University</i>		R01MH060397		26,678	26,678
<i>Pass-Through from Research Foundation of Suny</i>		47509/1073358		286,129	286,129
<i>Pass-Through from Research Foundation of Suny</i>		47509/3R01MH080050-0		55,791	55,791
<i>Pass-Through from University of Arizona</i>		182986		25,619	25,619
<i>Pass-Through from University of California - San Francisco</i>		1R01MH102171-01		20,971	20,971
<i>Pass-Through from University of California - San Francisco</i>		5R01MH096690-02		79,020	79,020
<i>Pass-Through from University of California - San Diego</i>		10297621		925	925
<i>Pass-Through from University of California - San Francisco</i>		1R01MH102171-01		32,110	32,110
<i>Pass-Through from University of California - San Francisco</i>		7495c 1r01mh0966902		126,013	126,013
<i>Pass-Through from University of Colorado</i>		1549760 / PO 1000156255		138,955	138,955
<i>Pass-Through from University of Maryland, Baltimore</i>		7654 1 R21MH100700-1		176,539	176,539
<i>Pass-Through from University of Missouri</i>		C00040362-1		231,858	231,858
<i>Pass-Through from University of Pittsburgh</i>		0030253(123481-2)		15,706	15,706
<i>Pass-Through from University of South Florida</i>		HHSN26720080001		96,359	96,359
<i>Pass-Through from University of Southern California</i>		R01MH085548		5,037	5,037
<i>Pass-Through from Virginia Commonwealth University</i>		1R01MH101054-01		11,771	11,771
<i>Pass-Through from Virginia Commonwealth University</i>		PT108765-SC104624		36,148	36,148
<i>Pass-Through from Virginia Polytechnic Institute and State University</i>		7 R01 MH087692-03		14,416	14,416
<i>Pass-Through from Virtually Better, Inc.</i>		106757		83,923	83,923
<i>Pass-Through from Wake Forest University Health Sciences</i>		1R01MH092932		28,829	28,829
<i>Pass-Through from Washington University</i>		4R33MH081281-04		21,840	21,840
<i>Pass-Through from Yale University</i>		A07472/MH078143		1,693	1,693
<i>Pass-Through from Yale University</i>		A07474 (MO9A10255)		59,017	59,017
<i>Pass-Through from Yale University</i>		M13A11613 (A09173)		541,535	541,535
Total - CFDA 93.242			2,735,391	27,125,530	29,860,921
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		137,658	364,896	502,554
<i>Pass-Through from Bcfs Health and Human Services</i>		22603		(727)	(727)
<i>Pass-Through from Bcfs Health and Human Services</i>		22603, 3		8,840	8,840
<i>Pass-Through from Coalition for the Homeless</i>		UD1TI023517		(455)	(455)
<i>Pass-Through from University of Georgia</i>		5R01MH08548505		36,583	36,583
Total - CFDA 93.243			137,658	409,137	546,795
Infant Adoption Awareness Training	93.254				
<i>Pass-Through from Adoption Exchange Association</i>		UTA12-001025		58,297	58,297
Occupational Safety and Health Program	93.262		585,046	1,175,794	1,760,840
<i>Pass-Through from Colorado State University</i>		5U54OH008085-10		115,952	115,952
<i>Pass-Through from University of Iowa</i>		1001103092		2,145	2,145
<i>Pass-Through from University of Iowa</i>		1001259927		9,429	9,429
Total - CFDA 93.262			585,046	1,303,320	1,888,366
Alcohol Research Programs	93.273		891,432	8,943,711	9,835,143
<i>Pass-Through from Alcohol Research Group</i>		1015639		85,372	85,372
<i>Pass-Through from Alcohol Research Group</i>		1015639 5		3,133	3,133
<i>Pass-Through from Arizona State University</i>		14-370		24,106	24,106
<i>Pass-Through from Cleveland Clinic Foundation</i>		1-U01AA021893-01		1,025	1,025

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Cleveland Clinic Foundation</i>		5U01AA021893-02		264,405	264,405
<i>Pass-Through from Emory University</i>		T087105		9,141	9,141
<i>Pass-Through from Medication Discovery Texas, Inc.</i>		R24AA022049		58,892	58,892
<i>Pass-Through from Phase 5, Inc.</i>		2R42AA016990-02		66,467	66,467
<i>Pass-Through from Portland State University</i>		R01AA020063		27,071	27,071
<i>Pass-Through from Public Health Institute</i>		R01AA018119		506,602	506,602
<i>Pass-Through from Regents of the University of California - UCLA</i>		0350 G RA814		3,483	3,483
<i>Pass-Through from San Diego State University Research Foundation</i>		53253K P1660 7806 211		95,893	95,893
<i>Pass-Through from San Diego State University Research Foundation</i>		53253L P1660 7806 211. 4		20,704	20,704
<i>Pass-Through from Stanford University</i>		6038314-52262-A		42,316	42,316
<i>Pass-Through from University of California - San Diego</i>		41299381		93,307	93,307
<i>Pass-Through from University of California - San Diego</i>		41299381-001		12,670	12,670
<i>Pass-Through from University of California - San Francisco</i>		8051sc		86,603	86,603
<i>Pass-Through from University of California - San Francisco</i>		8051SC (NIH GRANT: P50 AA017072)		19,462	19,462
<i>Pass-Through from University of Oklahoma Health Science Center</i>		RS20131943- 02/R01AA0		64,236	64,236
<i>Pass-Through from University of Oklahoma Health Science Center</i>		UTHSCSA/1R01AA01 9691		34,698	34,698
<i>Pass-Through from University of Virginia</i>		GC12038 138184		217,236	217,236
<i>Pass-Through from University of Washington</i>		674621		15,626	15,626
<i>Pass-Through from University of Washington</i>		748387		18,177	18,177
Total - CFDA 93.273			891,432	10,714,336	11,605,768
<b>Drug Abuse and Addiction Research Programs</b>	93.279		1,514,697	20,657,870	22,172,567
<i>Pass-Through from Columbia University in the City of New York</i>		5R01DA02746005		196,646	196,646
<i>Pass-Through from Louisiana State University</i>		60962		24,470	24,470
<i>Pass-Through from Louisiana State University</i>		73734		49,823	49,823
<i>Pass-Through from Massachusetts General Hospital - East</i>		218378		21,656	21,656
<i>Pass-Through from Mclean Hospital</i>		5R01DA032708-02		9,862	9,862
<i>Pass-Through from Medical College of Wisconsin</i>		5R01DA020350-09		1,421	1,421
<i>Pass-Through from Michigan State University</i>		RC100146UTEF		2,628	2,628
<i>Pass-Through from Miriam Hospital</i>		R01DA030778		72,455	72,455
<i>Pass-Through from Mount Sinai School of Medicine</i>		2 P01 DA008227-		187,798	187,798
<i>Pass-Through from Mount Sinai School of Medicine</i>		3 P01DA008227-21S1		147,870	147,870
<i>Pass-Through from National Development and Research Institutes, Inc.</i>		635AS		15,937	15,937
<i>Pass-Through from National Development and Research Institutes, Inc.</i>		PO 000452		18,791	18,791
<i>Pass-Through from Pro - Change Behavior Systems, Inc.</i>		1 / 2R44DA024900-02		(675)	(675)
<i>Pass-Through from Radiant Creative Group, LLC</i>		1R41DA035012-01		48,352	48,352
<i>Pass-Through from Southern Methodist University</i>		G000986-7520		360	360
<i>Pass-Through from Southern Methodist University</i>		G000986-7525		234,809	234,809
<i>Pass-Through from Stanford University</i>		60043335-51013-B/R01		23,209	23,209
<i>Pass-Through from Temple University</i>		5 R01 DA025566-03		68,389	68,389
<i>Pass-Through from University of California - San Diego</i>		5R01DA026452		14,113	14,113
<i>Pass-Through from University of California - Los Angeles</i>		1940GRA118		21,865	21,865
<i>Pass-Through from University of Georgia</i>		RR3 76-025/4940496		10,712	10,712
<i>Pass-Through from University of Georgia</i>		RR376-021/4940496		(551)	(551)
<i>Pass-Through from University of Minnesota</i>		N001676201		45,961	45,961
<i>Pass-Through from University of Pennsylvania</i>		562251(7R01DA029840)		55,022	55,022
<i>Pass-Through from University of Pennsylvania</i>		563980		24,818	24,818
<i>Pass-Through from University of Texas Southwest Center - Dallas</i>		SPN00012		6,675	6,675
<i>Pass-Through from Virginia Polytechnic Institute and State University</i>		5 R01 DA011723 12		(15,041)	(15,041)

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Virginia Polytechnic Institute and State University</i>		5 R33 DA026086 05		7	7
<i>Pass-Through from West Virginia University Research Corp</i>		12-547-7R01DA022370		245,509	245,509
<i>Pass-Through from Yale University</i>		M14A11781 (A07247)		12,304	12,304
Total - CFDA 93.279			1,514,697	22,203,065	23,717,762
Mental Health Research Career/Scientist Development Awards <i>Pass-Through from John Hopkins University</i>	93.281	R01MH085554		11,831	11,831
Mental Health National Research Service Awards for Research Training	93.282			277,237	277,237
The Affordable Care Act: Centers for Disease Control and Prevention Investigations and Technical Assistance <i>Pass-Through from Association of Maternal and Child Health Programs</i>	93.283	2013-05-0510-01	11,340	782,920	794,260
<i>Pass-Through from Association of Schools of Public Health</i>		H056-03/03		146	146
<i>Pass-Through from City of Houston Health and Human Services</i>		REG 65-10		4,099	4,099
<i>Pass-Through from Mass Department of Public Health</i>		UTA10-001134		(10,095)	(10,095)
<i>Pass-Through from Positive Motion, LLC</i>		R44DP003339		243,922	243,922
<i>Pass-Through from Stanford University</i>		27159540-50754-A, 2		612	612
Total - CFDA 93.283			11,340	1,025,604	1,036,944
Discovery and Applied Research for Technological Innovations to Improve Human Health <i>Pass-Through from Baylor College of Medicine</i>	93.286	101482562	829,415	8,314,010	9,143,425
<i>Pass-Through from Beth Israel Deaconess Medical Center</i>		5R01EB004582-03		78	78
<i>Pass-Through from Boston University</i>		4500001329		115,698	115,698
<i>Pass-Through from Kitware, Inc.</i>		K000688-00-S05		46,001	46,001
<i>Pass-Through from Rice University</i>		R21EB015022-01		33,525	33,525
<i>Pass-Through from Rice University</i>		R21EB017384		3,118	3,118
<i>Pass-Through from Rice University</i>		R22363		37,306	37,306
<i>Pass-Through from The Pennsylvania State University</i>		SPN00012		6,869	6,869
<i>Pass-Through from University of Cincinnati</i>		5U54EB00795406		92,968	92,968
Total - CFDA 93.286			829,415	8,650,844	9,480,259
Teenage Pregnancy Prevention Program	93.297		1,124,551	1,663,380	2,787,931
Minority Health and Health Disparities Research <i>Pass-Through from Loma Linda University</i>	93.307	2110075-UTEP	268,251	9,398,622	9,666,873
<i>Pass-Through from University of Alabama - Birmingham</i>		000505098-003		1,634	1,634
<i>Pass-Through from University of Minnesota</i>		1 U24 MD006970 02		28,947	28,947
Total - CFDA 93.307			268,251	9,477,535	9,745,786
Trans-NIH Research Support <i>Pass-Through from Baylor College of Medicine</i>	93.310	101837292	127,072	6,562,349	6,689,421
<i>Pass-Through from Baylor College of Medicine</i>		1UH2TR000961-01		43,680	43,680
<i>Pass-Through from Baylor College of Medicine</i>		5R01GM090310-05		4,138	4,138
<i>Pass-Through from Indiana University - Purdue University</i>		IN4686679UNT		111,017	111,017
<i>Pass-Through from Profusa, Inc.</i>		10102012		(177)	(177)
<i>Pass-Through from University of Minnesota</i>		N000374801/P20MD0087		358,451	358,451
<i>Pass-Through from Weill Cornell Medical College</i>		13121665		22,414	22,414
Total - CFDA 93.310			127,072	7,255,699	7,382,771

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
General Clinical Research Centers <i>Pass-Through from Vanderbilt University</i>	93.333	SUBK-20137-S1		18,223	18,223
National Center for Advancing Translational Sciences <i>Pass-Through from 360Fresh Inc.</i>	93.350	9R44TR000363-02	48,900 102,290	16,898,257	16,947,157 102,290
Total - CFDA 93.350			151,190	16,898,257	17,049,447
Research Infrastructure Programs <i>Pass-Through from Texas Biomedical Research Institute</i>	93.351	14-02500.055	7,847	6,241,626	6,249,473
<i>Pass-Through from Texas Biomedical Research Institute</i>		14-03500.170		4,640	4,640
<i>Pass-Through from Texas Biomedical Research Institute</i>		14-03500.172		2,261	2,261
<i>Pass-Through from University of Oregon</i>		8000001721		2,741	2,741
<i>Pass-Through from University of Southern California</i>		32190371		142,548	142,548
<i>Pass-Through from University of Southern California</i>		51983171		849	849
Total - CFDA 93.351			7,847	6,403,397	6,411,244
Nurse Education, Practice Quality and Retention Grants	93.359			(2,377)	(2,377)
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360		7,184,176	25,134,635	32,318,811
Nursing Research <i>Pass-Through from Baylor College of Medicine</i>	93.361	1R01NR01479201	592,915	2,598,148	3,191,063
<i>Pass-Through from Dana - Farber Cancer Institute, Inc.</i>		2R01NR009692-06		27,219	27,219
<i>Pass-Through from Florida International University</i>		1R01NR013378		45,866	45,866
<i>Pass-Through from Kent State University</i>		443169-UNT		14,490	14,490
<i>Pass-Through from University of Arkansas Medical Sciences</i>		R01NR010235-06		72,766	72,766
<i>Pass-Through from University of Pittsburgh</i>		5R01NR013170-02		29,777	29,777
Total - CFDA 93.361			592,915	2,861,955	3,454,870
National Center for Research Resources <i>Pass-Through from Texas Biomedical Research Institute</i>	93.389	G007RN0A-UTSA-WH	1,144,978	5,406,540	6,551,518
<i>Pass-Through from Texas Biomedical Research Institute</i>		SFBR/NIH-09-2504.004		26,408	26,408
<i>Pass-Through from Texas Biomedical Research Institute</i>		TARDIF - SFBR/NIH		3,469	3,469
Total - CFDA 93.389			1,144,978	5,436,370	6,581,348
Academic Research Enhancement Award	93.390			115,821	115,821
Cancer Cause and Prevention Research <i>Pass-Through from Baylor College of Medicine</i>	93.393	1 R01 CA172511 02	1,041,205	21,492,482	22,533,687
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 CA138836 03		139,090	139,090
<i>Pass-Through from Baylor College of Medicine</i>		7R01CA139020-04		(1,531)	(1,531)
<i>Pass-Through from Beckman Research Institute</i>		5 R01 CA140245 04		21,686	21,686
<i>Pass-Through from City of Hope National Med Center Beckman Research I</i>		22109.914987.6697PO B005639		6,623	6,623
<i>Pass-Through from Dana-Farber Cancer Institute</i>		5 R01 CA174206-02		6,857	6,857
<i>Pass-Through from Dartmouth Medical School</i>		5 R01 CA174206-02		62,663	62,663
<i>Pass-Through from Digital Science Tech</i>		5 U19 CA148127 04		50,113	50,113
<i>Pass-Through from Digital Science Tech</i>		5 R42 CA123932 04		(300)	(300)
<i>Pass-Through from Emory University</i>		5 R42 CA139822 04		384,058	384,058
<i>Pass-Through from Emory University</i>		2U10EY013272-11A1		7,231	7,231
<i>Pass-Through from Emory University</i>		5U01CA154282-04 / T253673		228,538	228,538
<i>Pass-Through from Emory University</i>		U01CA154282-02REV		31,156	31,156
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		0000787064		115,431	115,431
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		(5U01CA162077-03)			
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		1 R01 CA172415 01		22,122	22,122

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		2 R01 CA54498-21A		3	3
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		788261/R01CA183570		10,737	10,737
<i>Pass-Through from Georgetown University</i>		5 R01 CA137625 05		96,176	96,176
<i>Pass-Through from Georgetown University Medical Center</i>		5 U01 CA152958 04		210,630	210,630
<i>Pass-Through from Group Health Research Institute</i>		5R01CA121125-07		42,362	42,362
<i>Pass-Through from Indiana University</i>		R01CA136940-05		45,126	45,126
<i>Pass-Through from Johns Hopkins University</i>		5 R01 CA154823 03		(8,388)	(8,388)
<i>Pass-Through from Johns Hopkins University</i>		5P01CA134292-05		332,312	332,312
<i>Pass-Through from Johns Hopkins University School of Medicine</i>		1R01CA172380-01		12,409	12,409
<i>Pass-Through from Johns Hopkins University School of Medicine</i>		5R01CA172380-02		7,106	7,106
<i>Pass-Through from Kaiser Foundation Research Institute</i>		1 R01 CA140377 03		12,050	12,050
<i>Pass-Through from Kaiser Foundation Research Institute</i>		1U24CA171524		50,868	50,868
<i>Pass-Through from Korea Cancer Center Hospital</i>		KIRAMS 50906-2013		8,642	8,642
<i>Pass-Through from Massachusetts General Hospital</i>		1 C06 CA059267 01		98,337	98,337
<i>Pass-Through from Mayo Clinic Arizona</i>		63226619		184,809	184,809
<i>Pass-Through from Mayo Clinic Rochester</i>		1 R01 CA154537 02		97,547	97,547
<i>Pass-Through from Mayo Clinic Rochester</i>		2 U01 CA118444 08		22,128	22,128
<i>Pass-Through from Medical College of Wisconsin</i>		5 R01 CA134682 06		126	126
<i>Pass-Through from Medical College of Wisconsin</i>		5R01CA134682-06		41,666	41,666
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		1 R01 CA151899 03		135,642	135,642
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		5 R01 CA129639 08		99,904	99,904
<i>Pass-Through from Northshore University Health System</i>		EH12-358-S1		(24,282)	(24,282)
<i>Pass-Through from Radiant Creative Group, LLC</i>		5 R42 CA126453 04		86,261	86,261
<i>Pass-Through from Sloan - Kettering Institute for Cancer Re</i>		1R01CA179115/NIH		724	724
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5 R01 CA157838-03		19,059	19,059
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5 U01 GM092666 05		89,679	89,679
<i>Pass-Through from University North Carolina at Chapel Hill</i>		2 R01 CA098286 12		85,855	85,855
<i>Pass-Through from University North Carolina at Chapel Hill</i>		5 R01 CA098286 09		11,368	11,368
<i>Pass-Through from University of Arizona</i>		1 R01 CA151708 01 A		(927)	(927)
<i>Pass-Through from University of California - Berkeley</i>		5P01CA09258413		70,104	70,104
<i>Pass-Through from University of California Berkeley Lab</i>		2P01CA09258411		621	621
<i>Pass-Through from University of Iowa</i>		5 R01 CA140933 05		48,380	48,380
<i>Pass-Through from University of Louisville Res Foundation</i>		5 R01 CA138688 03		(6,577)	(6,577)
<i>Pass-Through from University of Miami</i>		66971E/R01CA155388		20,476	20,476
<i>Pass-Through from University of Michigan</i>		1 R01 CA152192 02		59,393	59,393
<i>Pass-Through from University of Minnesota</i>		P002323002 (CREDIT PENDING)		45,698	45,698
<i>Pass-Through from University of Minnesota</i>		P002323002, 1		46,416	46,416
<i>Pass-Through from University of Minnesota</i>		R01CA151284		11,147	11,147
<i>Pass-Through from University of Minnesota</i>		R01CA157458		37,880	37,880
<i>Pass-Through from University of Pennsylvania</i>		1 U01 CA164947 01		8,987	8,987
<i>Pass-Through from University of Rochester</i>		1 R01 CA152093 01 A		40,323	40,323
<i>Pass-Through from University of Southern California</i>		1R01CA157577-01A1		7,610	7,610
<i>Pass-Through from University of Southern California</i>		5 R01 CA134786 03		151	151
<i>Pass-Through from University of Southern California</i>		H50670		1	1
<i>Pass-Through from University of Texas at Dallas</i>		1R03CA173834-01		8,879	8,879
<i>Pass-Through from University of Utah</i>		1 R01CA164138		47,901	47,901
<i>Pass-Through from University of Utah</i>		1R21CA179453-01		31,142	31,142
<i>Pass-Through from University of Washington</i>		5R01CA168598-02		15,254	15,254
ARRA - Cancer Cause and Prevention Research				(4,305)	(4,305)
Total - CFDA 93.393			1,041,205	24,823,629	25,864,834
Cancer Detection and Diagnosis Research	93.394		6,997,061	13,241,064	20,238,125
<i>Pass-Through from American College of Radiology</i>		5 U01 CA080098 15		8,826	8,826
<i>Pass-Through from American College of Radiology Imaging</i>		4490/5U01CA080098-10		2,150	2,150

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Baylor College of Medicine</i>		1R01CA166749-01A1		95,418	95,418
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 CA163103-03		30,571	30,571
<i>Pass-Through from Baylor College of Medicine</i>		R01CA164024 2		55,273	55,273
<i>Pass-Through from Brigham and Women's Hospital</i>		5 U24 CA144025 03		120,478	120,478
<i>Pass-Through from Brookdale University Hospital</i>		P01CA082710		14,887	14,887
<i>Pass-Through from Cdg Therapeutics, Inc.</i>		1RA43CA159771-01		(266)	(266)
<i>Pass-Through from Cvus Clinical Trials, LLC</i>		5R01CA138536-02		52,070	52,070
<i>Pass-Through from Drexel University</i>		2P01CA082710-10		(1,436)	(1,436)
<i>Pass-Through from Fairway Medical Technologies</i>		5R44CA096153-03		4,065	4,065
<i>Pass-Through from Fairway Medical Technologies</i>		R43CA96153		3,000	3,000
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		0000788340/UM1CA1828		22,501	22,501
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		5 U24 CA086368 14		121,671	121,671
<i>Pass-Through from Ge Global Research Center</i>		1r01CA154433		156,615	156,615
<i>Pass-Through from Institute for Systems Biology</i>		5 U24 CA143835 05		319,310	319,310
<i>Pass-Through from Massachusetts General Hospital</i>		1 R01CA169200 02		179,814	179,814
<i>Pass-Through from Methodist Hospital Research Institute</i>		7 R33 CA122864 05		1,184	1,184
<i>Pass-Through from Methodist Hospital Research Institute</i>		R01 CA180083 01		196,526	196,526
<i>Pass-Through from Mount Sinai Medical Center</i>		1 R21 CA156704 02		(3,991)	(3,991)
<i>Pass-Through from Nanohybrids, LLC</i>		UTA13-000082		20,122	20,122
<i>Pass-Through from Nanospectra Biosciences, Inc.</i>		5 R01 CA151372 03		90,266	90,266
<i>Pass-Through from Rice University</i>		1R01CA185207-01		23,209	23,209
<i>Pass-Through from Rice University</i>		5 U01 CA151886 03		85,709	85,709
<i>Pass-Through from Rice University</i>		5R01 CA103830 08		190,352	190,352
<i>Pass-Through from Rice University</i>		R22083		(62)	(62)
<i>Pass-Through from Roswell Park Cancer Institute</i>		1R21CA162218-02		7,900	7,900
<i>Pass-Through from Seattle Children's Hospital</i>		10969SUB		14,259	14,259
<i>Pass-Through from Stanford University</i>		5 R01 CA152923 03		200,363	200,363
<i>Pass-Through from The Broad Institute</i>		5U24CA143845-05		208,359	208,359
<i>Pass-Through from TomoWave Laboratories, Inc.</i>		R01 CA167446		44,526	44,526
<i>Pass-Through from TomoWave Laboratories, Inc.</i>		R44CA110137		103,159	103,159
<i>Pass-Through from University of Alabama - Birmingham</i>		1 R21 CA161633 01A1		44,084	44,084
<i>Pass-Through from University of California - San Francisco</i>		5 U24 CA114734 05		11,237	11,237
<i>Pass-Through from University of California - San Francisco</i>		5U24CA126477		286	286
<i>Pass-Through from University of Michigan</i>		2 U01 CA086400 14		129,418	129,418
<i>Pass-Through from University of Michigan</i>		5 U01 CA086400 14		86,797	86,797
<i>Pass-Through from University of Michigan</i>		P01CA08587801A1		97,151	97,151
<i>Pass-Through from University of Michigan</i>		R01CA160254		27,778	27,778
<i>Pass-Through from University of Nebraska</i>		5 U01 CA111294 10		52,753	52,753
<i>Pass-Through from University of Pittsburgh</i>		5 R01 CA108990 08		11,679	11,679
<i>Pass-Through from University of Washington</i>		1 R01 CA180949 01		4,166	4,166
<i>Pass-Through from Van Andel Research Institute</i>		5 U01 CA152653 04		29,764	29,764
<i>Pass-Through from Yale University</i>		1 R01 CA155196 01-A1		241,739	241,739
ARRA - Cancer Detection and Diagnosis Research				(3,564)	(3,564)
Total - CFDA 93.394			6,997,061	16,341,180	23,338,241
Cancer Treatment Research	93.395		3,115,912	27,221,996	30,337,908
<i>Pass-Through from Alliance for Clinical Trials in Oncology</i>		7U10CA076001		589	589
<i>Pass-Through from American College of Radiology</i>		5 U01 CA080098 06		(99)	(99)
<i>Pass-Through from American College of Radiology</i>		5 U10 CA021661 27		27,340	27,340
<i>Pass-Through from American College of Radiology</i>		5 U10 CA021661 37		7,196	7,196
<i>Pass-Through from American College of Radiology</i>		5 U10CA21661 36		17,758	17,758
<i>Pass-Through from American College of Radiology</i>		U01 CA021661		23,895	23,895
<i>Pass-Through from American College of Radiology</i>		U10CA021661		4,568	4,568
<i>Pass-Through from American College of Radiology</i>		U10CA21661		30,646	30,646
<i>Pass-Through from American College of Radiology Imaging</i>		U10 CA021661		3,045	3,045
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 CA132899 02		2,386	2,386

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Baylor College of Medicine</i>		5R01CA13289903		3,981	3,981
<i>Pass-Through from Baylor University</i>		5R01CA14067404		82,017	82,017
<i>Pass-Through from Brigham and Women's Hospital</i>		1U10CA180821 01		32,667	32,667
<i>Pass-Through from Brigham and Women's Hospital</i>		5 U10 CA076001 17		3,342	3,342
<i>Pass-Through from Brigham and Women's Hospital</i>		7 U10 CA076001 16		2,631	2,631
<i>Pass-Through from Brigham and Women's Hospital</i>		7 U10 CA076001 16		7,941	7,941
<i>Pass-Through from Brigham and Women's Hospital</i>		7U10CA076001 16		7,363	7,363
<i>Pass-Through from CBS Therapeutics, Inc.</i>		1R41CA18628801		5,224	5,224
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U 10 CA098543		5,550	5,550
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U10CA098543		10,548	10,548
<i>Pass-Through from Children's Hospital of Philadelphia</i>		27450-9500020513-06C		33,330	33,330
<i>Pass-Through from Children's Hospital of Philadelphia</i>		9500010213/U10CA0985		29,729	29,729
<i>Pass-Through from Children's Hospital of Philadelphia</i>		9500010214-08C/U10CA		12,021	12,021
<i>Pass-Through from Children's Hospital of Philadelphia</i>		960358/U10CA098543		13,585	13,585
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U10CA098543		4,566	4,566
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U10CA98543		655,845	655,845
<i>Pass-Through from Christiana Care Health Services</i>		601889		64,248	64,248
<i>Pass-Through from Cincinnati Children's Hospital Medical Center</i>		5R01CA11916206		8	8
<i>Pass-Through from Cleveland Clinic Foundation</i>		5R01CA172382		11,878	11,878
<i>Pass-Through from Cornell University College of Veterinary Medicine</i>		5R01CA10637009		13,590	13,590
<i>Pass-Through from Dana-Farber Cancer Institute</i>		5R01CA10637008		57,284	57,284
<i>Pass-Through from Duke Clinical Research Institute</i>		5U10CA07600115		5,114	5,114
<i>Pass-Through from Duke University Medical Center</i>		2 U10 CA076001 15		189	189
<i>Pass-Through from Duquesne University</i>		G1100079/R01CA142868		165,126	165,126
<i>Pass-Through from Ecog - Acrin Cancer Research Group</i>		5U10CA0211505		133,902	133,902
<i>Pass-Through from Frontier Science and Technology Research Foundation</i>		5 U10 CA021115 38		7,722	7,722
<i>Pass-Through from Frontier Science and Technology Research Foundation</i>		ECOG U10CA021115		1,186	1,186
<i>Pass-Through from Gynecologic Oncology Group</i>		27469		5,235	5,235
<i>Pass-Through from Gynecologic Oncology Group</i>		5 U10 CA027469 23		183,140	183,140
<i>Pass-Through from Gynecologic Oncology Group</i>		5U10CA27469	6,340	70,271	76,611
<i>Pass-Through from Gynecologic Oncology Group</i>		CA27469-33		10,494	10,494
<i>Pass-Through from Indiana University</i>		IN-4679194-UTHSC		13,156	13,156
<i>Pass-Through from John Wayne Cancer Institute</i>		CA012582		706	706
<i>Pass-Through from Louisiana State University</i>		7 R01 CA131463-04		10,152	10,152
<i>Pass-Through from Louisiana State University Agricultural Center</i>		5 R21 CA164408-02		38,569	38,569
<i>Pass-Through from Massachusetts General Hospital</i>		222240		210,390	210,390
<i>Pass-Through from Massachusetts General Hospital</i>		5 P01 CA021239 33		1,116,308	1,116,308
<i>Pass-Through from Mayo Clinic Rochester</i>		5U10CA033601-35		33,052	33,052
<i>Pass-Through from Medical University of South Carolina</i>		MUSC13- 008/R21CA1585		6,940	6,940
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		HHSN261201000063C02		21,523	21,523
<i>Pass-Through from Mirna Therapeutics, Inc.</i>		R43CA165450		11,928	11,928
<i>Pass-Through from National Childhood Cancer Foundation</i>		2U10CA09854306		190,749	190,749
<i>Pass-Through from National Childhood Cancer Foundation</i>		5 U01 CA097452 09		(1,025)	(1,025)
<i>Pass-Through from National Childhood Cancer Foundation</i>		5 U10 CA098543 09		3,254	3,254
<i>Pass-Through from National Childhood Cancer Foundation</i>		5 U10 CA98543 09		(594)	(594)
<i>Pass-Through from National Surgical Adjuvant Breast &amp; Bowel</i>		TFED 36,37,38,39		21,276	21,276
<i>Pass-Through from Nsabp</i>		5 U10 CA012027 37		1,468	1,468
<i>Pass-Through from Nsabp</i>		5 U10 CA012027 38		5,377	5,377
<i>Pass-Through from Nsabp</i>		5U10CA012027 3		16,500	16,500
<i>Pass-Through from Oregon Health Sciences University</i>		1004031 UTEXSA		35,890	35,890
<i>Pass-Through from Oregon Health Sciences University</i>		7 U10 CA032102 35		56,764	56,764
<i>Pass-Through from Oregon Health Sciences University</i>		7 U10 CA037429 29		54,858	54,858

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Oregon Health Sciences University</i>		7 U10 CA32102 35		72,967	72,967
<i>Pass-Through from Oregon Health Sciences University</i>		7U10CA032102-35		124,036	124,036
<i>Pass-Through from Oregon Health Sciences University</i>		CA32102		11,675	11,675
<i>Pass-Through from Plax Pharma, Inc.</i>		1R41CA171408-01A1		64,379	64,379
<i>Pass-Through from Radiation Oncology Department</i>		5 U10 CA021661 02		7,058	7,058
<i>Pass-Through from Radiation Oncology Department</i>		5 U10 CA021661 34		20,042	20,042
<i>Pass-Through from Radiation Oncology Department</i>		5 U10 CA021661 36		6,822	6,822
<i>Pass-Through from Radiation Oncology Department</i>		RTOG 0933 01		15	15
<i>Pass-Through from Radiation Oncology Department</i>		RTOG0234 01		9,604	9,604
<i>Pass-Through from Radiation Oncology Department</i>		RTOG0920 01		(2,376)	(2,376)
<i>Pass-Through from Southwest Oncology Group</i>		2 U10 CA105409 08		133,702	133,702
<i>Pass-Through from Southwest Oncology Group</i>		ECOG E2108 01		2,443	2,443
<i>Pass-Through from Southwest Oncology Group</i>		U10 CA105409		2,712	2,712
<i>Pass-Through from St. Jude Children's Research Hospital</i>		111287200-756998		18,087	18,087
<i>Pass-Through from St. Jude Children's Research Hospital</i>		2 U24 CA55727 19		14,303	14,303
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5 R01 CA129384 05		5,765	5,765
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5 U24 CA055727 19		610,946	610,946
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5U24CA055727-19		8,505	8,505
<i>Pass-Through from Standard Imaging, Inc.</i>		2R44CA153824-02A1		163,578	163,578
<i>Pass-Through from Tensive Controls, Inc.</i>		2 R44 CA150703-02A1		93,991	93,991
<i>Pass-Through from The Research Institute at Nationwide Children's Hospital</i>		HHSN261201000001C		95,038	95,038
<i>Pass-Through from Tosk, Inc.</i>		R43CA189549		2,938	2,938
<i>Pass-Through from University of Arizona</i>		5 R01 CA138702 04		54,036	54,036
<i>Pass-Through from University of California - Irvine</i>		5R01CA158383-02		21,794	21,794
<i>Pass-Through from University of California - San Diego</i>		2 P01 CA081534 13		291,371	291,371
<i>Pass-Through from University of California - San Diego</i>		5P01CA081534-11		(266)	(266)
<i>Pass-Through from University of Cincinnati</i>		1R01CA168815-01A1		10,608	10,608
<i>Pass-Through from University of Cincinnati</i>		5R01CA16881502		4,290	4,290
<i>Pass-Through from University of Michigan</i>		2 U01 CA032102 34		21,912	21,912
<i>Pass-Through from University of Michigan</i>		2 U10 CA032102 34		(10,580)	(10,580)
<i>Pass-Through from University of Michigan</i>		2U10 CA03742928		(13,567)	(13,567)
<i>Pass-Through from University of Michigan</i>		2U10CA032102-34		21,673	21,673
<i>Pass-Through from University of Michigan</i>		5 U10 CA032402 34		(2,540)	(2,540)
<i>Pass-Through from University of Michigan</i>		SWOG/CTEP, CA32102		16,396	16,396
<i>Pass-Through from University of Michigan</i>		U10 CA0321034		690	690
<i>Pass-Through from University of Michigan</i>		U10CA32102-34		16,037	16,037
<i>Pass-Through from University of Oklahoma Health Science Center</i>		7 R01 CA157481 02		27,774	27,774
<i>Pass-Through from University of Pennsylvania</i>		552660		21,677	21,677
<i>Pass-Through from University of Pittsburgh</i>		0010723		20,292	20,292
<i>Pass-Through from University of Rochester</i>		1 R01 CA159013-02		95,231	95,231
<i>Pass-Through from Washington University - St. Louis</i>		3 U24 CA081647-13S2		42,728	42,728
Total - CFDA 93.395			3,122,252	32,932,074	36,054,326
Cancer Biology Research	93.396		3,923,714	27,261,672	31,185,386
<i>Pass-Through from Baylor College of Medicine</i>		5600468817		34,967	34,967
<i>Pass-Through from Baylor College of Medicine</i>		5U01CA141497-05		14,963	14,963
<i>Pass-Through from Charles Drew University of Medicine and Science</i>		U54 MD008149		9,239	9,239
<i>Pass-Through from Emory University</i>		1R01CA17478601-A1		844	844
<i>Pass-Through from Georgia Institute of Technology</i>		R01 CA163481		44,894	44,894
<i>Pass-Through from H. Lee Moffitt Cancer Center and Research</i>		5U01CA151924-03		159,815	159,815
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5R01CA13854605		108,760	108,760
<i>Pass-Through from National Cancer Institute</i>		5 R00 CA133244 05		(2)	(2)
<i>Pass-Through from Northwestern University</i>		60032272UTHSC/R01CA1		18,207	18,207

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Oregon Health Sciences University</i>		APED10507 9006561		(456)	(456)
<i>Pass-Through from Radiation Oncology Department</i>		RTOG1115		190	190
<i>Pass-Through from Radiation Oncology Department</i>		RTOG1306		23	23
<i>Pass-Through from Rice University</i>		R21 CA147912		2,401	2,401
<i>Pass-Through from The Ohio State University</i>		60039839/R21CA175875		66,429	66,429
<i>Pass-Through from Thomas Jefferson University</i>		5R01CA137494-04		300,233	300,233
<i>Pass-Through from University of California - San Francisco</i>		7915SC		8,138	8,138
<i>Pass-Through from University of Minnesota</i>		R01 CA154998 01A1		7,034	7,034
<i>Pass-Through from University of Pennsylvania</i>		2 R01 CA089202 12		22,528	22,528
<i>Pass-Through from University of Pennsylvania</i>		5 R01 CA089442 05		(2,445)	(2,445)
<i>Pass-Through from University of Washington</i>		5 U01 CA141539 05		305,973	305,973
<i>Pass-Through from Yale University</i>		5 R01 CA126801 06		2,504	2,504
Total - CFDA 93.396			3,923,714	28,365,911	32,289,625
Cancer Centers Support Grants	93.397		6,031,809	30,169,221	36,201,030
<i>Pass-Through from Case Western Reserve University</i>		5P50CA150964-02		125	125
<i>Pass-Through from Case Western Reserve University</i>		5P50CA150964-03		91,344	91,344
<i>Pass-Through from Dana-Farber Cancer Institute</i>		5U54CA15673203		3,958	3,958
<i>Pass-Through from Johns Hopkins University</i>		2002023052		81,200	81,200
<i>Pass-Through from Lawrence Berkeley National Laboratory</i>		5 U54 CA112970 07		2	2
<i>Pass-Through from Methodist Hospital Research Institute</i>		5 U54 CA143837 05		(353)	(353)
<i>Pass-Through from Methodist Hospital Research Institute</i>		7 U54 CA143837 05		124,102	124,102
<i>Pass-Through from Methodist Hospital Research Institute</i>		U54 CA143837 06		9,437	9,437
<i>Pass-Through from Methodist Hospital Research Institute</i>		U54CA143837		1,219	1,219
<i>Pass-Through from Methodist Hospital Research Institute</i>		U54CA149196		16,671	16,671
<i>Pass-Through from Ohio State University</i>		1 P50 CA168505 01		14,816	14,816
<i>Pass-Through from Ohio State University</i>		1 P50 CA168505 01		358,946	358,946
<i>Pass-Through from Oregon Health Sciences University</i>		7 U54 CA112970-08		349,278	349,278
<i>Pass-Through from Sarcoma Alliance for Research Through Collaboration</i>		1 U54 CA168512-01		44,311	44,311
<i>Pass-Through from Sarcoma Alliance for Research Through Collaboration</i>		5U54CA168512-02		67,193	67,193
<i>Pass-Through from University of Arizona</i>		5 P50 CA095060 09		(7,755)	(7,755)
<i>Pass-Through from University of Nebraska</i>		5p50ca12729705		60	60
<i>Pass-Through from University of New Mexico</i>		3RF82		35,790	35,790
<i>Pass-Through from University of North Carolina, Chapel Hill</i>		3U54CA153602-04S1		89,045	89,045
<i>Pass-Through from Washington University - St. Louis</i>		WU-12- 227/5P50CA1342		(1,320)	(1,320)
Total - CFDA 93.397			6,031,809	31,447,290	37,479,099
Cancer Research Manpower	93.398			7,366,827	7,366,827
<i>Pass-Through from Baylor College of Medicine</i>		1 R25 CA160078 04		56,974	56,974
<i>Pass-Through from Baylor College of Medicine</i>		K23 CA158148-01		2,884	2,884
<i>Pass-Through from University of Puerto Rico</i>		1 K22 CA166226 01A1		4,740	4,740
<i>Pass-Through from University of Puerto Rico</i>		1K22CA166226-01A1		12,654	12,654
Total - CFDA 93.398			0	7,444,079	7,444,079
Cancer Control	93.399		632,695	1,535,975	2,168,670
<i>Pass-Through from Black Hills Center for Indian Health</i>		1 P50 CA148110 03		(11,162)	(11,162)
<i>Pass-Through from Eastern Cooperative Oncology Group</i>		5 MDA520SH05 00		(175)	(175)
<i>Pass-Through from Frontier Science and Technology Research Foundation</i>		SYMC27MF-01		23,647	23,647
<i>Pass-Through from Mayo Clinic Rochester</i>		1 U10 CA149950 03		38,848	38,848
<i>Pass-Through from Mayo Clinic Rochester</i>		5 U10 CA149950 03		27,044	27,044

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Mayo Clinic Rochester</i>		5U10CA149950-03		5,601	5,601
<i>Pass-Through from National Surgical Adjuvant Breast &amp; Bowel</i>		PFED25UTS01		5,966	5,966
<i>Pass-Through from Nsabp</i>		1 U10 CA037377 01		2,799	2,799
<i>Pass-Through from Nsabp</i>		2 U10 CA037377 22		83	83
<i>Pass-Through from Nsabp</i>		5 U10 CA037377 22		45,046	45,046
<i>Pass-Through from Nsabp</i>		5 U10 CA037377 27		3	3
<i>Pass-Through from Nsabp</i>		5 U10 CA037377		24,020	24,020
<i>Pass-Through from Oregon Health Sciences University</i>		1 U10CA180888		16,702	16,702
<i>Pass-Through from University of Wisconsin - Madison</i>		5 P50 CA095817 10		(7,841)	(7,841)
<i>Pass-Through from Washington University - St. Louis</i>		WU-13-155		(72)	(72)
<i>Pass-Through from Washington University - St. Louis</i>		P50 CA094056-13		47,071	47,071
Total - CFDA 93.399			632,695	1,753,555	2,386,250
Ruminant Feed Ban Support Project	93.449			213,953	213,953
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505			110,801	110,801
Affordable Care Act (ACA) Public Health Training Centers Program	93.516			50,902	50,902
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds <i>Pass-Through from City of Austin</i>	93.531		289,269	342,806	632,075
<i>Pass-Through from City of Houston Health and Human Services</i>		CTG-ILA- UNI/N130000005 PO 4500160060-1		78,474	78,474
Total - CFDA 93.531			289,269	429,172	718,441
Affordable Care Act (ACA) Childhood Obesity Research Demonstration	93.535		778,537	2,101,924	2,880,461
Health Promotion and Disease Prevention Research Centers: PPHF - Affordable Care Act Projects	93.542		5,628	390,365	395,993
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544			5,757	5,757
Temporary Assistance for Needy Families	93.558			27,545	27,545
Head Start	93.600				
<i>Pass-Through from Brazos Valley Community Action Agency</i>		M0800188-426053		21,137	21,137
<i>Pass-Through from Brazos Valley Community Action Agency</i>		M1301667-466661		17,951	17,951
<i>Pass-Through from Brazos Valley Community Action Agency</i>		M1301965-467011		42,851	42,851
<i>Pass-Through from Brazos Valley Community Action Agency</i>		M1401775-440221		3,838	3,838
<i>Pass-Through from Brazos Valley Community Action Agency</i>		M1402479-440881		1,252	1,252
<i>Pass-Through from City of San Antonio</i>		4600013539		24,646	24,646
Total - CFDA 93.600			0	111,675	111,675
Health Care Innovation Awards (HCIA) <i>Pass-Through from Center for Health Care Services</i>	93.610			1,276,452	1,276,452
Total - CFDA 93.610		UTA12-000922		118,625	118,625
Total - CFDA 93.610			0	1,395,077	1,395,077
Developmental Disabilities Basic Support and Advocacy	93.630		76,167	602,033	678,200

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632			518,496	518,496
Children's Justice Grants to States	93.643				
<i>Pass-Through from Texas Center for the Judiciary</i>		CJA-14-09	18,225	83,186	101,411
<i>Pass-Through from Texas Center for the Judiciary</i>		CJA-14- 10/G1301TXCJA		7,455	7,455
Total - CFDA 93.643			18,225	90,641	108,866
Social Services Research and Demonstration	93.647				
<i>Pass-Through from Northwestern University</i>		SP0020207- PROJ0005748		(13)	(13)
<i>Pass-Through from Northwestern University</i>		SP0024623- PROJ0006756		50,043	50,043
Total - CFDA 93.647			0	50,030	50,030
Adoption Opportunities	93.652				
<i>Pass-Through from Adoption Exchange Association</i>		UTA13-000317	46,274	353,192	399,466
Total - CFDA 93.652			46,274	5,433	5,433
Total - CFDA 93.652			46,274	358,625	404,899
Trans-NIH Recovery Act Research Support	93.701			63,033	63,033
<i>Pass-Through from John Wayne Cancer Institute</i>		5 P01 CA029605 29		76	76
<i>Pass-Through from Massachusetts General Hospital</i>		RC4 CA156551		(1,567)	(1,567)
<i>Pass-Through from Methodist Hospital Research Institute</i>		5 RC2 GM092599 03		6	6
<i>Pass-Through from University of Chicago</i>		1 RC1 CA145799 01		(1,541)	(1,541)
<i>Pass-Through from University of Georgia</i>		7U01AI08210303		(11)	(11)
<i>Pass-Through from University of Minnesota</i>		5 RC2 MD004797 02		1,101	1,101
ARRA - Trans-NIH Recovery Act Research Support				405,958	405,958
<i>Pass-Through from Advanced Targeting Systems</i>		RC3CA150822		207,084	207,084
<i>Pass-Through from Duke Clinical Research Institute</i>		5RC2AR05893402		3,595	3,595
<i>Pass-Through from Emmes Corporation</i>		1 U01 NS026835-01A1		3,109	3,109
<i>Pass-Through from Massachusetts General Hospital</i>		1RC4DK09095601		7,678	7,678
<i>Pass-Through from National Childhood Cancer Foundation</i>		5U54A108297302		2,027	2,027
<i>Pass-Through from University of Alabama - Birmingham</i>		ARRA-000348386- 002/R		707	707
<i>Pass-Through from University of California - San Diego</i>		1RC2AG03653501		300	300
<i>Pass-Through from University of Chicago</i>		ARRA RC2DEC077901		150	150
<i>Pass-Through from University of Colorado Denver Cancer Center</i>		5RC2CA14839402		106	106
<i>Pass-Through from University of Michigan</i>		7R01GM086596		10,303	10,303
<i>Pass-Through from University of Pennsylvania</i>		5R01EY01947302		33,766	33,766
<i>Pass-Through from Washington University - St. Louis</i>		3U01NS04280406S1		580	580
Total - CFDA 93.701			0	736,460	736,460
Recovery Act - Comparative Effectiveness Research - AHRQ	93.715				
<i>Pass-Through from Vanderbilt University Medical Center</i>		5 R01 HS019356 02		2,245	2,245
ARRA - Recovery Act - Comparative Effectiveness Research - AHRQ			3,599	33,301	36,900
<i>Pass-Through from Massachusetts General Hospital</i>		ARRA 217197/1R01HS01		11,872	11,872
<i>Pass-Through from New York University</i>		1R01HS01921801		411,331	411,331

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of California - San Francisco</i>		6522SC / R01HS019312		(97)	(97)
Total - CFDA 93.715			3,599	458,652	462,251
ARRA - Health Information Technology Professionals in Health Care	93.721		1,320	37,590	38,910
<i>Pass-Through from Westat, Inc.</i>		HHSP23320095655WC		14,022	14,022
Total - CFDA 93.721			1,320	51,612	52,932
Strategic Health IT Advanced Research Projects (SHARP)	93.728			39,525	39,525
ARRA - Strategic Health IT Advanced Research Projects (SHARP)			765,808	2,737,186	3,502,994
Total - CFDA 93.728			765,808	2,776,711	3,542,519
Mental and Behavioral Health Education and Training Grants	93.732			190,740	190,740
Elder Abuse Prevention Interventions Program	93.747			348,704	348,704
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			242	242
Health Careers Opportunity Program	93.822			35,779	35,779
Cardiovascular Diseases Research	93.837		7,255,608	33,912,673	41,168,281
<i>Pass-Through from Baylor College of Medicine</i>		101828048		114,363	114,363
<i>Pass-Through from Baylor College of Medicine</i>		5600481502		57,743	57,743
<i>Pass-Through from Baylor College of Medicine</i>		5600716203	6,906	101,845	108,751
<i>Pass-Through from Baylor College of Medicine</i>		HHSN268201100006C		445,911	445,911
<i>Pass-Through from Children's Hospital of Philadelphia</i>		5U01HL098153		144,868	144,868
<i>Pass-Through from Cincinnati Children's Hospital Medical Center</i>		5R34 HL108752-02		2,513	2,513
<i>Pass-Through from Cleveland Clinic Lerner College</i>		5 R01 HL103552 04		82,126	82,126
<i>Pass-Through from George Washington University</i>		14-S13   GW 35569/1CCLS20916F		11,008	11,008
<i>Pass-Through from George Washington University Med Center</i>		7 R01 HL105502 03		2,435	2,435
<i>Pass-Through from Georgia Health Science University</i>		25096		17,975	17,975
<i>Pass-Through from Georgia Institute of Technology</i>		RE121-G1		34,129	34,129
<i>Pass-Through from Georgia Regents University</i>		24039-1/P01 HL095499		6,578	6,578
<i>Pass-Through from Georgia Regents University</i>		24039-2/1 P01 HL0954		63,770	63,770
<i>Pass-Through from Johns Hopkins University</i>		2001380853 (PREV.200138085)		13,941	13,941
<i>Pass-Through from Massachusetts General Hospital</i>		5R01HL09512305		9,795	9,795
<i>Pass-Through from Medical College of Wisconsin</i>		1R01HL111392-01		(66,291)	(66,291)
<i>Pass-Through from Medical College of Wisconsin</i>		5R01HL111392-02		27,063	27,063
<i>Pass-Through from Medical University of Ohio</i>		NS 2006-048		(4,892)	(4,892)
<i>Pass-Through from Mount Sinai School of Medicine</i>		2R01HL073387-09A1		15,996	15,996
<i>Pass-Through from New England Research Institutes</i>		5-U10HL068270		58,984	58,984
<i>Pass-Through from New England Research Institutes</i>		U01 HL68270		990	990
<i>Pass-Through from New England Research Institutes</i>		U10HL068270		8,463	8,463
<i>Pass-Through from New York Medical College</i>		5P01034300-28		106,185	106,185
<i>Pass-Through from New York Medical College</i>		5P01HL034300-27		(98,404)	(98,404)
<i>Pass-Through from Northern California Institute</i>		1R01HL114563-01A1		33,750	33,750
<i>Pass-Through from Northern California Institute</i>		5R01HL11456302		5,481	5,481
<i>Pass-Through from Northwestern University</i>		R01HL120725		838	838

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Ohio State University</i>		60045505		6,088	6,088
<i>Pass-Through from Oregon Health Sciences University</i>		1002681 UTA		48,723	48,723
<i>Pass-Through from Oregon Health Sciences University</i>		1002681 UTA, 1		21,240	21,240
<i>Pass-Through from Planet Biotechnology, Inc.</i>		1R43HL11067-01A1		59,694	59,694
<i>Pass-Through from Prolude Medical</i>		R43HL112369		(3,742)	(3,742)
<i>Pass-Through from Radikal Therapeutics</i>		M1301629, NIH 1R43HL112341-		68,609	68,609
<i>Pass-Through from Radikal Therapeutics</i>		M1401042 (NIH) 2R44HL108370-02		69,279	69,279
<i>Pass-Through from Research Foundation of Suny</i>		55684-1091124/R01HL0		39,164	39,164
<i>Pass-Through from Research Triangle Institute</i>		5-3120212746-50717L		148,008	148,008
<i>Pass-Through from Rti International</i>		1U10HL11999101		12,908	12,908
<i>Pass-Through from Social and Scientific Systems, Inc.</i>		R01HL095132		3,069	3,069
<i>Pass-Through from Southern Methodist University</i>		1R15HL117224-01		15,233	15,233
<i>Pass-Through from Texas Heart Institute</i>		5U01HL087318-04		7,309	7,309
<i>Pass-Through from The University Of Tennessee Health Science</i>		R21HL115463 TEXAS A		11,690	11,690
<i>Pass-Through from Tulane University</i>		U01HL38844		22,215	22,215
<i>Pass-Through from University North Carolina at Chapel Hill</i>		S-33065/R01HL111664		61,811	61,811
<i>Pass-Through from University of Alabama - Birmingham</i>		000418799-002		77,231	77,231
<i>Pass-Through from University of Alabama - Birmingham</i>		P01 HL095499/NIH-UAB		73,573	73,573
<i>Pass-Through from University of California - San Diego</i>		R01HL113601		6,744	6,744
<i>Pass-Through from University of California - San Diego</i>		10259605		(1,258)	(1,258)
<i>Pass-Through from University of Cincinnati</i>		1R01HL118001-01A1		126,137	126,137
<i>Pass-Through from University of Colorado - Denver</i>		FY14.616.007 AMD1 HOUSTON		27,828	27,828
<i>Pass-Through from University of Florida</i>		UF13191		76,537	76,537
<i>Pass-Through from University of Florida</i>		UFDSP00010195 (FORMERLY UF13250)		10,948	10,948
<i>Pass-Through from University of Florida</i>		UFDSP00010197, 00094853		14,162	14,162
<i>Pass-Through from University of Florida</i>		UFDSP00010350		6,057	6,057
<i>Pass-Through from University of Iowa</i>		877783 994995	500	8,371	8,871
<i>Pass-Through from University of Iowa</i>		BAZALDUA/R01HL0 91841		5,546	5,546
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01HL106788-03		8,275	8,275
<i>Pass-Through from University of Michigan</i>		3002038921/U01HL0943		13,728	13,728
<i>Pass-Through from University of Michigan</i>		U01HL094345		25,245	25,245
<i>Pass-Through from University of Minnesota</i>		R01HL116720-01A1		123,473	123,473
<i>Pass-Through from University of Mississippi Medical Center</i>		67841-UTH04 / 5U01HL096917-04		335,125	335,125
<i>Pass-Through from University of Missouri - Columbia</i>		C00026480-1		10,800	10,800
<i>Pass-Through from University of Oklahoma Health Science Center</i>		RS20130511-02		114,121	114,121
<i>Pass-Through from University of Pennsylvania</i>		1UM1HL116886-01A1		141,014	141,014
<i>Pass-Through from University of Rochester</i>		R01HL098332		15,949	15,949
<i>Pass-Through from University of Toledo</i>		942536-03		1,003	1,003
<i>Pass-Through from University of Toledo</i>		U01HL071556		319	319
<i>Pass-Through from University of Utah</i>		R01HL107241		27,155	27,155
<i>Pass-Through from University of Washington</i>		5R01HL103612-03		168,169	168,169
<i>Pass-Through from University of Washington</i>		5R01HL105756-03		34,010	34,010
<i>Pass-Through from University of Washington</i>		5U01HL07786307	16,236	536,160	552,396
<i>Pass-Through from University of Washington</i>		681784/R01HL093146		125,845	125,845
<i>Pass-Through from University of Washington</i>		749145 / R01HL07888-07		13,167	13,167

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Washington</i>		U01HL077863-10		2,051,899	2,051,899
<i>Pass-Through from Vanderbilt University School of Medicine</i>		5U19HL065962-13		36,722	36,722
<i>Pass-Through from Vanderbilt University School of Medicine</i>		VUMC40716		4,270	4,270
<i>Pass-Through from Wake Forest University Health Sciences</i>		1R01HL111362		1,072,310	1,072,310
		WFUHS 116845			
<i>Pass-Through from Washington State University</i>		WU-14-211		9,014	9,014
<i>Pass-Through from Washington University</i>		1R01HL118305-01		26,301	26,301
<i>Pass-Through from Washington University</i>		1R01HL118305-01A1		10,085	10,085
<i>Pass-Through from Washington University</i>		5R01HL111249-03		405,902	405,902
<i>Pass-Through from Windmill Cardiovascular Systems</i>		1R42HL117446-01		35,011	35,011
<i>Pass-Through from Yale University</i>		R01 HL081153		248	248
<i>Pass-Through from Yale University</i>		R01HL081153		104	104
Total - CFDA 93.837			7,279,250	41,478,434	48,757,684
<b>Lung Diseases Research</b>	93.838		680,756	5,464,955	6,145,711
<i>Pass-Through from Baylor College of Medicine</i>		5R01HL110883-02		2,611	2,611
<i>Pass-Through from Duke Clinical Research Institute</i>		1U10HL08041301		36,607	36,607
<i>Pass-Through from George Washington University</i>		U01HL098354		49,311	49,311
<i>Pass-Through from Indiana University - Purdue University</i>		IN4624210UNT		(1,211)	(1,211)
<i>Pass-Through from Indiana University - Purdue University</i>		IN-4687706-UNT		77,885	77,885
<i>Pass-Through from Indiana University - Purdue University</i>		IN4687713UNTX		64,552	64,552
<i>Pass-Through from Johns Hopkins University</i>		2P50HL08494605		104,459	104,459
<i>Pass-Through from Medical College of Wisconsin Research Foundation</i>		5R01HL09541004		900	900
<i>Pass-Through from National Jewish Health</i>		20072507/R01HL089897		31,133	31,133
<i>Pass-Through from National Jewish Health</i>		24021001/HL089897		(5,784)	(5,784)
<i>Pass-Through from Radikal Therapeutics Incorporated</i>		1R43HL11036401A1		4,580	4,580
<i>Pass-Through from University North Carolina at Chapel Hill</i>		5 R01 HL097000 04		163,582	163,582
<i>Pass-Through from University of California</i>		R01HL089901		3,800	3,800
<i>Pass-Through from University of California</i>		R01HL089901-03		7,375	7,375
<i>Pass-Through from University of California - San Francisco</i>		5U01HL094338-05		4,619	4,619
<i>Pass-Through from University of California - San Francisco</i>		U01HL101798		21,539	21,539
<i>Pass-Through from University of Florida</i>		UFDSP00010180, 00097563		11,987	11,987
<i>Pass-Through from University of Minnesota</i>		5 R01 HL094183 03		15,713	15,713
<i>Pass-Through from University of Pennsylvania</i>		1R01HL113988-01		(11,752)	(11,752)
<i>Pass-Through from University of Pennsylvania</i>		5R01HL113988-02		96,558	96,558
<i>Pass-Through from University of Pennsylvania</i>		5U01HL08662204		42,249	42,249
<i>Pass-Through from University of Texas Southwest Center - Dallas</i>		SPN00012		28,460	28,460
<i>Pass-Through from University of Wisconsin - Madison</i>		2-P01-HL088594-06		358,591	358,591
<i>Pass-Through from University of Wisconsin - Madison</i>		5-P01-HL088594-07		188,940	188,940
<i>Pass-Through from Vanderbilt University</i>		VUMC40492/R01HL1 111		12,557	12,557
Total - CFDA 93.838			680,756	6,774,216	7,454,972
<b>Blood Diseases and Resources Research</b>	93.839			3,184,130	3,184,130
<i>Pass-Through from Baylor College of Medicine</i>		5600860138/101754981		91,617	91,617
<i>Pass-Through from Baylor College of Medicine</i>		5R01HL095647-04		23,591	23,591
<i>Pass-Through from Brown University</i>		00000627		111,431	111,431
<i>Pass-Through from Cincinnati Children's Hospital Medical Center</i>		5 R01HL095647 04		(2,197)	(2,197)
<i>Pass-Through from Cincinnati Children's Hospital Medical Center</i>		7R01HL095647-05		29,356	29,356
<i>Pass-Through from Emory University</i>		R01HL082808-09		9,028	9,028
<i>Pass-Through from Memorial Sloan Kettering Cancer Center</i>		1 R01 HL111130 01A1		12,793	12,793
<i>Pass-Through from National Childhood Cancer Foundation</i>		1U01HL06925401		2,387	2,387

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from National Marrow Donor Program</i>		5 U01 HL069334 14		192,722	192,722
<i>Pass-Through from National Marrow Donor Program</i>		BMTCTN0102		8,219	8,219
<i>Pass-Through from National Marrow Donor Program</i>		R01HL085707		6,742	6,742
<i>Pass-Through from New England Research Institutes</i>		U01HL072268		61,373	61,373
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5R01HL094396-05		11,154	11,154
<i>Pass-Through from University of Alabama - Birmingham</i>		HHSN268201300025C		117,456	117,456
<i>Pass-Through from University of Miami</i>		5 R01 HL091749 04		(36,147)	(36,147)
<i>Pass-Through from Virginia Commonwealth University</i>		5P01HL10715204		376,556	376,556
Total - CFDA 93.839			0	4,200,211	4,200,211
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		557,601	4,690,235	5,247,836
<i>Pass-Through from Baylor College of Medicine</i>		101906225		11,200	11,200
<i>Pass-Through from Baylor College of Medicine</i>		5R01AR062056-03		30,768	30,768
<i>Pass-Through from BioChemAnalysis Corporation</i>		5R44AR05499303		90,724	90,724
<i>Pass-Through from Biomedical Development Corporation</i>		R41AG044960		3,909	3,909
<i>Pass-Through from Children's Hospital and Regional Medical</i>		1R01AR04976201A2		8,200	8,200
<i>Pass-Through from Drexel University</i>		232486 /		6,604	6,604
		2R01AR04790			
<i>Pass-Through from Duke University</i>		HHSN272201100025C & SITE 123		11,027	11,027
<i>Pass-Through from Duke University</i>		N01-AI-05419		51	51
<i>Pass-Through from Livionex Incorporated</i>		1R43AR06241901		51,542	51,542
<i>Pass-Through from Progenitec, Inc.</i>		SPN00012		5,724	5,724
<i>Pass-Through from Torrey Pines Institute for Molecular Stu</i>		FY20141133UT1/R01AR0		50,137	50,137
<i>Pass-Through from Trim - Edicine, Inc.</i>		92613		339,800	339,800
<i>Pass-Through from University of California - San Francisco</i>		5R21AR06247902		33,173	33,173
<i>Pass-Through from University of Houston</i>		7R01AR055600-06		14,581	14,581
<i>Pass-Through from University of North Carolina</i>		5-32877		28,164	28,164
<i>Pass-Through from University of North Carolina</i>		5-33100		1,701	1,701
Total - CFDA 93.846			557,601	5,377,540	5,935,141
Diabetes, Digestive, and Kidney Diseases Extramural	93.847		3,035,748	43,633,248	46,668,996
<i>Pass-Through from Academic Pediatric Association</i>		5R25DK096944-02		22,845	22,845
<i>Pass-Through from Arizona State University</i>		5R01DK09648803		32,062	32,062
<i>Pass-Through from Arizona State University</i>		R01DK096488		41,615	41,615
<i>Pass-Through from Baylor College of Medicine</i>		101524931		179,340	179,340
<i>Pass-Through from Baylor College of Medicine</i>		101749303, PO		9,267	9,267
		5600886243			
<i>Pass-Through from Baylor College of Medicine</i>		2P30-DK056338-11		9,986	9,986
<i>Pass-Through from Baylor College of Medicine</i>		2P30DK056338-11		49,317	49,317
<i>Pass-Through from Baylor College of Medicine</i>		5600887959		41,296	41,296
<i>Pass-Through from Baylor College of Medicine</i>		5P30DK056338-10		3,051	3,051
<i>Pass-Through from Baylor College of Medicine</i>		5P30DK056338-12		128,383	128,383
<i>Pass-Through from Baylor College of Medicine</i>		5U24DK09774802		19,481	19,481
<i>Pass-Through from Baylor College of Medicine</i>		5U24DK097748-02		10,865	10,865
<i>Pass-Through from Case Western Reserve University</i>		U01 DK094157		170,508	170,508
<i>Pass-Through from Children's Hospital of Philadelphia</i>		2U01DK66174-12		72,326	72,326
<i>Pass-Through from Children's Hospital of Philadelphia</i>		U01DK066174		6,601	6,601
<i>Pass-Through from Children's Mercy Hospital</i>		U01 DK066143		4,525	4,525
<i>Pass-Through from Connecticut Children's Medical Center</i>		1U01DK095745-01		1,646	1,646
<i>Pass-Through from Crinetics Pharmaceuticals, Inc.</i>		2R44DK088501-02A1		143,097	143,097
<i>Pass-Through from Duke Clinical Research Institute</i>		U01DK083023		1	1
<i>Pass-Through from Duke University Medical Center</i>		5P01DK058398-12		733,168	733,168

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from George Washington University</i>		12-D15		238,853	238,853
<i>Pass-Through from George Washington University</i>		1U01DK098246-01		3,823	3,823
<i>Pass-Through from George Washington University</i>		1U01DK098246-02		489,780	489,780
<i>Pass-Through from George Washington University</i>		SG/5U01DK061230-07		2,163	2,163
<i>Pass-Through from George Washington University</i>		S-GRD1213- EA33/U01DK		285,288	285,288
<i>Pass-Through from Georgia Health Sciences University</i>		3U24DK07616907S1		43,510	43,510
<i>Pass-Through from Georgia Health Sciences University</i>		5U24DK07616905		104	104
<i>Pass-Through from Georgia Health Sciences University</i>		U24DK076169	90,913	986,015	1,076,928
<i>Pass-Through from Georgia Regents University</i>		25732- 14/3U24DK07616		57,806	57,806
<i>Pass-Through from Georgia Regents University</i>		3U24DK76169-08S4		854	854
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5U54DK08390904		(1,556)	(1,556)
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5U54DK08390905		194,845	194,845
<i>Pass-Through from Indiana University</i>		IN4685565UTHSC/R01DK		16,918	16,918
<i>Pass-Through from Johns Hopkins University School of Medicine</i>		5U01DK08291606		157,668	157,668
<i>Pass-Through from Johns Hopkins University School of Medicine</i>		U01 DK082916-05		129,787	129,787
<i>Pass-Through from Louisiana State University Health Sciences Center</i>		P01DK047385		(1,128)	(1,128)
<i>Pass-Through from Massachusetts General Hospital - East</i>		221580		85,695	85,695
<i>Pass-Through from New England Research Institutes</i>		U01 DK058229-11		31,264	31,264
<i>Pass-Through from New England Research Institutes</i>		U01DK58229		1,159	1,159
<i>Pass-Through from New England Research Institutes</i>		U01DK58234		5,497	5,497
<i>Pass-Through from New England Research Institutes</i>		UITN / U01DK58229		26,177	26,177
<i>Pass-Through from Pennington Biomedical Research Center</i>		DK092587-50338-S01		5,935	5,935
<i>Pass-Through from Pennsylvania State University</i>		5R01DK095078- 02/UTXDK095078		34,786	34,786
<i>Pass-Through from Profusa, Inc.</i>		B5690		23,622	23,622
<i>Pass-Through from Profusa, Inc.</i>		M1401300 (NIH 3R43DK093139)		14,678	14,678
<i>Pass-Through from Stanford University</i>		5 R01 DK09224102-02		13,932	13,932
<i>Pass-Through from Stanford University</i>		60264428-108299-B		56,222	56,222
<i>Pass-Through from Texas Biomedical Research Institute</i>		11-4318.002		79,886	79,886
<i>Pass-Through from Texas Biomedical Research Institute</i>		SFBR 09-4193.002		71,017	71,017
<i>Pass-Through from Tufts Medical Center</i>		U01DK098245-01		199,964	199,964
<i>Pass-Through from University of Alabama - Birmingham</i>		R01 DK082548		84,764	84,764
<i>Pass-Through from University of Arkansas Medical Sciences</i>		R21DK097470		8,831	8,831
<i>Pass-Through from University of California - Merced</i>		10021598		105,792	105,792
<i>Pass-Through from University of California Davis</i>		1 R01 DK091823 03		12,483	12,483
<i>Pass-Through from University of Houston</i>		7R01DK081872-06		16,847	16,847
<i>Pass-Through from University of Illinois</i>		2R01DK015556-43		90,091	90,091
<i>Pass-Through from University of Manchester</i>		5 R01 DK071066-04		6,770	6,770
<i>Pass-Through from University of Michigan</i>		U54DK083912		4,943	4,943
<i>Pass-Through from University of Missouri - Columbia</i>		C00034110-1		56,245	56,245
<i>Pass-Through from University of Pittsburgh</i>		5U01DK072146-08		52,014	52,014
<i>Pass-Through from University of Pittsburgh</i>		5U01DK072146-09		24,178	24,178
<i>Pass-Through from University of Southern California</i>		(H51496) UTA12-000628		31,368	31,368
<i>Pass-Through from University of Utah</i>		1 R01 DK091374 01		37,595	37,595
<i>Pass-Through from University of Utah</i>		5 R01 DK090046 04		56,877	56,877
<i>Pass-Through from University of Utah</i>		5R01DK09293903		150,531	150,531
<i>Pass-Through from University of Utah</i>		5R01DK097007-02		34,665	34,665
<i>Pass-Through from Vanderbilt University Medical Center</i>		2U01 DK089523-04		258,509	258,509
<i>Pass-Through from Vanderbilt University Medical Center</i>		2U01DK08952303		(1,690)	(1,690)
<i>Pass-Through from Vanderbilt University Medical Center</i>		5P01DK03822626		(126)	(126)
<i>Pass-Through from Vanderbilt University Medical Center</i>		5P01DK03822627		438,296	438,296
<i>Pass-Through from Vanderbilt University Medical Center</i>		5U01DK07247308		24,768	24,768
<i>Pass-Through from Vanderbilt University Medical Center</i>		5U01DK08957003		(21,932)	(21,932)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Vanderbilt University Medical Center</i>		5U01DK089570-04		275,302	275,302
<i>Pass-Through from Vanderbilt University School of Medicine</i>		VUMC41037 / R21DK095257-03		6,293	6,293
<i>Pass-Through from Virginia Commonwealth University</i>		1R01DK094818-01A1		5,111	5,111
<i>Pass-Through from Virginia Technologies, Inc.</i>		2R44DK08121702A1		47,083	47,083
<i>Pass-Through from Washington University - St. Louis</i>		5U01DK082315-05		6,761	6,761
<i>Pass-Through from Washington University - St. Louis</i>		WU-11-54-MOD-3		109,673	109,673
<i>Pass-Through from Wayne State University</i>		WSU10071 A1		24,998	24,998
<i>Pass-Through from Wellesley College</i>		2R01DK06193503		28,593	28,593
<i>Pass-Through from Xeris Pharmaceuticals</i>		R44DK085809		293,683	293,683
Total - CFDA 93.847			3,126,661	50,836,508	53,963,169
Digestive Diseases and Nutrition Research	93.848			173,524	173,524
Kidney Diseases, Urology and Hematology Research	93.849			152,251	152,251
<i>Pass-Through from Baylor College of Medicine</i>		1R01AR063686-01		20,430	20,430
<i>Pass-Through from Johns Hopkins University</i>		5U01DK066174-05		8,968	8,968
Total - CFDA 93.849			0	181,649	181,649
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		1,764,746	35,156,553	36,921,299
<i>Pass-Through from Advanced Circulatory Systems, Inc.</i>		5R44NS054372		15,896	15,896
<i>Pass-Through from Albert Einstein College of Medicine</i>		1R21NS085772-01		24,716	24,716
<i>Pass-Through from Amprion, Inc.</i>		4R42NS079060-02		226,662	226,662
<i>Pass-Through from Apt Therapeutics, Inc.</i>		2R44NS060175-02		30	30
<i>Pass-Through from Athersys, Inc.</i>		4U44NS077511-02		468,605	468,605
<i>Pass-Through from Baylor College of Medicine</i>		101748410		16,579	16,579
<i>Pass-Through from Baylor College of Medicine</i>		101903035- PRAMOND DASH		27,126	27,126
<i>Pass-Through from Baylor College of Medicine</i>		101903035-SUMMER OTT		1,092	1,092
<i>Pass-Through from Baylor College of Medicine</i>		3P01NS0386660-10S1		103,383	103,383
<i>Pass-Through from Baylor College of Medicine</i>		5R01NS021889-29		14,294	14,294
<i>Pass-Through from Beth Israel Deaconess Medical Center</i>		U01NS074425		27,613	27,613
<i>Pass-Through from Children's Hospital - Boston</i>		5U01NS082320-02		214,909	214,909
<i>Pass-Through from Children's Hospital of Philadelphia</i>		5R01NS03857212		27,017	27,017
<i>Pass-Through from Christopher and Dana Reeve Foundation</i>		CTN6-2013DC		45,871	45,871
<i>Pass-Through from Cleveland Clinic Foundation</i>		1R01NS070896-01		36,138	36,138
<i>Pass-Through from Columbia University</i>		5-30224		31,501	31,501
<i>Pass-Through from Columbia University</i>		5U54NS078059-03		40,907	40,907
<i>Pass-Through from Emory University</i>		5 R01 NS076775-03		107,780	107,780
<i>Pass-Through from Emory University</i>		5U54NS065701		5,245	5,245
<i>Pass-Through from Emory University</i>		T059676, PRIME		57,488	57,488
<i>Pass-Through from Epigen Biosciences, Inc.</i>		1R21NS081606-01A1 (1R41NS087684)		66,561	66,561
<i>Pass-Through from Georgia Regents University</i>		23497-1/R01NS050730		54,340	54,340
<i>Pass-Through from Georgia State University</i>		R01 NS073134 02		75,068	75,068
<i>Pass-Through from John Hopkins University</i>		R01ND076357		939,670	939,670
<i>Pass-Through from Johns Hopkins University</i>		1U01NS080824-01A1		10,758	10,758
<i>Pass-Through from Johns Hopkins University</i>		2000725876		47,885	47,885
<i>Pass-Through from Johns Hopkins University</i>		5U01NS06285103		17,709	17,709
<i>Pass-Through from Johns Hopkins University</i>		5U01NS062851-03		104,816	104,816
<i>Pass-Through from Lynntech, Inc.</i>		UTD 09-42		(31)	(31)
<i>Pass-Through from Massachusetts General Hospital</i>		1-U01-NS077323-01		4,070	4,070
<i>Pass-Through from Massachusetts General Hospital</i>		1U01NS079163-01		10,618	10,618
<i>Pass-Through from Massachusetts General Hospital</i>		5U01NS05259203		(811)	(811)
<i>Pass-Through from Massachusetts General Hospital</i>		5U01NS05259205		30,741	30,741
<i>Pass-Through from Medical University of South Carolina</i>		5U01NS05872804		56,619	56,619

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Medical University of South Carolina</i>		MUSC12-045		27,615	27,615
<i>Pass-Through from Microtransponder, Inc.</i>		1R43NS084566		72,216	72,216
<i>Pass-Through from Molecular Neuroimaging, LLC</i>		2R42NS055475-04A1		1,131	1,131
<i>Pass-Through from Mount Sinai Medical Center</i>		1U01NS045719		56,435	56,435
<i>Pass-Through from Mount Sinai Medical Center</i>		5U01NS045719-09		163,510	163,510
<i>Pass-Through from New York University</i>		5R01NS076588-02		21,444	21,444
<i>Pass-Through from Northwestern University</i>		0600 370		3,962	3,962
		S555/60021274 UT			
<i>Pass-Through from Northwestern University</i>		2013 NU	663	261,264	261,927
		SUBAWARD			
<i>Pass-Through from Research Foundation of Mental Hygiene</i>		1R01NS08120301A1		11,218	11,218
<i>Pass-Through from Rice University</i>		R01NS081854		123,860	123,860
<i>Pass-Through from Rice University</i>		R22261-M		113,629	113,629
<i>Pass-Through from Rti International</i>		U10HD057753		206,046	206,046
<i>Pass-Through from Rush University Medical Center</i>		U54NS065701		726	726
<i>Pass-Through from Rutgers</i>		R01NS38384		8,346	8,346
<i>Pass-Through from Seattle Children's Research Institute</i>		R01NS065818		616	616
<i>Pass-Through from Seattle Children's Research Institute</i>		10819SUB		53,157	53,157
<i>Pass-Through from Southern Methodist University</i>		G001347-7500		84,797	84,797
<i>Pass-Through from The University of Arizona</i>		2R01NS00039951-09A1		29,602	29,602
<i>Pass-Through from University of Alabama - Birmingham</i>		5P20NS080199-02		15,471	15,471
<i>Pass-Through from University of Alabama - Birmingham</i>		000504190-001		22,757	22,757
<i>Pass-Through from University of Alabama - Birmingham</i>		5U01NS04268508		(4)	(4)
<i>Pass-Through from University of British Columbia</i>		SPS3-10-10/U01NS0385		25,429	25,429
<i>Pass-Through from University of California</i>		5P50NS044378-04		317	317
<i>Pass-Through from University of California</i>		P50NS044378-06		(159)	(159)
<i>Pass-Through from University of California - Davis</i>		1R01NS076856		56,818	56,818
<i>Pass-Through from University of California - San Diego</i>		5P50NS044148-04		2,820	2,820
<i>Pass-Through from University of California - San Francisco</i>		U01NS053998		(39,696)	(39,696)
<i>Pass-Through from University of California - Los Angeles</i>		1640GRB658/R01NS0657		733	733
<i>Pass-Through from University of California - San Francisco</i>		1U01NS086090-01		81,563	81,563
<i>Pass-Through from University of California - San Francisco</i>		5 R01 NS06280-03		12,177	12,177
<i>Pass-Through from University of California - San Francisco</i>		5-R01-NS071463-03		3,089	3,089
<i>Pass-Through from University of California - San Francisco</i>		7898sc		108,318	108,318
<i>Pass-Through from University of Cincinnati</i>		5P50NS04428310		13	13
<i>Pass-Through from University of Cincinnati</i>		5U01NS052220-02		8,215	8,215
<i>Pass-Through from University of Cincinnati</i>		5U01NS052220-07		12,082	12,082
<i>Pass-Through from University of Cincinnati</i>		5U01NS06976302		135,371	135,371
<i>Pass-Through from University of Cincinnati</i>		5U01NS06976303		11,765	11,765
<i>Pass-Through from University of Cincinnati</i>		5U01NS069763-03		156,480	156,480
<i>Pass-Through from University of Cincinnati</i>		5U01NS069763-04		29,317	29,317
<i>Pass-Through from University of Cincinnati</i>		6883/1U01NS069763-03		238,441	238,441
<i>Pass-Through from University of Cincinnati</i>		R1NS39160		9,525	9,525
<i>Pass-Through from University of Florida</i>		UF11071/R01NS073346		1,607	1,607
<i>Pass-Through from University of Maryland</i>		5U01NS069208		39,349	39,349
<i>Pass-Through from University of Maryland - Baltimore</i>		5 R01 NS055126 05		(404)	(404)
<i>Pass-Through from University of Massachusetts Medical School</i>		5R01NS07699102		57,599	57,599
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01NS03838406		35,021	35,021
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01NS05273304		624	624
<i>Pass-Through from University of Michigan</i>		1U0NS062778-01		112,645	112,645
<i>Pass-Through from University of Michigan</i>		5U01NS056975-02		37,998	37,998
<i>Pass-Through from University of Michigan</i>		R01NS071867		15	15
<i>Pass-Through from University of Michigan</i>		U01NS040406		33,464	33,464
<i>Pass-Through from University of Michigan</i>		U01NS062091		1,013	1,013
<i>Pass-Through from University of Michigan</i>		U01NS062835		74,675	74,675

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Michigan</i>		U01NS069498		105,844	105,844
<i>Pass-Through from University of Michigan - Ann Arbor</i>		3000911237		70,734	70,734
<i>Pass-Through from University of Missouri - St. Louis</i>		00016197-6/5R01NS052		1,455	1,455
<i>Pass-Through from University of North Carolina</i>		5-33024		162,640	162,640
<i>Pass-Through from University of North Texas Subcontract</i>		SPN00012		26,466	26,466
<i>Pass-Through from University of Pennsylvania</i>		SS1947 (PO: 3026862)		(1)	(1)
<i>Pass-Through from University of Virginia</i>		5R01NS037666-07		29,215	29,215
<i>Pass-Through from University of Virginia</i>		5R21NS079986-02		44,518	44,518
<i>Pass-Through from University of Virginia</i>		U01NS069763		310,435	310,435
<i>Pass-Through from Vanderbilt University Medical Center</i>		5U54NS06573604		29,749	29,749
<i>Pass-Through from Vulintus, LLC</i>		1301366		35,407	35,407
<i>Pass-Through from Washington University</i>		5U01NS032228-12		247	247
<i>Pass-Through from Washington University - St. Louis</i>		2R01NS043205-10A1		62,288	62,288
<i>Pass-Through from Washington University - St. Louis</i>		5P50NS055977-05		36,313	36,313
<i>Pass-Through from Washington University - St. Louis</i>		5R01NS06506906		19,158	19,158
<i>Pass-Through from Washington University - St. Louis</i>		5U01NS04280407		244	244
<i>Pass-Through from Wayne State University</i>		5U01NS061264		17,728	17,728
<i>Pass-Through from Yale University School of Medicine</i>		5U01NS04487607		12,529	12,529
Total - CFDA 93.853			1,765,409	41,556,409	43,321,818
Allergy, Immunology and Transplantation Research	93.855		8,976,163	69,731,402	78,707,565
<i>Pass-Through from AI Biosciences, Inc.</i>		M1401939		11,507	11,507
<i>Pass-Through from Albert Einstein College of Medicine</i>		5U19AI09117502		64,457	64,457
<i>Pass-Through from Baylor College of Medicine</i>		1 U01 AI095050 03		22,310	22,310
<i>Pass-Through from Baylor College of Medicine</i>		5 P30 AI036211 17		8,049	8,049
<i>Pass-Through from Baylor College of Medicine</i>		5 P30 AI036211 19		22,682	22,682
<i>Pass-Through from Baylor College of Medicine</i>		5P30AI036211-18		14,568	14,568
<i>Pass-Through from Baylor College of Medicine</i>		5P30-AI036211-18 / 101668288		2,029	2,029
<i>Pass-Through from Baylor College of Medicine</i>		5P30AI036211- 18REV/ 5600832611		17,806	17,806
<i>Pass-Through from Baylor College of Medicine</i>		5P30AI036211-19		233,567	233,567
<i>Pass-Through from Baylor College of Medicine</i>		5R01AI091816-03		65,963	65,963
<i>Pass-Through from Baylor College of Medicine</i>		5R01AI09877502		227,161	227,161
<i>Pass-Through from Baylor College of Medicine</i>		5R21AI088329-02		(2,510)	(2,510)
<i>Pass-Through from Baylor College of Medicine</i>		N01-AI-800002		1,114	1,114
<i>Pass-Through from Baylor College of Medicine</i>		P30 AI036211 19		23,253	23,253
<i>Pass-Through from Baylor College of Medicine</i>		P30AI036211-19		3,127	3,127
<i>Pass-Through from Boston University</i>		5R01AI09615903		52,199	52,199
<i>Pass-Through from Brandeis University</i>		4-01862		83,977	83,977
<i>Pass-Through from Brigham and Women's Hospital</i>		2UM1AI068636-08		72,333	72,333
<i>Pass-Through from Brigham and Women's Hospital</i>		7UM1AI068636-07		15,052	15,052
<i>Pass-Through from Brigham and Women's Hospital, Inc.</i>		2UM1AI06863608		12,467	12,467
<i>Pass-Through from Brigham and Women's Hospital, Inc.</i>		7UM1AI06863607		6,976	6,976
<i>Pass-Through from Catholic University of America</i>		5U01AI08208603		31,804	31,804
<i>Pass-Through from Chrysalis BioTechnology</i>		5R44AI08613503		283,060	283,060
<i>Pass-Through from Cincinnati Children's Hosp. Medical Center</i>		HHSN272200800006C		63	63
<i>Pass-Through from Colorado State University</i>		5R01AI08048604		120,042	120,042
<i>Pass-Through from Columbia University</i>		5R25AI08056602		957	957
<i>Pass-Through from Cornell University</i>		14040537		174,959	174,959
<i>Pass-Through from Covalent Bioscience Inc.,</i>		1R41AI093261-01		23,708	23,708
<i>Pass-Through from Duke University</i>		2034060		39,071	39,071
<i>Pass-Through from Duke University</i>		5U19AI056363-09		5,081	5,081
<i>Pass-Through from Duke University Medical Center</i>		5U19AI05636307		23,939	23,939
<i>Pass-Through from Emory University</i>		1R21AI103653-02		43,006	43,006
<i>Pass-Through from Etubics Corporation</i>		1R01AI11136401		7,502	7,502
<i>Pass-Through from Foundation for Applied Medical Evolution</i>		5R21AI10598502		57,872	57,872

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		2UM1AI068614-08		251,476	251,476
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		5UM1AI068614-07		23,079	23,079
<i>Pass-Through from Fundacao De Desenvolvimento Da Pesquisa</i>		01/2012/P50AI098507		27,086	27,086
<i>Pass-Through from George Washington University</i>		2UM1AI069503-08/FAIN UM1AI0695		348,567	348,567
<i>Pass-Through from George Washington University</i>		5UM1AI069503-07		170,156	170,156
<i>Pass-Through from Guild Associates, Inc.</i>		UTA13-000314		44,025	44,025
<i>Pass-Through from Guild Associates, Inc.</i>		UTA14-000545		38,811	38,811
<i>Pass-Through from Harvard Medical School</i>		149855.5070716.0102		301,230	301,230
<i>Pass-Through from Harvard Medical School</i>		5U54AI057159-09		10,679	10,679
<i>Pass-Through from Harvard University</i>		109669-5064867		139,553	139,553
<i>Pass-Through from Harvard University</i>		109669-5064873		130,943	130,943
		1U19AI107774-01			
<i>Pass-Through from Harvard University</i>		109669-5076477		136,877	136,877
<i>Pass-Through from Hawaii Biotech Incorporated</i>		5R43AI09822902		59,441	59,441
<i>Pass-Through from Health Research, Inc.</i>		003706-01		8,787	8,787
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		1U19AI10966401		85,944	85,944
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		1U19AI10994501		296,531	296,531
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5R01AI05953609		118,576	118,576
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5R21AI09756802		78,753	78,753
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		5R21AI10179402		70,039	70,039
<i>Pass-Through from Immuno - Mycologics, Inc.</i>		ANTIGEN		90,527	90,527
		IMMUNOASSAY			
<i>Pass-Through from Indiana University Bloomington</i>		EP-391212		15,062	15,062
<i>Pass-Through from Institute for Clinical Research, Inc.</i>		1U01AI06864101		137,780	137,780
<i>Pass-Through from Institute for Clinical Research, Inc.</i>		M06-HO-024-0704-1		25,527	25,527
		U01-AI06864			
<i>Pass-Through from Institute for Clinical Research, Inc.</i>		U01-AI068641		89,684	89,684
<i>Pass-Through from Integrated BioTherapeutics Incorporated</i>		1R43AI09482901		3,580	3,580
<i>Pass-Through from John Hopkins University</i>		R21AI102659	9,877	1,235,722	1,245,599
<i>Pass-Through from KJ Biosciences, LLC</i>		504351		44,468	44,468
<i>Pass-Through from Lucigen Corporation</i>		4R33AI10018203		2,925	2,925
<i>Pass-Through from Lucigen Corporation</i>		5R21AI10018202		64,768	64,768
<i>Pass-Through from Luminex Corp</i>		5R01AI096228-02, YR2, UTA12-		241,923	241,923
<i>Pass-Through from Luminex Corp</i>		UTA12-000226 01, ELLINGTON		57,859	57,859
<i>Pass-Through from Luminex Corp</i>		UTA13000936-5R01AI096228-03-2		9,804	9,804
<i>Pass-Through from Lynntech, Inc.</i>		1R01AI1139101		(1,133)	(1,133)
<i>Pass-Through from Mapp Biopharmaceutical, Inc.</i>		1U01AI067693-02		10,779	10,779
<i>Pass-Through from Massachusetts General Hospital</i>		1R01AI096996701		446	446
<i>Pass-Through from Mayo Clinic Rochester</i>		11-1006-7116-5660		105,338	105,338
<i>Pass-Through from Northwestern University - Downers Grove</i>		U19 AI109664-01		23,202	23,202
<i>Pass-Through from Mount Sinai School of Medicine</i>		1u19ai10966401		10,959	10,959
<i>Pass-Through from National Institute of Infectious Diseases</i>		4R33AI098724-03		26,776	26,776
<i>Pass-Through from National Institute of Infectious Diseases</i>		5R44AI07163405		17,962	17,962
<i>Pass-Through from Norwell Incorporated</i>		5R01AI20074403		649,473	649,473
<i>Pass-Through from Oak Crest Institute of Science</i>		60039662		111,924	111,924
<i>Pass-Through from Ohio State University</i>		AB-5-		23,907	23,907
<i>Pass-Through from Oklahoma State University</i>		81170. UTHSCSA		122,556	122,556
<i>Pass-Through from Penn State University</i>		5 R01 AI090113 02		16,355	16,355
<i>Pass-Through from Profectus BioSciences Incorporated</i>		1R01AI09876001		1,896	1,896
<i>Pass-Through from Profectus BioSciences Incorporated</i>		5R01AI09881702		426,036	426,036
<i>Pass-Through from Protein Advances, Inc.</i>		R43AI103983		91,858	91,858
<i>Pass-Through from Protein Potential, LLC</i>		5R01AI09888402		74,552	74,552

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Rice University</i>		R21732		(1,443)	(1,443)
<i>Pass-Through from Rice University</i>		R22041		12,525	12,525
<i>Pass-Through from Scripps Research Institute</i>		1U19AI100627-01		14,482	14,482
<i>Pass-Through from Scripps Research Institute</i>		1U19AI10976201		15,681	15,681
<i>Pass-Through from Scripps Research Institute</i>		5U19AI100627-02		1,911,830	1,911,830
<i>Pass-Through from Scripps Research Institute</i>		HHSN272200700038C		17,404	17,404
<i>Pass-Through from Scripps Research Institute</i>		PO 5-50599		77,166	77,166
<i>Pass-Through from Seattle Biomedical Research Institute</i>		5R01AI07896203		5	5
<i>Pass-Through from Social and Scientific Systems, Inc.</i>		ACTG A5260S		2,720	2,720
<i>Pass-Through from Social and Scientific Systems, Inc.</i>		ACTG PROTOCOL A5280/SITE 31473		363	363
<i>Pass-Through from Social and Scientific Systems, Inc.</i>		PROTOCOL A5257		25	25
<i>Pass-Through from Texas Biomedical Research Institute</i>		11-4332.002/1R01AI09		244,752	244,752
<i>Pass-Through from Texas Biomedical Research Institute</i>		1R21AI096277-01A1		86,552	86,552
<i>Pass-Through from Tufts Medical Center, Inc.</i>		50009674-SERV / R21AI103905		31,045	31,045
<i>Pass-Through from Tufts University</i>		10162013		55,328	55,328
<i>Pass-Through from Tulane University Medical Center</i>		5R01AI10462102		217,007	217,007
<i>Pass-Through from University of California - Davis</i>		SUB0900026		98,877	98,877
<i>Pass-Through from University of California - Los Angeles</i>		5U01AI08210004		43,460	43,460
<i>Pass-Through from University of California - San Diego</i>		SG: 1P01AI074621-01		(1,039)	(1,039)
<i>Pass-Through from University of California - San Francisco</i>		4943SC/1P01AI071713		3,326	3,326
<i>Pass-Through from University of Louisville Research Foundation, Inc.</i>		ULRF 13-1119-01		48,441	48,441
<i>Pass-Through from University of Oklahoma Health Science Center</i>		RS20110200-03		19,121	19,121
<i>Pass-Through from University of Oklahoma Health Science Center</i>		RS20120975-02		68,882	68,882
<i>Pass-Through from University of Oklahoma Health Sciences Center</i>		R01AI090672		123,326	123,326
<i>Pass-Through from University of Pennsylvania</i>		1R21AI104441-01		9,284	9,284
<i>Pass-Through from University of Pennsylvania</i>		1-R21-AI105856-01		8,085	8,085
<i>Pass-Through from University of Pittsburgh</i>		5R01AI09543603		91,948	91,948
<i>Pass-Through from University of Pittsburgh</i>		R56AI104713		27,992	27,992
<i>Pass-Through from University of Pittsburgh</i>		U19AI082623		1,172	1,172
<i>Pass-Through from University of South Alabama</i>		2R01AI02038427A1		80	80
<i>Pass-Through from University of South Alabama</i>		5R01AI02038428		57,884	57,884
<i>Pass-Through from University of Washington</i>		1R01AI08944105		130,916	130,916
<i>Pass-Through from University of Washington</i>		1R01AI1134101		24,748	24,748
<i>Pass-Through from University of Washington</i>		5R01AI09894302		99,098	99,098
<i>Pass-Through from Wake Forest University</i>		5R03AI10167502		13,820	13,820
<i>Pass-Through from Washington State University</i>		122880 G003336		22,852	22,852
<i>Pass-Through from Washington University - St. Louis</i>		17817.5U54AI05716010		9,254	9,254
<i>Pass-Through from Wayne State University</i>		1R21AI092055		714	714
<i>Pass-Through from Weill Medical College of Cornell University</i>		5R21AI09422302		111,356	111,356
<i>Pass-Through from Yale University</i>		1R56AI10540901		56,851	56,851
Total - CFDA 93.855			8,986,040	81,329,511	90,315,551
<b>Microbiology and Infectious Diseases Research</b>	93.856			192,417	192,417
<i>Pass-Through from Baylor College of Medicine</i>		5P30AI036211-19		28,277	28,277
<i>Pass-Through from CytoGenix, Inc.</i>		1R43AI080000-01		(20,558)	(20,558)
<i>Pass-Through from Molecular Express, Inc.</i>		ME-127130		10,106	10,106
<i>Pass-Through from Molecular Targeting Technologies</i>		R41AI063822-01A2		524	524
<i>Pass-Through from Siga Technologies, Inc.</i>		5 R44 AI056525-04		(11,394)	(11,394)
<i>Pass-Through from Washington University School of Medicine</i>		1U19AI109725-01		413,367	413,367
Total - CFDA 93.856			0	612,739	612,739

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
Biomedical Research and Research Training	93.859		1,231,688	53,926,752	55,158,440
<i>Pass-Through from 21St Century Therapeutics, Inc.</i>		SBIR1401		7,854	7,854
<i>Pass-Through from Am Biotechnologies, LLC</i>		2 R44 GM086937 02		37,546	37,546
<i>Pass-Through from Am Biotechnologies, LLC</i>		5 R44 GM084552 04		(12,678)	(12,678)
<i>Pass-Through from Baylor College of Medicine</i>		5 P01 GM081627 05		(4,702)	(4,702)
<i>Pass-Through from Baylor College of Medicine</i>		S Cart 101823500 5K12GM084897-06		20,057	20,057
<i>Pass-Through from California Institute of Technology</i>		U54GM094610		416,389	416,389
<i>Pass-Through from Cornell University</i>		66252-10020		60,570	60,570
<i>Pass-Through from Dartmouth College</i>		1280		44,031	44,031
<i>Pass-Through from East Carolina University</i>		A13-0179-S001 212798-ZHU		16	16
<i>Pass-Through from Fred Hutchinson Cancer Research Center</i>		5 R01 GM106177 02		12,461	12,461
<i>Pass-Through from Hunter College</i>		5 R01 GM088530 04		45,281	45,281
<i>Pass-Through from Indiana University</i>		PO 853832	21,754	127,138	148,892
<i>Pass-Through from Indiana University</i>		SPN00012		33,694	33,694
<i>Pass-Through from Iowa State University</i>		4304603A		46,495	46,495
<i>Pass-Through from Johns Hopkins University</i>		2R01GM075305-07		99,285	99,285
<i>Pass-Through from Mayo Clinic</i>		5R01GM102282-02		166,036	166,036
<i>Pass-Through from Mayo Clinic Rochester</i>		5 UI9 GM061388 15		7,277	7,277
<i>Pass-Through from Michigan State University</i>		RC100326TAM		51,039	51,039
<i>Pass-Through from Michigan State University</i>		SPN00012		24,155	24,155
<i>Pass-Through from National Institutes of Health</i>		5K12GM084897-06		14,667	14,667
<i>Pass-Through from New York Structural Biology Center</i>		NYSBCG01909-3		132,018	132,018
<i>Pass-Through from Northwestern University</i>		60034749 UTEP		60,689	60,689
<i>Pass-Through from Operational Technologies Corporation</i>		1R43GM101712-01		(5,708)	(5,708)
<i>Pass-Through from Pennsylvania State University</i>		4614-TEES-DHHS-9999		139,287	139,287
<i>Pass-Through from PharmaReview Corp</i>		5R42GM079810-04		29	29
<i>Pass-Through from Princeton University</i>		00001985		30,501	30,501
<i>Pass-Through from Progenitec, Inc.</i>		SPN00012		36,519	36,519
<i>Pass-Through from Purdue University</i>		1 R01 GM106016 01		47,062	47,062
<i>Pass-Through from Research Foundation of the State University     of New York</i>		1098763-2-59265		47,541	47,541
<i>Pass-Through from Rice University</i>		1R01GM106027 01		67,694	67,694
<i>Pass-Through from Rice University</i>		5 R01 GM094816 03		166	166
<i>Pass-Through from Rice University</i>		5 R01 GM096189 03		9,160	9,160
<i>Pass-Through from Rice University</i>		5R01GM086885		(924)	(924)
<i>Pass-Through from Rice University</i>		R22151		141,907	141,907
<i>Pass-Through from Rochal Industries</i>		UTA13-001083		41,933	41,933
<i>Pass-Through from Rockefeller University</i>		5U01GM09825602		4,596	4,596
<i>Pass-Through from Rockefeller University</i>		5U01GMO98256-03		136,574	136,574
<i>Pass-Through from Rutgers University</i>		4744 (3R01GM096454-02S1)		52,454	52,454
<i>Pass-Through from Scripps Research Institute</i>		5U24AI08265704		(100)	(100)
<i>Pass-Through from Scripps Research Institute</i>		5U24AI08265705		223,018	223,018
<i>Pass-Through from Stanford University</i>		60325810-25996-C, 2P01GM066275		116,277	116,277
<i>Pass-Through from Sunnybrook Health Sciences Centre</i>		5R01GM08728503		6,722	6,722
<i>Pass-Through from Tufts University</i>		B1130		(219)	(219)
<i>Pass-Through from University North Carolina at Chapel Hill</i>		5-32101/2R01GM070335		7,729	7,729
<i>Pass-Through from University of Arizona</i>		R01GM105480		53,564	53,564
<i>Pass-Through from University of California - San Diego</i>		5U54GM06933810		150,134	150,134
<i>Pass-Through from University of Florida</i>		U01GM074492		479,179	479,179
<i>Pass-Through from University of Florida</i>		UFDSP00010088 00104803		3,680	3,680
<i>Pass-Through from University of Georgia</i>		RR722-156/4940486		51,699	51,699
<i>Pass-Through from University of Minnesota</i>		5R01GM09551603		146,331	146,331

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of North - Chapel Hill</i>		1PO1GM103723-01		305,408	305,408
<i>Pass-Through from University of Notre Dame</i>		202235_02		121,919	121,919
<i>Pass-Through from University of Oklahoma</i>		1R01GM107490-01A1NIH		13,533	13,533
<i>Pass-Through from University of Southern California</i>		48213259		46,736	46,736
<i>Pass-Through from University of Utah</i>		1002753511M/P50GM082		106,412	106,412
<i>Pass-Through from University of Utah</i>		R01GM104390 01		168,401	168,401
<i>Pass-Through from University of Washington</i>		5R01GM04272520		58,317	58,317
<i>Pass-Through from Utah Texas Bridge to Biomedical Studies</i>		10004657-01		54,832	54,832
<i>Pass-Through from Washington University</i>		WU-13-255 PO 2917374W		115,170	115,170
<i>Pass-Through from Yale University</i>		M09A10314 (A08324)9	8,772	222,835	231,607
Total - CFDA 93.859			1,262,214	58,516,438	59,778,652
Population Research	93.864				
<i>Pass-Through from Yale University</i>		A07751/U10HD055925		18,680	18,680
Child Health and Human Development Extramural Research	93.865		2,311,990	21,222,921	23,534,911
<i>Pass-Through from Arkansas Children's Hospital Research Institute</i>		034587		30,388	30,388
<i>Pass-Through from Baylor College of Medicine</i>		101318513 5600601479		28,657	28,657
<i>Pass-Through from Baylor College of Medicine</i>		5600952429		4,435	4,435
<i>Pass-Through from Baylor College of Medicine</i>		5R01HD043943-04		1,364	1,364
<i>Pass-Through from Baylor College of Medicine</i>		HHSN275200800020C/ NO1-HD-80020		3,055	3,055
<i>Pass-Through from Baylor College of Medicine</i>		NO1-HD-80020		7,732	7,732
<i>Pass-Through from Boston Biomedical Research Institute</i>		U54HD06084805		172	172
<i>Pass-Through from Boston Children's Hospital</i>		1R01HD06133601A1		3,383	3,383
<i>Pass-Through from Boston Children's Hospital</i>		5R01HD061336-04		2,474	2,474
<i>Pass-Through from Children's Hospital of Philadelphia</i>		P01HD070454		83,781	83,781
<i>Pass-Through from Cincinnati Children's Hospital Medical Center</i>		2K12HD000850-28		73	73
<i>Pass-Through from Emmes Corporation</i>		HHSN267200603425C		4,031	4,031
<i>Pass-Through from Geisinger Medical Center</i>		7R03HD068691 UTA12-000347		3,446	3,446
<i>Pass-Through from George Washington University</i>		13-UHTX-14		45,795	45,795
<i>Pass-Through from George Washington University</i>		14-UHTX-15		3,811	3,811
<i>Pass-Through from George Washington University</i>		5U10HD03680115		38,057	38,057
<i>Pass-Through from George Washington University</i>		U010HD036801		207,775	207,775
<i>Pass-Through from George Washington University</i>		U10HD036801		616,500	616,500
<i>Pass-Through from George Washington University</i>		U10HD036801/U01- HL098354		751,736	751,736
<i>Pass-Through from George Washington University</i>		U10HD036802		337,512	337,512
<i>Pass-Through from Johns Hopkins University</i>		2001613002		16,112	16,112
<i>Pass-Through from Medical College of Wisconsin</i>		1R01HD075786-01		53,663	53,663
<i>Pass-Through from New York University</i>		10-00254, PROJECT 801524, 1R41HD07656801		112,784	112,784
<i>Pass-Through from Noninvasix Incorporated</i>		1R41HD07656801		14,952	14,952
<i>Pass-Through from Noninvasix Incorporated</i>		1R43HD07555101		1,792	1,792
<i>Pass-Through from Northwestern University</i>		60032241 UTA		61,796	61,796
<i>Pass-Through from Northwestern University</i>		60032241 UTA CREDIT (Carryforward)		40,248	40,248
<i>Pass-Through from Oregon Research Institute</i>		R01HD064870		45,322	45,322
<i>Pass-Through from Oregon Research Institute</i>		R01HD071900		97,968	97,968
<i>Pass-Through from Plax Pharma, Inc.</i>		5R44HD061132-03		126,814	126,814

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Radiant Creative Group, LLC</i>		5R42HD074324-02		189,262	189,262
<i>Pass-Through from Rehabilitation Institute of Chicago</i>		107621		21,187	21,187
<i>Pass-Through from Rehabilitation Institute of Chicago</i>		AWARD 5 / R24HD050821-08		59,996	59,996
<i>Pass-Through from Research Triangle Institute</i>		U01HD021373   RFA- HD-04-010		431,967	431,967
<i>Pass-Through from Rhode Island Hospital</i>		R01HD072693		602,173	602,173
<i>Pass-Through from Rti International</i>		2U10HD04068911		17,578	17,578
<i>Pass-Through from Rti International</i>		U10HD054241		63,396	63,396
<i>Pass-Through from Seattle Children's Hospital</i>		10885SUB		5,137	5,137
<i>Pass-Through from Synthecon, Inc.</i>		R44HD058391		100,107	100,107
<i>Pass-Through from University of Alabama</i>		5R01HD06472903		84,620	84,620
<i>Pass-Through from University of Alabama</i>		5R01HD06472904		38,036	38,036
<i>Pass-Through from University of California - San Francisco</i>		5K12HD000849-25		(8,487)	(8,487)
<i>Pass-Through from University of Illinois - Chicago</i>		2012061360100/R01HD0		73,835	73,835
<i>Pass-Through from University of Kansas Center for Research, Inc.</i>		FY2014-025, NIH 1R03HD073464-01A1		26,242	26,242
<i>Pass-Through from University of Louisville Research Foundation</i>		OGMB070988-TX- AUSTIN		(825)	(825)
<i>Pass-Through from University of Maryland College Park</i>		Z030701		91,695	91,695
<i>Pass-Through from University of Massachusetts Worcester</i>		5R03HD071263-02		12,741	12,741
<i>Pass-Through from University of Michigan</i>		5U01HD04124908		133,172	133,172
<i>Pass-Through from University of Nevada</i>		SFFA 11-12, ACCT 1		149,153	149,153
<i>Pass-Through from University of New Mexico</i>		5 R01 HD064655 03		(19,403)	(19,403)
<i>Pass-Through from University of Utah</i>		1R01HD075863-01		42,750	42,750
<i>Pass-Through from University of Wyoming</i>		1002028A/R01HD070096		101,460	101,460
<i>Pass-Through from Washington University - St. Louis</i>		00C0093		17,074	17,074
<i>Pass-Through from Washington University School of Medicine</i>		2K12HD000849-26		129,621	129,621
<i>Pass-Through from Weill Cornell Medical College</i>		12101553-02, PO 4100154335		465	465
<i>Pass-Through from Weill Cornell Medical College</i>		13101462-02, 2		246,382	246,382
Total - CFDA 93.865			2,311,990	26,577,883	28,889,873
<b>Aging Research</b>	93.866		2,498,905	17,767,037	20,265,942
<i>Pass-Through from Boston University</i>		2R01AG033193-04		76,203	76,203
<i>Pass-Through from Case Western Reserve University</i>		P01AG014359		(3)	(3)
<i>Pass-Through from Case Western Reserve University</i>		RES503597		79	79
<i>Pass-Through from Columbia University</i>		1 R01 AG041797-01		(25,703)	(25,703)
<i>Pass-Through from Dartmouth College</i>		5P01AG019783-12		75,426	75,426
<i>Pass-Through from Einstein College of Medicine - Yeshiva University</i>		31551H/P01AG017242		156,284	156,284
<i>Pass-Through from Epigen Biosciences, Inc.</i>		1 R41 AG043243-01		144,764	144,764
<i>Pass-Through from Mayo Clinic</i>		1P01AG041122-1/COREB		26,934	26,934
<i>Pass-Through from Mayo Clinic</i>		1P01AG041122-1PROJ1		6,739	6,739
<i>Pass-Through from Minneapolis Medical Research Foundation</i>		ASPREE/U01AG029824		69,562	69,562
<i>Pass-Through from Minneapolis Medical Research Foundation</i>		PARCHMAN		81,517	81,517
<i>Pass-Through from Minneapolis Medical Research Foundation</i>		U01AG029824		146,367	146,367
<i>Pass-Through from Mount Sinai Medical Center</i>		5 R01 AG030141 05		9,388	9,388
<i>Pass-Through from Mount Sinai School of Medicine</i>		0254-9890-4609		(11)	(11)
<i>Pass-Through from Mount Sinai School of Medicine</i>		0254-9891-4609		(33)	(33)
<i>Pass-Through from Mount Sinai School of Medicine</i>		0254-9892-4609, 2, SUPP		10,133	10,133
<i>Pass-Through from Mount Sinai School of Medicine</i>		0254-9893-4609 2		47,055	47,055
<i>Pass-Through from Mount Sinai School of Medicine</i>		0254-9893-4609, 4		133,230	133,230
<i>Pass-Through from Regenerative Research Foundation</i>		5012-UTexas		51,128	51,128
<i>Pass-Through from Rush University Medical Center</i>		1R01AG040039-01A1		41,464	41,464
<i>Pass-Through from Southern Illinois University</i>		520317		128,480	128,480

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Arkansas for the Medical Sciences</i>		35788 (G140107549)		8,950	8,950
<i>Pass-Through from University of California - San Diego</i>		2U01AG02490406		69,256	69,256
<i>Pass-Through from University of California - San Diego</i>		AG10483 (31-UTD-RES)		1,832	1,832
<i>Pass-Through from University of Maryland, Baltimore</i>		1 R01 AG031535-01A2		55,741	55,741
<i>Pass-Through from University of Michigan</i>		3001000435		34,589	34,589
<i>Pass-Through from University of Oklahoma Health Science Center</i>		SG/1R01AG038747-01		104,025	104,025
<i>Pass-Through from University of Pittsburgh</i>		1 R21 AG046897-01		13,507	13,507
<i>Pass-Through from University of Washington</i>		5U01AG016976-15		32,928	32,928
<i>Pass-Through from West Virginia University</i>		RN7035		409,574	409,574
<i>Pass-Through from West Virginia University</i>		RN7036		410,201	410,201
<i>Pass-Through from West Virginia University</i>		RN7037		2,695	2,695
<i>Pass-Through from West Virginia University</i>		RN7038		423,962	423,962
<i>Pass-Through from West Virginia University</i>		RN7039		179,641	179,641
Total - CFDA 93.866			2,498,905	20,692,941	23,191,846
Vision Research	93.867		96,705	17,108,475	17,205,180
<i>Pass-Through from Baylor College of Medicine</i>		1R01EY023336-01A1		57,547	57,547
<i>Pass-Through from Baylor College of Medicine</i>		5 PN 2EY016525 10		431,592	431,592
<i>Pass-Through from Children's Hospital of Philadelphia</i>		961175RSUB/U10EY0170		10,741	10,741
<i>Pass-Through from Duke University</i>		203-2853 (EY023287)		24,597	24,597
<i>Pass-Through from Emory University</i>		5U10EY01327209		675	675
<i>Pass-Through from Icahn School of Medicine at Mount Sinai</i>		0254-3006-4609		73,848	73,848
<i>Pass-Through from Jaeb Center for Health Research, Inc.</i>		U10EY09867-05		128	128
<i>Pass-Through from Jaeb Center for Health Research, Inc.</i>		U10EY12358		852	852
<i>Pass-Through from National Eye Institute</i>		5R01EY001139-37		363,030	363,030
<i>Pass-Through from Nordic</i>		NORDIC AGREE 9588		(11,822)	(11,822)
<i>Pass-Through from Ohio State University</i>		60033608-UT		47,299	47,299
<i>Pass-Through from St. Luke's Roosevelt Institute for Health</i>		NORDIC - U10EY017281		(132)	(132)
<i>Pass-Through from University of Rochester</i>		5U01EY017387-05		821	821
<i>Pass-Through from University of Rochester</i>		UR 5-24978		695	695
<i>Pass-Through from University of Utah</i>		5R01EY002576-37		83,983	83,983
<i>Pass-Through from University of Washington</i>		744350		87,580	87,580
<i>Pass-Through from Vital Art and Science, Inc.</i>		5R44EY02001603		83,059	83,059
Total - CFDA 93.867			96,705	18,362,968	18,459,673
Medical Library Assistance	93.879		102,439	1,144,124	1,246,563
<i>Pass-Through from Columbia University</i>		1 (GG10058)		56,417	56,417
<i>Pass-Through from Medical University of South Carolina</i>		5R56LM010680-02		136,358	136,358
<i>Pass-Through from Rice University</i>		2T15LM007093-21		63,209	63,209
<i>Pass-Through from Rice University</i>		5 T15 LM007093 21		68,088	68,088
<i>Pass-Through from University of Wisconsin</i>		370K204		136,238	136,238
<i>Pass-Through from Vanderbilt University</i>		VUMC35692-R		41,604	41,604
Total - CFDA 93.879			102,439	1,646,038	1,748,477
Health Care and Other Facilities	93.887			465,936	465,936
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912		319,940	209,236	529,176
HIV Care Formula Grants	93.917			47,738	47,738
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918				

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Resource Group</i>		14UTP00RWC		42,836	42,836
<i>Pass-Through from Resource Group</i>		15UTP00RWC		13,156	13,156
Total - CFDA 93.918			0	55,992	55,992
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919			1,863	1,863
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924			590	590
Special Projects of National Significance <i>Pass-Through from Special Health Resources of Texas, Inc.</i>	93.928	H97HA15147-01-00		70,771	70,771
HIV Prevention Activities Health Department Based <i>Pass-Through from Cht Resource Group</i>	93.940	HHPMP1101013		371,685	371,685
<i>Pass-Through from City of Houston Health and Human Services</i>		U62/CCU606238		13,199	13,199
<i>Pass-Through from Harris County Health Department</i>		P015148		272,268	272,268
Total - CFDA 93.940			0	657,175	657,175
HIV Demonstration, Research, Public and Professional Education Projects <i>Pass-Through from City of Houston Health and Human Services</i>	93.941	B12-001-5 / 4600008431	102,350	149,803	252,153
<i>Pass-Through from University North Carolina at Chapel Hill</i>		5-53073/1UR6PS000670		35,773	35,773
Total - CFDA 93.941			102,350	(1,359)	(1,359)
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs <i>Pass-Through from Emory University</i>	93.946	T095615		15,309	15,309
Tuberculosis Demonstration, Research, Public and Professional Education	93.947			112,649	112,649
Block Grants for Community Mental Health Services	93.958			2,114,566	2,114,566
Block Grants for Prevention and Treatment of Substance Abuse	93.959			4,173	4,173
PPHF Geriatric Education Centers <i>Pass-Through from Texas Baylor University</i>	93.969	5UB4HP19052-04-00		3,780	3,780
Total - CFDA 93.969			0	24,796	24,796
International Research and Research Training	93.989		27,486	348,466	375,952
Maternal and Child Health Services Block Grant to the States	93.994			544,674	544,674
Test for Suppression Effects of Advanced Energy <i>Pass-Through from University of Washington</i>	93.999	5U01HL077863-10	4,635,475	2,561	4,638,036
<i>Pass-Through from University of Washington</i>		U01HL077863-07		1,039,994	1,039,994
<i>Pass-Through from University of Washington</i>		U01HL077863-08S1		1,196,328	1,196,328
Total - CFDA 93.999			4,635,475	7,141	7,141
Total - U.S. Department of Health and Human Services			4,635,475	2,246,024	6,881,499
			82,616,515	736,942,383	819,558,898
<b>Corporation for National and Community Service</b>					
AmeriCorps	94.006			(1,176)	(1,176)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Corporation for National and Community Service (continued)</b>					
<i>Pass-Through from One Star Foundation</i>		12AC141413		5,700	5,700
Total - CFDA 94.006			0	4,524	4,524
Total - Corporation for National and Community Service			0	4,524	4,524
<b>U.S. Department of Homeland Security</b>					
U.S. Department of Homeland Security	97.XXX				
<i>Pass-Through from Lynntech, Inc.</i>		C5580		19,768	19,768
<i>Pass-Through from Mri Global (Midwest Research Institute)</i>		HSHQDC13CB0009		325,262	325,262
<i>Pass-Through from Northeastern University</i>		505035-78056		43,947	43,947
<i>Pass-Through from University of North Carolina Chapel Hill</i>		5-55130 (HSFE-02-13-J-511)		22,838	22,838
Total - CFDA 97.XXX			0	411,815	411,815
State and Local Homeland Security National Training Program	97.005		54,044	215,863	269,907
Hazard Mitigation Grant	97.039		11,681	19,792	31,473
<i>Pass-Through from Bastrop County</i>		8000002150		1,344	1,344
Total - CFDA 97.039			11,681	21,136	32,817
Assistance to Firefighters Grant	97.044		3,081	12,732	15,813
<i>Pass-Through from Fire Protection Research Foundation</i>		UTA12-000223		313,109	313,109
Total - CFDA 97.044			3,081	325,841	328,922
Citizen Corps	97.053				
<i>Pass-Through from Oak Ridge Association of Universities</i>		DHS-SCHMIDT		8,093	8,093
Centers for Homeland Security	97.061		1,508,705	4,218,449	5,727,154
<i>Pass-Through from Northeastern University</i>		504928PO0902311 14		13,272	13,272
<i>Pass-Through from Purdue University</i>		4112-57702		93,918	93,918
<i>Pass-Through from The Rutgers University</i>		2009-ST0061CCI00206		6,377	6,377
<i>Pass-Through from University of Minnesota</i>		9106025113		1,608	1,608
<i>Pass-Through from University of North - Chapel Hill</i>		UNC-CH 5-36456		43,648	43,648
<i>Pass-Through from University of North Carolina Chapel Hill</i>		2008ST061ND0006			
<i>Pass-Through from University of North Carolina Chapel Hill</i>		5-36317 (2008-ST-061-ND0001)		23,230	23,230
<i>Pass-Through from University of Southern California</i>		48132607		29,118	29,118
Total - CFDA 97.061			1,508,705	4,429,620	5,938,325
Scientific Leadership Awards	97.062			466,025	466,025
Homeland Security Advanced Research Projects Agency	97.065			449,900	449,900
Homeland Security Information Technology Research, Testing, Evaluation and Demonstration Program	97.066			47,885	47,885
Homeland Security Research Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077		235,794	1,164,866	1,400,660
Buffer Zone Protection Program (BZPP)	97.078			78,600	78,600
Information Analysis Infrastructure Protection (IAIP) and Critical Infrastructure Monitoring and Protection	97.080			(1,608)	(1,608)
Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program	97.104		115,548	942	116,490

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Homeland Security (continued)</b>					
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies	97.108		20,704	92,732	113,436
National Nuclear Forensics Expertise Development Program <i>Pass-Through from Medical University of South Carolina</i> <i>Pass-Through from Medical University of South Carolina</i>	97.130	MUSC12-109 MUSC13-002		19,646 98,300	19,646 98,300
Total - CFDA 97.130			0	117,946	117,946
Total - U.S. Department of Homeland Security			1,949,557	7,829,656	9,779,213
<b>U. S. Agency for International Development</b>					
U. S. Agency for International Development <i>Pass-Through from Michigan State University</i> <i>Pass-Through from National Academy of Sciences</i> <i>Pass-Through from West Virginia University</i>	98.XXX	00013MO000228 RC103361 PGA-2000003542 13-754-UTA		100,589 5,670 56,875 32,440	100,589 5,670 56,875 32,440
Total - CFDA 98.XXX			0	195,574	195,574
USAID Foreign Assistance for Programs Overseas <i>Pass-Through from College of William and Mary</i> <i>Pass-Through from Colorado State University</i> <i>Pass-Through from Emory University</i>  <i>Pass-Through from Mountain Institute</i>  <i>Pass-Through from National Academy of Sciences</i> <i>Pass-Through from Rice University</i> <i>Pass-Through from University of Florida</i> <i>Pass-Through from University of Florida</i> <i>Pass-Through from University of Illinois - Champaign - Urbana</i> <i>Pass-Through from Washington State University</i>	98.001	740681-C G-1090-1 45000.5010.001.004- UTA-001 NO.3 575-2014-0001, UTA14-000808 PGA-2000003666 AID-OAA-A-13- ICARDA/WLI UF 11135 UF13199/00110392 2013-05964-02 119303 G003185	927,374  48,608	3,885,139 165,077 516 248,727 33,427 40,699 17,550 3,230 6,614 211,735 109,974	4,812,513 165,077 49,124 248,727 33,427 40,699 17,550 3,230 6,614 211,735 109,974
Total - CFDA 98.001			975,982	4,722,688	5,698,670
Non-Governmental Organization Strengthening (NGO) <i>Pass-Through from University of Iowa</i>	98.004	W000466673		(560)	(560)
John Ogonowski Farmer-to-Farmer Program	98.009			9,076	9,076
USAID Development Partnerships for University Cooperation and Development <i>Pass-Through from National Academy of Sciences</i> <i>Pass-Through from Tetra Tech, Inc.</i> <i>Pass-Through from University of Georgia</i>	98.012	PGA-2000003659 1078-TAMU-001 RC299-430/4942356	6,500	78,882 33,806 54,137 32,780	85,382 33,806 54,137 32,780
Total - CFDA 98.012			6,500	199,605	206,105
Total - U. S. Agency for International Development			982,482	5,126,383	6,108,865
<b>Total Research and Development Cluster</b>			136,666,532	1,379,569,817	1,516,236,349

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<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education</b>					
Federal Supplemental Educational Opportunity Grants	84.007			17,549,655	17,549,655
Federal Work-Study Program	84.033			20,959,072	20,959,072
Federal Perkins Loan Program Federal Capital Contributions	84.038			21,326,320	21,326,320
Federal Pell Grant Program	84.063			864,466,421	864,466,421
Federal Direct Student Loans	84.268			3,041,453,184	3,041,453,184
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			5,880,054	5,880,054
Postsecondary Education Scholarships for Veteran's	84.408			20,717	20,717
Total - U.S. Department of Education			0	3,971,655,423	3,971,655,423
<b>U.S. Department of Health and Human Services</b>					
Nurse Faculty Loan Program (NFLP)	93.264			526,052	526,052
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			2,532,341	2,532,341
Nursing Student Loans	93.364			593,396	593,396
ARRA - Nurse Faculty Loan Program	93.408			16,030	16,030
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			3,753,139	3,753,139
Total - U.S. Department of Health and Human Services			0	7,420,958	7,420,958
<b>Total Student Financial Assistance Cluster</b>			0	3,979,076,381	3,979,076,381
<b>AGING CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044		25,862,211	494,656	26,356,867
Special Programs for the Aging Title III, Part C Nutrition Services	93.045		36,414,750	1,076,803	37,491,553
Nutrition Services Incentive Program	93.053		8,319,554	2,071,508	10,391,062
Total - U.S. Department of Health and Human Services			70,596,515	3,642,967	74,239,482
<b>Total Aging Cluster</b>			70,596,515	3,642,967	74,239,482
<b>CCDF CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
Child Care and Development Block Grant	93.575		179,023,215	55,941,798	234,965,013
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		214,916,674	2,497,279	217,413,953

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>CCDF CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Upper Rio Grande Workforce Development Board</i>		1014CCM000		43,561	43,561
Total - CFDA 93.596			214,916,674	2,540,840	217,457,514
Total - U.S. Department of Health and Human Services			393,939,889	58,482,638	452,422,527
<b>Total CCDF Cluster</b>			393,939,889	58,482,638	452,422,527
<b>CDBG - STATE-ADMINISTERED CDBG CLUSTER</b>					
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		332,220,717	105,170,653	437,391,370
Total - CFDA 14.228			332,220,717	105,170,653	437,391,370
Total - U.S. Department of Housing and Urban Development			332,220,717	105,170,653	437,391,370
<b>Total CDBG - State-Administered CDBG Cluster</b>			332,220,717	105,170,653	437,391,370
<b>CDBG ENTITLEMENT GRANTS CLUSTER</b>					
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grants/Entitlement Grants	14.218		1,169,192	4,182,980	5,352,172
Total - CFDA 14.218			1,169,192	4,182,980	5,352,172
Total - U.S. Department of Housing and Urban Development			1,169,192	4,182,980	5,352,172
<b>Total CDBG Entitlement Grants Cluster</b>			1,169,192	4,182,980	5,352,172
<b>CENTERS FOR INDEPENDENT LIVING CLUSTER</b>					
<b>U.S. Department of Education</b>					
Centers for Independent Living <i>Pass-Through from TIRR Memorial Hermann</i>	84.132	H132B120001		46,260	46,260
ARRA - Centers for Independent Living, Recovery Act. <i>Pass-Through from TIRR Memorial Hermann</i>	84.400	H400B100003		15,280	15,280
Total - U.S. Department of Education			0	61,540	61,540
<b>Total Centers for Independent Living Cluster</b>			0	61,540	61,540
<b>CHILD NUTRITION CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
School Breakfast Program	10.553		513,454,259	1,001,437	514,455,696
National School Lunch Program	10.555		1,470,860,276	1,974,490	1,472,834,766
Special Milk Program for Children	10.556		21,444		21,444

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>CHILD NUTRITION CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
Summer Food Service Program for Children	10.559		49,702,557	599,771	50,302,328
Total - U.S. Department of Agriculture			<u>2,034,038,536</u>	<u>3,575,698</u>	<u>2,037,614,234</u>
<b>Total Child Nutrition Cluster</b>			<u>2,034,038,536</u>	<u>3,575,698</u>	<u>2,037,614,234</u>
<b>DISABILITY INSURANCE/SSI CLUSTER</b>					
<b>Social Security Administration</b>					
Social Security Disability Insurance	96.001			120,437,628	120,437,628
Total - CFDA 96.001			<u>0</u>	<u>120,437,628</u>	<u>120,437,628</u>
Total - Social Security Administration			<u>0</u>	<u>120,437,628</u>	<u>120,437,628</u>
<b>Total Disability Insurance/SSI Cluster</b>			<u>0</u>	<u>120,437,628</u>	<u>120,437,628</u>
<b>ECONOMIC DEVELOPMENT CLUSTER</b>					
<b>U.S. Department of Commerce</b>					
Investments for Public Works and Economic Development Facilities	11.300			61,775	61,775
Economic Adjustment Assistance	11.307		355,720	7,278,034	7,633,754
Total - U.S. Department of Commerce			<u>355,720</u>	<u>7,339,809</u>	<u>7,695,529</u>
<b>Total Economic Development Cluster</b>			<u>355,720</u>	<u>7,339,809</u>	<u>7,695,529</u>
<b>FOOD DISTRIBUTION CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
Commodity Supplemental Food Program	10.565		10,757,092		10,757,092
Emergency Food Assistance Program (Administrative Costs)	10.568		6,106,238	56,103	6,162,341
Emergency Food Assistance Program (Food Commodities)	10.569		40,194,479		40,194,479
Total - U.S. Department of Agriculture			<u>57,057,809</u>	<u>56,103</u>	<u>57,113,912</u>
<b>Total Food Distribution Cluster</b>			<u>57,057,809</u>	<u>56,103</u>	<u>57,113,912</u>
<b>EMPLOYMENT SERVICE CLUSTER</b>					
<b>U.S. Department of Labor</b>					
Employment Service/Wagner-Peyser Funded Activities	17.207		8,148,382	38,467,495	46,615,877
<i>Pass-Through from BayTech</i>		108338		66,864	66,864
<i>Pass-Through from BayTech</i>		BAYTECH		22,053	22,053
Total - CFDA 17.207			<u>8,148,382</u>	<u>38,556,412</u>	<u>46,704,794</u>
Disabled Veterans' Outreach Program (DVOP)	17.801			6,495,629	6,495,629

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>EMPLOYMENT SERVICE CLUSTER (continued)</b>					
<b>U.S. Department of Labor (continued)</b>					
Local Veterans' Employment Representative Program	17.804			5,127,077	5,127,077
Total - U.S. Department of Labor			8,148,382	50,179,118	58,327,500
<b>Total Employment Service Cluster</b>			8,148,382	50,179,118	58,327,500
<b>FEDERAL TRANSIT CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
Federal Transit Capital Investment Grants	20.500		10,896,389		10,896,389
Total - CFDA 20.500			10,896,389	0	10,896,389
Total - U.S. Department of Transportation			10,896,389	0	10,896,389
<b>Total Federal Transit Cluster</b>			10,896,389	0	10,896,389
<b>FISH AND WILDLIFE CLUSTER</b>					
<b>U.S. Department of the Interior</b>					
Sport Fish Restoration Program	15.605			19,493,067	19,493,067
Wildlife Restoration and Basic Hunter Education	15.611		81,253	21,369,349	21,450,602
<i>Pass-Through from Pennsylvania State University</i>		4967-TAR-USFWS-2215		22,626	22,626
Total - CFDA 15.611			81,253	21,391,975	21,473,228
Total - U.S. Department of the Interior			81,253	40,885,042	40,966,295
<b>Total Fish and Wildlife Cluster</b>			81,253	40,885,042	40,966,295
<b>FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER</b>					
<b>Corporation for National and Community Service</b>					
Foster Grandparent Program	94.011			1,754,760	1,754,760
Total - CFDA 94.011			0	1,754,760	1,754,760
Total - Corporation for National and Community Service			0	1,754,760	1,754,760
<b>Total Foster Grandparent/Senior Companion Cluster</b>			0	1,754,760	1,754,760
<b>HEALTH CENTERS CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care)	93.224			1,050,951	1,050,951
Total - CFDA 93.224			0	1,050,951	1,050,951
Total - U.S. Department of Health and Human Services			0	1,050,951	1,050,951
<b>Total Health Centers Cluster</b>			0	1,050,951	1,050,951

**STATE OF TEXAS**

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
Highway Planning and Construction	20.205		318,738,996	2,797,222,484	3,115,961,480
<i>Pass-Through from North Central Texas Council of Government</i>		S080033, 476660-000606		92,573	92,573
<i>Pass-Through from Texas Department of Transportation</i>		SPN00020		15,610	15,610
ARRA - Highway Planning and Construction			2,043,564	28,589,096	30,632,660
Total - CFDA 20.205			320,782,560	2,825,919,763	3,146,702,323
Recreational Trails Program	20.219		2,375,806	1,997,230	4,373,036
Total - U.S. Department of Transportation			323,158,366	2,827,916,993	3,151,075,359
<b>Total Highway Planning and Construction Cluster</b>			323,158,366	2,827,916,993	3,151,075,359
<b>HIGHWAY SAFETY CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
State and Community Highway Safety	20.600		13,481,353	3,548,417	17,029,770
<i>Pass-Through from Texas Department of Transportation</i>		SPN00020		14,800	14,800
Total - CFDA 20.600			13,481,353	3,563,217	17,044,570
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		2,296,186	650,679	2,946,865
Occupant Protection Incentive Grants	20.602		23,971	6,000	29,971
State Traffic Safety Information System Improvement Grants	20.610		72,254	656,157	728,411
Incentive Grant Program to Increase Motorcyclist Safety	20.612		319		319
Child Safety and Child Booster Seats Incentive Grants	20.613		141,255		141,255
Total - U.S. Department of Transportation			16,015,338	4,876,053	20,891,391
<b>Total Highway Safety Cluster</b>			16,015,338	4,876,053	20,891,391
<b>HOUSING VOUCHER CLUSTER</b>					
<b>U.S. Department of Housing and Urban Development</b>					
Section 8 Housing Choice Vouchers	14.871			5,722,727	5,722,727
Total - CFDA 14.871			0	5,722,727	5,722,727
Total - U.S. Department of Housing and Urban Development			0	5,722,727	5,722,727
<b>Total Housing Voucher Cluster</b>			0	5,722,727	5,722,727
<b>JAG PROGRAM CLUSTER</b>					
<b>U.S. Department of Justice</b>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,898,568	5,372,900	15,271,468
<i>Pass-Through from Institute for Intergovernmental Research</i>		8000002073		275,945	813,856
Total - CFDA 16.738			10,174,513	5,910,811	16,085,324

**STATE OF TEXAS**

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>JAG PROGRAM CLUSTER (continued)</b>					
<b>U.S. Department of Justice (continued)</b>					
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803		(3,309)		(3,309)
Total - U.S. Department of Justice			<u>10,171,204</u>	<u>5,910,811</u>	<u>16,082,015</u>
<b>Total JAG Program Cluster</b>			<u>10,171,204</u>	<u>5,910,811</u>	<u>16,082,015</u>
<b>MEDICAID CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
State Medicaid Fraud Control Units	93.775			14,063,285	14,063,285
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			30,813,204	30,813,204
Medical Assistance Program	93.778		<u>25,215,144</u>	<u>19,309,556,770</u>	<u>19,334,771,914</u>
Total - U.S. Department of Health and Human Services			<u>25,215,144</u>	<u>19,354,433,259</u>	<u>19,379,648,403</u>
<b>Total Medicaid Cluster</b>			<u>25,215,144</u>	<u>19,354,433,259</u>	<u>19,379,648,403</u>
<b>SCHOOL IMPROVEMENT GRANTS CLUSTER</b>					
<b>U.S. Department of Education</b>					
School Improvement Grants	84.377		37,890,417	1,483,951	39,374,368
School Improvement Grants, Recovery Act	84.388		<u>42,917,700</u>		<u>42,917,700</u>
Total - U.S. Department of Education			<u>80,808,117</u>	<u>1,483,951</u>	<u>82,292,068</u>
<b>Total School Improvement Grants Cluster</b>			<u>80,808,117</u>	<u>1,483,951</u>	<u>82,292,068</u>
<b>SNAP CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
Supplemental Nutrition Assistance Program	10.551			5,394,612,471	5,394,612,471
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		15,315,993	191,454,266	206,770,259
Total - U.S. Department of Agriculture			<u>15,315,993</u>	<u>5,586,066,737</u>	<u>5,601,382,730</u>
<b>Total SNAP Cluster</b>			<u>15,315,993</u>	<u>5,586,066,737</u>	<u>5,601,382,730</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER</b>					
<b>U.S. Department of Education</b>					
Special Education Grants to States	84.027		937,650,431	41,053,703	978,704,134
<i>Pass-Through from Clear Creek Independent School District</i>		CCISD		28,120	28,120
<i>Pass-Through from Pasadena Independent School District</i>		PASADENA ISD		28,120	28,120
<i>Pass-Through from Pearland Independent School District</i>		PEARLAND ISD		28,120	28,120
<i>Pass-Through from Sheldon ISD</i>		SISD		<u>14,060</u>	<u>14,060</u>
Total - CFDA 84.027			<u>937,650,431</u>	<u>41,152,123</u>	<u>978,802,554</u>

**STATE OF TEXAS**

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>SPECIAL EDUCATION (IDEA) CLUSTER (continued)</b>					
<b>U.S. Department of Education (continued)</b>					
Special Education Preschool Grants	84.173		21,593,004	59,448	21,652,452
Total - U.S. Department of Education			959,243,435	41,211,571	1,000,455,006
<b>Total Special Education (IDEA) Cluster</b>			959,243,435	41,211,571	1,000,455,006
<b>STATEWIDE DATA SYSTEMS CLUSTER</b>					
<b>U.S. Department of Education</b>					
Statewide Longitudinal Data Systems	84.372		166,249	2,132,912	2,299,161
Statewide Data Systems, Recovery Act	84.384			1,488,821	1,488,821
Total - U.S. Department of Education			166,249	3,621,733	3,787,982
<b>Total Statewide Data Systems Cluster</b>			166,249	3,621,733	3,787,982
<b>TANF CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
Temporary Assistance for Needy Families	93.558		107,816,845	349,447,719	457,264,564
ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) State Programs	93.714			3,652,766	3,652,766
Total - U.S. Department of Health and Human Services			107,816,845	353,100,485	460,917,330
<b>Total TANF Cluster</b>			107,816,845	353,100,485	460,917,330
<b>TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER</b>					
<b>U.S. Department of Education</b>					
Teacher Quality Partnership Grants	84.336		70,200	517,975	588,175
Total - CFDA 84.336			70,200	517,975	588,175
Total - U.S. Department of Education			70,200	517,975	588,175
<b>Total Teacher Quality Partnership Grants Cluster</b>			70,200	517,975	588,175
<b>TRANSIT SERVICES PROGRAMS CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		6,577,973	982,916	7,560,889
Job Access and Reverse Commute Program	20.516		8,963,130	570,397	9,533,527
New Freedom Program	20.521		3,403,967	69,469	3,473,436
Total - U.S. Department of Transportation			18,945,070	1,622,782	20,567,852
<b>Total Transit Services Programs Cluster</b>			18,945,070	1,622,782	20,567,852

**STATE OF TEXAS**

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education</b>					
TRIO Student Support Services	84.042			4,145,536	4,145,536
TRIO Talent Search	84.044			5,088,538	5,088,538
TRIO Upward Bound	84.047			10,320,257	10,320,257
TRIO Educational Opportunity Centers	84.066			900,377	900,377
TRIO McNair Post-Baccalaureate Achievement	84.217			1,680,331	1,680,331
Total - U.S. Department of Education			<u>0</u>	<u>22,135,039</u>	<u>22,135,039</u>
<b>Total TRIO Cluster</b>			<u>0</u>	<u>22,135,039</u>	<u>22,135,039</u>
<b>WIA CLUSTER</b>					
<b>U.S. Department of Labor</b>					
WIA Adult Program	17.258		49,125,410	1,808,922	50,934,332
<i>Pass-Through from San Jacinto Community College District</i>		TWC213396001		(5,567)	(5,567)
Total - CFDA 17.258			<u>49,125,410</u>	<u>1,803,355</u>	<u>50,928,765</u>
WIA Youth Activities	17.259		49,434,690	2,502,901	51,937,591
WIA Dislocated Worker Formula Grants	17.278		51,849,405	2,748,569	54,597,974
Total - U.S. Department of Labor			<u>150,409,505</u>	<u>7,054,825</u>	<u>157,464,330</u>
<b>Total WIA Cluster</b>			<u>150,409,505</u>	<u>7,054,825</u>	<u>157,464,330</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 8,436,471,488</u>	<u>40,661,316,003</u>	<u>49,097,787,491</u>

# STATE OF TEXAS

## Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

### (1) **Summary of Significant Accounting Policies**

#### (a) **Reporting Entity**

The state of Texas Schedule of Expenditures of Federal Awards (Schedule) includes the activity of all federal award programs administered by the primary government except for the federal activity of the Texas A&M Research Foundation (TAMRF), a blended component unit of the Texas A&M University System. TAMRF is excluded from the Schedule and is subject to a separate audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

The Schedule does not include the federal activity of discrete component units. These entities are legally separate from the state and are responsible for undergoing separate audits as needed to comply with OMB Circular A-133. The federal activity of the following discrete component units is excluded from the Schedule:

OneStar National Service Commission  
Texas Health Insurance Risk Pool  
Texas Boll Weevil Eradication Foundation Inc.  
Texas State Affordable Housing Corporation  
Teacher Retirement System of Texas

#### (b) **Basis of Presentation**

The Schedule presents total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the CFDA are identified by federal agency number followed by (.XXX). Federal award programs include expenditures, pass-throughs to non-state agencies (i.e., payments to subrecipients), non-monetary assistance and loan programs.

#### (c) **Basis of Accounting**

The expenditures for each of the federal financial assistance programs are presented in the Schedule on the accounting basis as presented on the fund financial statements. For entities with governmental funds, expenditures are presented on a modified accrual basis. For entities with proprietary or fiduciary funds, expenditures are presented on the accrual basis.

Both the modified accrual and accrual basis of accounting incorporate an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. Thus, those federal programs presenting negative amounts on the Schedule are the result of prior year estimates being overstated and/or reimbursements due back to the grantor.

#### (d) **Matching Costs**

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule, except for the state's share of unemployment insurance (See Note 4).

### (2) **Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1(c).

## STATE OF TEXAS

### Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

#### (3) Relations to Revenues in the State of Texas' Fund Financial Statements

The following is a reconciliation of total federal awards expended as reported in the Schedule to federal revenues reported in the fund financial statements.

##### Federal Revenues

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, Federal Revenue	\$ 39,775,764,235
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, Federal Revenue	3,598,149,413
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, Capital Contributions- Federal	6,430,313
Statement of Changes in Fiduciary Net Position	<u>72,168,019</u>
Total Federal Revenue per Fund Financial Statements	43,452,511,980

##### Reconciling Items

Non-Cash Federal Commodities/Vaccines/Surplus Property/Other (Note 6)	601,885,704
Various Loans Processed by Universities and Agencies (Note 5)	3,065,148,315
State Unemployment Funds (Note 4)	2,282,220,545
Programs Not Subject to OMB A-133 Reporting Requirements (Note 8)	(167,952,162)
Other *	(30,589,422)
Blended Component Unit not included in the Schedule of Expenditures of Federal Awards (Note 1(a))	<u>(105,437,469)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 49,097,787,491</u></u>

\* This amount includes deductions of Smith Lever Foundation Appropriation of \$3,169,471; deductions of \$4,047,619 for fixed fee contracts; deductions of \$39,988,641 for vendor transactions; additions of \$11,548,829 for Credit Enhancement for Charter School Facilities; additions of \$5,067,330 for other transactions; and \$150 for rounding in the schedule.

#### (4) Unemployment Insurance Funds

State unemployment tax revenues and the government and non-profit contributions in lieu of state taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the Schedule under CFDA 17.225. The state portion in the amount of \$2.28 billion is a reconciling item in the reconciliation of the Schedule to revenues in the fund financial statements (See Note 3).

**STATE OF TEXAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

**(5) Federally Funded Loan/Credit Enhancement Programs**

The state participates in various federally funded loan and credit enhancement programs. The programs can be grouped into three broad categories:

- Federally Funded Student Loan Programs
- Other Federally Funded Loan Programs
- Federally Funded Credit Enhancement Program

a) ***Federally Funded Student Loan Programs***

The state participates in student loan programs on which the federal government imposes continuing compliance requirements. Additionally, the state participates in other student loan programs that do not require continuing compliance. The charts below summarize activity by the state for federally funded student loan programs:

**Student Loan Programs with Continuing Compliance Requirements**

<b>CFDA Number</b>	<b>Program Name</b>	<b>Ending Balances of Previous Year's Loans</b>	<b>New Loans Processed</b>
84.038	Federal Perkins Loan Program (Perkins)	\$ 120,256,330	\$ 20,027,312
93.108	Health Education Assistance Loan Program (HEAL)	7,333,556	
93.264	Nursing Faculty Loan Program (NFLP)	1,151,215	526,052
93.342	Health Professions Student Loans (HPSL)	17,453,885	2,532,340
93.364	Nursing Student Loans	643,490	593,396
93.408	ARRA - Nursing Faculty Loan Program	153,790	16,030
		<u>\$ 146,992,266</u>	<u>\$ 23,695,130</u>

**Other Student Loan Programs**

<b>CFDA Number</b>	<b>Program Name</b>	<b>New Loans Processed</b>
84.268	Federal Direct Student Loans (Direct Loans)	\$ 3,041,453,185
		<u>\$ 3,041,453,185</u>

New student loans processed totaling \$3.1 billion are included in the Schedule and are part of a reconciling item on Note 3.

The Federal Family Education Loan Program (FFELP, CFDA 84.032) and the Federal Direct Student Loans Program (Direct Loans, CFDA 84.268) do not require universities to disburse funds. The proceeds are disbursed by lending institutions for FFELP and by the federal government for Direct Loans. For the FFELP program, loan guarantees were issued by the Texas Guaranteed Student Loan Corporation or other guarantee agencies. The federal government reinsures these guarantee agencies.

The Texas Higher Education Coordinating Board (THECB) participates in the Federal Family Education Loan Program (FFELP, CFDA 84.032L) as a servicer of the loans. During fiscal 2014 THECB received \$97.5 thousand in net interest subsidy payments that are included in the Schedule. As of Aug. 31, 2014, THECB services approximately \$37.5 million of FFELP loans. During fiscal 2014, zero new loans were processed by THECB under the FFELP.

**STATE OF TEXAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

**b) Other Federally Funded Loan Programs**

***Clean Water State Revolving Funds (CWSRF, CFDA 66.458)***

The Texas Water Development Board receives capitalization grants to create and maintain Clean Water State Revolving Funds programs (CWSRF, CFDA 66.458). The state can use capitalization grant funds to provide a long-term source of state financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

The CWSRF provides loans at interest rates lower than what can be obtained through commercial markets. Mainstream funds offer a net long-term fixed interest rate of 1.55 percent below market rate for those applicants financing the origination fee. The maximum repayment period for most CWSRF loans is 30 years from completion of construction. Capitalization loans processed for CWSRF for the year ended Aug. 31, 2014, were approximately \$155.9 million and are included in the Schedule. CWSRF outstanding loans, with no continuing audit requirements, at Aug. 31, 2014, were approximately \$2.8 billion. For the year ended Aug. 31, 2014, outstanding CWSRF loan balances utilizing ARRA funding were approximately \$73.8 million.

***Drinking Water State Revolving Funds (DWSRF, CFDA 66.468)***

The Texas Water Development Board receives capitalization grants to create and maintain Drinking Water State Revolving Funds programs (DWSRF, CFDA 66.468). The state can use capitalization grant funds to establish a revolving loan fund. The revolving loan fund can assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act. These compliance requirements ensure the public health objectives of the Safe Drinking Water Act.

The DWSRF can provide loans at interest rates lower than the market or provide other types of financial assistance for qualified communities, local agencies and private entities. Mainstream funds offer a net long-term fixed interest rate of 1.25 percent below market rate for those applicants financing the origination fee. The maximum repayment period for most DWSRF loans is 20 years from the completion of construction. Capitalization loans processed for DWSRF for the year ended Aug. 31, 2014, were approximately \$75.9 million and are included in the Schedule. DWSRF outstanding loans, with no continuing audit requirements, at Aug. 31, 2014, were approximately \$624.3 million. For the year ended Aug. 31, 2014, outstanding DWSRF loan balances utilizing ARRA funding were approximately \$60.9 million.

The chart below summarizes activity by the state for the two revolving loan programs.

<b>CFDA Number</b>	<b>Program Name</b>	<b>New Loans Processed</b>
66.458	Clean Water State Revolving Funds (CWSRF)	\$ 155,934,868
66.468	Drinking Water State Revolving Funds (DWSRF)	75,856,347
	Total New Loans Processed	\$ 231,791,215

***Transportation Infrastructure Finance and Innovation Act (TIFIA, CFDA 20.223)***

The United States Department of Transportation has agreed to lend the Texas Department of Transportation up to \$916.8 million under a secured loan agreement to pay or reimburse a portion of the costs of the Central Texas Turnpike System. The secured loan agreement was entered into pursuant to the provisions of TIFIA. As of Aug. 31, 2014, \$1.1 billion of the TIFIA note payable was outstanding. This TIFIA loan program is not subject to OMB A-133 reporting and is not included in the Schedule since the TIFIA loan was drawn in 2007 and 2008, prior to TIFIA loans being subject to OMB A-133.

STATE OF TEXAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

c) **Federally Funded Credit Enhancement Program**

**Credit Enhancement for Charter School Facilities (CFDA 84.354)**

In 2005, the Texas Public Finance Authority Charter School Finance Corporation formed a consortium with the Texas Education Agency and the Texas Charter School Resource Center to apply for a federal grant to assist charter schools. In November 2006, the consortium received \$10.1 million in federal grants to establish the Texas Credit Enhancement Program (“TCEP”). The \$11.5 million of federal grants received are subject to continuing audit requirements and are included in the Schedule. In addition, approximately \$43.5 thousand of interest earned on the federal grant monies drawn down in fiscal 2014 is also included in the Schedule.

The TCEP provides credit enhancement to eligible charter schools by funding debt service reserve funds for bonds issued on behalf of the schools to finance education facilities. As of Aug. 31, 2014, \$9.5 million of the federal grant funds had been allocated to various charter schools.

(6) **Non-Monetary Assistance**

The state is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements and are therefore not recorded in the state’s fund financial statements. Awards received by the state which includes cash and non-cash amounts are included in the Schedule as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Grant Awards</u>
10.555	National School Lunch Program	\$ 155,153,453
10.565	Commodity Supplemental Food Program	8,326,862
10.569	Emergency Food Assistance Program	40,194,479
39.003	Donation of Federal Surplus Personal Property	11,154,807
93.268	Immunization Grants	387,056,103
	Total	<u>\$ 601,885,704</u>

(7) **Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

During fiscal 2014, the state received cash rebates from infant formula manufacturers in the amount of approximately \$217.2 million on sales of formula to participants in the WIC program (CFDA 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by Code of Federal Regulations, Title 7: Agriculture, Chapter II, Subchapter A, Part 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the state to extend program benefits to more participants than could have been serviced this fiscal year in the absence of the rebate contract.

(8) **Programs Not Subject to OMB A-133 Reporting Requirements**

The fund financial statements include federal funding received from certain programs which are not subject to continuing compliance requirements. For the year ended Aug. 31, 2014, the fund financial statements include \$168 million of federal funds which are not subject to the continuing compliance requirements of OMB A-133, and are not included in the Schedule.

## STATE OF TEXAS

### Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

The Medicare portion of Part D is not subject to OMB A-133 because it does not include any Medicaid funds. Reimbursements of \$77.4 million were received related to the Medicare Part D program by the administrators of postemployment health care plans. Administrators include the Employee Retirement System, University of Texas System and Texas A&M University System.

The Build America Bonds are taxable municipal bonds that carry special tax credits and federal subsidies for either the bond issuer or the bondholder. The revenue generated is excluded from the Schedule. The state recognized federal revenues of \$90.6 million related to the program.

**(9) Depository Libraries for Government Publications**

Several state agencies and universities participate as depository libraries in the Government Printing Office's Depository Libraries for Government Publications program (CFDA 40.001). The state agencies and universities are the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned value by the Government Printing Office.

**(10) Disaster Grants – Public Assistance (CFDA 97.036)**

After a Presidential-Declared Disaster, Federal Emergency Management Agency (FEMA) provides a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The federal government reimburses in the form of cost-shared grants which requires state matching funds. In 2014, FEMA approved \$2.0 million of eligible expenditures that were incurred in prior year and of this approved amount, FEMA deobligated \$1.4 million for a net of \$554.8 thousand. For the year ended August 31, 2014, \$554.8 thousand of approved eligible expenditures that was incurred in a prior year is included in the Schedule.

**Schedule of Findings and Questioned Costs**

Federal Portion of  
Statewide Single Audit Report

For the Year Ended August 31, 2014

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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Section 1:

**Summary of Auditors' Results**

**Financial Statements**

Issued under separate cover. See State Auditor's Office report entitled the *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014* dated February 20, 2015.

**Federal Awards**

1. Internal Control over major programs:
  - a. Material weakness (es) identified? Yes
  - b. Significant deficiency (ies) identified not considered to be material weaknesses? Yes

**Major Programs with Material Weaknesses:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
93.767	Children's Health Insurance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
Cluster	CDBG – State-Administered CDBG
Cluster	Medicaid
Cluster	Student Financial Assistance
Cluster	TANF

**Major Programs with Significant Deficiencies:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.576	Crime Victim Compensation
17.225	Unemployment Insurance
20.233	Border Enforcement Grants
84.010	Title I Grants to Local Educational Agencies
84.032L	Federal Family Education Loans – (Lenders)
84.048	Career and Technical Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.287	Twenty-First Century Community Learning Centers
84.365	English Language Acquisition State Grants
84.367	Improving Teacher Quality State Grants
93.268	Immunization Cooperative Agreements
93.658	Foster Care Title IV-E
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program
Cluster	Aging
Cluster	Highway Planning and Construction (with ARRA)
Cluster	Medicaid
Cluster	Research and Development (with ARRA)
Cluster	School Improvements Grants (with ARRA)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
Cluster	SNAP
Cluster	Special Education (IDEA)
Cluster	Student Financial Assistance
Cluster	TANF
Cluster	WIA

2. Type of auditors' report issued on compliance for major programs? See below

**Qualified**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
Cluster	CDBG – State-Administered CDBG
Cluster	Student Financial Assistance
Cluster	Medicaid
Cluster	TANF

**Unmodified:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
16.576	Crime Victim Compensation
17.225	Unemployment Insurance
20.233	Border Enforcement Grants
84.010	Title I Grants to Local Educational Agencies
84.032L	Federal Family Education Loans – (Lenders)
84.048	Career and Technical Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.287	Twenty-First Century Community Learning Centers
84.365	English Language Acquisition State Grants
84.367	Improving Teacher Quality State Grants
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
93.569	Community Services Block Grant
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program
Cluster	Aging
Cluster	Child Nutrition
Cluster	Clean Water State Revolving Fund
Cluster	Disability Insurance/SSI
Cluster	Drinking Water State Revolving Fund

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
Cluster	Highway Planning and Construction (with ARRA)
Cluster	Research and Development (with ARRA)
Cluster	School Improvement Grants (with ARRA)
Cluster	SNAP
Cluster	Special Education (IDEA)
Cluster	WIA

3. Any audit findings disclosed that are required to be reported in accordance with *OMB Circular A-133*, Section 510(a)? Yes
4. Dollar threshold used to distinguish between Type A and Type B programs: \$73,923,376
5. Auditee qualified as low-risk auditee? No
6. Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
16.576	Crime Victim Compensation
17.225	Unemployment Insurance
20.233	Border Enforcement Grants
84.010	Title I Grants to Local Educational Agencies
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93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children’s Health Insurance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program
Cluster	Aging
Cluster	CDBG – State-Administered CDBG
Cluster	Child Nutrition
Cluster	Clean Water State Revolving Fund
Cluster	Disability Insurance/SSI
Cluster	Drinking Water State Revolving Fund
Cluster	Highway Planning and Construction (with ARRA)
Cluster	Medicaid
Cluster	Research and Development (with ARRA)
Cluster	School Improvement Grants (with ARRA)

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
Cluster	SNAP
Cluster	Special Education (IDEA)
Cluster	Student Financial Assistance
Cluster	TANF
Cluster	WIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Section 2:

### **Financial Statement Findings**

Issued under separate cover. See State Auditor's Office report entitled the *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014* dated February 20, 2015.

## Federal Award Findings and Questioned Costs – Table of Contents

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Section 3a:

## Federal Award Findings and Questioned Costs – KPMG

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section is organized by state agency.

<b>Department of Aging and Disability Services</b>
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Reference No. 2014-001

**Matching, Level of Effort, Earmarking**

**Reporting**

**Subrecipient Monitoring**

(Prior Audit Issues – 2013-001)

**Aging Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 14AATXT3SS, 14AATXT3CM, 14AATXT3HD, 14AATXNSIP, 13AATXT3SP, and 13AATXNSIP**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Aging and Disability Services (DADS) passed through approximately 95% of the Aging Cluster to subrecipients, approximately \$71 million in fiscal year 2014. DADS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. This monitoring includes but is not limited to: determining subrecipient eligibility, Data Universal Numbering System (DUNS) number identification, award identification, during-the-award monitoring, and close-out and sanctions activities. According to OMB Circular A-133, DADS must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor’s report to DADS within nine months of the subrecipient’s fiscal year end. DADS is to review the report and issue a management decision within six months, if applicable. Per title 2 of the Code of Federal Regulation (CFR) part 25, an entity is prohibited from making an award until the subrecipient has a valid DUNS. The requirement was effective October 1, 2010.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

DADS’ subrecipient monitoring procedures include the use of a standard contract for services, the provision of technical assistance to subrecipients, and the collection and processing of A-133 reports. Currently, monitoring activities are conducted by the Access and Intake Unit for Aging within DADS. The current policy is to perform an on-site review of all twenty-eight Aging Area Agency (AAA) subrecipients in a four year cycle. In the event an AAA has elevated risk, DADS does modify their approach and perform additional work as considered necessary. An on-site monitoring manual is utilized for the on-site reviews.

During fiscal year 2014, DADS updated their on-site monitoring manual to address sample size guidance, validation of in-kind contributions, cash maintenance of effort (MOE) and matching allowability, and the inclusion of payroll in the allowable costs sampling. Audit procedures involved a review of nine of twenty-eight subrecipients’ files for fiscal year 2014. From those nine files, the following items were noted:

- For seven subrecipients, the on-site monitoring manual did not include provider eligibility. This includes ensuring that providers of case management services must be public or non-profit agencies. These seven subrecipients were last monitored prior to 2014. For two subrecipients, the on-site monitoring manual makes reference to provider eligibility, including the review of the W-9 to ensure providers of case management services are public or non-profit agencies but no documentation was noted in the files to conclude the provider was eligible. These two subrecipients were monitored in 2014.
- For seven subrecipients, the monitoring file did not include sufficient documentation to support the results of the monitoring review of compliance requirements such as allowable costs, program income, in-kind, and AAA review of the service provider for compliance with contract requirements. Documentation was inconsistent among the monitoring files. The on-site monitoring manual does not provide consistent guidance on attributes to test for each area of compliance, documentation standards for sample items reviewed such as standard templates with attributes reviewed, and retention of example documentation to support conclusions.

**AGING AND DISABILITY SERVICES, DEPARTMENT OF**

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- For seven subrecipients, payroll expenditures were not specifically targeted by the on-site monitoring manual. These seven subrecipients were last monitored prior to 2014. Payroll expenditures are specifically targeted in the 2014 on-site monitoring manual.
- For seven subrecipients, the on-site monitoring manual did not include procedures to be performed over the matching and maintenance of effort (MOE) requirements that are self-reported by the AAA. These subrecipients were last monitored prior to 2014. Matching and MOE requirements are specifically targeted in the 2014 on-site monitoring manual.
- The recipient share of expenditures (line 10J) on the SF-425 primarily consists of AAA matching expenditures. The information is self-reported by the AAA and thus should be verified during monitoring.

See finding 2014-013 to address collection of A-133 reports and issuance of management decisions.

**Recommendation:**

The on-site monitoring manual should be enhanced to include more specific procedures to be performed within each area. Items for consideration are attributes to be tested for each relevant compliance requirement and required documentation to retain to support the review. The review of source documents is important when determining compliance with Aging Cluster compliance requirements.

**Management Response and Corrective Action Plan:**

*The monitoring manual will be revised to include procedures for the attributes to be tested for each relevant compliance requirement and required documentation to retain to support the review.*

*Implementation Date: March 9, 2015*

*Responsible Person: Sue Fielder*

Reference No. 2014-002

**Period of Availability of Federal Funds Reporting**

(Prior Audit Issues – 2013-002)

**Aging Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 14AATXT3SS, 14AATXT3CM, 14AATXT3HD, 14AATXNSIP, 13AATXT3SP, and 13AATXNSIP**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website. Per Title II part 170 of the Code of Federal Regulation (CFR), an entity must report each action that obligates \$25,000 or more in Federal funds for a subaward to an entity. The agency must subsequently amend the award if changes in circumstances increase the total Federal funding under the award during the project or program period. This information is to be reported no later than the end of the month following the month in which the obligation or amendment was made. This requirement was effective for all grants starting October 1, 2010 or after. Per Title II part 25 of the Code of Federal Regulation (CFR), an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). This requirement was effective for all grants starting October 1, 2010 or after. The Department of Aging and Disability Services' (DADS) FFATA process is manual in nature. The accumulation of the data to include in the FFATA report and the actual filing of the FFATA report is a manual process based on the obligation/award spreadsheets. DADS has twenty-eight subrecipients. DADS currently has

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

three individuals assigned to the task of filing the FFATA report. One program individual accumulates the data to include in the FFATA report, one program individual reviews the draft FFATA report for accuracy, and the FFATA Administrator files the final report.

During March 2014, DADS modified this FFATA reporting process to include a review of the FFATA data prior to submission. A sample of forty transactions included in the FFATA submissions were selected for review and involved in the following. All discrepancies noted below were prior to March 2014.

- Twelve samples contained the incorrect subaward action date on the FFATA report submitted. The NFA and NOA both contained a date of October 30, 2013 while the subaward action date per the FFATA report submission was presented as October 1, 2013. A subaward action date of October 30, 2013 should have been used. For the Aging Cluster, the Notice of Award (NOA) from the Administration for Community Living represents the federal government obligating the funds to DADS. The Notification of Funds Available (NFA) from DADS to the subrecipient represents the funding letter notification. As such, the later of these two dates which represents when the subrecipient has access to the funds, should be used as the subaward action date that triggers the FFATA report due date.
- Twenty-six samples, among five monthly submissions, were submitted late. The submission was late due to a lack of coordination between program personnel and the FFATA Administrator with regard to the need to file a report.

In addition, funds are made available to the State annually and must be obligated by the State by the end of the Federal fiscal year in which they were awarded. The State has an additional two years to liquidate all obligations for its administration of the State Plan and for awards to the Area Agencies consistent with its intrastate allocation formula. Therefore, in any given year, multiple years of funding are being used to provide services statewide (42 USC 3024 (b)). The obligation/award spreadsheets noted above that are the source of the FFATA information are also the support for the above obligation requirement. Currently the spreadsheets are prepared by program personnel and no detail review is performed regarding obligation requirements. As noted above, review was implemented in March 2014.

Recommendation:

DADS implemented a formalized process for coordination between the program personnel whom is responsible for accumulating the data for the FFATA reports and the FFATA Administrator whom is responsible for submitting the report during March 2014, including a detailed review of the allocation process to obligate awards. DADS should continue executing the new process.

Management Response and Corrective Action Plan:

*DADS will continue to execute its new FFATA process.*

*Implementation Date: March 2014*

*Responsible Person: Sue Fielder*

**Department of Assistive and Rehabilitative Services**

Reference No. 2014-003

**Eligibility**

**CFDA 84.126 – Rehabilitation Services–Vocational Rehabilitation Grants to States**  
**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**  
**Award numbers – H126A140064, H126A140065, H126A130064, and H126A130065**  
**Type of finding – Significant Deficiency and Non-Compliance**

An individual is eligible for Vocational Rehabilitation (VR) services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a)(1) of the Act (29 USC 722(a)(1))).

Questioned Cost:	\$1,000
U.S. Department of Education	

The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

- a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State VR Agency is exploring an individual’s abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

At the Department of Assistive and Rehabilitative Services (DARS), a Comprehensive Assessment is performed in order to determine whether an individual requires VR services to prepare for, secure, retain, or regain employment. The determination of whether an individual can benefit from an employment outcome is determined by the VR counselor and is built into an Individualized Plan for Employment (IPE) subsequent to the Comprehensive Assessment.

There are two divisions that receive federal awards for VR services: (1) the Division for Rehabilitation Services (DRS) and (2) the Division for Blind Services (DBS). For each division, we sampled a total of sixty-five cases and noted the following exceptions. All individuals were determined to be eligible for services so there are no questioned costs except for the equipment noted below.

**DRS:**

- For three of sixty-five files sampled, eligibility for the individual was determined after 60 days from the date the application was submitted for the services. There was no documentation in the case file indicating why an extension was not requested.
- For one of sixty-five files sampled, an extension to determine eligibility was granted to allow for receipt of various medical and school records. Eligibility for the individual was determined after the extension date. There was no documentation in the case file indicating why a second extension was not requested.

**DBS:**

- For two of sixty-five files sampled, eligibility for the individual was determined after 60 days from the date the application was submitted for the services. There was no documentation in the case file indicating why an extension was not requested.
- For one of sixty-five files sampled, equipment was purchased subsequent to the closure of the case without an amendment to the IPE. The cost of the equipment was approximately \$1,000.

- For one of sixty-five files sampled, the IPE describing the benefits from an employment outcome was improperly issued prior to the Comprehensive Assessment which determines whether the individual requires VR services to prepare for, secure, retain, or regain employment. Individual was determined to be eligible.

Recommendation:

DRS and DBS should implement a 45-day review process in order to identify consumers pending eligibility decisions where extensions might be warranted. An IT query should be created to identify these consumers.

Management Response and Corrective Action Plan:

*DRS and DBS management agree with the eligibility recommendation. DRS has a 40-day review process to identify consumers pending an eligibility decision, and DBS has a 45-day review process for this purpose. Effective March 1, 2015, both divisions are implementing a mandatory consistent state-wide monitoring process at the supervisory level, based on identified best practices, to ensure appropriate actions are taken with regard to cases approaching the 60-day eligibility threshold. Additionally, the quality assurance systems for both divisions are being enhanced to more accurately measure universal compliance with the 60-day eligibility requirement, to include trigger reports and accountability standards.*

*Implementation Date: March 1, 2015*

*Responsible Persons: Laura York for DRS and Tammy Martin and Juanita Barker for DBS*

**Department of Family and Protective Services**

Reference No. 2014-004

**Reporting**

**CFDA 93.658 – Foster Care–Title IV–E**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1401TX1401 and 1301TX1401**

**Non-Major Programs:**

**CFDA 93.556 – Promoting Safe and Stable Families**

**CFDA 93.590 – Community-Based Child Abuse Prevention Grants**

**CFDA 93.599 – Chafee Education and Training Vouchers Program (ETV)**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website (the Federal Funding Accountability and Transparency Act Subaward Reporting System or FSRS). Per Title II part 170 of the Code of Federal Regulation (CFR), an entity must report each action that obligates \$25,000 or more in Federal funds for a subaward to an entity. The agency must subsequently amend the award if changes in circumstances increase the total Federal funding under the award during the project or program period. This information is to be reported no later than the end of the month following the month in which the obligation or amendment was made. This requirement was effective for all grants starting October 1, 2010 or after. Per Title II part 25 of the Code of Federal Regulation (CFR), an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). This requirement was effective for all grants starting October 1, 2010 or after.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

During fiscal year 2014, the Foster Care program was added to the FSRS website to allow the Department of Family and Protective Services (DFPS) to upload subaward information. DFPS issued one subaward in the amount of approximately \$2 million that was required to be uploaded to the FSRS. Additionally, for CFDA 93.556, there are four awards for a total of approximately \$5.2 million; for CFDA 93.590, there are five awards for approximately \$1.5 million; and for CFDA 93.599, there is one award for approximately \$6.8 million. No subaward information was uploaded.

**Recommendation:**

DFPS has now identified the subawards required to be uploaded to the FSRS system for the Foster Care program. DFPS should ensure that procedures are in place to facilitate identification of all subawards required to be reported to ensure compliance with all FFATA requirements for Foster Care as well as any other programs that issue subawards to subrecipients.

**Management Response and Corrective Action Plan:**

*On November 1, 2013, DFPS instituted a contacting policy providing guidance on the contract management and reporting required under the Federal Funding Accountability and Transparency Act (FFATA). The policy provides a brief overview of the FFATA requirements, exceptions, and reporting requirements for both the prime recipient (DFPS) and subrecipients.*

*The published policy provides links to the required FFATA certification (Form 4734) and outlines the required coordination between Contract staff and the Office of Finance concerning FFATA reporting. Unfortunately, agency staff have failed to adequately coordinate the reporting function and none of the contracts subject to FFATA reporting requirements have been entered into the FSRS website.*

**FAMILY AND PROTECTIVE SERVICES, DEPARTMENT OF**

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*DFPS Office of Finance and Contract staff will review the current policy and identify specific positions responsible for FFATA coordination and reporting. Office of Finance and Contract staff will review the USASpending.gov quarterly to ensure FFATA required contracts are reported correctly.*

*Implementation Date: April 1, 2015*

*Responsible Person: David Schneider*

**General Land Office**

Reference No. 2014-005

**Davis-Bacon Act**

**Subrecipient Monitoring**

(Prior Audit Issue 2013-009)

**CDBG – State-Administered CDBG Cluster**

**Award year – N/A for disaster-funds**

**Award numbers – B-06-DG-48-0002, B-08-DI-48-0001, B-08-DN-48-0001, and B-12-DT-48-0001**

**Type of finding – Material Weakness and Material Non-Compliance**

General Land Office (GLO) passed through approximately 73% of the CDBG Disaster Funds to subrecipients, approximately \$299 million in fiscal year 2014. GLO is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. This monitoring includes, but is not limited to: determining subrecipient eligibility, Data Universal Numbering System (DUNS) number identification, award identification, during-the-award monitoring, and close-out and sanctions activities. According to OMB Circular A-133, GLO must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor’s report to GLO within nine months of the subrecipient’s fiscal year end. GLO is to review the report and issue a management decision within six months, if applicable.

Questioned Cost:	\$0
U.S. Department of Housing and Urban Development	

In 2014, GLO’s subrecipient monitoring procedures included the use of a standard contract for services, the provision of technical assistance to subrecipients, and the collection and review of A-133 reports. In addition, the requests for reimbursement were accompanied by contractor invoices to support the reimbursement request. Most of the monitoring activities were conducted by the Quality Assurance and Quality Control (QAQC) section of the Finance Division of the Disaster Recovery Division (DR Division).

Audit procedures involved a review of twenty-seven of approximately 175 subrecipients’ files for fiscal year 2014. From those twenty-seven files, the following items were noted:

- For contracts issued before 2014, which is the majority of GLO’s current disaster subrecipients, the CFDA number was not included in the contract notification to the subrecipients. For one of the sample items, it was noted that the subrecipient continued to report the GLO funds under CDBG – Entitlement Grants Cluster instead of State-Administered CDBG Cluster. GLO issued a technical guidance letter to notify subrecipients of the correct CFDA number in September 2014. Additionally, GLO updated their subrecipient contract template to include the CFDA number going forward and clarified the federal awarding agency.
- GLO did not update their 2013 risk assessment for use in fiscal year 2014 as they were already aware that there were deficiencies with the assessment that needed to be corrected. Rather, in 2014 GLO focused on completing reviews in response to HUD recommendations, complaints, and single audit deficiencies noted.
- There were approximately thirty-four subrecipient reviews, eighteen of which were solely procurement reviews, conducted during fiscal year 2014 and approximately ten during fiscal year 2013. In 2014, GLO also focused on creating their monitoring plan for 2015, including developing a new risk assessment process, gathering and implementing data input for the risk assessment, analyzing the results, and developing new monitoring tools and schedules for project management.

Recommendation:

GLO should continue to work on their enhanced monitoring plan for 2015. This should include an enhanced risk assessment process that includes programmatic and financial considerations, frequency of the monitoring reviews, and guidelines for follow-up. Consideration should be given to a four to five year cycle, depending on the length of the program, for monitoring, including the estimated number of high, moderate, and low risk subrecipients to be reviewed within each year and the type of review to be performed.

The monitoring tools should include specific procedures to be performed within each area (allowable costs including payroll, labor and Davis-Bacon, vendor contracts, etc.). The procedures should consider all the relevant compliance areas for CDBG that have been delegated to the subrecipients by GLO, such as low and moderate income eligibility requirements, administrative earmarking limitations, program income collection and usage, and accuracy of the information provided for reporting to HUD. Items for consideration are sample sizes, attributes to be tested, and required documentation to retain to support the review. The review of source documents is important when determining compliance with CDBG compliance requirements. For example, construction contractor invoices are generally in a standard percent of completion format. Comparison to the contract based on categories of services incurred is needed to determine if the service is allowable under CDBG.

GLO should ensure all required elements are included in each CDBG contract issued including CFDA number.

Management Response and Corrective Action Plan:

*With regard to the CFDA number recommendation, the GLO CFDA Technical Guidance Letter (September 2014) addresses our resolution of this issue. We believe the occurrence noted above is an isolated incident. Therefore, no additional action is anticipated on the part of the GLO.*

*The GLO implemented a new Comprehensive Monitoring Plan (CMP) on September 1, 2014. The CMP includes a risk assessment, which incorporates compliance, financial and programmatic risk factors. The GLO utilized questionnaires completed by the Program Grant Managers to identify the impact of specific subrecipient risk factors. Each subrecipient was evaluated based on the risk factors identified to establish low, moderate and high risk categories for monitoring. The monitoring activities and frequency of performance are established based on the risk category identified. As an ongoing element of the implementation, the GLO is continuing the process of enhancing or creating monitoring tools for each compliance area which incorporate the recommendations noted above. The GLO's risk assessment methodology provides a reasonable basis for establishing a monitoring schedule that enhances the overall monitoring footprint of the CDBG program.*

*Implementation Date: September 1, 2014*

*Responsible Person: Martin Rivera, Jr.*

**Health and Human Services Commission**

Reference No. 2014-006

**Eligibility**

**Special Tests and Provisions – Income Eligibility and Verification System**

**Special Tests and Provisions – Penalty for Refusal to Work**

**Special Tests and Provisions – Adult Custodial Parent of Child under Six When Child Care Not Available**

**Special Tests and Provisions – Child Support Non-Cooperation**

**Special Tests and Provisions – ADP System for SNAP**

(Prior Audit Issues – 2013-012, 13-02, 13-03, 13-05, 12-02, 11-09, 10-12, 09-17, 08-12, and 07-13)

**CFDA 93.767 – Children’s Health Insurance Program**

**Award years – October 1, 2013 to September 30, 2015 and October 1, 2012 to September 30, 2014**

**Award numbers – 1405TX5021 and 1305TX5021**

**SNAP Cluster**

**Award years – October 1, 2013 to September 30, 2015, October 1, 2012 to September 30, 2014, and October 1, 2011 to September 30, 2013**

**Award numbers – 6TX430165, 6TX430176 6TX400405, 6TX430145, and 6TX400105**

**TANF Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1402TXTANF3, 1402TXTANF, 1302TXTAN3, and 1302TXTANF**

**Medicaid Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1405TX5MAP, 1405TX5ADM, 1305TX5ADM, and 1305TX5MAP,**

**Non-Major Programs:**

**CFDA 93.566 – Refugee and Entrant Assistance–State–Administered Programs**

**Type of finding – Significant Deficiency**

The Health and Human Services Commission (HHSC) utilizes the Texas Integrated Eligibility Reporting System (TIERS) for determining eligibility for Medicaid, Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Children’s Health Insurance Program (CHIP) and the Refugee and Entrant Assistance Program. Eligibility for the following programs is considered to be deemed (i.e., the applicant is automatically eligible) during the time period they are also eligible for TANF, Medicaid, and/or Supplemental Nutrition Assistance Program (SNAP).

Questioned Cost: \$0

U.S. Department of Health and Human Services  
U. S. Department of Agriculture

**Additional Federal Programs**

Child Nutrition Cluster  
CFDA 93.563 – Child Support Enforcement  
CFDA 93.568 – Low-Income Home Energy Assistance  
CFDA 10.557 – Supplemental Nutrition Program for Women, Infants, and Children  
Child Care Cluster

**Deemed Program**

TANF and SNAP  
TANF and Medicaid  
SNAP  
SNAP and Medicaid  
TANF

Per review of the regulations and State Plan documents for Medicaid, SNAP, and TANF benefits, individuals must generally meet the *following criteria to be eligible*, and the information is required to be verified per a third-party source of information. Any exceptions are noted below:

- Completed and signed an application for benefits with eligibility determined at least every twelve months for CHIP and Medicaid (42 CFR 435.916(a)) and TANF (per State Plan) and at least every six months for SNAP (7 CFR 273.10(f)). In some situations, Medicaid cases are not required to be redetermined, such as for earned income transitional coverage.

## HEALTH AND HUMAN SERVICES COMMISSION

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- Be a Texas resident. Verification of residency is not required for Medicaid recipients. Verification is required for CHIP and TANF, per State Policy. Verification is required for SNAP per 7 CFR 273.2(f)(1)(vi).
- Be a U.S. citizen or non-citizen in certain recognized categories. Verification is not required for non-cash TANF recipients. Verification is required for CHIP and Medicaid by State Policy and federal regulations and cash TANF by State Policy. Verification is required for SNAP, if receiving cash TANF benefits based on TANF State Policy.
- Meet certain resource and income limits, which vary by eligibility group, including proof of unemployment. Verification is required for CHIP, Medicaid and TANF by State Policy. For SNAP, verification is required by State Policy and additionally verification of “gross non-exempt income” is required by 7 CFR 273.2(f)(i).
- Social security number. Verification of social security numbers is required for Medicaid by 42 CFR 435.910(g), TANF by State Policy, and SNAP by State Policy and 7 CFR 273.2(f)(1)(v).

Audit procedures included review of certain general and application level controls designed for TIERS, along with review of selected case files, as noted below. The eligibility process does not enforce the respective eligibility decisions necessary to ensure clients are eligible and receive proper benefit amounts.

- Consistent with current HHSC policy, TIERS is not designed to enforce third-party verification for residency, or U.S. citizenship. HHSC’s process should be improved by implementing automated controls to enforce third-party verifications. For example, a field for each is required to be populated. However, one of the choices is “client statement,” which does not constitute third-party verification. Selection of self-declaration through “client statement” allows the respective case file to proceed to the next step toward benefit issuance with no third-party verification. In limited circumstances (e.g., homeless person), self-declaration for residency is acceptable. However, in general circumstances, these two elements are required to be verified with a third party. Currently, state eligibility workers assess the validity and accuracy of the client’s statement. HHSC has represented that a system modification is not feasible; instead, verification is reviewed during quality control process, if applicable to the selected participant. The current quality control selection process does not include consideration of stratification or other methodology approaches to ensure certain cases are selected which include self-verification.
- TIERS interfaces with the Social Security Administration (SSA) to verify social security numbers. TIERS is designed so that a correct match of a client’s social security number will populate a field noting the respective social security number has been verified. For social security numbers where a match is not successful, an alert is sent to the file for the case worker to investigate. However, TIERS is not designed nor are there manual controls to restrict benefits from being issued, if the social security number has not been verified before the first recertification. HHSC’s policy is to deny benefits after one year unless efforts are underway to obtain a social security number. HHSC does have an oversight function that when an SSN cannot be validated, a task is created and routed to eligibility staff for research. Upon further discussion with the eligibility staff responsible for the research, the determination was made the controls were not effectively designed or operating effectively. There is no formal, consistent process in place between staff and also a lack of documentation to support the timely reviews.
- The design of TIERS does not allow the processing of various interfaces including sanctions such as penalty for refusal to work, adult custodial parent of child under six when child care is not available, and child support non-cooperation through the Mass Update process in a timely manner. The Mass Update only processes requests with active EDGs. A case needs to be in “ongoing mode” versus “change mode” for changes to be implemented. When a case is in any mode other than “ongoing mode,” the sanctions are not processed timely. No compliance exceptions were noted as a result of the Mass Update for the Special Tests and Provisions – Penalty for Refusal to Work and Adult Custodial Parent of Child under Six When Child Care Not Available compliance requirements noted above. HHSC management has represented that certain individuals’ job responsibilities include reviewing reports that identify the status of sanction cases. One of the primary purposes of the review is to monitor timely completion of open requests which have placed the case in “change mode” status. Upon further discussion with regional personnel responsible for these review procedures, the determination was made the controls were not effectively designed or operating effectively. There is no formal, consistent process in place between regions and lack of documentation to support the timely reviews.

Recommendation:

HHSC should continue to address the requirement issues as defined by the eligibility process supported by TIERS for: (1) the automated control functions and interfaces; (2) the consideration of additional data validation and/or eligibility rules in TIERS; and/or (3) the consideration of additional manual compensating controls for the eligibility process. Specifically for the self-verification, HHSC should tailor their monitoring processes to be more focused on self-verification based on their representation that quality control is their preferred approach for monitoring compliance. With regard to SSA validations, HHSC should formalize their oversight function to be more consistent and to provide documentation of the activities performed. Additionally, HHSC should refine their monitoring function for on-going mode cases to be consistent as to timing of performance and documentation of results.

Management Response and Corrective Action Plan:

Third Party Verification of Residency or Citizenship Status: *For some programs, self-attestation is sufficient to fulfill eligibility requirements; therefore, TIERS is not designed to impose third party verifications for residency or citizenship status. TIERS is designed to require third party verification of alien status for non-citizens seeking assistance. In July 2014, HHSC completed a review of cases with self-declaration selected for residency and/or citizenship verification, and where the program requires third party verification. HHSC found no instances of individuals being mistakenly certified for benefits based on the self-declaration selection. All cases either contained the third party verification document or verification could be obtained using automated systems. Additionally, HHSC conducts ongoing case reviews for all eligibility workers statewide. Case review data shows no signs of benefit errors in this area.*

*HHSC has researched the feasibility and cost associated with the auditors' recommended system modifications. Because there are no benefit errors in this area and the cost of redesigning the system to segregate verification requirements by program would be costly, HHSC is not pursuing system modifications at this time. To ensure processing in this area does not become an issue, HHSC will conduct a quarterly review of a random sample of cases where self-attestation is indicated to determine if any issues exist.*

Social Security Number Validation: *Social Security Numbers (SSN) are entered into the eligibility system as part of the data collected to determine eligibility, and are validated through a monthly interface process with the Social Security Administration (SSA). This process validates the SSN against the demographic information provided by the client. When an SSN cannot be validated, a task is created and routed to eligibility staff for research. Eligibility staff determines if an error was made in the demographic information and makes corrections, if appropriate. In situations where no error in the demographic information exists, the client is allowed 60 days to clear the discrepancy with SSA and provide verification to HHSC. If the information is not provided, the client is disqualified from receiving benefits.*

*HHSC has a process in place to ensure these tasks are worked timely and appropriately. HHSC implemented a quality assurance review of cases failing the SSA validation and is working to strengthen this process to provide more detailed feedback to eligibility staff. HHSC will maintain documentation and produce reports based on the findings of each review. The quality assurance review is currently underway and, based on the results of the review and an analysis of any errors found, HHSC will determine if additional actions are necessary. These actions would include additional staff training and the documentation of business processes in this area.*

Processing of Sanctions for Cases under Review: *TIERS automatically applies sanction referrals to active cases in "ongoing mode". By design, TIERS does not automatically apply sanction requests to cases under review while in "change mode". Pending actions or changes must be reviewed holistically and in combination with any sanction referral to ensure compliance with policy. Depending on specific household circumstances, a sanction referral may no longer be applicable. For example, a review action could be underway to remove a sanctioned individual from the case because they are no longer residing in the household. If the case is under review or in "change mode" when the sanction is received, as was identified in the audit, the referral is processed and applied when the eligibility review is completed and the case is in "ongoing mode".*

*HHSC has implemented new processes in recent years to address sanction referrals and to help ensure that all sanctions are applied within the required timeframe for cases in "change mode". Specialized eligibility staff receive*

reports identifying cases where a sanction referral is received while the case is undergoing eligibility review and in "change mode". Staff regularly review these cases to determine if all information necessary to complete the eligibility review has been received by HHSC. If the information is not complete, specialized staff finalize the review or coordinate with regional eligibility staff to complete the eligibility review.

HHSC conducted a review of sanctions processed between February 2014 and July 2014. Of 210 cases reviewed, reviewers identified 6 cases where the sanction was imposed untimely because the case was pended for a case review that was underway. Cases under review are regularly monitored for timely completion through automated reports that are available to all eligibility staff. To ensure these reports are effectively and consistently utilized, HHSC will provide written direction regarding these requirements to regional management and monitor report usage going forward.

*Implementation Dates:*     Third Party Verification Case Review - June 30, 2015  
                                       Social Security Validation-Quality Assurance Review - February 28, 2015  
                                       Social Security Validation-Training (if applicable) - April 30, 2015  
                                       Sanctions for Cases under Review - March 31, 2015  
                                       Requirement to use the automated reports - March 31, 2015

*Responsible Persons:*     Third Party Verification Case Review - Kirsten Jumper  
                                       Social Security Validation-Quality Assurance Review - Kirsten Jumper  
                                       Social Security Validation-Training (if applicable) - Ramona McKissic  
                                       Sanctions for Cases under Review and Use of Automated Reports - Kirsten Jumper

Reference No. 2014-007

**Subrecipient Monitoring**

(Prior Audit Issues – 2013-016)

**TANF Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1402TXTANF3, 1402TXTANF, 1302TXTAN3, and 1302TXTANF**

**Type of finding – Material Weakness and Material Non-Compliance**

The Health and Human Services Commission (HHSC) passes through federal funds to subrecipients to carry out the objectives of the TANF Cluster program for the Texas Nurse Family Partnership Program (NFP). HHSC is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, HHSC must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor’s report to HHSC within nine months of the subrecipient’s fiscal year end. HHSC is to review the report and issue a management decision within six months, if applicable. Per title 2 of the Code of Federal Regulation (CFR) part 25, an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). The requirement was effective October 1, 2010.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

HHSC’s subrecipient monitoring procedures include the use of a standard contract for services, the provision of technical assistance to subrecipients, and the submission of a reimbursement request summary by budget line item. For fiscal year 2014, HHSC did not evaluate the risk of their subrecipients through a risk assessment and did not perform any site/desk reviews. Audit procedures involved a review of three subrecipients’ files for fiscal year 2014 which represent 100% of the federal funds passed through to subrecipients. Total expenses for TANF subrecipients were approximately \$3.8 million. From the three files, the following items were noted for all three subrecipients:

- The Nurse-Family Partnership National Service Office (NSO) approval award letter, which indicates that all requirements have been met to be eligible for the NFP award, was not available in the subrecipient file.

## HEALTH AND HUMAN SERVICES COMMISSION

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- Insufficient documentation was available to validate that HHSC obtained and reviewed reimbursement requests to ensure the subrecipient was in compliance with the allowable cost or matching requirements of the grant.

See finding 2014-013 to address collection of A-133 reports and issuance of management decisions.

### Recommendation:

HHSC should reevaluate its subrecipient monitoring process for the NFP program to ensure compliance with HHSC, state, and federal regulations. Specifically, HHSC should work with NSO to obtain documentation of subrecipient eligibility. HHSC should also establish a risk assessment and monitoring process to address their responsibilities for oversight of allowable costs, matching, eligibility, and other program requirements.

### Management Response and Corrective Action Plan:

*Regarding the missing approval letter, HHSC Health Coordination and Consumer Services (HCCS) has obtained a signed letter from the NSO certifying that all providers currently under contract for NFP are approved. The letter includes the dates all sites were approved. In addition, an RFP is scheduled to be released by June 2015 that will require respondents who wish to continue as a provider of NFP services to provide a signed letter from NSO indicating that they: (a) have implemented the NFP Model with fidelity, (b) are authorized to continue providing services or expand services, and (c) if applicable, are approved to implement a new program. Electronic copies of these letters will be maintained in the subrecipient's file.*

*HCCS recognizes the importance of monitoring all its NFP subrecipients to ensure compliance with state and federal regulations. Specific actions taken and planned to address the findings include:*

- *Developed and implemented a risk assessment tool in November 2014 to evaluate the relative risks associated with each subrecipient and whether a desk or on-site review is warranted.*
- *Annually, HCCS will provide HHSC Office of Inspector General with a full list of subrecipients and will provide input to OIG on any missing or incorrect information. If necessary, HCCS will contact its subrecipients to obtain a copy of the single audit if not available through internal processes.*
- *Developed and implemented a programmatic and fiscal monitoring process in December 2014 to ensure monthly and annual expenditures are allowable, consistently billed and allocated, necessary and reasonable, and adequately documented.*
- *Held contractor and staff training webinars in December 2014 and January 2015 to reinforce and ensure clarity and transparency in the compliance and review processes and to communicate current and updated information on state and federal requirements.*
- *Reviews of the contractor screening tools to ensure compliance with HHSC policy will be implemented no later than March 2015.*
- *Seven site visits have been scheduled for state fiscal year 2015 with nineteen desk reviews scheduled to begin in April 2015.*
- *Conduct a fiscal year-end review in September 2015 to evaluate the monitoring process improvements and implementation. Based on this review, additional steps will be taken to strengthen and improve these processes. The monitoring and compliance plan will be updated accordingly.*

*Implementation Dates: November 2014 through August 2015 with final monitoring and compliance plan completed by October 2015*

*Responsible Person: Sarah Abrahams*

## HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 2014-008

### Special Tests and Provisions – Child Support Non-Cooperation

#### TANF Cluster

Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013

Award numbers – 1402TXTANF3, 1402TXTANF, 1302TXTAN3, and 1302TXTANF

Type of finding – Significant Deficiency and Non-Compliance

If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for Temporary Assistance for Needy Families (TANF), the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. Health and Human Services (HHS) may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31). Per A2140, the State policy is to reduce benefits 100% for non-cooperation. The Texas Integrated Eligibility Reporting System (TIERS) determines eligibility for TANF.

Questioned Cost:	\$3,723
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U.S. Department of Health and Human Services	
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The design of TIERS does not allow the processing of various interfaces including sanctions such as penalty for refusal to work, adult custodial parent of child under six when child care is not available, and child support non-cooperation through the Mass Update process in a timely manner. The Mass Update only processes requests with active case status. A case needs to be in “ongoing mode” versus “change mode” for changes to be implemented. When a case is in other than “ongoing mode” the sanctions are not processed timely. Health and Human Services Commission (HHSC) management has represented that certain individuals’ job responsibilities include reviewing reports that identify the status of sanction cases. One of the primary purposes of the review is to monitor timely completion of open requests which have placed the case in “change mode” status. Upon further discussion with regional personnel responsible for these review procedures, the determination was made the controls were not effectively designed or operating effectively. There was no formal, consistent process in place between regions and lack of documentation to support the timely reviews. Two cases of forty beneficiaries were processed one month late due to ongoing mode status with benefits for both cases paid of approximately \$500.

Of the forty cases reviewed, benefits were not reduced timely for one additional case. For this case, the benefit was reduced eleven months late, resulting in an over payment of \$3,223. This specific case was identified as “action code O” when it was sent to the HHSC from the Office of the Attorney General (OAG). HHSC represented that the “action code O” was noted to not be functioning correctly and corrected in September 2013. Prior to September 2013, cases with “action code O” were rejected when interfaced with TIERS. HHSC has not been able to quantify how many other “action code O” cases have not been processed.

#### Recommendation:

HHSC management should continue to monitor the proper functioning of identifying and restricting benefits for individuals timely. Additionally, HHSC should refine their monitoring function to be consistent as to timing of performance and documentation of results. Specifically with regard to “action code O”, HHSC should work with OAG to identify any open child support non-cooperation cases with an “action code O” that should be sanctioned.

#### Management Response and Corrective Action Plan:

*TIERS automatically applies sanction referrals to active cases in “ongoing mode”. By design, TIERS does not automatically apply sanction requests to cases under review while in “change mode”. Pending actions or changes must be reviewed holistically and in combination with any sanction referral to ensure compliance with policy. Depending on specific household circumstances, a sanction referral may no longer be applicable. For example, a review action could be underway to remove a sanctioned individual from the case because they are no longer residing in the household. If the case is under review or in “change mode” when the sanction is received, as was*

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identified in the audit, the referral is processed and applied when the eligibility review is completed and the case is in "ongoing mode".

HHSC has implemented new processes in recent years to address sanction referrals and to help ensure that all sanctions are applied within the required timeframe for cases in "change mode". Specialized eligibility staff receive reports identifying cases where a sanction referral is received while the case is undergoing eligibility review and in "change mode". Staff regularly review these cases to determine if all information necessary to complete the eligibility review has been received by HHSC. If the information is not complete, specialized staff finalize the review or coordinate with regional eligibility staff to complete the eligibility review.

HHSC conducted a review of sanctions processed between February 2014 and July 2014. Of 210 cases reviewed, reviewers identified 6 cases where the sanction was imposed untimely because the case was pended for a case review that was underway. Cases under review are regularly monitored for timely completion through automated reports that are available to all eligibility staff. To ensure these reports are effectively and consistently utilized, HHSC will provide written direction regarding these requirements to regional management and monitor report usage going forward.

In September 2013, HHSC implemented a modification in the eligibility system to ensure all sanctions received with "action code O" are implemented through the established automated process. Cases that do not pass the automated process are handled manually by specialized staff to ensure timely action.

Implementation Date: March 31, 2015

Responsible Person: Kirsten Jumper

Reference No. 2014-009

**Special Tests and Provisions – EBT Card Security**

(Prior Audit Issue – 2013-019 and 13-11)

**SNAP Cluster**

**Award years – October 1, 2013 to September 30, 2015, October 1, 2012 to September 30, 2014, and October 1, 2011 to September 30, 2013**

**Award numbers – 6TX430165, 6TX430176, 6TX400405, 6TX430145, and 6TX400105**

**Type of finding – Significant Deficiency and Non-Compliance**

The State is required to maintain adequate security over, and documentation/records for, Electronic Benefits Transfer (EBT) cards (7 CFR section 274.12(h)(3)) to prevent their: theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use (7 CFR sections 274.7(b) and 274.11(c)).

Questioned Cost:	\$0
U.S. Department of Agriculture	

The Health and Human Services Commission (HHSC) maintains segregation of duties between case worker access to dispose cases in the eligibility systems and EBT clerk access to the EBT card issuance system to issue cards. In January 2013, HHSC reviewed the access and implemented a new policy requiring advance approval of access to both systems. For offices where such approval is granted, HHSC regional managers review monthly reports to determine if such employees have disposed cases in the eligibility system and issued EBT cards. Based on a review of all access to both systems, twenty employees were noted to have access to both dispose cases in the eligibility system and to issue cards in the EBT card issuance system of which three were being monitored as of August 31, 2014. One additional employee was granted access to both systems between fiscal year-end and October 2014.

Monitoring of security over issuance documents in the regional offices is performed by the EBT Regional Coordinator. This monitoring is required every three years. As part of the monitoring process, the EBT Regional Coordinator reviews controls over cards in the regional offices including performing a physical inventory between cards issued and remaining and verifying that voided cards are disabled and included on the voided card log. Of a

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sample of forty monitoring reviews performed during fiscal year 2014, five took place after the three year deadline to perform reviews.

Recommendation:

HHSC should ensure proper segregation of duties exist between eligibility and EBT systems such that no person has access to both systems unless approved. For those employees with approval, HHSC should continue to monitor their activity to determine the employee did not dispose cases in the eligibility systems and issue EBT cards. The ability to add access should be modified such that the HHSC approval process is adhered to. Additionally, HHSC should put controls in place to ensure that EBT Regional Coordinator monitoring reviews are performed on a timely basis in accordance with HHSC policies and procedures.

Management Response and Corrective Action Plan:

*A discrepancy in the query used by HHSC to identify staff with both TIERS disposition and EBT card issuance access was discovered and HHSC is working to modify the query to ensure all staff with high risk role combinations are appropriately identified.*

*HHSC has an approval process and monitoring practices in place for staff needing both TIERS disposition and EBT card issuance access. No issues have been identified with staff having the high risk role combinations through quarterly monitoring that will continue in this area. Additionally, HHSC will issue guidelines to regional management staff to ensure that EBT monitoring reviews are conducted according to policy.*

*Implementation Date:       Modify the query and issue guidelines, April 30, 2015*

*Responsible Persons:       Kirsten Jumper to modify the query; Kirsten Jumper and Ramona McKissic to issue guidance*

Reference No. 2014-010

**Allowable Costs/Cost Principles**

**CFDA 93.767 – Children’s Health Insurance Program**

**Award years – October 1, 2013 to September 30, 2015 and October 1, 2012 to September 30, 2014**

**Award numbers – 1405TX5021 and 1305TX5021**

**Medicaid Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1405TX5MAP, 1405TX5ADM, 1305TX5ADM, and 1305TX5MAP,**

**Type of finding – Material Weakness**

Per Section 1115 of the Social Security Act, a State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. A waiver may involve the use of a program of managed care for selected elements of the client population, or allow the use of program funds to serve specified populations that would be otherwise ineligible. Managed care providers must be eligible to participate in the program at the time services are rendered, payments to managed care plans should only be for eligible clients for the proper period, and the capitation payment should be properly calculated. Medicaid service payments (e.g., hospital and doctor charges) should not be made for services that are covered by managed care. States should ensure that capitated payments to providers are discontinued when a beneficiary is no longer enrolled for services.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

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The Texas Health and Human Services Commission (HHSC) has a managed care program through a section 1115 waiver. Managed care payments totaled over \$14 billion in fiscal year 2014, approximately 80% of all Texas-covered individuals. During fiscal year 2014, HHSC utilized MAXIMUS' MAXeb system as the enrollment broker for both Medicaid and Children's Health Insurance Program (CHIP). Also, CHIP eligibility was integrated into the HHSC eligibility system, Texas Integrated Eligibility Redesign System (TIERS), September 2013. Prior to September 2013, CHIP eligibility was determined by a separate system.

### General Information Technology Controls over MAXeb

During test work over access and change management controls, the following was noted with regard to the MAXeb system:

- Administrative access to the MAXeb system is granted to 173 users. While access appears to be authorized, the total number of administrators is excessive.
- Periodic reviews of user access were performed during fiscal year 2014; however, the review is only designed to identify terminated employees with existing access to the application. The review does not evaluate whether or not current access privileges within the application for current employees is appropriate based on job responsibility.
- A formal change management process was in place for fiscal year 2014; however, user acceptance testing and approval for deployment to production were not appropriately documented for four of five items sampled.

### CHIP Enrollment Broker Interface to Eligibility System

MAXeb system is designed to interface with TIERS to capture managed care organization (MCO) enrollment information for participant plan selections. From September 2013 to November 2014, data from TIERS for newly eligible CHIP participants was not loaded completely into MAXeb resulting in eligible CHIP participants not being able to enroll in a managed care plan. Likewise, from September 2013 to November 2014, data from MAXeb for managed care plan selections did not load completely into TIERS. As a result, eligible CHIP participants did not receive benefits as the enrollment broker election is the trigger date for MCO's to offer service. The approximate error rate was 20%. HHSC manually worked the exceptions and call center inquiries for the fiscal year.

No compliance exceptions were noted with regard to CHIP eligibility and related payments for services provided through the MCOs.

### Recommendation:

Inappropriate or excess administrative functions on any production system results in the risk of unauthorized changes to applications and data. Periodic access reviews of existing user accounts on all applications and databases should be performed to verify access is appropriate or if modifications should be made. Further, system changes should be documented in accordance with HHSC policy. As noted above, HHSC corrected the CHIP interface exception in November 2014. HHSC should continue to adjust CHIP draws for resulting corrections.

### Management Response and Corrective Action Plan:

*HHSC will coordinate with MAXIMUS to require MAXIMUS to justify the users with access to the system, to implement security protocols to prevent a single individual from being able to promote code to Production, and to properly document system changes. HHSC will perform periodic access reviews of all user accounts and will establish additional monitoring processes to better ensure that all additional contract requirements are implemented timely. HHSC continues to improve and monitor the accuracy of data supporting payments to managed care organizations and will adjust future payments if errors are identified.*

*Implementation Date: May 1, 2015*

*Responsible Persons: Alan Scantlen and Geraldine Taylor*

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Reference No. 2014-011

### Program Income

#### Medicaid Cluster

Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013

Award numbers – 1405TX5MAP, 1405TX5ADM, 1305TX5MAP, and 1305TX5ADM

Type of finding – Significant Deficiency

Title XIX, Section 1927 of the Social Security Act, allows states to receive the same rebates for drug purchases as other payers. Drug manufacturers are required to provide a listing to Centers for Medicare and Medicaid Services (CMS) of all covered outpatient drugs, and, on a quarterly basis, are required to provide their average manufacturer's price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provides to states. No later than sixty days after the end of the quarter, the State Medicaid agency must provide drug utilization data to manufacturers. Within thirty-seven days of receipt of the utilization data from the state, the manufacturers are required to pay the rebate or provide the state with written notice of disputed items not paid because of discrepancies found.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

The Health and Human Services Commission (HHSC) contracts with Xerox State Healthcare, LLC (Xerox), the pharmacy claims and rebate administrator (PCRA) to administer the Vendor Drug Rebate Program for the Medicaid Cluster. In order to identify potential drug rebates, Xerox has an electronic interface with the Texas Medicaid & Healthcare Partnership (TMHP) to receive processed fee-for-service medical claims and has an electronic interface with Managed Care Organizations to receive processed medical encounter data in order to administer PCRA. HHSC utilizes the Xerox DRAMS application to validate and bill drug manufacturers for rebates and the OS+ application to construct drug coverage rules related to payment for pharmacy services. The weekly medical claims/encounters interface from TMHP to PCRA generates exceptions which are not uploaded to DRAMS and therefore not invoiced to rebate. The exceptions are sent to TMHP each week; however, these exceptions are not investigated or resolved. This results in claims with potential drug rebates not being processed by PCRA.

In addition, edit checks have been implemented by TMHP to verify that the Healthcare Common Procedure Coding System (HCPCS) code and National Drug Code (NDC) provided for a Medicaid clinician-administered drug claim are logically matched. However, these checks are not being performed for 517 out of 597 HCPCS procedure codes. This results in claims with potential drug rebates not being processed by PCRA.

Vendor drug payments processed in fiscal year 2014 for Medicaid totaled approximately \$897.1 million.

#### Recommendation:

PCRA and TMHP should implement procedures to investigate and resolve records that were not processed through the weekly interface. In addition, HHSC and TMHP should implement procedures and/or further develop existing crosswalks to more completely match HCPCS procedure codes with NDCs for clinician-administered drug claims.

#### Management Response and Corrective Action Plan:

*Beginning March 2014, HHSC began publishing an enhanced NDC to HCPCS code crosswalk that is updated at least quarterly after receipt of the CMS rebate file and includes new identified NDC and HCPCS code combinations. This enhancement continues to expand HHSC's and the MCOs' capability to enforce claims processing edits to ensure valid NDC and HCPCS code combinations are submitted on all clinician-administered drugs claims. The fee-for-service claims processing system was modified January 1, 2015 to apply the NDC and HCPCS code crosswalk validation to clinician-administered drug claims. This change should reduce the number of exceptions reported per quarter.*

*HHSC research indicated that about 90 percent of the exceptions noted by the KPMG auditors involve Medicare Clinician-administered crossover claims where HHSC pays the Medicare deductible or co-insurance for clients eligible for both Medicare and Medicaid. By December 2015, HHSC will enforce the enhanced NDC to HCPCS*

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*code crosswalk to ensure fee-for-service Medicare cross-over claims contain a valid NDC HCPCS code combination prior to Medicaid payment. This enhancement will also apply to processing of managed care clinician-administered drug encounter data. In addition, HHSC will establish procedures to ensure exceptions are addressed in a timely manner.*

*Implementation Date: December 31, 2015*

*Responsible Persons: Andy Vasquez for Vendor Drug Program and Jessica Morse for MMIS Contract Compliance & Performance Management*

**Health and Human Services Commission  
Department of State Health Services**

Reference No. 2014-012

**Allowable Costs/Cost Principles**

(Prior Audit Issues – 2013-021 and 13-14)

**CFDA 93.767 – Children’s Health Insurance Program**

**Award years – October 1, 2013 to September 30, 2015 and October 1, 2012 to September 30, 2014**

**Award numbers – 1405TX5021 and 1305TX5021**

**CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Award years – October 1, 2013 to September 30, 2015, October 1, 2012 to September 30, 2014, and October 1, 2011 to September 30, 2013**

**Award numbers – 2B08TI010051-14, 2B08TI010051-13, and 2B08TI010051-12**

**Medicaid Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1405TX5MAP, 1405TX5ADM, 1305TX5ADM, and 1305TX5MAP,**

**Non-Major Programs:**

**CFDA 93.958 – Block Grants for Community Mental Health Services**

**Type of finding – Material Weakness**

Per Section 1115 of the Social Security Act, a State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. A waiver may involve the use of a program of managed care for selected elements of the client population, or allow the use of program funds to serve specified populations that would be otherwise ineligible. Managed care providers must be eligible to participate in the program at the time services are rendered, payments to managed care plans should only be for eligible clients for the proper period, and the capitation payment should be properly calculated. Medicaid service payments (e.g., hospital and doctor charges) should not be made for services that are covered by managed care. States should ensure that capitated payments to providers are discontinued when a beneficiary is no longer enrolled for services.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

The Texas Health and Human Services Commission (HHSC) has a managed care program through a section 1115 waiver. Managed care payments totaled over \$14 billion in fiscal year 2014, approximately 80% of all Texas-covered individuals. The Premiums Payable System (PPS) maintained by HHSC maintains participant risk groups, capitated rates for risk groups, and managed care organizations to which individuals are assigned. Eligibility of individuals is received via interface files with other Texas systems. HHSC reorganized the Medicaid and Children’s Health Insurance Program (CHIP) division in April 2013 to create an HHSC Managed Care Operations Coordination Department separate from the HHSC Managed Care Program Operations Department. Data from PPS is downloaded by the HHSC Managed Care Operations Coordination Department to calculate amounts due to each Managed Care Organization (MCO), to create invoices to be paid to the MCOs, and to allocate payments to the proper funding source. HHSC maintains segregation of duties between information technology (IT) operations and program personnel in its eligibility systems and PPS to ensure that individuals approving eligibility are not the same individuals who approve or process the MCO transactions.

**Premiums Payable System (PPS) Segregation of Duties**

Based on a review of the manual and automated processes related to the managed care program, adequate segregation of duties is not in place related to the functions performed by the HHSC Managed Care Operations Coordination Department. The two primary individuals in the HHSC Managed Care Operations Coordination Department also have system admin access to PPS but no longer have the ability to modify capitation rates. Also, the PPS system is not automated as to the calculation of the MCO payments amounts and assignment of funding sources. HHSC Managed Care Operations Coordination Department performed the following tasks during fiscal year 2014. These tasks are:

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- Downloading and utilizing the information from PPS to calculate payment amounts to MCOs and generate invoices to be paid by accounting by funding source, and
- Reconciling totals to be paid to MCOs back to total premiums per PPS.

Sixty-five MCO payments in CHIP and seventy in Medicaid were selected for allowable costs test work and no exceptions were noted with regard to allowable services to the respective eligible provider.

Issues were noted around IT general controls for the PPS system, specifically access controls. Segregation of duties is not enforced for one developer with administrative access to the PPS application and 3 users with inappropriate access to the PPS SFTP server. HHSC uses the PPS SFTP server to receive Medicaid and CHIP client information files. Additionally, each month PPS receives Medicaid and CHIP client information from Texas Integrated Eligibility Reporting System (TIERS) and Maximus' MAXeb system, respectively, via batch interface. As PPS uploads the information, the data is formatted and validated. For three out of three interfaces tested records were removed for clients but not written to an exception file for further consideration. Specifically, 151,770 of 6,170,124 records (2.5%) for Medicaid sample one; 147,784 of 6,309,709 records (2.3%) for Medicaid sample two; and 146 of 482,748 records (0.03%) for CHIP sample three were not uploaded into PPS. Per HHSC, the records are removed for clients who are not eligible for Medicaid or CHIP during the current rolling 24-month period. However, without a detailed exception record, HHSC is unable to validate that all of the records were removed appropriately.

### Recommendation:

HHSC has made progress in correcting segregation of duties issues noted and has a plan to continue to enhance controls over the process. HHSC has plans to update PPS to automate the MCO payment calculations and to generate invoices for payment. HHSC Managed Care Operations Coordination Department will continue to reconcile invoices to PPS reports. HHSC should continue to execute their plan to ensure proper segregation of duties exist.

With regard to the IT environment, HHSC should ensure proper segregation of duties exist within PPS including a review of developers with access.

### Management Response and Corrective Action Plan:

*HHSC has taken the following actions to address the Premiums Payable System (PPS) segregation of duties issues noted in the audit:*

- *Automation changes to allow capitation rates to be independently input directly into PPS were implemented in August 2013. This automated input process was utilized during the next rate change that occurred on April 1, 2014.*
- *Capitation rates for September 2013 were independently verified by the HHSC Actuarial Analysis Division on August 27, 2013.*
- *Effective October 2014, HHSC IT staff execute all actions to load data into PPS to generate reports used to calculate MCO payments, support invoicing, and assign funding sources. The Operations Coordination Department continues to monitor and provide oversight of the processing.*

*Regarding inappropriate access, access was removed February 13, 2015 for the developer with access to the PPS application and the three users with access to the PPS SFTP servers. Periodic user access reviews will be conducted to ensure access to the PPS application and supporting servers is appropriate and inappropriate access is removed immediately.*

*By May 1, 2015, a process will be implemented to identify client records not being processed during the monthly PPS loading process.*

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*To further improve business processes and address continuing segregation of duties issues, a contract has been awarded to Cooper Consulting Company, effective May 15, 2014 through November 30, 2015. This review is expected to be completed by January 2016. Additional actions are planned based on the completion of the Cooper Consulting review.*

*Implementation Dates: Ongoing (see dates above)*

*Responsible Persons: Kay Ghahremani and Bowden Hight*

**Health and Human Services Commission  
Department of Aging and Disability Services  
Department of State Health Services**

Reference No. 2014-013

**Subrecipient Monitoring**

**CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**

**Award years – October 1, 2013 to September 30, 2014, October 1, 2012 to September 30, 2013, January 1, 2013 to September 30, 2014, and January 1, 2012 to September 30, 2013**

**Award numbers – 6TX700506 and 6TX700526**

**CFDA 93.667 – Social Services Block Grant**

**Award years – October 1, 2013 to September 30, 2015 and October 1, 2012 to September 30, 2014**

**Award numbers – G1401TXSOSR and G1301TXSOSR**

**CFDA 93.917 – HIV Care Formula Grants**

**Award years – April 1, 2014 to March 31, 2015, April 1, 2013 to March 31, 2014, September 30, 2013 to September 29, 2014 and September 30, 2012 to September 29, 2013**

**Award numbers – X07HA00054-24, X07HA00054-23, X08HA16843-05, and X08HA16843-04**

**CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Award years – October 1, 2013 to September 30, 2015, October 1, 2012 to September 30, 2014, and October 1, 2011 to September 30, 2013**

**Award number – 3B08TI010051 and 2B08TI010051**

**Aging Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 14AATXT3SS, 14AATXT3CM, 14AATXT3HD, 14AATXNSIP, 13AATXT3SP, and 13AATXNSIP**

**TANF Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1402TXTANF3, 1402TXTANF, 1302TXTAN3, and 1302TXTANF**

**Type of finding – Significant Deficiency and Non-Compliance**

According to OMB Circular A-133, a pass-through entity must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor's report to the pass-through entity within nine months of the subrecipient's fiscal year end. The pass-through entity is to review the report and issue a management decision within six months, if applicable.

Questioned Cost: \$0

U.S. Department of Agriculture  
U.S. Department of Health and  
Human Services

Health and Human Services Commission (HHSC) – Office of the Inspector General (OIG) is responsible for collecting the A-133 Single Audit performed over subrecipients of the five agencies in the Health and Human Services (HHS) enterprise: HHSC, Department of State Health Services (DSHS), Department of Aging and Disability Services (DADS), Department of Family and Protective Services, and Department of Assistive and Rehabilitative Services.

Annually, HHSC – OIG generates a list of subrecipients for which an A-133 Single Audit was required in the most recent fiscal year and shares the list with each of the five agencies for updating. Once the list is updated by each agency, HHSC – OIG issues a Single Audit Request Letter to each subrecipient on the list instructing them to complete the online Single Audit Status Form within 30 days of receiving the letter. On this form, the subrecipient indicates if they are expending more than \$500,000 in Federal funds and if an A-133 Single Audit has been completed. HHSC – OIG uses this information to track the due date for a subrecipient's A-133 Single Audit report since the report is due to HHSC – OIG within nine months of the subrecipient's fiscal year end. If an A-133 Single Audit report is overdue for a subrecipient, HHSC – OIG issues a delinquency letter as part of its due diligence. There is no formal policy and/or process to monitor timely issuance of the letters.

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When an A-133 Single Audit report is received by HHSC – OIG, they review the report to determine if a management decision letter is necessary. If so, HHSC – OIG coordinates with the program personnel to ensure that a management decision letter is issued within six months of receipt of the A-133 Single Audit report. The six month deadline is entered into a database to assist with monitoring deadlines. HHSC – OIG has a weekly “overdue report” to assist with timely issuance of management decision letters. However the report is not being reviewed at the correct precision level to focus on letters that are nearing delinquency.

A sample of forty-three subrecipients were selected among DSHS, DADS, and HHSC as subrecipient monitoring was in scope for these three agencies. Of the subrecipients tested, the following was noted:

HHSC

- For one TANF subrecipient, HHSC – OIG did not send a Single Audit Request Letter to the subrecipient as the subrecipient was not included on the list that HHSC – OIG obtained from TANF Nursing Family Partnership Division (NFP) of HHSC. As such, HHSC – OIG did not have the A-133 Single Audit report for this subrecipient on file. NFP has provided funds in excess of \$500,000 which requires an A-133 audit.

DSHS

- For one WIC subrecipient, the A-133 Single Audit report had not been submitted to HHSC – OIG as of the date of fieldwork. The A-133 Single Audit report was due by March 1, 2014. A delinquency letter was not sent to the subrecipient. As the report was not obtained by HHSC – OIG, the report was not processed to determine if a management decision is necessary.
- For one Substance Abuse subrecipient, HHSC – OIG did not send a Single Audit Request Letter to the subrecipient as the subrecipient was misclassified by DSHS as a for-profit entity and was therefore not on the list submitted to HHSC – OIG for A-133 Single Audit review. Per review of the Federal Audit Clearinghouse website, the subrecipient is a non-for profit entity and expended more than \$500,000 in Federal funds. Therefore, an A-133 Single Audit report should have obtained and processed by HHSC – OIG.
- For one Substance Abuse subrecipient, the A-133 Single Audit report was submitted subsequent to nine months after its fiscal year end. HHSC – OIG sent a delinquency letter to the subrecipient on October 22, 2013. Based on the A-133 Single Audit report receipt date of November 7, 2013, review by HHSC – OIG was due by May 7, 2014, however was not completed until May 16, 2014. Therefore, a management decision was not issued within six months of the A-133 Single Audit report receipt date.

Various

- For four subrecipients involving Substance Abuse (at DSHS), HIV Care (at DSHS), Aging (at DADS), and SSBG (at HHSC), the Single Audit Status Form completed by the subrecipient indicated that they expended less than \$500,000 in Federal funds. Per review of the Federal Audit Clearinghouse website, an A-133 Single Audit report was submitted by the subrecipient with more than \$500,000 in federal funds expended. Therefore an A-133 Single Audit report should have been obtained and processed by HHSC – OIG.

<u>Agency</u>	<u>Program</u>	<u>Pass-thru Dollars</u>
DSHS	Special Supplemental Nutrition Program for Women, Infants, and Children	\$136.6 million
HHSC	Social Services Block Grant	\$9.0 million
DSHS	HIV Care Formula Grants	\$21.5 million
DSHS	Block Grants for Prevention and Treatment of Substance Abuse	\$101.0 million
DADS	Aging Cluster	\$70.6 million
HHSC	TANF Cluster	\$4.3 million

Recommendation:

DSHS, DADS, HHSC should ensure that subrecipients are properly updated and submitted to HHSC – OIG. HHSC – OIG should enhance their controls for monitoring the timely receipt of (or issuance of delinquency letters) and the completion of management decision letters. Consideration should be given to having a more formal process to address timeframes for issuing delinquency letters. Additionally, HHSC – OIG should incorporate into their process to review the Federal Audit Clearinghouse website to corroborate responses from the subrecipients in the Single Audit Status Form that indicate no A-133 report is required.

Management Response and Corrective Action Plan:

HHSC Response – HHSC OIG will coordinate with the TANF NFP program to ensure subrecipients are notified of their Single Audit Review requirements. HHSC OIG will include TANF NFP program in the future request for subrecipient updates beginning in September 2015.

HHSC OIG utilizes a database to facilitate the tracking of submissions by subrecipients, including tracking when a delinquency letter should be sent. HHSC OIG policies and procedures will be updated to include specific information regarding (a) the frequency that the database reports should be reviewed, (b) who is responsible for review of the reports, and (c) the assignment of a backup individual to ensure delinquency letters are sent in a timely manner.

HHSC OIG will incorporate a review of the Federal Audit Clearinghouse website in the review process to corroborate responses from subrecipients who indicate that an A-133 report is not required when completing their Single Audit Status Form.

Implementation Dates:

- Coordinate with the TANF NFP program to ensure subrecipients are notified - January 16, 2015.
- Update policies and procedures - February 28, 2015.
- Initiate reviews of the Federal Audit Clearinghouse - February 1, 2015.

Responsible Person: Ann Gauntt

DSHS Response – DSHS is reviewing our process and pursuing quality assurance measures to ensure that subrecipients are properly updated and submitted to HHS-OIG.

Implementation Date: March 31, 2015

Responsible Person: Carol Haynes-Buchanan

DADS Response – DADS will continue to ensure A-133 Single Audits are submitted and reviewed.

Implementation Date: Not applicable

Responsible Person: Sue Fielder

**Health and Human Services Commission  
Department of Aging and Disability Services**

Reference No. 2014-014

**Special Tests and Provisions – Provider Eligibility**

(Prior Audit Issues – 2013-018, 13-10, 12-06, 11-17, 10-13, 09-22, and 08-19)

**Medicaid Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1405TX5MAP, 1405TX5ADM, 1305TX5MAP, and 1305TX5ADM**

**Type of finding – Material Weakness and Material Non-Compliance**

Per 42 CFR Section 431.107, in order to receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program. Per 42 CFR Section 455.106(a) before the Medicaid agency enters into or renews a provider agreement, the provider must disclose to the Medicaid agency the identity of any person who: (1) has ownership or control interest in the provider, or is an agent or managing employee of the provider, and (2) has been convicted of a criminal offense related to that person’s involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs. Additionally, per 42 CFR Section 455.103, a State plan must provide that the requirements of 455.106 are met. Per review of the State plan, a search should be conducted to ensure that the provider is not included on the Medicaid exclusion list.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

Health and Human Services Commission (HHSC)

A sample of fifty providers receiving Medicaid payments during fiscal year 2014 were selected for review and seventeen files were noted to have the following exceptions. Of the seventeen files with exceptions, fourteen files were enrolled prior to fiscal year 2004 when HHSC contracted with their current vendor who operates under current HHSC policies and procedures.

- For fifteen providers, a search to ensure the provider was not on the Medicaid exclusion list was not documented at the time of enrollment.
- For five providers, a signed and notarized copy of the Provider Information Form (or an equivalent form) was not available for review.
- For three providers, there was no signed disclosure of ownership and control interest statement available for review.
- For one out of state (OOS) hospital, no documentation of provider eligibility was available for review. This was the only OOS provider included in the sample.

Department of Aging and Disability Services (DADS)

A sample of sixty providers receiving Medicaid payments during fiscal year 2014 were selected for review and thirteen files were noted to have the following exceptions.

- For one provider, the file was missing evidence of an active and current license.
- For nine providers, the file was missing documentation of the provider’s right to transact business in Texas. Per subsequent review of the state comptroller website, each provider’s status was active at the time the transactions occurred.
- For two providers, there was no suspension and debarment certification. Per review of SAM, the providers were not suspended or debarred.
- For one provider, there was no evidence of verification of whether or not the provider has been convicted of a criminal offense related to involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs.

Recommendation:

HHSC and DADS should implement procedures to ensure federal requirements and State plan requirements regarding provider eligibility are met and that documentation to support provider eligibility is retained. HHSC could consider reissuing and/or amending the older agreements to conform to current regulations and policies and/or implementing a periodic renewal process of two to five years.

Management Response and Corrective Action Plan:

HHSC Response – As required by the Affordable Care Act (ACA), HHSC is in the process of reenrolling all Medicaid providers. The reenrollment process complies with ACA requirements and includes screening through all federally required data sources, and obtaining new signed enrollment documents and agreements such as the Provider Information Form and disclosures of ownership and control.

Reenrollment will be an ongoing process on a three to five year cycle based on the providers risk level established by the ACA. HHSC will continue to monitor the reenrollment processes to ensure all required federal and state requirements are met.

Implementation Date: Ongoing and to be completed by March 2016.

Responsible Person: Katherine Scheib

DADS Access and Intake Response – DADS Access and Intake will ensure provider contract files are complete with regards to suspension and debarment. While the original documentation dated March 2004 could not be located for criminal offense in the provider contract file; DADS annually certifies this requirement.

Implementation Date: February 27, 2014

Responsible Person: Bill Campbell

DADS Regulatory Services Response – DADS Regulatory Services will ensure that provider licensure and contract files are complete relating to current licensure and documentation of the provider's right to transact business in Texas. A copy of the missing license has been requested and will be added to the file. The provider's right to transact business in Texas is verified online at the Texas Comptroller of Public Accounts and/or Secretary of State websites; file checklists will be revised to ensure that the date of the online verification and initials of the staff performing the verification is indicated on the checklist as well as other revisions to ensure all required documentation is obtained.

Implementation Date: February 15, 2015

Responsible Persons: Mary Jo Grassmuck and William Fordyce

**Health and Human Services Commission  
Department of Aging and Disability Services  
Department of State Health Services**

Reference No. 2014-015

**Special Tests and Provisions – Provider Health and Safety Standards**

(Prior Audit Issues – 2013-017)

**Medicaid Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1405TX5MAP, 1405TX5ADM, 1305TX5MAP, and 1305TX5ADM**

**Type of finding – Significant Deficiency and Non-Compliance**

Per 42 CFR part 442, providers must meet the prescribed health and safety standards for hospital, nursing facilities, and ICF/MR. The standards may be modified in the State plan.

Questioned Cost: \$0

U.S. Department of Health and  
Human Services

Health and Human Services Commission (HHSC)

An out-of-state (OOS) provider may come into the program based on several different circumstances, including: (1) The client being sent out of state for services that are not readily available in Texas; and (2) Border states where it is the norm for clients to receive a service in that border state. Under current HHSC procedures, HHSC requires OOS providers to fill out the same application as an in-state provider. OOS providers are to receive a letter that tells them that their enrollment is limited and informing them of the amount of time that has been granted. Of a sample of sixty-five providers receiving Medicaid payments during fiscal year 2014, twenty-seven were OOS providers. Current health and safety information was not provided for these OOS providers. Additionally, for two of these providers a copy of an actual license was not available. HHSC outsources maintenance of providers to a third-party.

Department of State Health Services (DSHS)

DSHS provides licensing for providers in the State of Texas and is required to maintain documentation of Health and Safety Standards in accordance with Texas Health and Safety Code, Chapter 241 and Title 25 Texas Administrative Code, Chapter 133. As part of the licensing process, DSHS is required to obtain a copy of a hospital fire safety survey indicating approval by the local fire authority in whose jurisdiction the hospital is based. Of the sample of sixty-five providers receiving benefits during fiscal year 2014, thirty-eight were in-state providers. For two of these thirty-eight providers sampled, DSHS did not have evidence of a current passed fire inspection due to the inspections being incomplete at the time of license renewal. At the time of test work, no follow-up procedures had been performed to ensure that the hospitals had been inspected. Subsequently, DSHS was able to obtain evidence of passed fire inspections for both hospitals so no questioned costs.

Department of Aging and Disability Services (DADS)

As part of DADS' procedures to ensure compliance with health and safety standards, staff obtain a renewal application packet and a copy of a current license provider files. For one of sixty files sampled, a renewal had been processed but DADS was unable to locate the renewal packet and license. DADS located license during the audit process so no questioned costs.

Recommendation:

HHSC, DSHS, and DADS should strengthen procedures to ensure federal and State plan requirements regarding health and safety standards are achieved for in-state providers and that all required documentation is obtained in a timely manner and retained. HHSC should ensure their outsourced provider follows established procedures for OOS providers.

Management Response and Corrective Action Plan:

HHSC Response – For currently enrolled providers, HHSC will direct the Medicaid claims administrator to contact state licensing authorities for out-of-state facilities (hospitals) currently enrolled in Texas Medicaid to verify that the provider is in compliance with applicable state health and safety standards. If the state licensing authority is unable to document compliance, HHSC will direct the Medicaid claims administrator to contact the provider to obtain documentation of health and safety compliance. If the provider is unable to provide acceptable documentation supporting compliance with applicable health and safety requirements, the provider will be dis-enrolled from the Texas Medicaid program.

For new providers requesting Medicaid enrollment, HHSC will direct the Medicaid claims administrator to revise the provider enrollment processes for out-of-state facilities to ensure that compliance with health and safety standards is documented at the time of enrollment. If acceptable documentation supporting compliance with applicable health and safety requirements is not submitted, the provider will not be enrolled in the Texas Medicaid program.

Implementation Dates:

- Complete review of enrolled provider compliance - June 1, 2015
- Implement revised enrollment process for new out-of-state providers - August 1, 2015

Responsible Person: Katherine Scheib

DSHS Response – DSHS health facility licensing staff have modified the licensing checklist to more clearly identify which licensing documentation has been received. Management will be consulted if there will be a delay in receiving documentation that would result in a delay of the renewal of the hospital license.

Implementation Date: March 2015

Responsible Person: Charlotte Sullivan

DADS Response – The Regulatory Services Licensing & Credentialing section is moving from the storage of paper files to exclusively storing files electronically. The Home & Community Support Services Agencies Licensing & Certification Program (HCSSA) is serving as the “pilot” for full implementation of a digitized filing system. Prior to September 2014, a contractor, Open Text, was performing the actual scanning activities; currently, DADS Licensing & Credentialing staff are scanning files. The missing file was involved in the new digitization process; systems are in place to track a file delivered to and received by the Document Management unit. However, the tracking systems have not been consistently followed. To avoid this problem in the future, a single tracking system accessible to all users is being developed. Also, a single set of written procedures to include all components of the HCSSA file transfer will be developed.

- No later than February 1, 2015, Licensing & Credentialing staff will develop and begin using a single tracking spreadsheet that includes but is not limited to the dates a file left the HCSSA program, was received by the Document Management unit, was scanned, was destroyed, and was removed from the routine process for special review.
- No later than March 1, 2015, Licensing & Credentialing staff will develop and implement a written policy that identifies the steps for digitizing a complete HCSSA program licensure file.
- No later than March 1, 2015, Licensing & Credentialing staff will revise the licensing file checklist to ensure that documents are obtained timely and that follow-up actions are initiated as appropriate.

Implementation Dates: February 1, 2015 and March 1, 2015

Responsible Person: Cindy A. Bourland

**Office of the Attorney General**

Reference No. 2014-016

**Allowable Costs/Cost Principles**

**CFDA 16.576 – Crime Victim Compensation**

**Award years – October 1, 2013 to September 30, 2017, October 1, 2012 to September 30, 2016, October 1, 2011 to September 30, 2015, and October 1, 2010 to September 30, 2014**

**Award numbers – 2014-VC-GX-0044, 2013-VC-GX-0042, 2012-VC-GX-0057, and 2011-VC-GX-0050**

**Type of finding – Significant Deficiency and Non-Compliance**

Per Federal Register, Vol. 66, No. 95, the Victims of Crime Act (VOCA) authorizes federal financial assistance to states for the purpose of compensating and assisting crime victims, funding training and technical assistance, and servicing victims of federal crimes. Payments are made to victims of crime that results in death or physical or personal injury who are determined eligible under the State victim compensation statute. Per State policy, claims may be approved for benefits up to a total of \$50,000.

Questioned Cost: \$16,949

U.S. Department of Justice

Individuals who suffer total and permanent disability (catastrophic injuries) as a result of the crime may qualify for an additional \$75,000, which may be used for specific and limited expenses, such as lost wages, prosthetics, rehabilitation or making a home accessible, depending upon the law in effect on the crime date.

The Office of the Attorney General (OAG) administers the Crime Victim Compensation program for the State of Texas. Of a sample of thirty-three approved claims selected, nine claims were for greater than \$50,000. These nine claims constitute 100% of claims greater than \$50,000 paid during fiscal year 2014 and totaled approximately \$572,000. Of these nine claims one was not determined to be catastrophic and, therefore, should not have exceeded \$50,000. Total payments greater than \$50,000 for this claim was \$16,949.

Individual claims for crime victim compensation are not specifically identified as paid from State or Federal funds by OAG as all claims are pooled together and drawn as Federal funds become available. Total claims for fiscal year 2014 exceeded \$60 million, whereas reported Federal expenditures were approximately \$22.9 million.

Recommendation:

The OAG should strengthen controls to ensure amounts paid out do not exceed limits established by State guidelines. If an amount is paid in excess of policies for the crime victim compensation for a specific justifiable reason, this amount should be removed from the pool of expenses used to support Federal funds drawn as amounts in excess of established limits are unallowable.

Management Response and Corrective Action Plan:

*Management agrees that the crime victim compensation application identified had payments that exceeded the \$50,000 statutory cap for victim applications. Although the application, was not classified as catastrophic by the Crime Victims' Compensation Program (CVSD), payments for this application included Disabled Peace Officer payments as authorized under Texas Code of Criminal Procedure, Art. 56.542. The maximum allowed payments for a Disabled Peace officer is \$200,000. However, based on audit observations and reassessment of the application, management determined that the victim was not injured while in the performance of their duties as a peace officer which resulted in the identified overpayment. Refund actions will be initiated from the victim.*

*Management has reviewed all of the Disabled Peace Officer applications in the data base (21 applications) and determined that all others were properly classified and processed.*

*CVSD management will conduct a review and training of the Disabled Peace Officer policy and procedure for staff in February 2015.*

**OFFICE OF THE ATTORNEY GENERAL**

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*Implementation Date:* February 2015

*Responsible Person:* Gene McCleskey

**Department of State Health Services**

Reference No. 2014-017

**Allowable Costs/Cost Principles**

(Prior Audit Issue 2013-027)

**CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**  
Award year – October 1, 2013 to September 30, 2014  
Award number – 6TX700506

**CFDA 93.268 – Immunization Cooperative Agreements**  
Award years – January 1, 2014 to December 31, 2014 and January 1, 2013 to December 31, 2013  
Award numbers – H23IP000773-02 and H23IP000773-01

**CFDA 93.917 – HIV Care Formula Grants**  
Award years – April 1, 2014 to March 31, 2015 and April 1, 2013 to March 31, 2014  
Award numbers – 6X07HA00054-24 and 2X07HA00054-23

**CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**  
Award years – October 1, 2013 to September 30, 2015, October 1, 2012 to September 30, 2014, and October 1, 2011 to September 30, 2013  
Award numbers – 2B08TI010051-14, 2B08TI010051-13, and 2B08TI010051-12

**Non-Major Programs:**

- 10.475 Cooperative Agreements with State for Intrastate Meat and Poultry Inspection
- 66.001 Air Pollution Control Program Support
- 66.034 Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
- 66.701 Toxic Substances Compliance Monitoring Cooperative Agreements
- 66.707 TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals
- 93.018 Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission
- 93.069 Public Health Emergency Preparedness
- 93.103 Food and Drug Administration Research
- 93.110 Maternal and Child Health Federal Consolidated Programs
- 93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs
- 93.130 Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices
- 93.136 Injury Prevention and Control Research and State and Community Based Programs
- 93.150 Projects for Assistance in Transition from Homelessness
- 93.235 Affordable Care Act (ACA) Abstinence Education Program
- 93.240 State Capacity Building
- 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
- 93.251 Universal Newborn Hearing Screening
- 93.262 Occupational Safety and Health Program
- 93.283 The Affordable Care Act: Centers for Disease Control and Prevention Investigations and Technical Assistance
- 93.448 Food Safety and Security Monitoring Project
- 93.507 PPHF National Public Health Improvement Initiative
- 93.521 The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF
- 93.531 PPHF Community Transformation Grants and National Dissemination and Support for Community Transformation Grants financed solely by Prevention and Public Health Funds
- 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
- 93.889 National Bioterrorism Hospital Preparedness Program
- 93.940 HIV Prevention Activities Health Department Based
- 93.944 Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
- 93.945 Assistance Programs for Chronic Disease Prevention and Control
- 93.958 Block Grants for Community Mental Health Services
- 93.977 Preventive Health Services Sexually Transmitted Diseases Control Grants
- 93.994 Maternal and Child Health Services Block Grant to the States

Type of finding – Significant Deficiency

**STATE HEALTH SERVICES, DEPARTMENT OF**

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OMB A-87 section H – Support of Salaries and Wages sets standards regarding time distribution, in addition to the standards for payroll documentation. These standards include:

Questioned Cost:	\$0
U.S. Department of Health and Human Services	
U.S. Department of Agriculture Environmental Protection Agency	

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
4. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - a) More than one Federal award,
  - b) A Federal award and a non-Federal award,
  - c) An indirect cost activity and a direct cost activity,
  - d) Two or more indirect activities which are allocated using different allocation bases, or
  - e) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
  - a) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - b) They must account for the total activities, for which each employee is compensated,
  - c) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - d) They must be signed by the employee.
  - e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
    - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
    - ii. At least quarterly, comparisons of actual costs to budgeted distributions, based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually, if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
    - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Department of State Health Services (DSHS) requires its employees to complete monthly time and effort reporting, regardless of whether the employee works solely on a single Federal award or cost objective, or on multiple activities or cost objectives. Each employee has a default task profile based on their position in the agency that determines how their payroll dollars are allocated. These task profiles are re-evaluated every year by department supervisors. Employees are instructed and given training on how to report any deviations from their profile as well as report any vacation time, sick time, leave of absence, etc. Employees are required to certify their time by the fifteenth of the month for the previous months' time. Supervisors approve monthly payroll for their employees only if there are deviations from the employee task profile.

Forty payroll samples under the Block Grants for Prevention and Treatment of Substance Abuse Program were selected for test work. There were none in our sample that deviated from their task profile for regular hours worked (i.e., excludes deviated time for vacation, sick time, etc.) and furthermore, none that could be provided for the entire program that deviated from their task profile for regular hours worked. Additionally, it does not appear that there is consistency regarding individuals' knowledge of what their task profiles are (i.e., from what funding source(s) they are getting paid), where to find this in the payroll reporting system, or how to go about reporting a deviation of their time from their profiles for regular hours worked. In addition, when an employee certifies, they simply report any hours that deviated from their profile, but their profile is not shown on the certification screen. Therefore, if an employee does not know how their time is being allocated based on their default profile, and it is not evident and easy to find when they are certifying their time, there is risk that individuals do not know the time allocation that they are certifying.

In 2014, proposed updates were made to DSHS Policy FS-1110, Time and Labor Accounting. This policy updates the time and labor requirements in the State's Centralized Accounting and Payroll/Personnel System (CAPPS) application and more clearly addresses Labor Account Code training required for all employees. Additionally, the on-boarding training for all new employees was updated to more specifically provide employees with guidance on labor account codes, monthly time reporting, task profiles, and how to report time deviations from task profiles. DSHS department managers also met with staff to ensure they were aware of their individual task profiles and the importance of getting with the managers if the employee has a deviation from their task profiles other than the standard sick time, leave of absence, or vacation time. The DSHS Budget Office also provides for review to department managers a monthly profile sheet which has all the employees assigned to them by name and position number and their respective profile allocations.

Total payroll expenditures for the DSHS programs noted above and included in the schedule of federal awards for fiscal year 2014 is approximately \$45 million.

Recommendation:

DSHS should continue to work towards updating in CAPPS to allow each employee's profile to be visible on the certification screen so employees can see the time allocation they are certifying to. Additionally, DSHS should continue to provide regular payroll effort training (at the agency level and by department) with emphasis on how to report deviations from an employee's task profile for regular hours worked including how to use different program codes and finding the employee's task profile.

Management Response and Corrective Action Plan:

*DSHS is required to use the State's Centralized Accounting and Payroll/Personnel System (CAPPS) application to track and report employee time. Changes to this application are a function of the State Comptroller's Office. DSHS has submitted a request (July 2014) to make each employee's default profile more visible in certain areas of the system. Currently, there is a freeze for changes in CAPPS, therefore this request has not been processed by the Comptroller.*

*DSHS has developed, and begun to use, a PowerPoint training packet explaining the payroll timekeeping system and labor profiles. The training is for all employees, particularly those in federally funded positions. This training has been offered to each division, and been incorporated into regularly held Budget training to help ensure employees understand more clearly the identification of task profiles, recording deviations from the default codes, and the use of federal program codes.*

*Implementation Date: March 2015*

*Responsible Person: Gary Lawrence*

**STATE HEALTH SERVICES, DEPARTMENT OF**

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Reference No. 2014-018

**Reporting**

(Prior Audit Issue 2013-025 and 13-17)

**CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**

**Award years – January 1, 2013 to September 30, 2014 and October 1, 2013 to September 30, 2014**

**Award numbers – 6TX700526 and 6TX700506**

**CFDA 93.268 – Immunization Cooperative Agreements**

**Award years – January 1, 2014 to December 31, 2014 and January 1, 2013 to December 31, 2013**

**Award numbers – H23IP000773-02 and H23IP000773-01**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website. Per Title II part 170 of the Code of Federal Regulation (CFR), an entity must report each action that obligates \$25,000 or more in Federal funds for a subaward to an entity. The agency must subsequently amend the award if changes in circumstances increase the total Federal funding under the award during the project or program period. This information is to be reported no later than the end of the month following the month in which the obligation or amendment was made. This requirement was effective for all grants starting October 1, 2010 or after. Per Title II part 25 of the Code of Federal Regulation (CFR), an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). This requirement was effective for all grants starting October 1, 2010 or after.

Questioned Cost:	\$0
U.S. Department of Agriculture U.S. Department of Health and Human Services	

The Department of State Health Services' (DSHS) FFATA process is manual in nature. There is an automated report with date parameters that is used to identify subrecipients with obligations required to be reported. However, the accumulation of the data to include in the FFATA report and the actual filing of the FFATA report is all manual. DSHS has over six hundred subrecipients with over one thousand grants and amendments. DSHS currently has one person assigned to the task of filing the FFATA reports.

WIC FAIN numbers 14146TX506W1003 and 13136TX526W5003

For one out of eleven subrecipients, the incorrect subaward amounts were reported for one of the amendments due to manual input error.

Immunization FAIN number H23IP000773

For all nine of the subrecipients tested the subaward amounts were under reported due to manual error. For all the 2014 subawards for this program, DSHS under reported since the award is broken up into multiple components in the DSHS tracking system, and the agency only reported the components of the federal award that were over the \$25,000 reporting threshold. All of the components that make up the federal award are under the same FAIN, and therefore should have been reported in total if over \$25,000. Additionally, one of the nine subrecipient awards tested had the wrong subaward contract number reported due to manual input error. Lastly, none of the subawards tested were reported timely. The 2014 subaward contracts started in September 2013, however these awards were not reported until April 2014.

Recommendation:

DSHS management should automate the FFATA reporting process in order to alleviate manual errors in data being reported, as well as ensure completeness and timeliness of data being reported. For example, a query of the required data fields in the FFATA report would eliminate the manual data errors noted above. DSHS also needs a streamlined formalized process for tracking new awards as well as amendments and submission error reports. DSHS's consideration should also be given to the allocation of additional resources for FFATA.

Management Response and Corrective Action Plan:

DSHS continues our attempt to automate and streamline more of the FFATA data gathering processes as part of the roll out of a new contracting system. A goal of the new contracting system includes the capability of querying FFATA-required data fields. However, this data will still have to be manually uploaded or entered into the Federal FSRS system.

Beginning fiscal year 2014, DSHS streamlined the process for tracking changes, such as amendments and submission of error reports. Amendments are manually reported in a timely manner. Errors are manually submitted to the Federal FSRS helpdesk.

DSHS plans to hire a full time employee in February 2015 whose primary responsibility will be to perform FFATA reporting. DSHS believes this, along with continue improvements of the process, will eliminate the errors.

Implementation Date: June 2015

Responsible Person: Gary Lawrence

Reference No. 2014-019

**Matching, Level of Effort, Earmarking  
Subrecipient Monitoring**

(Prior Audit Issue – 2013-029)

**CFDA 93.667 – Social Services Block Grant**

**Award year – October 1, 2013 to September 30, 2015**

**Award number – G1401TXSOSR**

**Type of finding – Significant Deficiency and Non-Compliance**

A State may transfer up to ten percent of the combined total of the State family assistance grant, supplemental grant for population increases, and bonus funds for high performance and illegitimacy reduction, if any, (all part of Temporary Assistance for Needy Families (TANF), CFDA 93.558) for a given fiscal year to carry out programs under the Social Services Block Grant (SSBG), or Title XX. Such amounts may be used only for programs and services to children, or their families whose income is less than two hundred percent of the poverty level (42 USC 604(d)(3)(A) and 9902(2)).

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

The Health and Human Services Commission (HHSC) passed through approximately \$26.4 million of SSBG funding to the Department of State Health Services (DSHS). Of this \$26.4 million, approximately \$20 million originated from TANF funding at HHSC.

The TANF to SSBG funding from HHSC was spent on various programs at DSHS. The services provided by these programs fall under allowable costs for SSBG. Additionally, either all the participants, or a sufficient percentage compared to the overall percentage of TANF to SSBG funding for the programs, appear to meet the income eligibility requirements based on information provided by the subrecipients to DSHS. Similarly, either all or a sufficient percentage of the recipients receiving the care, are children or children’s families. However, in fiscal year 2014 DSHS was still formalizing a process to document how these requirements were met. There was an analysis done subsequent to year-end, to review information regarding providers’ processes for how TANF to SSBG funds were allocated and used. While there was some monitoring of these entities for the specific use of the TANF to SSBG funds to ensure the participants are eligible, the monitoring was not comprehensive. For example, the largest percentage of these funds went to Local Mental Health Authorities (LMHAs) serving children and adults. Based on responses from some of the LMHAs and a review of client records, DSHS noted most LMHAs have a process for identifying individuals eligible for TANF transfer to Title XX funds; however, there was a sufficient percentage of

client records reviewed that did not have a financial assessment on record. Additionally, some LMHAs did not respond to the assessment.

Recommendation:

DSHS should continue to enhance its monitoring of the LMHAs that receive TANF to SSBG funds to ensure consistent documentation of eligibility, allowable services, and tracking of these funds. DSHS should expand TANF to SSBG monitoring to include the other providers who also receive funding. Additionally, DSHS should have a formal method of showing that a sufficient amount of participants in each of the programs meet the eligibility requirements.

Management Response:

*Management agrees with the recommendation. DSHS will continue to enhance its monitoring of the LMHAs that receive TANF to SSBG funds to ensure consistent documentation of eligibility, allowable services, and tracking of these funds. DSHS will expand TANF to SSBG monitoring to include the other providers who may also receive funding. Additionally, DSHS will develop a formal method of showing that a sufficient amount of participants in each of the programs meet the eligibility requirements.*

*Implementation Date: July 2015*

*Responsible Person: Lauren Lacefield Lewis*

**Texas Education Agency**

Reference No. 2014-020

**Cash Management**

**Matching, Level of Effort, and Earmarking**

**Reporting**

**Eligibility for Subrecipients**

**Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools**

**Special Tests and Provisions – Developing and Implementing Improvement Plans**

(Prior Audit Issues – 2013-030, 13-20, 12-26, 11-36 and 10-63)

**CFDA 84.010 – Title I Grants to Local Educational Agencies**

Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – S010A130043, S010A120043 and S010A110043A

**CFDA 84.048 – Career and Technical Education–Basic Grants to States**

Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – V048A130043, V048A120043 and V048A110043

**CFDA 84.287 – Twenty–First Century Community Learning Centers**

Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014, and July 1, 2011 to September 30, 2013

Award numbers – S287C130044, S287C120044, and S287C110044

**CFDA 84.365 – English Language Acquisition State Grants**

Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – S365A130043, S365A120043, and S365A110043

**CFDA 84.367 – Improving Teacher Quality State Grants**

Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014, and July 1, 2011 to September 30, 2013

Award numbers – S367A130041, S367A120041, and S367A110043

**Special Education Cluster (IDEA)**

Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014, and July 1, 2011 to September 30, 2013

Award numbers – H173A130004, H027A130168, H173A120004, H027A120008, H173A110004, and H027A110008

**School Improvement Grants Cluster**

Award years – July 1, 2012 to September 30, 2014, July 1, 2010 to September 30, 2013, July 1, 2009 to September 30, 2013, and July 1, 2008 to September 30, 2013

Award numbers – S377A120044, S377A100044, S377A090044, and S377A080044

**School Improvement Grants Cluster – ARRA**

Award year – February 17, 2009 to September 30, 2014

Award number – S388A090044

Type of finding – Significant Deficiency

The collection of Public Education Information Management System (PEIMS) data is required of all school districts by TEC §42.006. The *Data Standards* provides instructions regarding the submission of PEIMS data from a Local Education Agency (LEA) to the Texas Education Agency (TEA). The LEA is responsible for reporting federal, state, and local funds expended through PEIMS, along with various types of demographic data, and students served. In order to provide production support two PEIMS developers have access to the PEIMS production environment through individual user accounts on the application server. Access to migrate changes to the production environment should be restricted appropriately based on job function to help ensure

Questioned Cost:	\$0
U.S. Department of Education	

adequate internal controls are in place and appropriate segregation of duties exist. A developer with access to migrate changes to production systems introduces the risk of unauthorized changes to applications and data. In general, developers should not have access privileges above read-only in the production environment. KPMG noted that one of twenty-five changes selected for testing was developed and migrated by the same developer. In addition, a periodic review at the application level, and all administrative access accounts (both user and generic) including those with knowledge of the passwords, was performed but not adequately documented to identify users and groups with access to PEIMS for appropriateness during fiscal year 2014.

The CEMS application is utilized for Student Special Education reporting for calculating entitlements for populations and poverty counts. CEMS extracts data from the PEIMS database. Access to administer the application and users within the system should be limited to IT personnel, however two program individual have access to the "Application Administrator" roles.

TEA uses the LEA submitted information for compliance with applicable compliance requirements under various components of Cash Management, Eligibility for Subrecipients, Matching, Level of Effort, and Earmarking, Reporting, and certain Special Tests and Provisions. No compliance exceptions were noted with regard to the use of PEIMS data in the analysis related to the applicable compliance requirements.

Recommendation:

TEA should properly segregate duties so that developers do not have access to production, or if developers are determined to need access to production, adequate monitoring controls should be in place. In addition, administrative privileges to applications should be restricted to appropriate individuals

Management Response and Corrective Action Plan:

*TEA will review the application/server access and implement appropriate segregation of duties and limit access to appropriate individuals.*

*Implementation Date: Full Implementation February 28, 2015, or sooner if possible*

*Responsible Person: Melody Parrish*

Reference No. 2014-021

**Cash Management  
Matching, Level of Effort, Earmarking  
Maintenance of Effort (MOE) for Subrecipients  
Period of Availability of Federal Funds  
Reporting  
Subrecipient Monitoring  
Special Tests and Provisions – ARRA  
Special Tests and Provisions – Developing and Implementing Improvement Plans**  
(Prior Audit Issues – 2013-031)

**CFDA 84.010 – Title I Grants to Local Educational Agencies**  
Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013  
Award numbers – S010A130043, S010A120043 and S010A110043A

**CFDA 84.048 – Career and Technical Education–Basic Grants to States**  
Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

**Award numbers – V048A130043, V048A120043 and V048A110043**

**CFDA 84.287 – Twenty-First Century Community Learning Centers**

**Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014, and July 1, 2011 to September 30, 2013**

**Award numbers – S287C130044, S287C120044, and S287C110044**

**CFDA 84.365 – English Language Acquisition State Grants**

**Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013**

**Award numbers – S365A130043, S365A120043, and S365A110043**

**CFDA 84.367 – Improving Teacher Quality State Grants**

**Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014, and July 1, 2011 to September 30, 2013**

**Award numbers – S367A130041, S367A120041, and S367A110043**

**Special Education Cluster (IDEA)**

**Award years – July 1, 2013 to September 30, 2015, July 1, 2012 to September 30, 2014, and July 1, 2011 to September 30, 2013**

**Award numbers – H173A130004, H027A130168, H173A120004, H027A120008, H173A110004, and H027A110008**

**School Improvement Grants Cluster**

**Award years – July 1, 2012 to September 30, 2014, July 1, 2010 to September 30, 2013, July 1, 2009 to September 30, 2013, and July 1, 2008 to September 30, 2013**

**Award numbers – S377A120044, S377A100044, S377A090044, and S377A080044**

**School Improvement Grants Cluster – ARRA**

**Award year – February 17, 2009 to September 30, 2014**

**Award number – S388A090044**

**Type of finding – Significant Deficiency**

The Texas Education Agency (TEA) utilizes the Integrated Statewide Administrative System (ISAS) for its general ledger. Prior to August 15, 2014, four developers shared accounts that allowed access to migrate program changes to the production environment. On August 15, 2014, TEA implemented the STAT tool to assist with the change management process. While STAT provides an audit log noting the users who developed, tested, approved and migrated ISAS program changes, TEA does not actively monitor whether segregation of duties are being followed by reviewing the STAT tool logs to determine whether users are developing and migrating their own changes. In addition, three developers have administrative access to the Windows production servers, four developers have access to the production database, and one developer has administrative access to the ISAS application. Access to migrate changes to the production environment should be restricted appropriately and based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. Developers with access to migrate changes to production systems introduce the risk of unauthorized changes to applications and data. In general, developers should not have access to migrate changes to the production environment and should not have access privileges above read-only in the application.

Questioned Cost:	\$0
U.S. Department of Education	

TEA has procedures to remove or disable access for terminated or separated employees; however the TEA network accounts and the ISAS accounts for two terminated users remained active after their separation dates. In addition, TEA has procedures to review access to production applications; however TEA was unable to provide documentation of a review performed by one of five selected cost centers.

TEA uses the Budget Analysis Tool (BAT) to create funding and cost allocation journal entries. Nine users have inappropriate administrative access to the BAT production server. Access to migrate changes to the production environment should be restricted appropriately and based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. Developers with access to migrate changes to production systems introduce the risk of unauthorized changes to applications and data. In general, developers should not have

access to migrate changes to the production environment and should not have access privileges above read-only in the application.

TEA uses information produced from ISAS and BAT for compliance with applicable compliance requirements under various components of Cash Management, Eligibility for Subrecipients, Matching, Level of Effort, and Earmarking, Period of Availability, Reporting, Subrecipient Monitoring, and certain Special Tests and Provisions. No compliance exceptions were noted with regard to the use of ISAS or BAT data in the analysis related to the applicable compliance requirements.

Recommendation:

TEA should properly segregate duties so that developers do not have access to production, or if developers are determined to need access to production, adequate monitoring controls should be in place. When monitoring developer access to the production environment, management should develop procedures to monitor the STAT logs to determine whether users are developing and migrating their own changes. In addition, TEA should review procedures to make sure access for separated employees are properly disabled in a timely manner and periodic reviews of user access are formally documented.

Management Response and Corrective Action Plan:

*TEA agrees with the ISAS finding noted during testing. TEA will implement an interim solution which will ensure unique ID's are used where possible to improve the accuracy of audit trails. For situations where not possible to use unique ids, TEA will implement appropriate controls to monitor changes. TEA will work to implement a long term solution to properly segregate duties where fiscally possible and add additional management oversight and controls where not possible. In August of 2014 TEA implemented the TEA HelpDesk application. This is our internal ticketing system where access requests are received, processed and archived. Automating this process allows appropriate staff to receive Off Boarding forms in a timely fashion and ensure access is disabled when the employment of personnel ends. The individuals identified as having an active account left employment with the agency prior to the implementation of the On/Off Boarding process. The user accounts identified have since been deleted. The On/Off Boarding process was fully implemented on August 15, 2014.*

*Implementation Dates: Interim solution: March 30, 2015; full implementation: July 31, 2015*

*Responsible Person: Melody Parrish*

**Texas Higher Education Coordinating Board**

Reference No. 2014-022

**Special Tests and Provisions – Individual Record Review  
Special Tests and Provisions – Enrollment Reports**

**CFDA 84.032L – Federal Family Education Loans – (Lenders)  
Award year – July 1, 2013 to June 30, 2014  
Award number – CFDA 84.032L Award Number Not Applicable  
Type of finding – Significant Deficiency and Non-Compliance**

For Individual Record Review, a lender is required to maintain current, complete, and accurate records of each loan that it holds. These loan records (files) form the basis for the information contained in the Lender’s Interest and Special Allowance Request and Report (LaRS). The records must be maintained in a system that allows ready identification of each loan’s status. Except for the loan application and the promissory note, these records may be stored in microform, computer file, optical disk, CD-ROM, or other media formats provided that the means of storage meets the requirements in 34 CFR sections 668.24(d)(3)(i) through (iv)(34 CFR section 682.414(a)).

Questioned Cost:	\$0
U.S. Department of Education	

For Enrollment Reporting, schools are required to confirm and report to the National Student Loan Data System (NSLDS) the enrollment status of students who receive Federal student loans. Enrollment information is used to determine the borrower’s eligibility for in-school status, deferment, interest subsidy, and grace period. Enrollment changes, such as a change from full-time to half-time status, graduation, withdrawal, or an approved leave of absence, are changes that need to be reported. The enrollment information is merged into the NSLDS database and reported to guarantors, lenders, and servicers of student loans.

Lenders must use the NSLDS data to make adjustments for interest and special allowance billings on each loan. The billing for interest benefits and special allowance payments relies on the timely and proper processing of student enrollment information, including timely conversion to repayment status. The conversion of a loan to repayment status is subject to a number of conditions as defined in 34 CFR section 682.209. Typically, Stafford loan borrowers begin repayment 6 months following the date on which the borrower is no longer enrolled on at least a half-time basis at a school. PLUS and consolidation loans go into repayment on the day the loan is disbursed, or if disbursed in multiple installments, on the date the loan is fully disbursed. The first payment is due within 60 days of the date the loan is fully disbursed (34 CFR section 682.209).

Clearinghouse Report or NSLDS data should be updated in the lender’s records within 60 days of notification (report date per NSLDS or Clearinghouse Reports). For students who are converting to repayment status, repayment date should be calculated based on the 6 month grace period or 30 day notice for students whose grace has already expired. If the borrower is in repayment when the Texas Higher Education Coordinating Board (THECB) is notified, the first payment must be due no later than 75 days from notification (report date). (34 CFR section 628.209)

During fiscal year 2014, THECB’s process was to divide accounts on the Clearinghouse reports between multiple account representatives for processing. THECB lacked a control to ensure all accounts were processed. Additionally, THECB failed to obtain and process eight Clearinghouse files between the period of July 2013 and April 2014. THECB receives approximately two reports each week. Out of these eight reports there were approximately 220 FFEL loans. Out of these 220 FFEL loans, eighteen were not updated timely with an approximate outstanding principal of \$218,000 as of January 2015.

When performing testing over Individual Record Review, an additional one out of forty records tested had not been updated in THECB’s loan application system - HELMS. The borrower withdrew from school in May 2013, which was certified by the school in September 2013. Per the LaRS submitted by THECB as of December 31, 2013, borrower was still identified as in deferment as a full-time student. THECB changed the borrower status when borrower called in April 2014 asking when deferment would end. THECB then verified through National Student

Clearinghouse that the borrower had actually withdrawn in May 2013. Forbearance was given for the period from May 2013 through April 2014. Loan was paid in full on June 2014, so there are no questioned costs.

Further when performing testing over Enrollment Reporting, another one out of forty borrower statuses was not timely updated in HELMS (posted 64 days from report date/notification versus the required 60 days). Additionally, the borrower update was to repayment status and payment due date was not required until 95 days from report notification date (versus 75 days as required).

Recommendation:

THECB should ensure all Clearinghouse files are downloaded timely to be manually worked by formalizing the process to obtain the reports. In addition, THECB should add a review control to ensure all applicable borrowers are worked on each report.

Management Response and Corrective Action Plan:

We agree with the recommendation. On November 13, 2014, the responsibility was moved to the Monitoring and Reporting area of Loan Programs. The files will be downloaded and kept on the shared drive so that more than one staff member is able to access the information. In addition, a monthly review will be performed by the manager to ensure that account information is being updated within the required period of time specified in federal regulations.

Implementation Date: November 13, 2014

Responsible Person: Janie Miramontes

Reference No. 2014-023

**Reporting  
Subrecipient Monitoring**  
(Prior Audit Issue – 2013-032)

**CFDA 84.048 – Career and Technical Education–Basic Grants to States**  
**Award year – July 1, 2013 to September 30, 2015 and July 1, 2012 to September 30, 2014**  
**Award number – V048A130043 and V048A120043**  
**Type of finding – Significant Deficiency**

The Texas Higher Education Coordinating Board (THECB) utilizes the Education Data Center (EDC) system to interface with the subrecipients and to accept and process data submitted by public community and technical colleges. Until March 11, 2014 one developer had knowledge of the passwords to four service accounts with administrative access on the EDC server. This level of access allows the user to migrate changes to production, resulting in inappropriate developer access to production. The EDC server supports the edit checking and data load process that occurs. Access to migrate changes to the production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. In general, programmers should not have access to migrate changes to the production environment.

Questioned Cost:	\$0
U.S. Department of Education	

No compliance exceptions were noted related to this test work for the major program above.

Recommendation:

As noted above, access was appropriately restricted by March 11, 2014.

*Management Response and Corrective Action Plan:*

*As noted above, the finding was corrected and no additional actions are required.*

*Implementation Date: March 11, 2014*

*Responsible Person: John House*

**Texas Workforce Commission**

Reference No. 2014-024

**Matching, Level of Effort, Earmarking**

**Reporting**

**Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan**

(Prior Audit Issue – 2013-033)

**CFDA 17.225 – Unemployment Insurance**

**Award years – October 1, 2013 to September 30, 2016, October 1, 2012 to September 30, 2015, and October 1, 2011 to September 30, 2014**

**Award numbers – UI-2523314-55-A-48, UI-2392013-55-A-48, and UI-22342-12-55-A-48**

**WIA Cluster**

**Award years – July 1, 2013 to June 30, 2016, April 1, 2013 to March 31, 2016, July 1, 2012 to June 30, 2015, April 1, 2012 to March 31, 2015, July 1, 2011 to June 30, 2014, and April 1, 2011 to March 31, 2014**

**Award numbers – AA-22964-12-55-A-48, AA-24121-13-55-A-48, AA-24121-13-55-A-48, AA-22964-12-55-A-48, AA-21424-11-55-A-48, and AA-21424-11-55-A-48**

**TANF Cluster**

**Award years – October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013**

**Award numbers – 1402TXTANF3, 1402TXTANF, 1302TXTAN3, and 1302TXTANF**

**Type of finding – Significant Deficiency**

The Texas Workforce Commission (TWC) utilizes the Texas Workforce Information System of Texas (TWIST) to manage subrecipient data. Two developers have access to the TWIST database through two generic accounts giving them the ability to promote changes to production. Access to migrate changes to the production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. A developer with access to migrate changes on any production system introduces the risk of unauthorized changes to applications and data. Additionally, developer access to move their own code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment. In general, programmers should not have access to migrate changes to the production environment. In addition, a periodic review was performed during fiscal year 2014 to identify and review users and groups with access to TWIST for appropriateness. However, documentation for this review was not retained.

Questioned Cost:	\$0
U.S. Department of Labor U. S. Department of Health and Human Services	

No compliance exceptions were noted related to test work for the major programs and respective compliance requirements that rely on the TWIST database. These areas are:

- WIA Cluster – Low income youth earmarking
- TANF Cluster – TANF 199 report and Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan
- Unemployment Insurance – Trade Act Participant Report (TARP)

Recommendation:

TWC has limited information technology personnel with the necessary skills to both support and develop changes to the system; therefore, the development group is responsible for both activities within the TWIST database. TWC should consider the segregation of access, such that all individuals with the ability to migrate code changes can no longer modify the change log in the database. TWC could then implement procedures to monitor the change log for any unauthorized migrations. Additionally, TWC should retain documentation for periodic access reviews performed of existing user accounts on all applications and databases.

Management Response and Corrective Action Plan:

Management agrees. TWC is in the process of completing the segregation of access for the TWIST application and implementing procedures to monitor the change log for unauthorized migrations. One account has been resolved and the second is in progress. Additionally, TWC will retain periodic access review documentation

Implementation Date: June 2015

Responsible Person: Lisa Richardson

Reference No. 2014-025

**Special Tests and Provisions – UI Benefit Payments**

**CFDA 17.225 – Unemployment Insurance**

**Award years – October 1, 2013 to September 30, 2016, October 1, 2012 to September 30, 2015, and October 1, 2011 to September 30, 2014**

**Award numbers – UI-2523314-55-A-48, UI-2392013-55-A-48, and UI-22342-12-55-A-48**

**Type of finding – Significant Deficiency and Non-Compliance**

States are required by 20 CFR section 602.11(d) to operate a Benefits Accuracy Measurement (BAM) program to assess the accuracy of UI benefit payments and denied claims, unless the State is exempt from such requirement (20 CFR section 602.22). The program estimates error rates, that is, number of claims improperly paid or denied and dollar amounts of benefits improperly paid or denied by projecting the results from investigations of small random samples to the universe of all claims paid and denied in a State. Specifically, the State’s BAM unit is required to draw a weekly sample of payments and denied claims, review the records, and contact the claimant, employers, and third parties to verify all the information pertinent to the paid or denied claim that was sampled.

Questioned Cost:	\$0
U.S. Department of Labor	

One of the standard forms is the Form QC-14RT, Private Agency Registration Verification Form, which is required to be completed if a claimant is registered with a private agency. If the claimant states that she/he is registered with a private agency, the agency must be contacted for verification of registration and job referrals. Of thirty-two cases reviewed, one paid claimant was registered with a private agency. However, Form QC-14RT was not included in the claimant’s file. As such, the sample was expanded by seven to focus on claimants registered with a private agency. Form QC-14RT was not included in the paid claimant file for one additional sample. Therefore of thirty-nine total cases reviewed, exceptions were noted for two paid private agency claimants. Included in the file was BAM employer verification form and evidence of job search; therefore no questioned costs. Texas Workforce Commission has a Paid Case Assembly Sheet for case auditors to utilize when reviewing case files. Private Employment Agency Verification Form is included on the checklist. BAM peer auditors currently do not review all of the selected BAM cases. For these two exceptions, there was no peer review of the Paid Case Assembly Sheet.

Recommendation:

TWC should reinforce the use of the Paid Case Assembly Sheet checklist to the case auditors.

Management Response and Corrective Action Plan:

Management agrees with the finding. All instances of missing documentation will be called to the attention of the BAM auditor and negatively affect the auditor’s performance rating.

Implementation Date: September 1, 2014

Responsible Person: Jonathan Carson

Reference No. 2014-026

**Special Tests and Provisions – UC Program Integrity–Overpayments**

**CFDA 17.225 – Unemployment Insurance**

**Award years – October 1, 2013 to September 30, 2016, October 1, 2012 to September 30, 2015, and October 1, 2011 to September 30, 2014**

**Award numbers – UI-2523314-55-A-48, UI-2392013-55-A-48, and UI-22342-12-55-A-48**

**Type of finding – Significant Deficiency and Non-Compliance**

Pub. L. No. 112-40, Pub. L. No. 112-40, enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of the Federal Unemployment Tax Act (FUTA) to improve program integrity and reduce overpayments. (See UIPL Nos. 02-12, and 02-12, Change 1). States are (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) States are prohibited from providing relief from charges to an employer’s UC account when overpayments are the result of the employer’s failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

Questioned Cost:	\$0
U.S. Department of Labor	

Section 2103 of Pub. L. No. 112-96 amended FUTA and the Social Security Act to require States to recover overpayments through an offset against UC payments. States must enter into two agreements prior to commencing the recoveries: the Cross Program Offset and Recovery Agreement (See UIPL No. 05-13), which allows States to offset State UI from Federal UI overpayments, and the Interstate Reciprocal Overpayment Recovery Agreement, which allows States to recover overpayments from benefits being administered by another State.

Failure to respond timely or adequately to a request for information

In 2013, the 83<sup>rd</sup> Texas Legislature, Regular Session, passed SB1537, which amended the Texas Unemployment Compensation Act to conform to the changes in federal laws enacted October 21, 2013 pertaining to not relieving an employer of charges if an overpayment is a result of an employer’s failure to respond timely or adequately to a request for information. In Texas, the new procedures became effective with initial claim notices issued July 7, 2014. As such, this compliance requirement was not implemented by the federal requirement of October 2013.

Audit procedures involved a review of twenty-five overpayments resulting from an untimely or inadequate response from an employer from the period July 7, 2014 to August 31, 2014. No exceptions were noted during this review.

Monetary penalty, not less than 15 percent

Texas began to impose this penalty beginning September 1, 2014. As such, this compliance requirement was not implemented by the federal requirement of October 2013.

Audit procedures involved a review of ten overpayments resulting from fraud from the period September 1, 2014 to September 30, 2014. No exceptions were noted during this review.

Recommendation:

As noted above, Texas Workforce Commission has implemented procedures in July and September 2014.

## TEXAS WORKFORCE COMMISSION

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### Management Response and Corrective Action Plan:

Failure to respond timely or adequately to a request for information – As required by Public Law 112-40, states were required to pass legislation to enact the prohibition on noncharging in cases where an employer or an employer's agent fails to provide adequate or timely notice to the Agency and has a pattern of doing so. The Texas Legislature passed and the Governor signed, SB 1537 amending the Texas Unemployment Compensation Act (TUCA) effective October 1, 2013. Once enacted, the bill required TWC Benefits System programming and TWC Chapter 815 rule revisions introducing a pattern and adequate response. Final rule adoption was completed June 30, 2014 and programming changes enforcing the timely and adequate rules were deployed July 7, 2014.

Implementation Date: July 7, 2014

Responsible Person: Clay Cole

Monetary penalty, not less than 15 percent – The 83rd Texas Legislature, Regular Session, passed SB658, with an effective date of October 1, 2013, to amend the Texas Unemployment Compensation Act relating to the imposition and collection of a penalty for fraudulently obtaining unemployment compensation benefits. Prior to the passing of SB658, an internal audit report revealed an inconsistency in the Agency's definition and application of fraud on unemployment insurance claims. Therefore, before imposing the fraud penalty it was necessary to align all parts of the Agency by operationalizing a standard process to issue quality Unemployment Insurance Benefits fraud determinations in a just, equitable, accurate and timely manner.

As noted above, the Texas Workforce Commission began imposing the fraud penalty on fraudulent claims on September 1, 2014.

Implementation Date: September 1, 2014

Responsible Person: Paul Carmona

Section 3b:

## Federal Award Findings and Questioned Costs – Other Auditors

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section 510(a). This section is organized by state agency or higher education institution.

### Prairie View A&M University

Reference No. 2014-101

#### Eligibility

(Prior Audit Issue 10-33)

#### Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134098; CFDA 84.033, Federal Work-Study Program, P033A134098; CFDA 84.063, Federal Pell Grant Program, P063P132319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319

Type of finding – Significant Deficiency and Non-Compliance

#### Cost of Attendance

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

Questioned Cost:	\$9,380
U.S. Department of Education	

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations (CFR), Section 668.2).

**For 14 (23 percent) of 60 students tested, Prairie View A&M University (University) incorrectly or inconsistently calculated the students’ COA. Specifically:**

- For 6 (43 percent) of those 14 students, the University made errors when manually adjusting the students’ COA for the tuition and fees, room and board, travel, and summer budget components. Additionally, for two of those six students, the University did not update COA to reflect actual enrollment. These errors did not result in an overaward or underaward of financial assistance, but they increase the risk of an underaward or overaward of student financial assistance.
- For 8 (57 percent) of those 14 students, the University based graduate and doctoral students’ COA on full-time enrollment, when those students attended less than full-time for one or more semesters during the award year. The University uses full-time COA budgets to determine COA for all graduate and doctoral students receiving financial assistance, regardless of each student’s actual enrollment. That increases the risk of overawarding financial assistance. Because the University developed only full-time COA budgets to determine COA for

graduate students, auditors could not determine whether the graduate students in the sample tested, who were attending less than full-time, were overawarded financial assistance for the 2013-2014 award year.

#### Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they graduate within the maximum time frame required to complete their education (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

The University's satisfactory academic progress policy includes a maximum time frame for graduate students of 54 total attempted hours. If a student does not meet that requirement, the student is considered ineligible for financial assistance based on excessive hours.

**The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed financial assistance to the student when that student did not meet the University's satisfactory academic progress policy.** The student was enrolled in a second master's degree program that, according to the University, requires the SAP committee to complete a manual review. The student did not meet the University's SAP guidelines for maximum allowable time frame and should have been placed on suspension for financial assistance. The student was not eligible to receive federal financial assistance; however, the University awarded and disbursed to the student a total of \$9,380 associated with CFDA 84.268, Federal Direct Student Loans, award number P268K142319, which are considered questioned costs.

#### Recommendations:

The University should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Determine each student's COA and financial need based on the student's expected or actual enrollment.
- Consistently and appropriately apply its SAP policy to determine whether students are eligible for financial assistance prior to the disbursement of that assistance.

#### Management Response and Corrective Action Plan:

*Financial Aid management staff agrees with your finding and recommendations as it pertains to Cost of Attendance. Financial Aid management has made significant changes listed below for the 14-15 aid year:*

- *Developed a spreadsheet of all cost of attendances which assesses on-campus and off-campus living expenses.*
- *Created new budgets in Banner for less-than full time graduate students.*
- *Created new budgets for off-campus and at-home students.*
- *Developed a SQL to monitor enrollment changes from seven days before the 1st class day and up to the 20th class day.*
- *Established a process utilizing the Banner enrollment freeze process on the RSRENRL and Banner mix budget process in RBABUDD. A report is run twice a week and is reviewed by the Director and reports are disseminated to the Scholarships and Loans and Associate Director for clean up.*
- *Through weekly monitoring, financial aid management reviews the COA for all students and manually adjusts COAs based on changes in enrollment status to ensure that COAs accurately reflect actual enrollment. In addition, system modifications have been developed that will only allow to Director or Associate Directors the authority to make manual component adjustments to student COAs. If there are manual adjustments that are made to specific components, there will be documentation required to support the adjustments and policies and procedures are in place to indicate as such.*

Implementation Date: March 15, 2014

Responsible Person: Ralph Perri

Financial Aid management staff agrees with your finding and recommendations as it pertains to SAP policy. Financial Aid management has reviewed SAP business practices and policy for 14-15 aid years and has implemented the following changes:

- The current SAP policy and procedures have been reviewed and updated for accuracy.
- Financial Aid management has reviewed SAP rules in Banner for accuracy and verified the conversion tables are calculating SAP warnings correctly.
- A SQL report has been developed to extract data from Banner to review and validate SAP output. The program is run on a weekly basis. The report is reviewed by the Associate Director to validate the calculation and to ensure accuracy before an award cycle is processed. Financial Aid management is working closely with the Registrar's Office to confirm student's record in Banner is coded correctly to ensure the institution is in compliance with federal regulations when disbursing aid to students.
- The SAP status has been added to the ready to package population selection group to ensure SAP is reviewed during the packaging process.
- The staff has been trained on the updated SAP rules. A new committee has been formed to review SAP appeal requests at the beginning of each semester.

Implementation Date: June 1, 2014

Responsible Person: Ralph Perri

Reference No. 2014-102

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134098; CFDA 84.033, Federal Work-Study Program, P033A134098; CFDA 84.063, Federal Pell Grant Program, P063P132319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost:	\$0
U.S. Department of Education	

**For 10 (17 percent) of 60 students tested, Prairie View A&M University (University) did not accurately verify all required information on students' FAFSAs and did not always correct student ISIR information, when required.** For those students, the University did not accurately verify one or more of the following verification items: the number of household members, the number of household members who are in college, food stamps, the amount of child support paid, adjusted gross income, U.S. income taxes paid, education credits, and income information for nontax filers. According to the University, those errors occurred because of manual errors it made during the verification process.

When auditors brought those errors to the University's attention, the University made corrections to the students' ISIRs. For seven of those students, no change in EFC or aid was associated with the errors; however, not properly verifying FAFSA information could result in the University overawarding or underawarding financial assistance. For one student, the error caused the student's EFC to be understated, but no change in aid was associated with that error. For two students, the errors resulted in overawards of federal Pell Grant funds associated with award number P063P132319 totaling \$900. The University subsequently adjusted the students' awards; therefore, there were no questioned costs.

#### Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information. Those policies must include: (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, CFR, Section 668.57; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).

An institution's procedures must also provide that it furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of application information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

**The University's policies and procedures for its verification process did not include all of the required elements.** Specifically, the University's verification policies and procedures did not address the following required elements:

- The consequences of an applicant's failure to provide the requested documentation within the specified time period.
- The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and that results in a change in the applicant's award or loan.
- The procedures for making referrals.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that students may not understand their responsibilities when their FAFSAs are verified.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Include all required elements in its verification policies and procedures.

Management Response and Corrective Action Plan:

*Financial Aid management staff agrees with your finding and recommendations as it pertains to Verification. Financial aid management has developed a plan of action to perform the following:*

- *The Associate Director will conduct a complete desk audit and select 100 students for verification for the current school year to validate the accuracy of the verification process as per federal regulations, which will be completed by February 2015.*
- *A desk audit will also be performed by the Associate Director on a monthly basis for each alpha cluster to confirm the verification process has been performed as per federal regulations.*

*For the 15-16 aid years, Financial Aid management will look to implement:*

- *A second check, by another counselor, will be performed after the initial verification process has been completed, if no corrections are required.*
- *A third check, by another counselor, will be performed after the initial verification process has been completed, if corrections are required.*

*Financial Aid management will update the Verification SOP to include:*

- *Copies of communication sent to students in the different verification groups notifying them of the following:*
  - *They have been selected for verification, which group they are in and an explanation of the Verification process.*
  - *The required documentation needed to perform the verification before the financial aid can be packaged and disbursed.*
  - *The time frame in which the student must submit the required verification documentation.*
  - *The consequences of failure to submit the required verification documents.*
  - *The method of communication that will be used to notify the student when the amount of Title IV aid is adjusted as a result of an EFC change due to the verification process.*
  - *The procedures on how to correct the information on the FAFSA.*
  - *The procedures on how to refer the student to the Office of Inspector General.*

*Implementation Date: March 1, 2015*

*Responsible Person: Ralph Perri*

Reference No. 2014-103

**Special Tests and Provisions – Disbursements To or On Behalf of Students**  
(Prior Audit Issues 10-34 and 08-038)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.063, Federal Pell Grant Program, P063P132319**

**Type of finding – Significant Deficiency and Non-Compliance**

Disbursement Notification Letters

If an institution credits a student’s account at the institution with Teacher Education Assistance for College and Higher Education (TEACH) Grant Program funds, the institution must notify the student of (1) the date and amount of the disbursement, (2) the student’s right to cancel all or a portion of that TEACH Grant or TEACH Grant disbursement and have the TEACH Grant proceeds returned to the U.S. Department of Education, and (3) the procedures and time by which the student must notify the institution that he or she wishes to cancel the TEACH Grant or TEACH Grant disbursement. The notification must be sent in writing or electronically no earlier than 30 days before, and no later than 30 days after, crediting the student’s account at the institution (Title 34, Code of Federal Regulations (CFR), Section 668.165).

Questioned Cost:	\$0
U.S. Department of Education	

**Prairie View A&M University (University) did not send disbursement notification letters to students who received TEACH Grants in the 2013-2014 award year.** A total of four students at the University received a total of \$12,220 in TEACH Grant funds for that award year. While loan disbursement notifications are automated, the University asserts that, because there are so few TEACH Grant disbursements, its process for sending disbursement notification letters is manual. However, the University did not send notifications for the four TEACH Grant recipients in the 2013-2014 award year. Not receiving those notifications could impair students’ ability to cancel their TEACH Grants.

Disbursement of Funds Prior to Enrollment

An institution must disburse Title IV, Higher Education Act program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds (Title 34, CFR, Section 668.164).

**For 1 (2 percent) of 60 students tested, the University disbursed federal financial assistance when the student was not enrolled for the Spring 2014 term.** While the student was initially enrolled in that term, the student’s enrollment was subsequently dropped for non-payment of tuition and fees on January 31, 2014. The student was reinstated in the dropped courses on February 5, 2014, but the University disbursed funds to that student on February 3, 2014. When the student’s enrollment was dropped for non-payment, the University placed the student in a drop and retain status, which did not prevent disbursement.

The student remained in a drop and retain status until the student paid tuition, at which time the Registrar’s Office processed the student’s reinstatement form. The student received a federal Pell Grant and Federal Direct Student Loans. After the University made the disbursement, it reinstated the student in the courses for the term and the student was eligible to receive the student financial assistance; therefore, there are no questioned costs associated with the disbursement error. However, not having controls to prevent disbursements to students who are not enrolled at the time of disbursement increases the risk that students could receive aid for which they are not eligible.

Recommendations:

The University should:

- Establish and implement controls to send disbursement notification letters within 30 days before or after crediting a student’s account with a TEACH Grant.
- Establish and implement controls to ensure that it disburses student financial assistance only to enrolled students.

Management Response and Corrective Action Plan:

*Financial Aid management staff agrees with your finding and recommendations as it pertains to Disbursement of Funds. Financial Aid management has reviewed Disbursement business practice and policy for 14-15 aid years and has implemented the following changes:*

- *Controls have been implemented and a process has been put in place to electronically send disbursement notification letters within 30 days before or after crediting a student's account with TEACH grants.*
- *Through weekly monitoring and Banner system controls, a process has been implemented to ensure aid is only disbursed to students who are only enrolled.*

*Implementation Date:      January 15, 2015*

*Responsible Person:      Ralph Perri*

**Department of Public Safety**

Reference No. 2014-104

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

**Period of Availability of Federal Funds**

**CFDA 20.233 – Border Enforcement Grants**

**Award years – October 1, 2012 to September 30, 2014 and October 1, 2013 to September 30, 2015**

**Award numbers – FM-BEG-0036-13 and FM-BEG-0053-14**

**Type of finding – Significant Deficiency and Non-Compliance**

The U.S. Office of Management and Budget (OMB) requires that costs be allocable to federal awards under the provisions of Title 2, Code of Federal Regulations (CFR), Chapter 225. Any cost allocable to a particular federal award or cost objective may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons. Additionally, to be allowable under federal awards, costs must be adequately documented (Title 2, CFR, Chapter 225).

Questioned Cost: \$2,692

U.S. Department of  
Transportation – Federal  
Motor Carrier Safety  
Administration

When a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period (Title 49, CFR, Section 18.23).

**The Department of Public Safety (Department) was unable to locate supporting documentation for 3 (5 percent) of 64 expenditures tested. The Department also was unable to locate supporting documentation for an additional two transactions that auditors selected using professional judgment.** As a result, auditors were not able to determine whether those costs were allowable, were for allowable activities, were necessary and reasonable, or were incurred during the period of availability. In addition, auditors were unable to determine whether Department management reviewed and approved those costs. Those errors resulted in \$2,692 in questioned costs associated with award FM-BEG-0036-13.

**In addition, the Department was unable to locate documentation to support the approval of the transfer of costs for 3 (13 percent) of 23 transfers tested.** As a result, auditors were unable to determine whether Department management reviewed and approved those transfers for allowability or compliance with period of availability requirements. Auditors reviewed the underlying supporting documentation and determined that the costs associated with those transfers were allowable and in compliance with period of availability requirements. Therefore, there were no questioned costs associated with those errors.

Not maintaining documentation of expenditures or reviewing and approving transfers increases the risk that unallowable costs could be charged to federal grants.

Recommendations:

The Department should:

- Retain documentation for expenditures.
- Strengthen controls to help ensure that it adequately documents its review and approval of transfers and that it maintains that documentation.

Management Response and Corrective Action Plan:

*The Department agrees with the recommendation and will:*

- *Return the questioned costs to the grant.*
- *Strengthen controls around the approval of transfers, and the retention of those approvals.*

**PUBLIC SAFETY, DEPARTMENT OF**

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*Implementation Date:*     *March 2015*

*Responsible Person:*     *Maureen Coulehan*

Reference No. 2014-105

**Reporting**

**CFDA 20.233 – Border Enforcement Grants**

**Award years – October 1, 2011 to September 30, 2013; October 1, 2012 to September 30, 2014; and October 1, 2013 to September 30, 2015**

**Award numbers – FM-BEG-0025-12, FM-BEG-0036-13, and FM-BEG-0053-14**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each program, subaward, function, or activity supported by the award. Recipients use the Federal Financial Report Standard Form 425 (SF-425) to report financial activity on a quarterly basis. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions of key reporting elements (Title 49, Code of Federal Regulations (CFR), Section 18.41).

Questioned Cost:	\$0
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U.S. Department of Transportation – Federal Motor Carrier Safety Administration
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The U.S. Department of Transportation’s Federal Motor Carrier Safety Administration (FMCSA) requires recipients to report outlays and program income, if any, on an accrual basis (FMCSA, *Financial Assistance Agreement General Provisions and Assurances*, November 2012).

**The Department of Public Safety (Department) did not ensure that its reports included all activity in the reporting period and were fairly presented in accordance with program requirements for all four SF-425 reports tested.** The Department reported on a cash basis instead of an accrual basis for all four reports tested. The Department also reported incorrect information on all four reports. Those errors included reporting activity after the reporting period, not including all activity that occurred during the reporting period, including payroll accruals in the calculation of cash disbursements, and recording cash receipts as cash disbursements.

As a result of those errors, the Department incorrectly reported the amount of cash disbursements, cash on hand, federal share of expenditures, unobligated balance of federal funds, and federal share of unliquidated obligations. While Department management reviewed and approved those financial reports, that review was not sufficient to detect those errors.

Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

General Controls

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Department did not adequately restrict access to its accounts in the State’s Uniform Statewide Accounting System (USAS).** Specifically, one Department employee had access that did not reflect that employee’s current job responsibilities. That employee changed positions within the Department, and the Department should have changed that employee’s access from data entry and posting to inquiry only. The Department’s periodic review of user access was not effective in identifying and changing that access. Not maintaining appropriate access to USAS increases the risk of unauthorized modification of the Department’s accounting data.

Recommendations:

The Department should:

- Correct its methodology for reporting the federal share of expenditures required in its SF-425 reports by using the correct basis of accounting.
- Develop and implement a process to report required information accurately based on information from its financial systems or other accounting information.
- Restrict access to its USAS accounts to current staff whose responsibilities require that access.
- Ensure that its periodic review process is effective and identifies all users whose access needs to be changed.

Management Response and Corrective Action Plan:

*The Department agrees with the recommendation. The Department will:*

- *Change to accrual basis to report expenditures from USAS on the SF-425 reports.*
- *Restrict USAS accounts to match staff responsibilities and will complete periodic reviews.*

*Implementation Date: January 2015*

*Responsible Persons: Maureen Coulehan and Sharon Page*

Reference No. 2014-106

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

(Prior Audit Issues 2013-107 and 13-117)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Direct Costs - Payroll

In accordance with Title 2, Code of Federal Regulations (CFR), Section 225, when employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that award or cost objective for the period covered by the certification. Those certifications must be prepared at least semi-annually and signed by the employees or supervisory official having firsthand knowledge of the work performed by the employees. For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that:

Questioned Cost: \$7,936

U.S. Department of Homeland  
Security – Federal  
Emergency Management  
Agency

- Reflects an after-the-fact distribution of the actual activity of each employee.
- Accounts for the total activity for which each employee is compensated.
- Is prepared at least monthly and must coincide with one or more pay periods.
- Is signed by the employee.

Budget estimates or other distribution percentages that are developed before services are performed do not qualify as support for charges to federal awards but may be used for interim purposes, provided that at least quarterly comparisons of actual costs to budgeted distributions based on the monthly activity reports are made and any adjustments are reflected in the amounts billed to the federal program. Payments for unused leave when an employee

retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component (Title 2, CFR, Section 225).

The Department of Public Safety (Department) uses estimates to determine its payroll charges on a monthly basis and then performs reconciliations between the estimated time and actual time employees worked on each federal award so that it can process necessary adjustments.

**The Department did not always perform quarterly activity report reconciliations accurately.** Specifically, for 2 (3 percent) of 68 payroll charges tested, the Department charged employee longevity pay to the grant when the employee did not perform work on the grant during the pay period. That occurred because the Department does not perform a reconciliation of longevity pay. Those errors resulted in questioned costs of \$105.

**In addition, the Department did not allocate unused leave as a general administrative expense to all activities of the Department.** For 2 (3 percent) of 68 payroll charges tested, the Department treated unused leave payments as direct costs. Those errors resulted in questioned costs of \$739. Auditors identified an additional \$7,092 in unused leave payments for fiscal year 2014 that the Department charged as direct costs.

#### Indirect Costs

Departments or agencies that desire to claim indirect costs under federal awards are required to prepare indirect cost rate proposals and documentation to support those costs. These proposals must include the proposed rates, a copy of the financial data upon which the rate is based, the approximate amount of direct base costs incurred under federal awards, a chart showing the organizational structure of the agency during the period for which the proposal applies, along with functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency, and a required certification (Title 2, CFR, Section 225, Appendix E).

The U.S. Office of Management and Budget requires that costs be accorded consistent treatment and must conform to any limitations or exclusions set forth in Title 2, CFR, Section 225. Costs of advertising and promotional costs unrelated to the performance of federal awards as well as penalties resulting from violations of or failure of the governmental unit to comply with state laws are unallowable. In addition, when a depreciation method is followed to allocate the costs of fixed assets, the straight line method of depreciation shall be used in the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life (Title 2, CFR, Section 225, Appendix B).

The Department hired a third-party vendor to develop its indirect cost rate proposal on its behalf based on its fiscal year 2011 expenditures. The Federal Emergency Management Agency (FEMA) approved the proposed indirect cost rate in April 2014. The approved rate for the Department's Division of Emergency Management is a fixed rate of 64.43 percent for fiscal years 2012 and 2013, and FEMA approved that same rate on a provisional basis until December 2016. During fiscal year 2014, the Department did not draw down federal Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds for indirect costs.

**The Department's indirect cost rate proposal did not include all of the required documentation.** Specifically, the Department did not include functional statements noting the duties and/or responsibilities of all units that comprise the Department.

**The Department's indirect cost pool included unallowable costs.** Specifically, the indirect cost pool included costs already treated as direct federal costs, including unused leave; unallowable costs, such as interest on late payments and advertising and promotional costs; vehicle depreciation calculated with a methodology that did not consider the useful life of the vehicles; costs that were included in the indirect cost pool twice; and central service costs that did not match the State's approved state/local-wide central service cost allocation plan.

**The Department did not accurately calculate its distribution base for indirect costs.** The Department's distribution base, composed of direct salaries and wages, inaccurately included activity related to the Department's State Administrative Agency and excluded activity related to the Department's Division of Emergency Management's direct salaries and wages.

**PUBLIC SAFETY, DEPARTMENT OF**

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Those errors occurred because the Department did not provide complete and accurate information to the vendor or because of an error the vendor made in the preparation of the proposal. Additionally, the Department's review and approval of the proposal was not sufficient to detect those errors. Including unallowable costs in the indirect cost pool and inaccurately calculating the distribution base could result in an inaccurate indirect cost rate being applied to federal grant funds. The Department did not request reimbursement for indirect costs during fiscal year 2014; therefore, there were no questioned costs.

The issues noted above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>	<u>Questioned Costs</u>
1379	TX01PA1379	June 9, 2001	\$ 0
1425	TX02PA1425	July 4, 2002	0
1606	1606DRTXP00000001	September 24, 2005	0
1624	1624DRTXP00000001	January 11, 2006	0
1658	1658DRTXP00000001	August 15, 2006	0
1709	1709DRTXP00000001	June 29, 2007	0
1780	1780DRTXP00000001	July 24, 2008	0
1791	1791DRTXP00000001	September 13, 2008	7,936
1931	1931DRTXP00000001	August 3, 2010	0
1999	1999DRTXP00000001	July 1, 2011	0
3216	3216EMTXP00000001	September 2, 2005	0
3294	3294EMTXP00000001	September 10, 2008	0
3363	3363EMTXP00000001	April 19, 2013	0
4029	4029DRTXP00000001	September 9, 2011	0
4136	4136DRTXP00000001	August 2, 2013	0
4159	4159DRTXP00000001	December 20, 2013	0
		Total	<u>\$ 7,936</u>

**Recommendations:**

The Department should:

- Perform a reconciliation of longevity benefits based on actual hours worked for all employees.
- Allocate unused leave as a general administrative expense to all activities of the Department.
- Include all of the required documentation in its indirect cost rate proposals.
- Include only allowable costs in its indirect cost pool.
- Correct its methodology for calculating the distribution base for its indirect cost rate

Management Response and Corrective Action Plan:

The Department agrees with the recommendations. The Department will:

- Include longevity benefits as part of the payroll reconciliation process.
- Make corrections to the next indirect cost rate proposal to be submitted to FEMA.

Implementation Date: March 2015

Responsible Person: Maureen Coulehan

Reference No. 2014-107

**Procurement and Suspension and Debarment**

**Subrecipient Monitoring**

**Cash Management**

**Special Tests and Provisions – Project Accounting**

(Prior Audit Issues 2013-110, 2013-108, 13-120, 12-113, 11-115, 10-42, and 09-48)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Public Safety (Department) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor subrecipients' use of federal awards to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Questioned Cost: \$0

U.S. Department of Homeland  
Security – Federal  
Emergency Management  
Agency

In fiscal year 2014, the Department passed through \$74,953,423 in Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds to its subrecipients.

During-the-award Monitoring

Recipients of Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds are required to monitor grant-supported and sub-grant-supported activities to ensure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity (Title 44, Code of Federal Regulations (CFR), Section 13.40). The Department monitors subrecipient projects through review and approval of payment vouchers, quarterly performance reporting, and audits and inspections of subrecipient projects.

Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity (Title 44, CFR, Section 13.20(b)(7)).

**The Department did not consistently enforce and monitor subrecipient compliance with federal requirements related to cash management and procurement.** Specifically:

- For 2 (7 percent) of 29 subrecipients tested, the Department did not obtain sufficient documentation to ensure that its subrecipients minimized the time between their receipt of funds and the disbursement of those funds. The Department's procedures do not require subrecipients to provide documentation to support that they are minimizing the time between receipt and disbursement of funds. As a result, auditors could not verify whether subrecipients minimized that time.

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- The Department could not provide evidence that it monitored subrecipients' compliance with requirements related to procurement and suspension and debarment for 13 (59 percent) of 22 subrecipient projects tested for which it should have monitored compliance. Other than its close-out audits of large projects, the Department does not have a standard tool to monitor procurement during the award period.

At the conclusion of a project, the Department conducts final audits on projects that the Federal Emergency Management Agency (FEMA) designates as "large" projects according to the Department's State Administrative Plan for each disaster. The Department uses those audits to monitor its subrecipients' compliance with requirements related to allowable costs and activities, equipment, and procurement. However, final audits may not always be an effective monitoring tool to identify potential subrecipient noncompliance during the performance period of a subgrant. Insufficient monitoring of subrecipients during the award period increases the risk that the Department would not detect subrecipients' noncompliance with federal grant requirements.

Project Accounting

According to Department policy, subrecipients must submit a *Project Completion and Certification Report* after completion of work on a large project; that report certifies that all work has been completed in accordance with funding approvals and that all claims have been paid in full for each specific project.

**For 45 (75 percent) of 60 subrecipients tested that were required to submit a *Project Completion and Certification Report*, the Department did not ensure that the subrecipients submitted those reports in a timely manner.** Specifically, 39 of those subrecipients submitted certifications between 78 and 1,685 days after completion of the project. The remaining six subrecipients did not include the work completion date on the certification; therefore, auditors could not determine whether the certifications were submitted in a timely manner. Those errors occurred because the Department did not have a process to help ensure that subrecipients submitted certification reports in a timely manner after completion of the project.

Not notifying the Department of project completion in a timely manner delays final audits and project close-outs.

The issues discussed above affect the following awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>
1479	1479DRTXP00000001	July 17, 2003
1606	1606DRTXP00000001	September 24, 2005
1658	1658DRTXP00000001	August 15, 2006
1709	1709DRTXP00000001	June 29, 2007
1780	1780DRTXP00000001	July 24, 2008
1791	1791DRTXP00000001	September 13, 2008
1931	1931DRTXP00000001	August 3, 2010
1999	1999DRTXP00000001	July 1, 2011
3216	3216EMTXP00000001	September 2, 2005
3290	3290DRTXP00000001	August 29, 2008
4159	4159DRTXP00000001	December 20, 2013

Recommendations:

The Department should:

- Strengthen controls over subrecipient monitoring to help ensure that its subrecipients minimize the time between receipt and disbursement of federal funds.
- Establish and implement a formal process to track and monitor all during-the-award monitoring activities for large and small subrecipient projects.
- Collect and retain documentation of its verification that subrecipients and their principals are not suspended or debarred or otherwise excluded from receiving federal contracts.
- Establish and implement a process to help ensure that its subrecipients submit *Project Completion and Certification Reports* after completion of work on large projects.

Management Response and Corrective Action Plan:

*The Department agrees with the finding. The Department will:*

- *Strengthen controls to ensure subrecipients employ proper cash management.*
- *Conduct and document suspension and debarment checks of subrecipients.*
- *Ensure subrecipients are submitting closeout documentation timely.*
- *Implement a formal process to track subrecipients during award monitoring activities.*

*Implementation Date: July 2015*

*Responsible Person: Paula Kay Logan*

Reference No. 2014-108

**Reporting**

(Prior Audit Issues 2013-111, 13-121, 12-114, 11-114, 10-41, 09-47, 08-91, and 07-26)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each program, subaward, function, or activity supported by the award. Recipients use the Federal Financial Report Standard Form 425 (SF-425) to report financial activity on a quarterly basis. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions of key reporting elements (Title 44, Code of Federal Regulations (CFR), Section 13.41).

Questioned Cost:	\$0
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**For 9 (60 percent) of 15 financial reports tested, the Department of Public Safety (Department) did not ensure that its reports included all activity in the reporting period, were supported by applicable accounting records, and were fairly presented in accordance with program requirements.** Those errors occurred because (1) those reports were not based on information in the Department’s financial system (instead, those reports were based on information from the federal system through which the Department requested funds) and (2) the Department used an incorrect methodology or incomplete information to report the recipient’s share of expenditures. The Department’s methodology to report the recipient’s share of expenditures does not consider the

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different matching requirements across projects and disasters. Department management reviewed and approved those reports; however, that review was not sufficient to detect those errors.

Unsupported or inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that equal or exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

Recipients of awards that are subject to the Transparency Act must report all required elements, including the subaward date, subawardee Dun and Bradstreet Data Universal Numbering System (DUNS) number, amount of subaward, subaward obligation or action date, date of report submission, and subaward number. Additionally, the amount of the subaward is the net dollar amount of federal funds awarded to the subawardee, including modifications (U.S. Office of Management and Budget’s *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting*, August 27, 2010, Appendix C).

**The Department did not consistently submit Transparency Act reports within the required time frames or with accurate information.** Specifically:

- For 1 (14 percent) of 7 Transparency Act reports tested, the Department did not report the subaward. That occurred because the subrecipient was not registered in the System for Award Management (SAM), and the Transparency Act Subaward Reporting System (FSRS) requires a DUNS match to SAM to accept reports on a subrecipient. The Department could not provide documentation of a good-faith effort to either report on the subrecipient or to have the subrecipient registered in SAM by the reporting deadline.
- For 3 (43 percent) of 7 Transparency Act reports tested, the Department did not accurately report all key data elements. The Department did not accurately report at least one of the following key data elements: DUNS number, obligation or action date of the subaward, or the subaward amount. Those errors occurred because of (1) a data entry error in the reporting tool the Department used and (2) an error in the query the Department used to pull key data elements included in the amounts exceeding the local cost share. Additionally, as noted above, the Department had not reported one subaward at all by the time of audit testing.
- For 3 (43 percent) of 7 Transparency Act reports tested, the Department did not submit the reports in a timely manner. The Department submitted 1 of those 3 reports 11 days late, and it submitted another of those 3 reports 103 days late. That occurred because the prime award was not established in FSRS and the Department could not provide documentation that it made a good-faith effort to submit those reports. That issue affected one other subaward. The Department reported an additional obligation related to one of those awards 15 days late. That occurred because the Department did not perform Transparency Act reporting in June 2014 due to an information technology issue with the electronic data warehouse it used to pull the key data elements. That issue affected one other subaward. Additionally, as noted above, the Department had not reported one subaward at all by the time of audit testing.

After auditors brought those issues to its attention, the Department corrected the reporting errors and submitted the missing report. Not submitting accurate Transparency Act reports decreases the reliability and availability of information to the awarding agency and the public.

The financial reporting issues discussed above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
1379	TX01PA1379	June 9, 2001
1479	TX03PA1479	July 17, 2003
1606	1606DRTXP00000001	September 24, 2005

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<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
1780	1780DRTXP00000001	July 24, 2008
1999	1999DRTXP00000001	July 1, 2011
3290	3290DRTXP00000001	August 29, 2008
4136	4136DRTXP00000001	August 2, 2013

The Transparency Act reporting issues above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
4029	4029DRTXP00000001	September 9, 2011
4136	4136DRTXP00000001	August 2, 2013
4159	4159DRTXP00000001	December 20, 2013

General Controls

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Department did not adequately restrict access to its accounts in the State’s Uniform Statewide Accounting System (USAS).** Specifically, one Department employee had access that did not reflect that employee’s current job responsibilities. That employee changed positions within the Department, and the Department should have changed that employee’s access from data entry and posting to inquiry only. The Department’s periodic review of user access was not effective in identifying and changing that access. Not maintaining appropriate access to USAS increases the risk of unauthorized modification of the Department’s accounting data.

Recommendations:

The Department should:

- Develop and implement a process to report required financial information based on its supporting documentation, including information from its financial systems.
- Correct its methodology for reporting the recipient’s share of expenditures on its SF-425 reports by incorporating different matching requirements across projects and disasters.
- Submit all required Transparency Act reports in a timely manner and with accurate key data elements.
- Restrict access to its USAS accounts to current staff whose responsibilities require that access.
- Ensure that its periodic review process is effective and identifies all users whose access needs to be changed.

Management Response and Corrective Action Plan:

*The Department agrees with the recommendations. The Department will:*

- *Strengthen controls to ensure we report required financial information based on correct documentation.*
- *Accurately report recipient share match.*
- *Restrict USAS accounts to match staff responsibilities and will complete periodic reviews.*

*The Department has implemented controls to submit all Transparency Act reports accurately and will document communications with FEMA when errors in the Data Warehouse are noted.*

Implementation Date: July 2015

Responsible Persons: Paula Kay Logan and Sharon Page

Reference No. 2014-109

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

(Prior Audit Issues 2013-118, 13-103, 12-106, 11-107, 10-35, and 09-38)

**CFDA 97.067 – Homeland Security Grant Program**

**Award year – 2011**

**Award number – EMW-2011-SS-00019**

**Type of finding – Significant Deficiency and Non-Compliance**

In accordance with Title 2, Code of Federal Regulation (CFR), Section 225, any cost allocable to a particular federal award or cost objective may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.

Questioned Cost: \$135

U.S. Department of Homeland Security – Federal Emergency Management Agency

**One (2 percent) of 65 non-payroll expenditures tested that the Department of Public Safety (Department) charged to the 2011 Homeland Security Grant Program was not solely allocable to that program.** That expenditure was a

management and administrative cost that benefited the State Administrative Agency, which manages and administers multiple federal grant programs. That expenditure could have benefited other grant programs, but the Department charged it solely to the Homeland Security Grant Program. That error resulted in \$135 in questioned costs. The Department has a process to allocate management and administrative costs among the programs that the State Administrative Agency administers; however, it did not follow that process for that expenditure.

In addition to the Homeland Security Grant Program, the State Administrative Agency manages funds for the following federal programs:

- State and Local Implementation Grant Program (CFDA 11.549).
- Nonprofit Security Program (CFDA 97.008).
- Emergency Operations Center Program (CFDA 97.052).
- Buffer Zone Protection Program (CFDA 97.078).
- Regional Catastrophic Preparedness Grant Program (CFDA 97.111).
- Border Interoperability Demonstration Project (CFDA 97.120).

In addition, the Department’s State Administrative Agency reviews and approves direct expenditures to help ensure that expenditures are allowable and appropriate for the project. However, for 1 (2 percent) of 65 transactions tested, the Department could not provide evidence that the State Administrative Agency reviewed and approved the transaction. The Department could not locate the related Payment and Reporting System request for that transaction.

Recommendations:

The Department should:

- Allocate management and administrative costs that benefit multiple federal grant programs.
- Maintain documentation of the State Administrative Agency’s review and approval of all Homeland Security Grant Program expenditures.

Management Response and Corrective Action Plan:

The Department agrees with the recommendations. The Department will:

- Return questioned costs to the grant.
- Allocate costs correctly.
- Maintain documentation of review and approvals.

Implementation Date: January 2015

Responsible Persons: Garry Jones and Maureen Coulehan

Reference No. 2014-110

**Matching, Level of Effort, Earmarking**

**CFDA 97.067 – Homeland Security Grant Program**

**Award years – 2010 and 2011**

**Award numbers – 2010-SS-T0-0008 and EMW-2011-SS-00019**

**Type of finding – Significant Deficiency**

State Administrative Agencies are allowed to retain a maximum of 5 percent of their Homeland Security Grant program awards for management and administrative costs. The maximum amount of management and administrative costs the State Administrative Agency may retain is calculated based on the total amount received under all Homeland Security Grant Program awards (Federal Emergency Management Agency Grant Programs Directorate Policy FP 207-087-1).

Questioned Cost:	\$0
U.S. Department of Homeland Security – Federal Emergency Management Agency	

The Department of Public Safety (Department) has management and administrative index and fund codes in its accounting system that it uses to track management and administrative expenditures. **However, for 3 (5 percent) of 65 transactions tested, the Department did not record the transaction with the correct management and administrative fund code.** In all three cases, however, the Department charged the expenditures to the correct grant.

The Department monitors management and administrative charges using federal cash draw request information, instead of using actual management and administrative expenditure data from its accounting system. It does not reconcile the amounts from its monitoring of management and administrative costs with the actual management and administrative expenditures recorded in its accounting system to help ensure that its management and administrative charges do not exceed earmarking limits. Therefore, the Department’s monitoring of its management and administrative expenditures does not capture expenditures resulting from transfers or adjustments in its accounting system, which can increase the amount charged to the management and administrative budget code.

Although the Department complied with management and administrative cost requirements during fiscal year 2014, the control weaknesses discussed above increase the risk that the Department could exceed the management and administrative limit in the future.

Recommendations:

The Department should:

- Record transactions with the correct index and fund codes.
- Implement a process to monitor compliance with management and administrative limits using expenditure data in its accounting system.

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Management Response and Corrective Action Plan:

*The Department agrees with the recommendations. The Department will monitor compliance of Management and Administration costs through its expenditure reports from USAS.*

Implementation Date: January 2015

Responsible Persons: Garry Jones and Maureen Coulehan

Reference No. 2014-111

**Period of Availability of Federal Funds**

**CFDA 97.067 – Homeland Security Grant Program**

**Award year – 2010**

**Award number – 2010-SS-T0-0008**

**Type of finding – Significant Deficiency and Non-Compliance**

A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend that deadline at the request of the grantee (Title 44, Code of Federal Regulations (CFR), Section 13.23(b)).

Questioned Cost:	\$0
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**For 1 (14 percent) of 7 transactions tested that were charged after the end of the period of availability, the Department of Public Safety’s (Department) liquidation occurred more than 90 days after the end of the period of availability.** That payment delay resulted from confusion at the Department following the reissue of the invoice due to a pricing error. That issue affected grant 2010-SS-T0-0008.

Recommendation:

The Department should implement a process to ensure that it makes payments within 90 days of the end of the period of availability for a grant.

Management Response and Corrective Action Plan:

*The Department agrees with the recommendations. The Department agrees with the recommendation and will implement a process to ensure payments are made within 90 days of the end of the period of availability for a grant.*

Implementation Date: March 2015

Responsible Person: Maureen Coulehan

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Reference No. 2014-112

**Reporting**

(Prior Audit Issues 2013-119 and 13-107)

**CFDA 97.067 – Homeland Security Grant Program**

**Award year – 2011**

**Award number – EMW-2011-SS-00019**

**Type of finding – Significant Deficiency and Non-Compliance**

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that equal or exceed \$25,000 (Title 2, Code of Federal Regulations, Chapter 170, Appendix A).

Questioned Cost:	\$0
U.S. Department of Homeland Security – Federal Emergency Management Agency	

Recipients of awards that are subject to the Transparency Act must report all required elements, including the subaward date, subawardee Dun and Bradstreet Data Universal Numbering System (DUNS) number, amount of subaward, subaward obligation or action date, date of report submission, and subaward number. Additionally, the amount of the subaward is the net dollar amount of federal funds awarded to the subawardee, including modifications (U.S. Office of Management and Budget’s *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting*, August 27, 2010, Appendix C).

**The Department of Public Safety (Department) did not always accurately report key data elements for Transparency Act reports.** Specifically, the Department reported the subaward amount incorrectly for 1 (7 percent) of 15 subawards tested. That occurred because the Department did not include one obligation amount in the total amount reported. After auditors brought that error to its attention, the Department corrected the error and reported the correct amount.

Not submitting accurate Transparency Act reports decreases the reliability and availability of information to the awarding agency and the public.

General Controls

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Department did not adequately restrict access to its accounts in the State’s Uniform Statewide Accounting System (USAS).** Specifically, one Department employee had access that did not reflect that employee’s current job responsibilities. That employee changed positions within the Department, and the Department should have changed that employee’s access from data entry and posting to inquiry only. The Department’s periodic review of user access was not effective in identifying and changing that access. Not maintaining appropriate access to USAS increases the risk of unauthorized modification of the Department’s accounting data.

Recommendations:

The Department should:

- Strengthen controls to help ensure that it includes all obligations in the total subaward amounts it reports under the Transparency Act.
- Restrict access to its USAS accounts to current staff whose responsibilities require that access.
- Ensure that its periodic review process is effective and identifies all users whose access needs to be changed.

Management Response and Corrective Action Plan:

The Department agrees with the recommendation. The Department has:

- Corrected the error.
- Developed a new report in the Grant Management System to ensure amounts are correctly reported.

The Department will restrict USAS accounts to match staff responsibilities and will complete periodic reviews.

Implementation Date: January 2015

Responsible Persons: Garry Jones and Sharon Page

Reference No. 2014-113

**Subrecipient Monitoring  
Special Tests and Provisions – Subgrant Awards**

**CFDA 97.067 – Homeland Security Grant Program**  
**Award years – 2013, 2012, and 2011**  
**Award numbers – EMW-2013-SS-00045, EMW-2012-SS-00018, and EMW-2011-SS-00019**  
**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Public Safety (Department) is required by U. S. Office of Management and Budget (OMB) Circular A-133, Section .400 to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In fiscal year 2014, the Department passed through \$89,713,018 in Homeland Security Grant Program funds to its subrecipients.

Questioned Cost:	\$0
U.S. Department of Homeland Security – Federal Emergency Management Agency	

During-the-award Monitoring

Indirect costs claimed by a governmental unit are to be supported by an indirect cost rate proposal. Where a local government only receives funds as a subrecipient, the primary recipient will be responsible for negotiating and/or monitoring the subrecipient’s plan (Title 2, Code of Federal Regulations (CFR), Section 225, Appendix E (D)(1)).

**For 1 (2 percent) of 49 subrecipients tested, the Department reimbursed that subrecipient for indirect costs at a higher rate than the rate allowed under the subrecipient’s approved indirect cost rate proposal.** That occurred because the State Administrative Agency (SAA) accepted the subrecipient’s explanation for the higher indirect cost rate without determining whether it was allowable. The subrecipient asserted that it was charging the adjustment from the provisional to final indirect cost rate on the 2011 grant because the 2010 grant was closed at the time the reimbursement request was submitted. However, that was not allowable according to the subrecipient’s approved Indirect Cost Rate Agreement. After auditors brought this issue to the Department’s attention, it reimbursed the Federal Emergency Management Agency; therefore, there were no questioned costs.

Additionally, for 2 (4 percent) of 49 subrecipients tested, the Department did not include those subrecipients in the fiscal year 2014 risk assessment it used to select subrecipients for desk reviews and site visits. That occurred because the Department did not include 2013 grant subawards (obligated during fiscal year 2014) in the query it used to populate the risk assessment.

Insufficient during-the-award monitoring increases the risk that the Department may not detect subrecipients’ non-compliance with federal requirements.

Subrecipient Audits

According to OMB Circular A-133, the Department must ensure that each subrecipient expending federal funds in excess of \$500,000 obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department within nine months of the subrecipient's fiscal year end (OMB Circular A-133, Sections 320 and 400). In addition, the Department must issue a management decision on audit findings within six months after receipt of a subrecipient's audit report (OMB Circular A-133, Section 400).

**The Department could not provide evidence that it made a management decision within six months for any of the three subrecipients tested that had findings.** For two of those subrecipients, that occurred because the Department did not document its management decision that no further action was needed. The remaining subrecipient had a finding related to the Homeland Security Grant Program, and the standards section within the Department did not notify the grant administrator of the need for a management decision after reviewing the single audit checklist. As a result of not making a determination with six months, the Department did not record the effects of noncompliance in its records for that subrecipient. After auditors brought that issue to its attention, the Department made a decision to follow up on the corrective action for that subrecipient. The Department maintains a tracking spreadsheet to monitor subrecipient audits; however, that control was not working effectively.

Not making management decisions in a timely manner increases the risk that subrecipient non-compliance that affects federal grants the Department manages could go undetected.

Special Tests and Provisions – Subgrant Awards

According to the Federal Emergency Management Agency's fiscal year 2013 Homeland Security Grant Program Funding Opportunity Announcement, the State must obligate at least 80 percent of the funds awarded under the State Homeland Security Program and Urban Area Security Initiative to local units of government within 45 days of receipt of the funds.

**The Department's key control over special tests and provisions - subgrant awards is not adequately designed to ensure monitoring for compliance with the 45-day obligation requirement.** There are no actual dates or target dates in the Department's distribution report and, while e-mails and grant management system entries demonstrating compliance are time-stamped, there was no evidence that the Department reviewed or used those dates to monitor compliance with the 45-day obligation requirement. However, the Department complied with the requirement to obligate 80 percent of State Homeland Security Program and Urban Area Security Initiative awards to subrecipients within 45 days during fiscal year 2014.

Recommendations:

The Department should:

- Ensure that indirect costs submitted for reimbursement comply with the relevant approved indirect cost rate proposal.
- Include all subrecipients in its risk assessment for site visit or desk review consideration.
- Strengthen controls to ensure that it reviews all Single Audit reports for active subrecipients within six months of receipt of those reports and issues management decisions on findings within the required time frame.
- Implement and document a control to track and ensure that subawards are obligated to local governments within 45 days of the Department's receipt of the award.

Management Response and Corrective Action Plan:

*The Department agrees with the recommendation. The Department will:*

- *Conduct training to ensure all grant accountants understand the indirect cost rate.*
- *Run a report periodically to ensure sub-recipients are identified and included in the risk assessment.*

- *Develop a procedure and generate a report to document management controls over this process.*
- *Strengthen controls to ensure grant program management is notified timely for management decisions and that those decisions are documented.*

*Implementation Date: March 2015*

*Responsible Persons: Garry Jones and Paula Kay Logan*

**Texas A&M International University**

Reference No. 2014-114

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K143216; CFDA 84.063, Federal Pell Grant Program, P063P133216; CFDA 84.033, Federal Work-Study Program, P033A134137; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grant, P379T143216; and CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134137**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Questioned Cost:	\$469
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Texas A&M International University (University) established different COA budgets for students based on living status (at home, off campus, and on campus) and term enrollment (full-time, three-quarter time, half-time, and less than half-time). The University’s financial aid system budgets students based on enrollment as of the Fall semester census date for the Fall and Spring semesters. The University calculates Summer semester budgets manually based on hours provided in each student’s application for Summer semester financial aid.

**For 7 (12 percent) of 60 students tested, the University calculated COA incorrectly.** Specifically, the University did not adjust COA budgets based on actual enrollment for the Spring semester. The University’s financial aid system updates the Fall semester budget based on actual enrollment information as of the Fall semester census date, but it does not update the Spring semester budget based on the Spring semester census date enrollment information. As a result, the University overawarded one of those seven students \$469 associated with CFDA 84.268, Federal Direct Student Loans, award number P268K143216. The Summer semester award process is manual, and it is not affected by the system limitations.

Incorrectly calculating COA increases the risk that the University will overaward or underaward financial assistance to students.

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for full-time, three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

**For 1 (2 percent) of 50 students tested who received Pell Grants, the University awarded the student an amount that was less than the amount the student was eligible to receive.** Specifically, the University underawarded the student \$499 in Pell Grant assistance associated with award P063P133216. That occurred because the University's student financial aid system did not recalculate the Pell award when the student registered for additional hours (those hours were added manually and resulted in a change to the student's enrollment status).

Recommendations:

The University should:

- Adjust COA budgets based on actual enrollment as of the census date for the applicable semester.
- Award Pell Grant amounts to students who are eligible for those grants according to their EFCs and enrollment status.

Management Response and Corrective Action Plan:

Cost of Attendance:

*Effective Fall 2014, Texas A&M International University implemented "Algorithmic and Period Based Budgeting" which assigns Cost of Attendance (COA). These rules customize the COA using defined criteria (enrollment, housing plans, grade level, etc.) for each semester/period as of the census date in a student's aid year.*

*Implementation Date: Developed July 2014 and implemented for the 2014-2015 award year.*

*Responsible Persons: Laura Elizondo and Ociel Vazquez*

Pell Grant Awards:

*TAMIU will develop a report that will cross-check student information system data on Financial Aid and Registrar's screens to identify students whose enrollment hours are not congruent. This report will be reviewed weekly by the Financial Aid Records Coordinator who will be responsible for making necessary corrections and updates.*

*Implementation Date: February 2015*

*Responsible Persons: Laura Elizondo and Alfredo Siller*

**Texas A&M University**

Reference No. 2014-115

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award number – CFDA 84.379, Teacher Assistance for College and Higher Education Grants, P379T145286**

**Type of finding – Significant Deficiency and Non-Compliance**

A student who is a current teacher and who has submitted a completed application and meets the requirements of Title 34, Code of Federal Regulations (CFR), Part 668, Subpart C, is eligible to receive a Teacher Assistance for College and Higher Education (TEACH) grant if the student has a signed agreement to serve as required under Title 34, CFR, Section 686.12; is a current teacher or retiree who is applying for a grant to obtain a master’s degree or is or was a teacher who is pursuing certification through a high-quality alternative certification route; and is enrolled in a TEACH grant-eligible institution in a TEACH grant-eligible program during the period required for the completion of a master’s program (Title 34, CFR, Section 686.11(b)).

Questioned Cost:	\$0
U.S. Department of Education	

**Texas A&M University (University) awarded TEACH grant funds to one student who was not eligible for those funds.** The University manually disbursed TEACH grant funds to that student because the student was teaching in a high-need field and enrolled in a master's degree program. However, that program was not a TEACH grant-eligible program. The University’s financial aid system maintains a list of TEACH grant-eligible programs and compares a student’s enrolled degree program to the list before disbursement; however, the University does not have a control to prevent disbursement if it manually disburses a TEACH grant to an ineligible student. The University disbursed a total of \$3,964 in TEACH grant funds to that student. After auditors brought the error to its attention, the University provided documentation showing that the student returned the funds; therefore, there were no questioned costs. All 209 other students who received TEACH grants were enrolled in TEACH grant-eligible programs.

Recommendation:

The University should establish and implement controls to ensure that students to whom it manually awards TEACH grants meet all eligibility requirements.

Management Response and Corrective Action Plan:

*Texas A&M acknowledges and agrees with the finding. We have created a new process for awarding TEACH grant to students. The awarding process is consolidated to one individual and as part of all TEACH awards a TEACH checklist is completed. The checklist has a separate section for each requirement for receiving a TEACH grant. One section is directly related to the program being TEACH grant eligible. In addition all programs are reviewed annually to determine if they are still TEACH eligible and any changes are noted in Banner and staff are informed of the changes. TEACH awards are also reviewed during the quality control process performed by staff not responsible for awarding the funds.*

*Implementation Date: October 2014*

*Responsible Persons: Delisa Falks and Worth Ferguson*

**Texas A&M University – Corpus Christi**

Reference No. 2014-116

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

**Research and Development Cluster  
Research and Development Cluster – ARRA  
Award years – Multiple  
Award numbers – Multiple  
Type of finding – Significant Deficiency**

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$0
Federal agencies that award R&D funds	

Texas A&M University – Corpus Christi (University) follows Texas A&M University System (System) policies, in addition to its supplemental University policy. The System policy requires system administrators or designated staff to have a documented process for periodically reviewing existing user access accounts for validity. The System’s *Administrator and Special Access Policy* also requires departments to maintain a list of personnel who have administrator or special access accounts for departmental information resource systems. That list must be reviewed at least annually by the appropriate department head, director, or a designee.

**The University did not maintain adequate user access over its Electronic Time and Effort System or its TimeTraq application, which it uses to track time and effort for exempt and non-exempt University employees, respectively. Specifically:**

- One user had domain administrator-level access at the network and server levels for the Electronic Time and Effort System and the TimeTraq application. That access did not align with the employee’s job duties.
- One user had both server-level access to deploy Web applications and development responsibilities for the Electronic Time and Effort System and the TimeTraq application.
- Two users had system administrator roles for support of the TimeTraq application when they no longer performed those duties.
- Two developers for the Electronic Time and Effort System had access to migrate their own code into the production environment.

The University did not conduct periodic reviews of the TimeTraq application or the Electronic Time and Effort System at any level to ensure that access was appropriate for users’ job duties, as required by policy.

Not maintaining appropriate access increases the risk of unauthorized access to or modification of data.

Recommendations:

The University should:

- Limit user access to its network and the TimeTraq and Time and Effort System servers and applications to help ensure that access is appropriate for users’ job responsibilities.
- Segregate job responsibilities to ensure that unauthorized code changes cannot be placed into the production environment.
- Develop and implement a periodic review of user accounts for TimeTraq and the Time and Effort System.

Management Response and Corrective Action Plan:

Recommendation 1: Limit User Access

The Texas A&M System Offices acknowledges that the user with domain administrator access did not require that access to perform the user's job duties. The System Offices removed that user from the domain administrator group. Additionally, the System Offices will no longer place users in the domain administrators group of a server unless that user's job duties require access. Access to server administrator groups for TimeTraq and Time and Effort will be reviewed at least quarterly for appropriate access.

Implementation date: February 28, 2014

Responsible Person: Mark Schulz

Recommendation 2: Segregation of Job Responsibilities

The Texas A&M System Offices acknowledges that the development manager has server level access and also oversees and performs developer functions. Additionally, the A&M System Offices also acknowledges that the development manager and another senior level developer (the manager's backup) can migrate code to the production branch and also deploy a build of the application. We agree that it is important to segregate duties and establish controls so that individuals who modify code cannot migrate the code to the production environment without another person's approval and review. We believe that controls are in place to insure review by another person as well as end-user and/or owner approval of each change. All code is managed tightly in a source control system, and code reviews are part of the process for every change. All code changes and deployments are fully logged. Before code is migrated to production, it has been seen by at least two people, tested, and accepted by the owner according to the defined process. Additionally, current movements in the software industry (i.e. "devops") have shown that keeping the developers involved and closer to the deployment process increases the overall quality, stability, and integrity of software applications. We continue to review our process and look at ways to efficiently deploy new features to our software applications while maintaining appropriate controls.

Implementation date: Already implemented

Responsible Person: Mark Schulz

Recommendation 3: Periodic Review of User Access

The Texas A&M System Offices acknowledges that the two users with administrator roles were no longer involved in active support of the application. Access to TimeTraq for those individuals has been removed. The Texas A&M System Offices will implement a new procedure to review the roles of users in support roles. When a user's job duties change and the support role is no longer performed, that access will be removed.

Implementation date: February 28, 2014

Responsible Person: Mark Schulz

Reference No. 2014-117

**Reporting**

**Research and Development Cluster**

**Award years – September 1, 2012 to August 31, 2015; July 26, 2012 to August 31, 2014; September 30, 2012 to March 18, 2015; and September 25, 2013 to March 31, 2014**

**Award numbers – CFDA 10.318, Women and Minorities in Science, Technology, Engineering, and Mathematics Fields, 2012-38503-20278; CFDA 10.652, Forestry Research, 12-DG-11330101-096; CFDA 12.630, Monitor, Analysis, and Interpretation of Hydrodynamic and Sediment Transport System, W912HZ-12-C-0066; and CFDA 93.310, Trans-NIH Research Support, 1P20MD008690-01**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, Code of Federal Regulations (CFR), Sections 215.51 and 215.52). Recipients use the Federal Financial Report Standard Form 425 (SF-425) or the Request for Advance or Reimbursement Standard Form 270 (SF-270) to report financial activity. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425 and SF-270, including definitions and requirements of key reporting elements.

Questioned Cost:	\$0
U.S. Department of Agriculture	
U.S. Department of Defense	
U.S. Department of Health and Human Services	

**Texas A&M University – Corpus Christi (University) did not always ensure that it submitted financial reports or that the reports it submitted were accurate and complete.** Specifically, the University did not submit the SF-425 for 1 (14 percent) of 7 financial reports tested. That occurred because the University did not have an internal process for tracking financial report due dates.

In addition, the University did not ensure that 1 (17 percent) of the 6 remaining SF-425s tested was accurate. For the cash receipts amount on that SF-425, the University reported total expenditures instead of the actual cash received from the sponsor. The University included a receivable in the cash receipts amount that was not identified during the review and approval process. As a result, it overstated the cash receipts and the cash on hand amounts in that report by \$815. In addition, the University did not document its review and approval of another financial report tested; however, the information in that report was accurate.

Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

**The University did not always submit Transparency Act reports in a timely manner.** Specifically, the University did not submit 2 (67 percent) of 3 Transparency Act reports tested by the last day of the month following the month in which the subaward obligations were made. The University submitted both reports one month late due to a manual error. While the University uses a spreadsheet to track Transparency Act reports, it does not have a review and approval process to ensure that reports are complete and accurate and that it submits reports in a timely manner.

Not reporting subaward information within the required time frames decreases the reliability and availability of information to the awarding agency and other users of that information.

Recommendations:

The University should:

- Strengthen controls to ensure that the federal financial reports it submits are complete and accurate.
- Strengthen controls to ensure that it submits reports for all subawards that are subject to Transparency Act requirements in a timely manner.

Management Response and Corrective Action Plan:

*Texas A&M University-Corpus Christi acknowledges and agrees with the findings that it did not always ensure that it submitted financial reports or that the reports it submitted were accurate and complete. The Office of Sponsored Research Administration reviewed its internal procedures and has implemented the following additional steps to strengthen controls and assure that reports are complete, accurate and submitted in a timely manner:*

- *Supervisory review of financial reports is performed to assure accuracy and completeness of data and information included in the reports.*
- *Implementation of Maestro Project Module, a sponsored research administration system, which allows to monitor and analyze award and research expenditure activity. The system utilizes a notification functionality that creates reminders to the assigned responsible person when financial reports are due and assures timely submission of required reporting.*
- *Supervisory review and approval process of all subawards that require FFATA reporting to assure that reports are completed, accurate and that the reports are submitted in a timely manner.*

*Implementation Date:      Already implemented*

*Responsible Person:      Mayra A. Hough*

**Texas A&M University – Kingsville**

Reference No. 2014-118

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134135; CFDA 84.033, Federal Work-Study Program, P033A134135; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132325; and CFDA 84.268, Federal Direct Student Loans, P268K142325**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Questioned Cost:	\$0
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Texas A&M University - Kingsville (University) administers student financial assistance for Texas A&M University - San Antonio. The University uses its financial aid system to calculate the COA for all students at both the Kingsville and San Antonio campuses.

**For 9 (15 percent) of 60 of students tested, the University incorrectly calculated COA.** Those errors occurred because the University set up specific budget groups incorrectly in the financial aid system. Specifically:

- When establishing budgets in the system for the 2013-2014 financial aid year, the University used budget information from the 2011-2012 financial aid year for certain budget groups. That affected all students who were enrolled in Texas A&M University - San Antonio for a Fall and/or Spring semester and a Summer semester. Seven students tested were affected by that issue.
- The University did not accurately establish budgets in the system for students enrolled at Texas A&M University – Kingsville who had mixed enrollment (full-time enrollment for one term and less than full-time enrollment for one term) for the 2013-2014 aid year. The University asserted that issue affected all students assigned to a mixed enrollment budget in the 2013-2014 aid year. Two students tested were affected by that issue.

Auditors were not able to quantify the total number of students affected by the budgeting errors. While the errors did not result in overawards for the nine students discussed above, they increase the risk of overawarding or underawarding financial assistance to students.

#### Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program as measured in credit hours should be used to determine the maximum timeframe quantitative component of SAP (Title 34, CFR, Section 668.34(b)(1)).

**The University's SAP policy did not meet all federal requirements.** The University's SAP policy for calculating the maximum time frame for undergraduate students uses 195 hours as the maximum number of hours a student can attempt and still meet SAP requirements, which is 150 percent of 130 hours. However, the majority of the University's undergraduate degree programs require fewer than 130 hours to complete. That increases the risk that the University could incorrectly determine that students meet SAP requirements when they are enrolled in a degree program requiring fewer than 130 hours for completion; as a result, the University could award financial aid to students who are not eligible for that aid.

#### Federal Direct Student Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive subsidized Direct Loans, and graduate students are eligible only for unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

**The University disbursed a total of \$7,006 in subsidized Direct Loans to three graduate students after July 1, 2012.** According to the University, those errors occurred because the University packaged those students' assistance while the students were undergraduates; however, the students received the subsidized Direct Loans after becoming graduate students. After auditors brought this issue to its attention, the University provided evidence that it corrected the errors; therefore, there were no questioned costs.

#### Recommendations:

The University should:

- Correctly update and maintain COA budgets within the financial aid system to ensure that it uses the correct budgets in the COA calculation.
- Ensure that its SAP policy meets all federal requirements.
- Award subsidized Direct Loans only to eligible undergraduate students.

Management Response and Corrective Action Plan:

Cost of Attendance

Management agrees with the recommendations to ensure correct budgets are utilized. The university process is updated to review and maintain budgets in the financial aid system (Banner) prior to each processing cycle (fall/spring and summer) to ensure the accuracy of COA calculations.

Implementation Date: June 2014

Responsible Persons: Bill Saenz and Jessica Thomas

Satisfactory Academic Progress

Management agrees with the recommendations provided. The University SAP policy and max hours requirements have been adjusted to be in compliance with all Federal regulations. Specifically, the maximum number of hours for undergraduate students has been reestablished as 180 maximum hours (150% of 120 credit hours) to be in compliance with federal regulations.

Implementation Date: December 2014

Responsible Person: Jessica Thomas

Federal Direct Student Loan

Management agrees with the provided recommendations. Subsidized Loans will only be awarded to undergraduate students in the financial aid system. Disbursement rules and fund code rules will be established within the financial aid system (Banner) to prevent any subsidized loan funds from disbursing to non-undergraduate students. These rules will prevent graduate students from receiving subsidized loan funds that they are ineligible to receive.

Implementation Date: January 2015

Responsible Person: Jessica Thomas

Reference No. 2014-119

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134135; CFDA 84.033, Federal Work-Study Program, P033A134135; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132325; and CFDA 84.268, Federal Direct Student Loans, P268K142325**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 77, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost:	\$0
U.S. Department of Education	

**For 2 (3 percent) of 60 students tested, Texas A&M University – Kingsville (University) did not accurately verify all required information in students’ FAFSAs and did not always correct student ISIR information when required. Specifically:**

- For one student, the University did not accurately verify the number of household members. No change in EFC or aid was associated with that error.
- For one student, the University did not accurately verify an IRA deduction. The error caused the student’s EFC to be understated, but no change in aid was associated with that error.

According to the University, those errors occurred because of manual errors made during the verification process. When auditors brought those errors to the University’s attention, the University made corrections to the students’ ISIRs. The corrections did not result in any changes to the students’ financial assistance; however, not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant’s FAFSA information. Those policies must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant’s failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action. An institution’s procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the

applicant's cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

**The University's policies and procedures for its verification process did not include all of the required elements.** Specifically, the University's verification policies and procedures did not include:

- The time period within which an applicant shall provide the documentation.
- The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's award or loan.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- The applicant's responsibilities with respect to the verification of application information, including the deadlines for completing required actions.
- A statement specifying that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant's COA or to the values of the items required to calculate the EFC.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Include all required elements in its written verification policies and procedures.

Management Response and Corrective Action Plan:

Verification of Applications

*Management agrees with the findings that the errors identified were made because of manual errors during the verification process. To prevent manual errors, policies and procedures will be implemented to review data entry to ensure accuracy when verifying FAFSA information for selected applicants. Additional and continuous training will also be provided to ensure staff are accurately processing verification requirements.*

Verification Policies and Procedures

*Management acknowledges and agrees with the finding that policy and procedures did not include all required elements. The Verification policies and procedures will be updated to include all required elements, including deadlines, responsibilities, notification methods, and referral process for Title 34, CFR, Section 668.16.*

Implementation Date: February 2015

Responsible Person: Jessica Thomas

**Texas A&M University – Texarkana**

Reference No. 2014-120

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138417; CFDA 84.033, Federal Work-Study Program, P033A138417; CFDA 84.063, Federal Pell Grant Program, P063P134851; CFDA 84.268, Federal Direct Student Loans, P268K144851; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T144851**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Questioned Cost:	\$0
U.S. Department of Education	

**For 1 (2 percent) of 60 students tested, Texas A&M University - Texarkana (University) incorrectly calculated the student’s COA.** The University calculates each student’s COA based on tables in its financial aid system; however, that system had an incorrect budget amount in its table for a non-resident student enrolled three-quarter time during the Summer semester. The University’s budgets indicate that non-resident tuition and fees for three-quarter time enrollment for the Summer semester was \$5,541; however, the financial aid system specified a budget of \$4,749 for tuition and fees. The difference of \$792 did not result in an overaward. However, not applying correct COA budgets could result in an overaward or underaward of student financial assistance. Auditors reviewed information the University provided and identified one additional student whose COA was understated because of that error.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

The University’s SAP policy requires a graduate student receiving federal aid to (1) maintain a minimum 3.00 cumulative grade point average (GPA); (2) successfully complete at least 67 percent of the student’s credit hours over the course of his or her attendance at all educational institutions, regardless of whether financial aid was received; and (3) meet the student’s degree objectives within 54 total attempted hours. If a student does not meet those requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. If an appeal is denied, the student will not be eligible for financial aid until he or she meets SAP requirements.

**The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed aid to a student who did not meet the University’s SAP policy.** The student did not meet the University’s minimum GPA requirement and did not successfully complete 67 percent of the credit hours attempted. The student had received warnings but did not maintain satisfactory progress while on probation. After

auditors brought this matter to its attention, the University returned all federal aid provided to that student; therefore, there were no questioned costs.

**The University did not consistently document its process to identify students who do not meet quantitative and qualitative SAP requirements. For 45 (75 percent) of 60 students tested, the University did not document the manual SAP review it completed.** As a result, auditors were unable to verify that the University completed the manual SAP review for all semesters those students attended.

Not evaluating and documenting the review of students' compliance with SAP requirements increases the risk of awarding financial assistance to ineligible students.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment.** Specifically, the director of admissions and the interim director of enrollment had access to the Banner student financial aid application screens allowing awarding and disbursing of aid. Additionally, a former employee, whose last day of employment was in July 2013, still had access to the network in May 2014. After auditors brought those issues to the University's attention, the University removed the inappropriate access.

Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

**The University did not have formal change management controls in place for its Banner student financial aid application prior to November 2013.** Approved personnel adequately documented, approved, tested, and implemented changes to the Banner system after November 2013. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

#### Recommendations:

The University should:

- Develop and implement a process to ensure that all COA budgets in its financial aid system are consistent with its published COA budgets.
- Develop and implement processes to determine whether students meet all SAP policy requirements prior to the disbursement of financial assistance.
- Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.
- Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

#### Management Response and Corrective Action Plan:

#### Cost of Attendance

**Action Item:** *The basic components used to derive a student's Cost of Attendance budget at Texas A&M University-Texarkana are:*

- *Tuition and fees*
- *Books and supplies*

- *Room*
- *Board*
- *Transportation*
- *Miscellaneous personal expenses*
- *Loan Fees (if applicable)*

*During the A-133 audit review process, the state auditors found that “The University calculates each student’s COA based on tables in its financial aid system; however, that system had an incorrect budget amount in its table for a non-resident student enrolled three-quarter time during the Summer semester.”*

*In summer 2014, the financial aid staff worked with Texas A&M University-Commerce’s Student Technical Services Coordinator to setup Ellucian Banner software to assign Cost of Attendance budgets based on a process referred to as “Period-Based Budgeting”. During testing of the Cost of Attendance budgets, the table used to reflect non-resident students enrolled three-quarter time was not tested since the population was quite small (in relation to other populations of students who are enrolled during the summer semester) and at the time of testing was non-existent. The additional component for the non-resident fee rate was inadvertently missed during the setup process.*

**Action Plan:** *Effective late spring 2014, Texas A&M System’s Board of Regents approved new guaranteed tuition rates for both undergraduate and graduate Texas A&M University-Texarkana students. The guaranteed tuition plan guarantees that tuition and mandatory fees are locked in for the length of the plan, promoting timely completion of undergraduate and graduate degree programs.*

*Students are assigned a cohort based on the classification in their first semester of enrollment. Continuing students are assigned cohorts based on their current classification (see chart and link below) regarding 2014-2015 rates.*

- *The FRESHMAN cohort is a **Four Year** program.*
- *The SOPHOMORE cohort is a **Three Year** program.*
- *The JUNIOR cohort is a **Two Year** program.*
- *The SENIOR cohort is a **One Year** program.*
- *The GRADUATE cohort is a **Two Year** program.*

*In June 2014, Texas A&M University-Texarkana entered into a contract with Strata Information Group to setup period-based budgeting to assign established Cost of Attendance budgets components based on the assigned cohorts. This is effective for the 2014-2015 award year.*

*Texas A&M completed initial testing of the Cost of Attendance budgets in mid-September and the results were successful. In order to ensure integrity of the results more intensive testing will be performed by the internal compliance office.*

**Offices that need to be involved:** *Financial Aid, Admissions, Registrar’s Office and Graduate Studies Office, Business Office and Compliance Office.*

*Modifications to the assigning of Cost of Attendance Budgets process will be made as issues are identified during the more intensive testing period.*

*Beginning in June 2014, Texas A&M University-Texarkana began packaging new freshmen with Cost of Attendance budgets based on the new guaranteed tuition cohorts. In August 2014, the remaining students were awarded/packaged based on the new guaranteed tuition plans. On September 11th, Texas A&M University-Texarkana revised all less than full-time budgets to reflect actual enrollment (this is referred to as census adjustments). Initial testing was completed and successful.*

*During further testing, Texas A&M University found that students who had cohort changes due to late submissions of transcripts may need to have their cohorts updated and new Cost of Attendance budget reassigned in order to prevent over/under award situation. Testing is in process and anticipated completion is January 16, 2015.*

*Implementation Date: September 2014*

*Responsible Persons: Charlene Ervin and Kathy Williams*

Satisfactory Academic Progress

**Action Item:** Texas A&M University-Texarkana current Satisfactory Academic Progress (SAP) policy is found at [http://www.tamut.edu/StudentSupport/Financial%20Aid/pdf/SATISFACTORY\\_ACADEMIC\\_PROGRESS.pdf](http://www.tamut.edu/StudentSupport/Financial%20Aid/pdf/SATISFACTORY_ACADEMIC_PROGRESS.pdf) and is published in the academic catalog.

*During the A-133 audit review process, the state auditors found that “The University did not consistently document its process to identify students who do not meet quantitative and qualitative SAP requirements.” In addition, the auditors stated “The University did not always apply its SAP policy consistently.”*

*It is my understanding that as part of the awarding/packaging process, Satisfactory Academic Progress was in some cases monitored manually using the “2013-2014 Application Prep/Verification Worksheet”. When monitoring SAP, TAMUT financial aid officials would update Banner’s ROASTAT “Eligibility Status” form in cases where student were found not to be making SAP. This protocol was not properly documented and thus handled inconsistently depending on the financial aid official. Secondly, WebFocus reports used to monitor Satisfactory Academic Progress were determined to be ineffective and did not contain the necessary information needed to properly update the Banner system for each student’s SAP status.*

**Action Plan:** In June 2014, Texas A&M University-Texarkana entered into a contract with Strata Information Group to review Texas A&M University-Texarkana current Satisfactory Academic Progress technical process (which included a review of TAMUT’s WebFocus reports and SAP processing procedures.) The outcome of the review determined that the current SAP process was not sufficient. Effective July 2014, Banner was setup to populate SAP automatically for all students and statuses are now maintained electronically on BANNER ROASTAT “Eligibility Status” form.

**Offices that need to be involved:** Financial Aid, Registrar’s Office and Texas A&M University-Commerce IT Department.

*Modifications to the SAP process will be made as issues are identified.*

*On July 31, 2014, for the first time since going live on Banner, TAMU-T was able to run an automated SAP process on over 4,000 students, bringing each student’s status current. On August 20, 2014 TAMUT ran the automated SAP process for students who were enrolled in Summer 2014. The final results were successful. Satisfactory Academic Progress processing procedures were updated on December 18, 2014.*

*Effective for the 2015-2016 academic year, Texas A&M University-Texarkana will conduct a more thorough review of its current SAP policy and revise/update as necessary.*

*Implementation Date: August 2014*

*Responsible Persons: Charlene Ervin Name: Kathy Williams*

User Access

**Action Item:** User Access

*Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.*

**Action Plan:** Enhance Processes

Banner Security

Texas A&M University Texarkana makes a concerted effort to ensure that business owners sign off on individual's access to their module's forms. Information Technology maintains a paper-trail and has processes in place for new hires, changes, and terminations. However, the user access process can be unwieldy and an effort is underway to streamline the assignment of proper privileges for Banner.

On July 30, 2014, the business owners met to discuss the existing security processes and avenues for enhancing user access controls. The current process for Banner security processing follows:

1. User fills out a Banner security access form
2. It is signed by the business owners for the Registrar, Business Office, and Financial Aid.
3. Completed form is delivered to IT
  - a. FERPA forms must be submitted for faculty and adjunct to Registrar
  - b. Forms are delivered to the Texarkana Banner Administrator, Nikki Thomson
  - c. Banner Administrator creates user account for Banner access
  - d. Form is stored in a secure location.
4. There is a change or delete access form. This is for change of access, change of job function, and terminations.

Visibility into Banner Security is provided via an online Banner user access level report. With this information, business owners can review access at any time by a particular user, class, or form.

There is an effort underway to review access to Banner forms and consolidate access rights through profiles designated by job function. This will assist with onboarding new personnel and make it easier to administer security access.

**Offices that need to be involved:** Information Technology

Implementation Date: March 2015

Responsible Person: Jeff Hinton

Change Management

**Action Item:** Change Management

Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

**Response:** Implemented

Banner Change Requests

Our change management process is based upon ITIL principles and closely resembles change processes used in similar environments.

We have a cycle for requesting new releases, as well as a post-implementation review regimen in place for our Banner releases and major upgrades. Business owners are familiar with our process and have become accustomed to testing the new Banner release when it becomes available during our scheduled maintenance window (6p-9a, one Friday evening per month). Several days prior to the maintenance window, Information Technology sends out a notice to our business owners with a preliminary schedule/description of what will occur during the maintenance window. This information includes a list of patches/releases included in the updates and a tentative timetable for implementation. Once the patches and updates have been applied, a notification is sent to the business owners indicating that the

production instance is ready for them to test. From the time of that notification until 7am, the users have a window of time to test the release and approve via email. If approval is not received, the release will be rolled back. Example; This scenario occurred most recently in January 2014 when a Financial Aid release was rolled back for TAMUT because no approval was given.

If the users experience problems due to a change, incident tickets will be created, and an Emergency Change could be the result. During the Change Advisory Board meetings, all emergencies are discussed and managers are responsible to account for all emergencies. The change management process requires that any change to Banner production be verified/tested by the requestor or the change will be backed out. A change to production must first be qualified in the test environment. A verbal confirmation or an email confirming tests were performed successfully is considered acceptable.

**Offices that need to be involved:** Information Technology

Implementation Date: Implemented

Responsible Person: Jeff Hinton

Reference No. 2014-121

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138417; CFDA 84.033, Federal Work-Study Program, P033A138417; CFDA 84.063, Federal Pell Grant Program, P063P134851; CFDA 84.268, Federal Direct Student Loans, P268K144851; and CFDA 84.379, Teacher Education Assistance For College and Higher Education Grants, P379T144851**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification

An institution must establish and use written policies and procedures for verifying an applicant's Free Application for Federal Student Aid (FAFSA) information. Those policies must include (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.57; (2) the consequences of an applicant's failure to provide the requested documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the amount of the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).

Questioned Cost:	\$0
U.S. Department of Education	

An institution's procedures must also provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

**Texas A&M University - Texarkana's (University) policies and procedures for its verification process did not include all of the required elements.** Specifically, the University's policies and procedures did not address the following required elements:

- The time period within which an applicant must provide any documentation requested by the institution.
- The procedures for making referrals.
- A description of the documentation needed to satisfy the verification requirements.
- The applicant's responsibility to provide documentation by the deadline.
- A statement specifying that a student must successfully complete verification prior to consideration of changes to the COA or EFC.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment.** Specifically, the director of admissions and the interim director of enrollment had access to the Banner student financial aid application screens allowing awarding and disbursing of aid. Additionally, a former employee, whose last day of employment was in July 2013, still had access to the network in May 2014. After auditors brought those issues to the University's attention, the University removed the inappropriate access.

Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

**The University did not have formal change management controls in place for its Banner student financial aid application prior to November 2013.** Approved personnel adequately documented, approved, tested, and implemented changes to the Banner system after November 2013. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

#### Recommendations:

The University should:

- Include all required elements in its written verification policies and procedures.
- Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.
- Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

#### Management Response and Corrective Action Plan:

##### Verification

##### **Action Item:**

*Texas A&M University-Texarkana's current 2013-2014 procedures were missing the required areas that are mandated by the Department of Education (see below):*

- 1) *the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.57;*
- 2) *the consequences of an applicant's failure to provide the requested documentation within the specified time period;*
- 3) *the method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the amount of the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs;*
- 4) *the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).*

*In addition, during the A-133 audit review process, the state auditors found that “An institution's procedures must also provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).”*

**Action Plan:**

*Effective for the 2014-2015 and 2015-2016 award year, Texas A&M University will update its verification policies and procedures to include the following elements:*

- *The time period within which an applicant must provide any documentation requested by the institution.*
- *The procedures for making referrals.*
- *A description of the documentation needed to satisfy the verification requirements.*
- *The applicant's responsibility to provide documentation by the deadline.*
- *A statement specifying that a student must successfully complete verification prior to consideration of changes to the COA or EFC.*

**Offices that need to be involved:** *Financial Aid and Compliance Office.*

**Implementation Date:** *January 2015*

**Responsible Persons:** *Charlene Ervin Name and Kathy Williams*

**User Access**

**Action Item:** *User Access*

*Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.*

**Action Plan:** *Enhance Processes*

**Banner Security**

*Texas A&M University Texarkana makes a concerted effort to ensure that business owners sign off on individual's access to their module's forms. Information Technology maintains a paper-trail and has processes in place for new hires, changes, and terminations. However, the user access process can be unwieldy and an effort is underway to streamline the assignment of proper privileges for Banner.*

*On July 30, 2014, the business owners met to discuss the existing security processes and avenues for enhancing user access controls. The current process for Banner security processing follows:*

- 1. User fills out a Banner security access form*
- 2. It is signed by the business owners for the Registrar, Business Office, and Financial Aid.*
- 3. Completed form is delivered to IT*
  - a. FERPA forms must be submitted for faculty and adjunct to Registrar*
  - b. Forms are delivered to the Texarkana Banner Administrator, Nikki Thomson*
  - c. Banner Administrator creates user account for Banner access*
  - d. Form is stored in a secure location.*
- 4. There is a change or delete access form. This is for change of access, change of job function, and terminations.*

*Visibility into Banner Security is provided via an online Banner user access level report. With this information, business owners can review access at any time by a particular user, class, or form.*

*There is an effort underway to review access to Banner forms and consolidate access rights through profiles designated by job function. This will assist with onboarding new personnel and make it easier to administer security access.*

**Offices that need to be involved:** *Information Technology*

*Implementation Date: March 2015*

*Responsible Person: Jeff Hinton*

#### *Change Management*

**Action Item:** *Change Management*

*Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.*

**Response:** *Implemented*

#### *Banner Change Requests*

*Our change management process is based upon ITIL principles and closely resembles change processes used in similar environments.*

*We have a cycle for requesting new releases, as well as a post-implementation review regimen in place for our Banner releases and major upgrades. Business owners are familiar with our process and have become accustomed to testing the new Banner release when it becomes available during our scheduled maintenance window (6p-9a, one Friday evening per month). Several days prior to the maintenance window, Information Technology sends out a notice to our business owners with a preliminary schedule/description of what will occur during the maintenance window. This information includes a list of patches/releases included in the updates and a tentative timetable for implementation. Once the patches and updates have been applied, a notification is sent to the business owners indicating that the production instance is ready for them to test. From the time of that notification until 7am, the users have a window of time to test the release and approve via email. If approval is not received, the release will be rolled back. Example; This scenario occurred most recently in January 2014 when a Financial Aid release was rolled back for TAMUT because no approval was given.*

*If the users experience problems due to a change, incident tickets will be created, and an Emergency Change could be the result. During the Change Advisory Board meetings, all emergencies are discussed and managers are responsible to account for all emergencies. The change management process requires that any change to Banner*

*production be verified/tested by the requestor or the change will be backed out. A change to production must first be qualified in the test environment. A verbal confirmation or an email confirming tests were performed successfully is considered acceptable.*

***Offices that need to be involved:*** *Information Technology*

*Implementation Date:*      *Implemented*

*Responsible Person:*      *Jeff Hinton*

**Texas State Technical College – Marshall**

Reference No. 2014-122

**Eligibility**

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138753; CFDA 84.033, Federal Work-Study Program, P033A138753; CFDA 84.063, Federal Pell Grant Program, P063P135503; and CFDA 84.268, Federal Direct Student Loans, P268K135503**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed for a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 10871l).

Questioned Cost:	\$0
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

For students with less-than-half-time enrollment, COA includes tuition and fees and an allowance for only books, supplies, and transportation; dependent care expenses; and room and board costs, except that a student may receive an allowance for such costs for not more than three semesters, or the equivalent, of which not more than two semesters or the equivalent may be consecutive (Higher Education Act of 1965 (HEA), Section 472(4)).

Texas State Technical College – Marshall (College) initially calculates student COA budgets based on full-time enrollment. After the census date each semester, the College identifies students with less-than-full-time enrollment and runs a process within its financial aid system, Colleague, to adjust those students’ COA budgets. That process requires the College to manually enter specific award codes to adjust students’ COA based on their enrollment.

**For 5 (8 percent) of 60 students tested, the College did not correctly or consistently calculate COA.** The five students were enrolled less than full-time, and the College did not adjust their COA after the census date based on their actual enrollment. That occurred because the College did not enter the correct award codes for those students, and Colleague did not identify that the COA needed to be adjusted. That resulted in overawards for 2 of those students totaling \$2,399 in Federal Direct Student Loans. After auditors brought those overawards to the University’s attention, it corrected the overawards and returned the funds; therefore, there were no questioned costs.

**Additionally, the College’s COA budgets are not consistent with federal requirements.** The College’s COA budgets include a personal expense component for all students. However, the personal expense component is not allowable for students who are enrolled less than half-time. Two (3 percent) of 60 students tested were enrolled less than half-time, but the College assigned them a personal expense COA component that they were not eligible. That occurred because the College was not aware that less-than-half-time students were not eligible for a personal expense component. Although those two students were not overawarded student financial assistance, including COA components for which students are not eligible increases the risk that students could be overawarded student financial assistance.

Pell Grant and Direct Loan Limits

For the federal Pell Grant Program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education to determine award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum and annual amounts a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for students enrolled three-quarter-time, half-time, and less-than-half-time (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower's cost of attendance, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

**The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal financial assistance limits.** The automated packaging process within Colleague has limits to prevent awarding more student financial assistance than a student is eligible to receive. However, if the College manually awards student financial assistance, Colleague does not prevent students from being awarded more than the limits. That increases the risk that students could be overawarded student financial assistance. Auditors tested 60 students and did not identify any students who were awarded federal financial assistance that exceeded their annual or aggregate award limits.

Other Compliance Requirement

Although the general control weaknesses described below apply to special tests and provisions – verification, auditors identified no compliance issues regarding that compliance requirement.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over Colleague.** Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague administrative account for performing administrative tasks on the Colleague application. Four of those eight administrators also had programming responsibilities. The number of individuals with access to that account was excessive.
- One of the Colleague database administrators also had responsibilities as a programmer.
- Programmers migrated their own code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct formal, periodic reviews of user access to Colleague to determine the appropriateness of users' access based on job responsibilities. During the audit period, the College had no policies requiring such reviews. However, as of June 2014, the College had information technology operational governance policies regarding periodic review that were pending approval. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains Colleague for all of its institutions.

Recommendations:

The College should:

- Adjust COA accurately and consistently for students with less-than-full-time enrollment.

- Include COA budget components, such as personal expenses, in the COA calculation only for students who are eligible for those components.
- Implement a process to ensure that manual student financial assistance awards do not cause students' total awards to exceed annual and aggregate award limits.
- Restrict the number of individuals who can access shared administrative accounts for Colleague.
- For Colleague, segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Conduct formal, periodic reviews of user access to Colleague.

Management Response and Corrective Action Plan:

Cost of Attendance

*The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, a process is run to adjust the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed in accordance to student's actual enrollment at official census date. This process required Financial Aid staff to enter award codes requiring adjustment. The process has been automated to no longer require award code entry.*

*The Financial Aid Office will ensure that only eligible budget components are included in the COA calculation for all less-than-full-time students.*

*Implementation Date: July 16, 2014*

*Responsible Person: Susan Wingate*

Pell Grants and Direct Loan Limits

*To take out the human error of awarding Financial Aid, the College auto packages awards to ensure that the students are receiving the correct amount. After census date and again before the end of the semester, the college will run a report that will check to ensure that no students are receiving more aid than they are eligible to receive.*

*Implementation Date: February 1, 2015*

*Responsible Person: Susan Wingate*

General Controls

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code. The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented*

*Responsible Person: Richard Martin*

**Texas State University**

Reference No. 2014-123

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134122; CFDA 84.033, Federal Work-Study Program, P033A134122; CFDA 84.063, Federal Pell Grant Program, P063P130387; CFDA 84.268, Federal Direct Student Loans, P268K140387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T140387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A130387**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size; number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134).

Questioned Cost:	\$0
U.S. Department of Education	

When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, an institution must recalculate the student’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

**For 4 (7 percent) of 60 students tested, Texas State University (University) did not accurately verify all required information on students’ FAFSAs and did not always correct student ISIR information when required.** The University did not accurately verify tax-related information on those students’ FAFSAs. Auditors identified errors in adjusted gross income, reported income taxes paid, and education tax credits. Three of those errors resulted in the students’ EFC being understated; for two of those students, that resulted in the University making Pell Grant overawards of \$100 and \$400.

According to the University, those errors occurred because of manual errors it made during the verification process. When auditors brought those errors to the University’s attention, the University made corrections to the students’ ISIRs and adjusted the students’ awards; therefore, there were no questioned costs.

Not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Recommendation:

The University should accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.

Management Response and Corrective Action Plan:

*Upon the identification of this issue, the data for the affected students were corrected. All verification procedures (e.g., entering tax transcript data, entering W-2 data, etc.) were reviewed and strengthened to ensure greater verification accuracy. A new verification supervisor with extensive verification experience at several institutions was hired to oversee and strengthen the verification team’s operations. Lastly, a new position, Assistant Director for*

*Compliance, was created and filled. This position will, in part, undertake more extensive quality control sampling of verification work to ensure increased quality and compliance.*

*Implementation Date: January 2015*

*Responsible Person: Dr. Christopher D. Murr*

Reference No. 2014-124

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134122; CFDA 84.063, Federal Pell Grant Program, P063P130387; CFDA 84.268, Federal Direct Student Loans, P268K140387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T140387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A130387**

**Type of finding – Significant Deficiency and Non-Compliance**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student 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 assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, CFR, Section 668.22(a)).

Questioned Cost:	\$0
U.S. Department of Education	

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

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed directly to a student. The institution must return those Title IV funds as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, CFR, Section 668.21(b)).

**Texas State University (University) did not always return Title IV funds within the required time frames. Specifically:**

- For 1 (2 percent) of 50 students tested who withdrew, the University did not return Title IV funds within the required 45-day time frame. The University returned funds 274 days after it determined the student withdrew.
- For 1 (7 percent) of 14 students tested who never began attendance, the University did not return Title IV funds within the required 30-day time frame. The University returned funds 70 days after the student withdrew.

Those errors occurred because the University did not process withdrawal notifications in a timely manner.

Not determining withdrawal dates in a timely manner or making returns after the required time frame reduces the information available to the U.S. Department of Education for its program management.

Recommendation:

The University should process withdrawal notifications in a timely manner and return Title IV funds within required time frames.

Management Response and Corrective Action Plan:

*The Office of Financial Aid and Scholarships undertakes a 100% re-review of Return of Title IV calculations. While this best practice ensures that all returns are calculated for the correct amounts, it has not necessarily ensured the calculations are performed within the federally-specified timeframe. To address this shortcoming, the re-review of calculations will be performed on a more regular basis (i.e. at least twice a semester) to help minimize the potential of funds being returned beyond the mandated timeframe. In addition, we have created an exception report that will be run weekly to identify students who have withdrawn but do not yet have a Return of Title IV funds calculation in our student information system. Lastly, a new position, Assistant Director for Compliance, was created and filled. This position will, in part, undertake more extensive quality control sampling of Return of Title IV work to ensure increased timeliness of the calculations.*

Implementation Date: January 2015

Responsible Person: Dr. Christopher D. Murr

Reference No. 2014-125

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issue 2013-148)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134122; CFDA 84.033, Federal Work-Study Program, P033A134122; CFDA 84.063, Federal Pell Grant Program, P063P130387; CFDA 84.268, Federal Direct Student Loans, P268K140387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T140387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A130387**

**Type of finding – Non-Compliance**

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost:	\$0
U.S. Department of Education	

Texas State University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The effective date for a student with a “graduated” status is the date the student completed the course requirements and not the presentation date of the diploma or certificate (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 2 (3 percent) of 60 student status changes tested, the University did not report the change to the NSLDS accurately.** Specifically:

- For one student, the University did not properly update the student's status and corresponding effective date. The student completed coursework for a degree in the Fall 2013 semester but did not apply for graduation until the Spring 2014 semester. The student was reported as “withdrawn” following the Fall 2013 semester, and the University did not update that status in the Spring 2014 semester to reflect the student’s “graduated” status. The University reported the graduated status to the NSC in May 2014; however, that status was not reported to the NSLDS. The University did not manually adjust the student's record to reflect the "graduated" status and was not aware of the correct effective date to be used for that student.
- For one student, the University reported an incorrect withdrawal date to the NSLDS. That occurred because of a manual error. After the initial withdrawal date was reported to the NSLDS, the University’s Office of the Registrar approved the student’s appeal to be considered as “never attended” for the Spring 2014 semester. The student had withdrawn on the first day of classes for the semester and had not attended any classes during that term. The University updated the student's effective withdrawal date in its financial aid system, but not in the NSLDS.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Recommendation:

The University should accurately report all student status changes to NSLDS.

Management Response and Corrective Action Plan:

*The Office of the University Registrar has developed a report that will identify students who have completed course work but did not graduate and monitor their graduation status for subsequent semesters to identify those that have graduated. The status will then be manually updated with the NSLDS.*

*All affected staff have been trained and updated on the correct procedures for processing and reporting students who have been granted an appeal to their status in order that NSLDS is updated accurately and in a timely manner.*

*Implementation Date: January 2015*

*Responsible Person: Louis E. Jimenez*

**Texas Tech University**

Reference No. 2014-126

**Cash Management**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award number – CFDA 84.033, Federal Work-Study Program, P033A124151**

**Type of finding – Non-Compliance**

If an institution submits a request for the advance payment of funds, the request for funds may not exceed the amount of funds the institution needs immediately for disbursements it has made or will make. The institution must disburse the requested funds as soon as administratively feasible, but no later than three business days following the date the institution received those funds (Title 34, Code of Federal Regulations (CFR), Section 668.162(b)). An institution may maintain, for up to seven days, an amount of excess cash that was not disbursed by the end of the third business day and that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must immediately return any amount of excess cash over the one percent and any amount remaining in the institution’s account after the seven-day tolerance period (Title 34, CFR, Section 668.166(b)). Institutions may retain interest earned on federal funds drawn up to \$250 per award year (Title 34, CFR, 668.163(c)(4)).

Questioned Cost:	\$0
U.S. Department of Education	

**Texas Tech University (University) did not always minimize the time between its drawdowns of federal funds and its disbursement of those funds.** The University drew down funds for the Federal Work-Study Program from a prior award year and did not disburse those funds within three business days of receipt. The University drew down \$34,850 from award year 2012-2013 on September 30, 2013, but it did not fully expend those funds for another 15 days. In addition, those drawdowns exceeded one percent of the total amount from the prior year and the seven-day tolerance period. The interest earned on those funds would not have exceeded the \$250 allowance and, therefore, would not have been required to be remitted.

That issue occurred because the University was not aware of the amount of 2012-2013 Federal Work-Study Program funds that would be available to carry forward until calculations for the Fiscal Operations Report and Application to Participate (FISAP) were completed in late September 2013.

Not minimizing the time between drawdowns of federal funds and the disbursement of those funds increases the risk that the University could draw down funds in excess of its needs.

Recommendations:

The University should:

- Develop and implement a process to help ensure that it minimizes the time between drawdowns of federal funds and the disbursement of those funds.
- Immediately return any federal funds over one percent of the prior year’s total drawdowns or that remain in its accounts after seven days.

Management Response and Corrective Action Plan:

*The University has documented policy and procedures, which includes management review and approval of drawdowns, to ensure funds are drawn only after funds have been disbursed. Management will ensure that existing policy is updated to incorporate annual carry forward calculations as well. The University will continue to draw funds on a cost-reimbursable basis only.*

*Implementation Date: August 2014*

*Responsible Person: Simone Barnhill*

Reference No. 2014-127

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014.**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134151; CFDA 84.033, Federal Work-Study Program, P033A134151; CFDA 84.063, Federal Pell Grant Program, P063P132328; CFDA 84.268, Federal Direct Student Loans, P268K142328; CFDA 84.379, Teacher Education Assistance for College of Higher Education Grants, P379T142328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory academic progress in his or her course of study according to the institution’s published standards of satisfactory progress that meet the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.34 (Title 34, CFR, Section 668.32(f)). Institutions must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive Title IV assistance (Title 34, CFR, Section 668.34(a)). A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive Title IV, HEA program assistance after the second year; the student has a grade point average of at least a “C” or its equivalent; or the student has academic standing consistent with the institution’s requirements for graduation (Title 34, CFR, Section 668.34(a)).

Questioned Cost:	\$0
U.S. Department of Education	

Texas Tech University’s (University) SAP policy allows students who do not meet SAP requirements to file an appeal in order to receive financial aid. Students with successful appeals are placed on probation with an approved academic plan and allowed to receive financial aid for one or more periods of enrollment if they are determined to be following their academic plans. Beginning October 15, 2013, the University’s policy was to evaluate SAP for all students on an annual basis. However, for students on probation, it evaluated SAP at the end of each term.

**The University did not update the SAP status in the financial aid system for 36 (3 percent) of 1,101 students who were identified as not meeting SAP requirements and were on probation.** Those students did not meet SAP requirements before the Fall 2013 semester and were placed on probation with an academic plan for the Fall semester. At the end of the Fall semester, those students still did not meet SAP requirements, but the University did not update its financial aid system. That occurred because of a manual error in the process for updating students’ SAP statuses in the financial aid system. The University was unaware that those students still had not met SAP requirements and did not review those students or their academic plans. As a result, the University did not determine whether those students were following the approved academic plans prior to disbursing a total of \$195,799 in Title IV assistance to those students for the Spring 2014 term.

When auditors brought that issue to the University’s attention, it performed a review to determine whether those 36 students were following approved academic plans. For 29 of those students, the University determined that the students were following approved academic plans. For seven of those students, the University had to request additional documentation from the students, including SAP appeals. Those seven students filed the required documentation and their appeals were approved. Therefore, all 36 students were determined to be eligible for federal financial assistance.

Not updating SAP statuses increases the risk that the University could award Title IV assistance to students who are not eligible for that assistance.

Teacher Education Assistance for College and Higher Education

During federal fiscal year 2014, there was a change in the sequester-required percentage reduction that applied to Teacher Education Assistance for College and Higher Education (TEACH) grants first disbursed during fiscal year 2014. The U.S. Office of Management and Budget (OMB) recalculated the sequester-required reduction percentage for the TEACH grant program to 0.89 percent, which was a decrease from the 7.2 percent reduction previously announced in the October 17, 2013, *Dear Colleague Letter*. If an institution had already disbursed TEACH grant awards with a first disbursement date on or after October 1, 2013, and before October 1, 2014, it should have adjusted

the award amounts to reflect the reduction percentage of 0.89 percent and disbursed the additional funds to the affected students (*Dear Colleague Letter*, GEN-13-27).

**Based on a review of the entire population of federal student financial assistance recipients, the University awarded incorrect amounts for TEACH grant awards to three students.** For two of those students, the University underawarded TEACH grants by \$252 and \$470. For one of those students, it overawarded the TEACH grant by \$153. The University entered the incorrect award amounts manually into its financial aid system based on enrollment at the time the award amount determinations were made. Because those award amounts were manually entered, the financial aid system did not automatically adjust the award amounts when sequestration percentage reduction changed. When auditors brought those issues to the University's attention, it adjusted and corrected the TEACH grant awards to those students; therefore, there were no questioned costs.

Recommendations:

The University should:

- Strengthen controls to help ensure that it assigns the correct SAP statuses to students in the financial aid system and to help ensure that it does not award financial aid to ineligible students.
- Adjust and award the correct amount of TEACH grants to eligible students.

Management Response and Corrective Action Plan:

*Beginning with spring 2014, we began utilizing the financial aid management system to assign correct SAP statuses.*

*Beginning with fall 2014, we implemented a checklist of SAP codes to ensure correct SAP statuses are assigned for all students.*

*All TEACH grants are now awarded at full-time enrollment status. The financial aid management system will prorate the amount applied to the student's tuition and fee record based on enrollment. Internal monitoring of TEACH grant students has been implemented to ensure correct amounts awarded and sequestration amounts implemented by the Associate Director of Administrative Maintenance and Compliance.*

*Implementation Dates: Spring 2014 and Fall 2014*

*Responsible Persons: Connie Brown and Shannon Followill*

Reference No. 2014-128

**Special Tests and Provisions – Verification**

(Prior Audit Issues 2013-150, 13-129, 12-136, 11-136, and 09-72)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134151; CFDA 84.033, Federal Work-Study Program, P033A134151; CFDA 84.063, Federal Pell Grant Program, P063P132328; CFDA 84.268, Federal Direct Student Loans, P268K142328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, an institution must recalculate the student’s Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost:	\$0
U.S. Department of Education	

**For 3 (5 percent) of 60 students tested, Texas Tech University (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required.** For those three students, the University did not accurately verify one or more of the following items: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, and education credits.

When auditors brought those errors to the University’s attention, it corrected those errors and requested updated ISIRs for those students. For one student, the EFC was overstated and the student should have received an additional \$400 in Pell Grant assistance. The University corrected the Pell Grant assistance and disbursed the additional amount to that student. For one student, the EFC was understated and the student was overawarded \$1,795 in Pell Grant assistance. The University corrected that Pell Grant award amount; therefore, there were no questioned costs. For the remaining student, the errors did not result in changes to the student’s EFC and there was no overaward or underaward of financial assistance.

Those errors occurred because of manual errors the University made during its verification process and that it did not identify in its monitoring of the verification process. Not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students it selects for verification and request updated ISIRs when required.
- Strengthen the monitoring of its verification process.

Management Response and Corrective Action Plan:

*We have begun outsourcing verification for the 2014-15 academic year. This practice allows for current student financial aid staff verification specialists to focus on quality control and report resolution for verified students.*

*We have implemented an internal review by verification advising staff of outsourced files to ensure proper verification of FAFSA information.*

*Implementation Date: August 2014*

*Responsible Persons: Connie Brown and Shannon Followill*

Reference No. 2014-129

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issues 2013-152, 13-132, 12-138, 11-139 and 09-75)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134151; CFDA 84.063, Federal Pell Grant Program, P063P132328; CFDA 84.268, Federal Direct Student Loans, P268K142328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142328; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost:	\$0
U.S. Department of Education	

Institutions are required to use the date of a student’s withdrawal for the purposes of reporting enrollment status changes to the Secretary of the U.S. Department of Education and determining when a refund or return of Title IV funds must be paid (Title 34, CFR, Section 685.305(c)). In addition, the *Federal Student Aid Handbook* states that, if a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). The *NSLDS Enrollment Reporting Guide* defines the effective date of a status change as the date when the most recently reported status took effect. It also states that, in the absence of a student’s formal withdrawal, the student’s last recorded date of attendance should be reported as the status change date. The effective date to be reported for graduated students is the date the students completed the course requirements (*NSLDS Enrollment Reporting Guide*, Appendix B).

The *NSLDS Enrollment Reporting Process* attachment to the *Dear Colleague Letter* GEN-12-06 states that, in instances for which a student completes one academic program and then enrolls in another academic program at the same institution, the institution must report two separate enrollment transactions: one showing the completion of the first program and its effective date and credential level, and the other showing the enrollment in the second program and its effective date (GEN-12-06).

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes, when required, to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

**For 9 (15 percent) of 61 student enrollment changes tested, the University did not report enrollment changes to NSLDS accurately.** Specifically:

- For two students who unofficially withdrew during the Fall 2013 term and did not return for the Spring 2014 term, the University did not report the correct withdrawal dates to NSLDS. The University initially reported both students' last date of attendance in an academically related activity to NSLDS. However, when the registrar's office recertified those students' statuses, the University incorrectly reported the final day of the Fall 2013 term as the effective date of the withdrawals.
- For two students who officially withdrew during the Thanksgiving break of the Fall 2013 term, the University did not report the correct withdrawal date to NSLDS. The University reported the date of the students' withdrawal notification, rather than the last date of scheduled class attendance prior to the start of the Thanksgiving break.
- For three students who completed the term, the University subsequently placed the students on academic suspension and canceled their enrollment, but it did not report the correct withdrawal dates to NSLDS. The University incorrectly reported those students as withdrawn as of the date their classes for the following term were canceled, rather than the last class day of the term they had completed.
- For one student who graduated after the Spring 2014 term and began half-time attendance for the first session of the Summer term, the University reported the student's graduation to NSC; however, NSC did not report the student's graduation to NSLDS.
- For one student who graduated after the Fall 2013 term, the University incorrectly reported the student's commencement date, rather than the last class day of the Fall 2013 term.

Not reporting student status changes and effective dates accurately to NSLDS could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Recommendation:

The University should accurately report effective dates and enrollment changes to NSLDS.

Management Response and Corrective Action Plan:

- *We have implemented and updated policy and procedure for unofficial withdrawals to ensure reporting of effective dates and enrollment changes to NSLDS.*
- *We have implemented and updated policy and procedure for official withdrawals which occur during a scheduled break.*
- *Official and unofficial withdrawal reporting with regards to student financial aid will be monitored on NSLDS by the Associate Director of Administrative Maintenance and Compliance to ensure each date is correctly reported.*
- *As part of end-of-term processing, the final day of the term (last day of finals) will be the date used for all student future term enrollment cancelled for academic suspension.*
- *The last day of the term (last day of finals) will be the date used as the end date for all degree candidates when complete.*
- *We will continue to ensure the enrollment information uploaded is accurate and timely.*

*Implementation Date: Fall 2014*

*Responsible Persons: Bobbie Brown and Shannon Followill*

Reference No. 2014-130

**Reporting**

**Research and Development Cluster**

**Award years – April 15, 2011 to April 14, 2014; August 15, 2006 to September 30, 2013; September 14, 2010 to September 15, 2013; June 1, 2012 to May 31, 2017; July 1, 2012 to June 30, 2015; and July 1, 2012 to June 30, 2015**

**Award numbers – CFDA 12.800, Air Force Defense Research Sciences Program, FA9550 11 1 0027; CFDA 81.087, Renewable Energy Research and Development, DE FG36 06GO86092; CFDA 12.910, Research and Technology Development, FA2386 10 1 4165; CFDA 12.300, Basic and Applied Scientific Research, N00014-12-1-0525; CFDA 47.041, Engineering Grants, ECCS - 1200168; and CFDA 93.865, Child Health and Human Development Extramural Research, 1R15HD071514-01A1**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Institutions shall maintain internal controls over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133 Subchapter C, Section 300(b)).

Questioned Cost:	\$0
National Science Foundation	
U.S. Department of Defense	
U.S. Department of Energy	
U.S. Department of Health and Human Services	

**Texas Tech University (University) does not have sufficient controls in place to ensure that it submits complete and accurate final financial reports.** For 3 (75 percent) of 4 final financial reports tested, the University did not review the reports or obtain approval of the reports from an individual other than the preparer.

Auditors did not identify significant non-compliance in a sample of financial reports tested; however, the absence of reviews increases the risk that information intended for the federal government and the public could be incomplete or inaccurate.

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations, Chapter 170).

**The University did not ensure that it consistently submitted Transparency Act reports within the required time frames and for the correct amounts.** Specifically, for 1 (20 percent) of 5 reports tested, the University incorrectly reported the amount of the subaward by \$25,000. In addition, the University did not submit 3 (60 percent) of 5 reports tested by the last day of the month following the month in which the subaward obligations were made. It submitted those 3 reports between 43 and 219 days late. Those errors occurred because the University did not have policies and procedures for Transparency Act reporting prior to June 2014.

Not reporting subawards within the required time frames or reporting incorrect amounts decreases the reliability and availability of information to the awarding agency and other users of that information.

Recommendations:

The University should:

- Develop and implement controls over its financial reporting process.
- Develop and implement a process to ensure that it reports subawards that are subject to Transparency Act requirements in a timely and accurate manner.

Management Response and Corrective Action Plan:

Finding: Financial Reporting

*The Office of Research Accounting (ORA) has a documented policy requiring final financial reports to be reviewed at award closeout by the project manager. For the reports tested, the final report and award closeout were completed by the project manager. ORA has revised its policy to now require a higher level review for all final, federal reports.*

*Implementation Date: October 2014*

*Responsible Person: Simone Hasie*

Finding: Federal Funding Accountability and Transparency Act Reporting

*Response: ORA implemented policies and procedures in June 2014. ORA management will continue to monitor the process to ensure the accurate and complete reporting of subawards in accordance with the Transparency Act.*

*Implementation Date: June 2014*

*Responsible Person: Simone Hasie*

**Department of Transportation**

Reference No. 2014-131

**Activities Allowed or Unallowed**

**Highway Planning and Construction Cluster**

**Award years – Multiple**

**Award numbers – Multiple**

**Type of finding – Significant Deficiency**

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)). The Department of Transportation (Department) uses the Employee Time Sheet Application (ETSA) system to capture employee timesheet information and help ensure that it obtains required approvals from management. **The Department did not appropriately restrict access to the ETSA system.** Specifically:

Questioned Cost:	\$0
U.S. Department of Transportation - Federal Highway Administration	

- The individual accounts to the production application server for five former contractor employees were not removed immediately upon those individuals’ terminations.
- The individual accounts to the production database server for one current employee of another state agency, nine former contractor employees, three former Department employees, and two former personnel that the Department could not identify were not removed immediately upon those individuals’ terminations.

The Department’s periodic user access review process was not effective in identifying and removing inappropriate access. Specifically, the Department has an automated process to notify responsible personnel of changes in the status of users’ employment; however, the Department does not have a process to help ensure that it reviews and modifies access as necessary.

Access to the production environment should be restricted to current and appropriate personnel, based on job functions, to help ensure that adequate controls are in place and appropriate segregation of duties exists. Allowing inappropriate access to systems increases the risk of inappropriate changes to data.

Recommendations:

The Department should:

- Strengthen its periodic review process to help ensure that it identifies and removes inappropriate access in a timely manner.
- Limit user access to current personnel and current contractor personnel, and ensure that access is appropriate based on job function.

Management Response and Corrective Action Plan:

- *ETSA has been removed from production and is scheduled to be decommissioned.*
- *Access to ETSA has been limited to 6 essential administrators.*
  - *Access levels have been verified on each account with access and appropriate access has been granted.*

*Implementation Date: February 2015*

*Responsible Persons: Aaron Hix and Marc Yoder*

**TRANSPORTATION, DEPARTMENT OF**

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Reference No. 2014-132

**Davis-Bacon Act**

(Prior Audit Issues 2013-156, 13-134, 12-142, 11-142, and 10-82)

**Highway Planning and Construction Cluster**  
**Highway Planning and Construction Cluster – ARRA**  
**Award years – 2010, 2012, and 2013**

**Award numbers – IM 0356(438), BR 2010(786), NH 2013(887), NH 2013(889), STP 2013(176), STP 2013(275), STP 2012(145), and STP 2012(453)**

**Type of finding – Significant Deficiency and Non-Compliance**

When required by the Davis-Bacon Act, the U.S. Department of Labor’s governmentwide implementation of the Davis-Bacon Act, the American Recovery and Reinvestment Act, or federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (Title 40, United States Code, Sections 3141-3142).

Questioned Cost:	\$0
U.S. Department of Transportation – Federal Highway Administration	

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and U.S. Department of Labor regulations (Title 29, Code of Regulations (CFR), Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). That includes a requirement for the contractor or subcontractor to submit to the non-federal entity on a weekly basis, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract (Title 29, CFR, Sections 5.5). That reporting can be done using Optional Form WH-347, which includes the required statement of compliance (U.S. Office of Management and Budget No. 1215-0149).

**For 8 (13 percent) of 60 construction projects tested, the Department of Transportation (Department) did not ensure that contractors submitted certified payrolls in accordance with federal regulations for fiscal year 2014.** Specifically, the Department could not provide 25 certified weekly payrolls for the period tested, did not ensure that contractors signed the statements of compliance, and did not ensure that the statements of compliance submitted included all required information. The total amount of federal funds expended on those 8 projects, including payroll and non-payroll costs, was \$17,062,162.

The Department did not have a standardized process for its district offices to track certified payrolls that contractors submit. Each area office within each Department district office determined its own method for ensuring that contractors submitted certified payrolls, including ensuring that the statements of compliance were complete and signed by the contractors. Not having a standardized process increases the risk that the Department may not identify the contractors that have not submitted weekly certified payrolls. When the Department does not collect certified payrolls from its contractors, it cannot ensure that contractor and subcontractor employees are properly classified and being paid prevailing wage rates in accordance with the Davis-Bacon Act.

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Department of Transportation (Department) uses the Electronic Project Records System (EPRS) to process and track weekly payroll submissions by contractors. **The Department did not appropriately restrict access to the EPRS system.** Specifically:

- The Department’s information technology services provider is responsible for managing two local administrator accounts on the production application server and does not know which personnel have access to those accounts.

## TRANSPORTATION, DEPARTMENT OF

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- The individual accounts to the production application server for four former contractor employees and one former Department employee were not removed immediately upon those individuals' terminations.
- The individual accounts to the production database server for one current employee of another state agency and eight former contractor employees were not removed immediately upon those individuals' terminations.

The Department's periodic user access review process was not effective in identifying and removing inappropriate access. Specifically, the Department has an automated process to notify responsible personnel of changes in users' employment; however, the Department does not have a process to ensure that it reviews and modifies access as necessary.

Access to the production environment should be restricted to current and appropriate personnel, based on job functions, to help ensure adequate controls are in place and appropriate segregation of duties exists. Allowing inappropriate access to systems increases the risk of inappropriate changes to data.

### Recommendation:

The Department should:

- Enhance its monitoring to ensure that its contractors submit all required certified payrolls.
- Strengthen its periodic review process to help ensure that it identifies and removes inappropriate access in a timely manner.
- Limit user access to current personnel and current contractor personnel, and ensure that access is appropriate based on job functions.

### Management Response and Corrective Action Plan:

#### Construction Division:

*Due to various system compatibility issues, CST abandoned the previous idea of requiring all contractors and subcontractors to submit certified payrolls through EPRS.*

*CST staff attended a Department of Labor training conference in March of 2014, at which LCP Tracker presented data on its software program for collecting 100% of payrolls. The Department has entered into contract with software consulting firm B2GNow, which has been working with the Office of Civil Rights in designing modules to suit other Department needs. B2GNow has partnered with LCP Tracker, and over the past year, CST has hosted a series of meetings and demonstrations, the most recent of which occurred January 28, 2015. Several more demonstrations need to take place before the product is ready for rollout.*

*Implementation Date: December 2015*

*Responsible Person: John F. Obr*

*CST will meet with TxDOT IT Security and NTT Data, the responsible parties for user security, to determine an action plan and implement the recommended changes.*

*Implementation Date: August 2015*

*Responsible Person: John F. Obr*

Information Technology Division:

- *To strengthen TxDOT’s periodic access controls review process to help ensure that inappropriate access to the EPRS system is identified and removed:*
  - *ITD will contact the individual business application owner to remind the business to complete annual access controls to remove all legacy accounts.*
    - *NTT DATA application delivery manager to work with the application business owner to define frequency of review and what assistance ITD can provide.*
  - *ITD will remove access to application based on business application owner reviews.*
    - *IT Security will remove user access and the request will be tracked to closure in TxDOTNow.*
- *The business application owner reviews of access controls will ensure access is limited to current personnel and contractor personnel and is based on job function.*
  - *NTT DATA application delivery manager to work with the business application owner to review access and document appropriateness to job function.*
  - *A process to automate the access control review task is being established.*

Implementation Date: May 2015

Responsible Persons: Aaron Hix and Marc Yoder

Reference No. 2014-133

**Period of Availability of Federal Funds**

**Highway Planning and Construction Cluster**

**Award years – Multiple**

**Award numbers – Multiple**

**Type of finding – Significant Deficiency**

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$0
U.S. Department of Transportation - Federal Highway Administration	

The Department of Transportation (Department) uses the Federal Aid Funding Obligation System (FAFOS) to process and track project approvals from the Federal Highway Administration. FAFOS details when federal funds are authorized, which is the starting point for the period of availability of federal funds. The Department must obtain approval from the Federal Highway Administration prior to beginning work on any federal aid project (Title 23, Code of Federal Regulations, Section 630.106).

**The Department did not appropriately restrict access to the FAFOS system.** Specifically:

- Five developers had administrative access to the production application environment, and one of those five developers also had individual account access to make modifications to the production database.
- Developers used a shared account that existed on the production database. That account gave developers access to make modifications to the production database
- Individual accounts to the production Web application server and the production database server for five former contractor employees were not removed immediately upon those individuals’ terminations.

- Individual accounts to the production database for three former contractor employees and one former Department employee were not removed immediately upon those individuals' terminations. Access to the production database and the production database server for one employee of another state agency was not removed immediately upon that individual's termination.

The Department's periodic user access review process was not effective in identifying and removing inappropriate access. Specifically, the Department has an automated process to notify responsible personnel of changes in the status of users' employment; however, the Department does not have a process to ensure that it reviews and modifies access as necessary.

In fiscal year 2014, the Department made 14 changes to FAFOS and, based on audit testing of 4 of those changes, the same individual made the change and migrated the change to the production environment. Five developers responsible for developing changes for FAFOS also implemented those changes in the production environment. Access to deploy code into production is not appropriately restricted through segregation of duties controls established as part of the Department's change management process.

Access to the production environment should be restricted to current and appropriate personnel, based on job functions, to help ensure that adequate controls are in place and appropriate segregation of duties exists. A developer with access to migrate changes to any production system or environment increases the risk of unauthorized changes to production applications and data and does not allow for adequate segregation of duties. In general, developers should not have access to migrate changes to the production environment. Allowing inappropriate access to systems increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The issues discussed above affected all awards for the Highway Planning and Construction Cluster on the State's Schedule of Expenditures of Federal Awards.

Recommendations:

The Department should:

- Strengthen its periodic review process to help ensure that it identifies and removes inappropriate access in a timely manner.
- Properly segregate duties so that developers do not have access to any production environment.
- Limit user access to current personnel and current contractor personnel, and ensure that access is appropriate based on job functions.

Management Response and Corrective Action Plan:

- *To strengthen TxDOT's periodic access controls review process to help ensure that inappropriate access to the FAFOS system is identified and removed:*
  - *ITD will contact the individual business application owner to remind the business to complete annual access controls to remove all legacy accounts.*
    - *NTT DATA application delivery manager to work with the application business owner to define frequency of review and what assistance ITD can provide.*
  - *ITD will remove access to application based on business application owner reviews.*
    - *IT Security will remove user access and the request will be tracked to closure in TxDOTNow.*
- *The business application owner reviews of access controls will ensure access is limited to current personnel and contractor personnel and is based on job function.*
  - *NTTDATA application delivery manager to 'work with the business application owner to review access and document appropriateness to job function.*
  - *A process to automate the access control review task is being established.*
- *Application developer access to the production FAFOS environment will be limited to read only access.*

- *Implementation process of migrating new application code into production will be improved to restrict developers to access production database.*
- *Developer Access role will be added into FAFOS application to restrict administrative access to developers.*
- *TxDOT has established a Change Advisory Board to ensure all controlled changes to production databases are vetted and approved prior to implementation.*

*Implementation Date: August 2015*

*Responsible Persons: Aaron Hix, Marc Yoder, Bob Dority, and David Sellar*

Reference No. 2014-134

**Procurement and Suspension and Debarment**

**Highway Planning and Construction Cluster**

**Award years – 2008, 2009, 2010, and 2011**

**Award numbers – HP 2008(828), STP 2010(090)ESTE, STP 2009(703)ES, BR 1102(297), and NH 2012(038)**

**Type of finding – Significant Deficiency and Non-Compliance**

In accordance with Title 49, Code of Federal Regulations (CFR), Section 18.36, grantees and subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in that CFR. All procurement transactions must be conducted in a manner providing full and open competition.

Questioned Cost:	\$0
U.S. Department of Transportation – Federal Highway Administration	

The Texas Administrative Code (TAC) requires prequalification of potential bidders by submission of a confidential questionnaire to the Department of Transportation (Department). The Department will make its examination and determination based on the information submitted and advise the potential bidder of its approved bidding capacity (Title 43, TAC, Section 9.12(b)). The Department will provide a prequalification statement to the potential bidder advising the potential bidder of the length of time it is qualified to provide bids and the bidding capacity it may not exceed.

**For 5 (8 percent) of 62 procurements tested, the Department did not maintain documentation of the prequalification statements it issued to the potential bidders that identified the periods and dollar amounts of the potential bidders' bidding capacity.** According to the Department, that occurred because (1) the five associated projects existed before the Department began documenting information for archiving purposes and (2) the Department had shredded documentation and did not comply with its retention schedule, did not save or create documentation, or filed documentation incorrectly.

Not maintaining documentation showing that potential bidders are qualified to bid on highway improvement contracts increases the risk that the Department could enter into an agreement with a contractor that does not have the financial capacity or technical experience to successfully complete the requirements of the project.

Recommendation:

The Department should maintain documentation of its verification that potential bidders are prequalified to bid on highway improvement contracts.

Management Response and Corrective Action Plan:

*It has been CST's policy to retain these pre-qualification documents according to the current retention schedule. The missing documents are the direct result of misfiling and mislabeling archived file boxes that were sent to permanent storage.*

*Beginning in spring 2013, CST's Contractor Prequalification Branch went paperless in its processes including the acceptance, review, documentation approval, and storage of these pre-qualification documents. Each examiner was assigned additional responsibility to review and scan each completed submission and verify the accuracy of the electronic version before shredding the hard copies. When the final approved bidding capacity letters are signed and sent to the Contractor, a final check is made to ensure all required financial and other documentation is included in the electronic file and is legible. There will be no further manual filing or manual retention of these documents, which should reduce or eliminate future findings.*

Implementation Date: Ongoing

Responsible Person: John F. Obr

Reference No. 2014-135

**Real Property Acquisition Relocation Assistance  
Special Tests and Provisions – Use of Other State or Local Government Agencies  
Special Tests and Provisions – Utilities  
(Prior Audit Issue 2013-162)**

**Highway Planning and Construction Cluster  
Highway Planning and Construction Cluster – ARRA  
Award years – 2009, 2010, and 2013  
Award numbers – HP 2009(919), CM 2011(288), and STP 2013(512)  
Type of finding – Significant Deficiency and Non-Compliance**

Utility agreements, permits, and supporting documentation define the conditions and provisions for accomplishing and reimbursing utility companies for utility relocation work that was required due to a project funded by the federal aid highway program. The utility agreement must specify the terms and amounts of any contribution or repayments made or to be made by the utility and must be supported by plans, specifications (when required), and itemized cost estimates of the work agreed upon. The utility agreement must be approved by the Federal Highway Administration (FHWA) prior to the utility incurring any costs or conducting any work that would be eligible for reimbursement (Title 23, Code of Federal Regulations, Section 645.113).

Questioned Cost:	\$75,655
U.S. Department of Transportation – Federal Highway Administration	

**For 1 (20 percent) of 5 utility relocations tested, the Department of Transportation (Department) did not have an agreement to support all utility relocation work performed on the construction project.** Specifically, the Department did not have an agreement that covered work performed on the sewer lines. As a result, auditors were unable to determine (1) whether the Department coordinated with the appropriate utilities prior to FHWA construction authorization, (2) whether the costs associated with the utility relocation work were allowable, and (3) whether the utility relocation work was performed in accordance with an approved agreement. Therefore, auditors considered the utility relocation cost of \$75,655 that was associated with award STP 2013(512) to be a questioned cost.

**For 2 (3 percent) of 60 plans, specifications and estimates packages tested, the Department was unable to provide evidence of a utility agreement in the plans, specifications and estimates packages for construction projects.** By not properly maintaining utility agreements, the Department may not adequately monitor utility relocation work to ensure compliance with federal requirements.

Other Compliance Requirements

Although general control weaknesses described below apply to Real Property Acquisition Relocation Assistance and Special Tests and Provisions – Use of Other State or Local Government Agencies, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Department of Transportation (Department) uses its SiteManager system as the system of record for *Daily Work Reports* that it uses to document the day-to-day operations of onsite construction and to calculate and generate monthly pay estimates to contractors. **The Department did not appropriately restrict access to the SiteManager system.** Specifically:

- The Department's information technology services provider is responsible for managing a local administrator account on three production application servers and does not know which personnel have access to that account.
- The individual accounts to three production application servers for five former contractor employees were not removed immediately upon those individuals' terminations.
- The individual accounts to the production database server for one current employee of another state agency and eight former contractor employees were not removed immediately upon those individuals' terminations.
- One current Department employee had inappropriate access based on that employee's job functions.

In addition, **the Department did not appropriately restrict access to Right of Way Information System (ROWIS).** The Department uses ROWIS as the system of record for all right of way transactions across the state. Specifically:

- The individual accounts to the production database server for five former contractor employees were not removed immediately upon those individuals' terminations.
- The individual accounts to the production database for three former contractor employees were not removed immediately upon those individuals' terminations.
- Access to the production database and the production database server for one employee of another state agency was not removed immediately upon that individual's termination.
- Developers used a shared account that existed on the production database. That account gave developers access to make modifications to the production database.

The Department's periodic user access review process was not effective in identifying and removing inappropriate access. The Department has an automated process to notify responsible personnel of changes in the status of users' employment; however, the Department does not have a process to ensure that it reviews and modifies access as necessary. Access to the production environment should be restricted to current and appropriate personnel, based on job functions, to help ensure that adequate controls are in place and appropriate segregation of duties exists. A developer with access to migrate changes to any production system or environment increases the risk of unauthorized changes to production applications and data and does not allow for adequate segregation of duties. Allowing inappropriate access to systems increases the risk of inappropriate changes to data.

Recommendations:

The Department should:

- Ensure that its executed utility agreements support all utility relocation work as specified in the construction contracts.
- Ensure that all plans, specifications and estimate packages on construction projects have executed utility agreements.
- Strengthen its periodic review process to help ensure that it identifies and removes inappropriate access in a timely manner.
- Ensure that developers do not have access to any production environment.
- Limit user access to current personnel and current contractor personnel, and ensure that access is appropriate based on job functions.

Management Response and Corrective Action Plan:

Right of Way Division:

For the \$75,655 identified as a questioned cost:

TxDOT required the relocation of both water and sanitary sewer facilities in the City of Brownwood. TxDOT entered into a reimbursement agreement for the city to relocate its water lines without being included in the highway contract. The sanitary sewer lines were to be included in the highway contract under an Advanced Funding Agreement which was not secured as indicated by the district. Since neither a Standard Utility Agreement nor an Advanced Funding Agreement was executed, we will work with the city and the district to verify the city's property interest to identify the financial responsibility and appropriate action to be taken for the relocation of the sanitary sewer relocation.

The ROW Division has requested and now receives a copy of all executed Advanced Funding Agreements for utilities being included in the highway contract. This will assist ROW personnel to know when non-reimbursable relocations are included in the highway contracts and assure the appropriate agreements are executed.

Additionally, the ROW Division is now training all ROW agents in the basics of utility accommodation policies to be able to monitor activities and identify when utilities are included in transportation projects.

Implementation Date: August 2015

Responsible Person: John Campbell

In the two cases in which TxDOT was unable to provide evidence of utility agreements or utility coordination in the plans, specifications, and estimates packages, this evidence is documented on the ROW, Utility, & Encroachment Certifications which the districts could not locate. For one project, the district believed it would not require a certification since it was a traffic signal project. The certification for the other project has not been located in that district.

In the past year, the section responsible for lettings has been relocated from the Design Division to the Finance Division. In this transition, ROW Certifications have been retained at the district and not always forwarded to the Finance Division. The relevant Department divisions will work together to revisit the protocols for distribution and retention of the certifications. Additionally, ROW will notify or remind all districts of the importance of the ROW Certifications and documenting the utility coordination process even when utilities are not relocated. ROW Agents now being trained in the utility process will be relied upon for assistance in preparing and submitting the ROW Certifications.

Implementation Date: February 2015

Responsible Person: John Campbell

Information Technology Division:

- To strengthen TxDOT's periodic access controls review process to help ensure that inappropriate access to the ROWIS and SiteManager systems is identified and removed:
  - ITD will contact the individual business application owners to remind the business to complete annual access controls to remove all legacy accounts.
    - NTT DATA application delivery manager to work with the application business owners to define frequency of review and what assistance ITD can provide.
  - ITD will remove access to applications based on business application owner reviews.
    - IT Security will remove user access and the request will be tracked to closure in TxDOTNow.

- *The business application owner reviews of access controls will ensure access is limited to current personnel and contractor personnel and is based on job function.*
  - *NTT DATA application delivery manager to work with the business application owner to review access and document appropriateness to job function.*
  - *A process to automate the access control review task is being established.*
- *Application developer access to the production SiteManager and ROWIS environments will be limited to read only access to ensure compliance.*
- *TxDOT has established a Change Advisory Board to ensure all controlled changes to the production environment are vetted and approved prior to implementation.*
  - *The controlled changes review process will ensure no unauthorized changes are made to production databases and the access controls periodic review process will ensure access is limited to current personnel and contractor personnel and is based on job function.*

*Implementation Date: May 2015*

*Responsible Persons: Aaron Hix, Marc Yoder, and Bob Dority*

Reference No. 2014-136

**Reporting**

(Prior Audit Issues 2013-159, 13-137, and 12-145)

**Highway Planning and Construction Cluster**

**Award year – 2013**

**Award number – PL 0011(049)**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards of \$25,000 or more. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations, Chapter 170, Appendix A).

Questioned Cost: \$0

U.S. Department of  
Transportation – Federal  
Highway Administration

**For 1 (33 percent) of the 3 federal award identification numbers (FAIN) tested, the Department of Transportation (Department) did not submit Transparency Act reports for 25 subawards within the required time frame.** The Department submitted those 25 Transparency Act reports 19 days late. That FAIN was an award for the 2014 Metropolitan Planning Organization Unified Planning Work Program.

That error occurred because the Department’s process to identify subawards that are subject to Transparency Act reporting requirements was not sufficient to identify the subawards. In addition, the Department does not have documented policies and procedures for Transparency Act reporting.

Not submitting all required Transparency Act reports timely decreases the reliability and availability of information for the awarding agency and other users of that information.

Recommendation:

The Department should develop and implement a process to ensure that it identifies all of its subawards that are subject to Transparency Act reporting requirements and that it submits all required Transparency Act reports in a timely manner.

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Management Response and Corrective Action Plan:

Construction Division:

*This obligation award was made in September 2013—prior to CST’s Corrective Application Plan implemented December 2013. This award (FY2014 MPO Unified Planning Work Program) has several subrecipients, and it took additional time to obtain the required information to submit the report. TPP administers this work program and has agreed to take on reporting for this function.*

*Implementation Date: Complete*

*Responsible Person: John F. Obr*

Transportation, Planning & Programming Division:

*Beginning with FY15, TPP will take responsibility for the annual reporting of the MPO Unified Planning Work Program into FSRS as required by the Transparency Act. A process will be developed that will ensure timely reporting for this function.*

*Implementation Date: August 2015*

*Responsible Person: Peggy Thurin*

Reference No. 2014-137

**Subrecipient Monitoring**

**Special Tests and Provisions – R3 – Subrecipient Monitoring**

(Prior Audit Issues 2013-158, 13-136, 12-144, 11-144, 10-84, and 09-80)

**Highway Planning and Construction Cluster**

**Highway Planning and Construction Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Transportation (Department) is required by U.S. Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor the provisions of contracts or grant agreements. Additionally, the Department is responsible for the construction of all federal aid projects, and it is not relieved of such responsibility by authorizing performance of the work by a local public agency or other federal agency. State transportation departments are responsible for ensuring that such projects receive adequate supervision and inspection to ensure that projects are completed in conformance with approved plans and specifications (Title 23, Code of Federal Regulations (CFR), Section 635.105(a)).

Questioned Cost:	\$0
U.S. Department of Transportation – Federal Highway Administration	

Pre-award Monitoring

At the time of the award, pass-through entities must identify to subrecipients the applicable compliance requirements and the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, the federal award name and number, the name of the federal awarding agency, and whether the award is for research and development (OMB Circular A-133, Section .400(d)).

For American Recovery and Reinvestment Act (Recovery Act) subawards, the Department must identify to subrecipients the requirement to register in the Central Contractor Registration (CCR) system, including obtaining a Data Universal Numbering System (DUNS) number, and maintain the currency of that information (Section 1512(h))

of Recovery Act and Title 2, CFR, Section 176.50(c)). (The CCR system is now part of the System for Award Management (SAM).)

Beginning October 1, 2010, an agency may not make a non-Recovery Act award to an entity until it has obtained a DUNS number for that entity (Title 2, CFR, Sections 25.110 and Appendix A to 2 CFR Part 25).

Additionally, the Department is required to determine that its subrecipients have adequate project delivery systems for projects approved under Title 23 of the United States Code (USC) (Title 23, USC, Section 106(g)(4)(A)). The Department uses a letter of authority to document its assurance that all preliminary engineering and designs meet specifications and that the subrecipient is capable of proceeding to the construction phase of the project.

**The Department did not consistently include all required elements in its subaward agreements, obtain DUNS numbers for subrecipients, assess subrecipients' compliance with CCR or SAM registration requirements, or issue all required letters of authority.** Specifically:

- Thirteen (22 percent) of 60 subaward agreements tested did not contain all required elements, including CFDA title and number, award name, name of awarding federal agency, or whether the award was for research and development. Those subaward agreements were on prior Department subaward agreement templates that did not contain all required federal award information.
- For both Recovery Act subaward agreements tested, the Department did not assess subrecipient compliance with CCR or SAM registration requirements. The Department did not have a process to verify subrecipient registration with the CCR or SAM system prior to making a subaward with Recovery Act funds.
- For 18 (53 percent) of 34 subaward agreements tested for which the Department was required to obtain a DUNS number, the Department did not obtain a DUNS number from those subrecipients prior to issuing an award. The Department asserts that, in October 2013, it implemented a process to identify DUNS numbers before issuing subawards. It awarded the 18 subaward agreements without DUNS numbers prior to October 2013.
- For 1 (2 percent) of 46 subaward agreements tested, the Department did not issue a letter of authority to indicate that preliminary engineering and designs met specifications and that the subrecipient was approved to proceed to the construction phase of the project.

Inadequate identification of federal awards to subrecipients could lead to inaccurate reporting of federal funding on subrecipients' schedules of expenditures of federal awards. Not obtaining DUNS numbers or not verifying that subrecipients are registered with the CCR system or SAM prior to making a subaward could lead to inaccurate federal reporting. Not ensuring that preliminary engineering and designs meet specifications could lead to unforeseen complications or unplanned expenditures during the construction phase or after construction has been completed.

#### During-the-award Monitoring

Federal aid contracts must be awarded only on the basis of the lowest responsive bid submitted by a bidder meeting the criteria of responsibility established by the state transportation department in accordance with Title 23, CFR, Section 635.110. Awards must be made within the time established by the state transportation department and subject to the prior concurrence of the U.S. Department of Transportation's division administrator (Title 23, CFR, Section 635.114).

The Department requires subrecipients to obtain approval of its procurement method before a project can begin construction. The subrecipient is required to submit a competitive bid, a written cost-effect justification, or an emergency condition for approval. The Department provides a formal letter of concurrence as evidence of its approval of the procurement process.

**For 3 (7 percent) of 42 projects tested that were subject to procurement requirements, the Department was unable to provide evidence that it provided a letter of concurrence showing that it approved those subrecipients' procurement policies and contractor selection.** Those three projects were pass-through, toll-financed projects and during the time period in which the associated agreements were developed, the agreements did not contain a requirement for the Department to provide formal letters of concurrence on a subrecipient's contractor selection; however, the Department was still responsible for ensuring that proper procurement procedures were followed. By not providing a formal letter of concurrence, the Department is unable to demonstrate that it awarded

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federal-aid contracts to the lowest responsive bidder meeting the criteria of responsibility that the Department established.

After auditors brought the issues that are discussed above to its attention, the Department provided documentation of a review it performed on those subrecipients after construction and before the Department reimbursed the subrecipients for those costs. During that review, the Department reviewed the procurement process related to its contractor selection. For one of those subrecipients, the Department noted that it had not provided a formal concurrence to the subrecipient before construction.

The issues discussed above affected the following awards:

<u>Award Number</u>	<u>Award Year</u>	<u>Award Number</u>	<u>Award Year</u>
CM 1102(104)	2011	STP 1102(498)SRS	2011
NH 1102(012)	2011	STP 1102(506)SRS	2011
PL 0011(048)	2013	STP 2000(591)TE	2002
PL 0011(049)	2014	STP 2002(109)ESTE (ARRA)	2005
PTF 2007(601)	2010	STP 2007(721)MM	2007
PTF 2007(913)	2008	STP 2009(705)ES (ARRA)	2010
PTF 2008(247)	2008	STP 2011(231)TE	2011
PTF 2008(469)	2008	STP 2011(702)SRS	2011
PTF 2009(886)	2009	STP 2012(019)SRS	2012
PTF 2009(889)	2009	STP 2012(265)SRS	2012
PTF 2012(125)	2012	STP 2012(267)SRS	2012
STP 1102(109)SRS	2011	STP 2012(268)SRS	2012
STP 1102(110)SRS	2011	STP 2012(479)SRS	2012
STP 1102(279)SRS	2011	STP 2013(197)MM	2013
STP 1102(496)SRS	2011	STP 2013(705)MM	2013

Recommendations:

The Department should:

- Communicate all required information to subrecipients.
- Consistently obtain a DUNS number from each subrecipient prior to making a subaward.
- Develop and implement procedures to verify that Recovery Act subrecipients are registered with the CCR or SAM system prior to making a subaward.
- Consistently monitor subrecipients to determine whether they can manage projects in a manner that is consistent with federal, state, and Department regulations, standards, and specifications.
- Consistently monitor subrecipients for compliance with procurement requirements.

Management Response and Corrective Action Plan:

Contract Services Office:

*We are continuing our ongoing efforts to identify and update funding agreements that were executed 5 or more years ago without the current required information and for which federal funding is still being authorized. In addition, we have updated all applicable contract templates to refer specifically to principals.*

*Implementation Date: Ongoing*

*Responsible Person: Kenneth Stewart*

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### Construction Division:

*The TxDOT RADS reporting infrastructure could no longer support the continuation of a subrecipient notification once TxDOT concluded ARRA reporting and stopped recording distributions expenditures in TXRADS.*

*Implementation Date: Complete*

*Responsible Person: John F. Obr*

*The only on-going ARRA project that has a subrecipient was let in December of 2012. The subrecipient is the City of Austin. CST will check SAM each month to verify that the subrecipient maintains a DUNS number for 90 days after the submission of the Statement of Cost (the signal to TxDOT the project is accepted and complete) and will keep verification of this check on file.*

*Implementation Date: Ongoing*

*Responsible Person: John F. Obr*

### Finance Division:

*We agree with the finding and have implemented the following process to address.*

*On October 29, 2013 the Letting Management Section of TxDOT's Finance Division sent an email to the Right of Way (ROW) Division and the 25 Districts informing them that a Data Universal Numbering System (DUNS) identification number and the zip code including the additional 4 digits would be required for all projects where a sub-recipient is involved before federal authorization could be requested. Lines for the DUNS and Zip Code +4 were added to the Engineer's Estimate form which is submitted by the Districts when requesting federal authorization of projects let by local entities. A shared email account titled FIN\_FPAA-Requests is used for Districts and Divisions to submit requests for federal authorizations for the design phase of projects and for projects that do not go through a letting process. The email requests are to include the DUNS and Zip +4 when a subrecipient is participating in a project. If the information is not included in the email or on the Engineer's Estimate form, Letting Management Staff contacts the requestor and does not proceed with preparing the Federal Project Authorization and Agreement (FPAA) until it is made available. Letting Management Staff checks the SAM website to verify the entity is registered and the DUNS number provided is accurate. The DUNS and Zip +4 are then included in the State Remarks field on the FPAA when submitted to FHWA for authorization.*

*Implementation Date: November 2013*

*Responsible Persons: Alison McMillan and John Stott*

### Local Government Project Office:

*In recent years, TxDOT has developed multiple tools to improve performance of subrecipients and TxDOT's monitoring of them. These include a Local Government Project Procedures document, a Summary of Best Practices Workbook for Local Government Projects, and LG project development checklists. During calendar year 2014, TxDOT conducted 24 LGPP training classes throughout the state on use of these tools to 461 students, including TxDOT, LG, and LG consultant personnel. District personnel regularly monitor subrecipient performance and review their documentation. Local Government Project Office personnel periodically perform field and documentation review of the districts. The Office of Internal Audit conducts annual audits and frequently includes elements of subrecipient monitoring in their audit plans.*

Implementation Date: December 2014

Responsible Person: David Millikan

Reference No. 2014-138

**Special Tests and Provisions – Quality Assurance Program**

**Special Tests and Provisions – Project Extensions**

(Prior Audit Issues 2013-161, 13-138, 12-146, 11-146, 10-87, and 09-81)

**Highway Planning and Construction Cluster**

**Highway Planning and Construction Cluster – ARRA**

**Award years – 2009 and 2013**

**Award numbers – NH 2009(750), STP 2013(385), IM 0356(442), STP 2013(181), and IM 0305(084)**

**Type of finding – Significant Deficiency and Non-Compliance**

Each state transportation department must develop a quality assurance program that will ensure that the materials and workmanship incorporated into each federal-aid highway construction project on the National Highway System conforms with the requirements of the approved plans and specifications, including approved changes. The program must meet the criteria in Title 23, Code of Federal Regulations (CFR), Section 637.207, and be approved by the U.S. Department of Transportation’s Federal Highway Administration (FHWA) (Title 23, CFR, Section 637.205). Sampling and testing must be performed by qualified laboratories, and qualified sampling and testing personnel must be used in the acceptance decision (Title 23, CFR, Section 637.209).

Questioned Cost:	\$0
U.S. Department of Transportation - Federal Highway Administration	

**The Department of Transportation (Department) did not always comply with its approved quality assurance program.** For 3 (5 percent) of the 60 quality assurance samples reviewed, auditors could not determine whether the tests were performed by an individual who was certified to perform those tests. The Department did not maintain documentation of the certification for those testers.

In addition, for 2 (3 percent) of the 60 quality assurance samples reviewed, the tester and reviewer were the same individual. The Department uses SiteManager as its system of record for quality assurance testing on its highway construction projects. SiteManager does not have sufficient edit checks to ensure that (1) only certified testers are able to enter and sign off on test records and (2) a tester does not also sign off as the reviewer on the same quality assurance sample.

Not segregating testing and reviewing responsibilities and having potentially unqualified personnel perform sample testing increases the risk that the Department may not detect project deficiencies that could affect safety and increase costs.

Other Compliance Requirements

Although general control weaknesses described below apply to Special Tests and Provisions – Project Extensions, auditors identified no compliance issues regarding that compliance requirement.

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Department of Transportation (Department) uses its SiteManager system as the system of record for *Daily Work Reports* that it uses to document the day-to-day operations of onsite construction and to calculate and generate monthly pay estimates to contractors. **The Department did not appropriately restrict access to the SiteManager system.** Specifically:

- The Department's information technology services provider is responsible for managing a local administrator account on three production application servers and does not know which personnel have access to that account.
- The individual accounts to three production application servers for five former contractor employees were not removed immediately upon those individuals' terminations.
- The individual accounts to the production database server for one current employee of another state agency and eight former contractor employees were not removed immediately upon those individuals' terminations.
- One current Department employee had inappropriate access based on that employee's job functions.

The Department's periodic user access review process was not effective in identifying and removing inappropriate access. The Department has an automated process to notify responsible personnel of changes in the status of users' employment; however, the Department does not have a process to ensure that it reviews and modifies access as necessary.

Access to the production environment should be restricted to current and appropriate personnel, based on job functions, to help ensure that adequate controls are in place and appropriate segregation of duties exists. Allowing inappropriate access to systems increases the risk of inappropriate changes to data.

Recommendations:

The Department should:

- Implement controls to ensure that only qualified personnel perform quality assurance sample testing.
- Implement appropriate segregation of duties among the personnel who conduct quality assurance sample testing and personnel who review that testing.
- Strengthen its periodic review process to help ensure that it identifies and removes inappropriate access in a timely manner.
- Limit user access to current personnel and current contractor personnel, and ensure that access is appropriate based on job functions.

Management Response and Corrective Action Plan:

Construction Division:

*Since September 2013, SiteManager has included a control to ensure that only certified testers perform testing; however, the testing of the QM samples in question was performed and reported in CST's internal laboratory information management system (LIMS). We are exploring implementation of a similar tester control in LIMS.*

*Implementation Date: Ongoing*

*Responsible Person: John F. Obr*

*CST implemented changes to SiteManager in May and September of 2013 to address segregation of duties. Under the sample option, users have the option to enable sample authorization while recording test data in Excel, which provided a loophole. This omission in the Excel plug has been coded and tested but not yet distributed. CST's request to update the SiteManager terminal servers to the latest version of Excel is pending with IT.*

*Implementation Date: February 2015*

*Responsible Person: John F. Obr*

*CST will meet with TxDOT IT Security and NTT Data, the responsible parties for user security, to determine an action plan and implement the recommended changes.*

*Implementation Date: August 2015*

*Responsible Person: John F. Obr*

*Information Technology Division:*

- *To strengthen TxDOT's periodic access controls review process to help ensure that inappropriate access to the SiteManager system is identified and removed:*
  - *ITD will contact the individual business application owner to remind the business to complete annual access controls to remove all legacy accounts.*
    - *NTT DATA application delivery manager to work with the application business owner to define frequency of review and what assistance ITD can provide.*
  - *ITD will remove access to application based on business application owner reviews.*
    - *IT Security will remove user access and the request will be tracked to closure in TxDOTNow.*
- *The business application owner reviews of access controls will ensure access is limited to current personnel and contractor personnel and is based on job function.*
  - *NTT DATA application delivery manager to work with the business application owner to review access and document appropriateness to job function.*
  - *A process to automate the access control review task is being established.*

*Implementation Date: May 2015*

*Responsible Persons: Aaron Hix, Marc Yoder, and Bob Dority*

**University of Houston**

Reference No. 2014-139

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134166; CFDA 84.033, Federal Work-Study Program, P033A134166; CFDA 84.063, Federal Pell Grant Program, P063P132333; CFDA 84.268, Federal Direct Student Loans, P268K142333; CFDA 84.038, Federal Perkins Loans – Federal Capital Contributions, Award Number Not Applicable; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142333**

**Type of finding –Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Section 668.54 and 668.56; and *Federal Register* Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the corrected ISIR and disburse any additional funds under that award. (Title 34, CFR, Section 668.59).

Questioned Cost:	\$0
U.S. Department of Education	

**For 2 (5 percent) of 40 students tested, the University of Houston (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required.** For those students, the University did not accurately verify one or more of the following verification items: the number of household members in college, education credits, and untaxed pension amounts. As a result of those errors, the University understated the EFC for one student by \$5,049 and overstated the EFC for one student by \$25. Those errors occurred because of manual errors the University made in verification.

When auditors brought those errors to the University’s attention, it corrected the errors and requested updated ISIRs for those students. Although there was a change in the students’ EFC, that did not affect the students’ aid amounts. Therefore, there were no questioned costs.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Recommendation:

The University should accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.

Management Response and Corrective Action Plan:

*We have implemented a new procedure in the PeopleSoft computer system to identify the applicants selected for verification in a timely manner, which will help to ensure that we accurately verify all required FAFSA information and that all FAFSA verification requirements are being met. As part of this new procedure, we will request updated ISIRs when required in order to be compliant with Federal verification regulations.*

*Implementation Date:* September 2014

*Responsible Persons:* Sal Loria, Scott Moore, and Candida DuBose

Reference No. 2014-140

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issues 2013-165, 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134166; CFDA 84.033, Federal Work-Study Program, P033A134166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132333; CFDA 84.268, Federal Direct Student Loans, P268K142333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142333**

**Type of finding – Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost:	\$0
U.S. Department of Education	

When a student completes one academic program and then enrolls in another academic program at the same school, the school must report two separate enrollment transactions: one showing the completion of the first program and its effective date and credential level, and the other showing the enrollment in the second program and its effective date (*Dear Colleague Letter*, March 20, 2012, GEN-12-06).

The University of Houston (University) runs a query to identify students who have graduated during a specified term. Degree verification transmissions are scheduled weekly until the colleges have made all degree decisions for the relevant term and the Office of Registration and Academic Records has processed those decisions. The colleges have up to 40 calendar days from the close of the relevant term to submit their graduation decisions for processing. Degree decisions not completed by that due date are reported manually (not by batch) directly to the National Student Clearinghouse (NSC), which reports student status changes to the National Student Loan Data System (NSLDS) on behalf of the University. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to enrollment reporting roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

**For 1 (3 percent) of 40 student status changes tested, the University did not report the enrollment change to NSLDS accurately.** The student graduated at the end of the Fall 2013 term, and the University reported the status change to NSC. However, NSC did not report the status change to NSLDS; instead, it reported a full-time status for that student for the Fall 2013 term. While the student enrolled in the Spring 2014 term and was reported with a half-time status, NSC should have reported the completion of the student’s program in the Fall 2013 term to NSLDS as a separate enrollment transaction.

Not reporting student status changes accurately and within the required time frame could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Recommendation:

The University should implement a process to ensure that all student status changes are reported accurately to NSLDS.

Management Response and Corrective Action Plan:

*We have implemented procedures that will help ensure that all student status changes are reported accurately to National Student Loan Data System (NSLDS). Procedures are in place to review files that are submitted to the National Student Clearinghouse (NSC) and to then review the information submitted to NSLDS from the NSC. Since we have accurately reported to the NSC, we have discussed this issue with NSC personnel to help ensure that they understand this audit issue.*

Implementation Date: September 2014

Responsible Persons: Sal Loria, Scott Moore, Candida DuBose and Debbie Henry

Reference No. 2014-141

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

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Payroll Expenditures

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months (Title 2, Code of Federal Regulations (CFR), Section 220, Appendix A (J)(10)).

Questioned Cost:	\$9,875
National Aeronautics and Space Administration	
National Endowment for the Humanities	
National Science Foundation	
U.S. Department of Defense	
U.S. Department of Education	
U.S. Department of Energy	
U.S. Department of Health and Human Services	

According to the University of Houston’s (University) effort reporting policy, employees must certify their time and effort reports in accordance with a quarterly schedule published in the policy. **For 29 (69 percent) of 42 payroll transactions tested, the University did not certify time and effort reports within the required time period.** Specifically:

- For 19 payroll transactions, the due date for time and effort certifications had passed and the University had not completed those certifications. All 19 of these transactions occurred within the third and fourth quarters of the certification year. According to the University, the third and fourth quarter time and effort certifications were delayed because of the implementation of a new timekeeping system.
- For 6 payroll transactions, the University completed time and effort certifications, but the principal investigator signed those certifications between 107 and 228 days after the certification due date in the University’s policy. Those transactions occurred within the first and second quarters of the certification year.
- For 3 payroll transactions that occurred in the first and second quarters of the certification year, the time and effort certification was signed but not dated; therefore, auditors could not determine whether the certifications were completed prior to the due date in the University’s policy.

- For 1 payroll transaction, the time and effort certification for the third quarter was not signed by the principal investigator.

A prolonged elapsed time between activity and certification of the activity can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments to that distribution.

Payroll Salary Restrictions

Every year since 1990, the U.S. Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under a National Institutes of Health (NIH) grant. The amount of direct salary to executive level II of the federal executive pay scale was restricted to \$179,700 from December 23, 2011, through January 11, 2014. The executive level II salary restriction increased from \$179,700 to \$181,500 effective January 12, 2014 (NIH Notice Number NOT-OD-14-052).

The University’s research effort reporting policy states that, in instances in which federal regulations do not allow for salaries in excess of statutory or regulatory salary caps, the amount of a faculty member’s salary to be charged to a grant is determined based on the percentage of effort to be devoted to the grant.

**The University does not have effective controls to help ensure that it limits the salaries charged to NIH grants.**

The University performs a quarterly analysis to determine whether employees on NIH grants charge less than the monthly salary cap amount to the grant. However, the University does not consider the percentage of effort that each employee spends on a grant when it performs that analysis. Auditors tested the first and second quarters of fiscal year 2014 and identified salary costs for five employees totaling \$9,875 that were overcharged to six NIH awards as a result of that error. Auditors were not able to test the third and fourth quarters of fiscal year 2014 because of the time and effort delays discussed above that resulted from the University’s implementation of a new timekeeping system.

Direct Costs (Non-payroll)

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, CFR, Section 220, Appendix A, C.2).

**Four (5 percent) of 74 direct cost transactions tested at the University were unallowable.** Three of those transactions were for meals and alcohol that were charged to federal awards that did not allow or specifically disallowed those types of expenditures; the fourth transaction was for an unallowable late payment fee. The University corrected all of those errors; therefore, there were no questioned costs.

The following awards were affected by the payroll expenditures issues discussed above:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>
12.300	Basic and Applied Scientific Research	N00014-13-1-0543	May 1, 2013 to April 30, 2016
43.001	Science	T72314	May 1, 2013 to September 30, 2014
47.041	Engineering Grants	ECCS-1102195	September 1, 2011 to August 31, 2015
47.041	Engineering Grants	ECCS-0926006	September 1, 2009 to August 31, 2014
47.049	Mathematical and Physical Sciences	CHE-0956127	October 1, 2010 to September 30, 2015

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
47.049	Mathematical and Physical Sciences	CHE-1213646	August 15, 2012 to July 31, 2015
47.074	Biological Sciences	DEB-1253650	April 1, 2013 to March 31, 2018
47.080	Office of Cyberinfrastructure	OCI-1148052	September 1, 2013 to May 31, 2015
81.000	Department of Energy	DE-EE0005806	September 1, 2012 to February 28, 2015
81.049	Office of Science Financial Assistance Program	DE-SC0006771	September 15, 2011 to September 14, 2015
81.049	Office of Science Financial Assistance Program	DE-FG02-07ER41521	November 15, 2013 to November 14, 2014
81.049	Office of Science Financial Assistance Program	DE-SC0008073	July 1, 2012 to June 30, 2015
81.105	National Industrial Competitiveness through Energy, Environment, and Economics	1452262	May 6, 2014 to September 1, 2014
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	DE-OE0000485	July 1, 2010 to December 30, 2014
81.135	Advanced Research Projects Agency - Energy	DE-AR0000196	January 1, 2012 to June 30, 2015
84.305	Education Research, Development and Dissemination	R305A090555	July 1, 2009 to June 30, 2014
84.305	Education Research, Development and Dissemination	UTA10-000725	July 1, 2010 to June 30, 2015
84.324	Research in Special Education	R324C08006	July 1, 2008 to June 30, 2014
93.121	Oral Diseases and Disorders Research	3R01DE022676-02S1	September 1, 2012 to August 31, 2014
93.173	Research Related to Deafness and Communication Disorders	1R03DC012640-02	August 1, 2013 to July 31, 2016

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.242	Mental Health Research Grants	1R01MH097726-01A1	September 13, 2013 to July 31, 2014
93.273	Alcohol Research Programs	1R21AA020572-02	September 5, 2011 to June 30, 2014
93.310	Trans-NIH Research Support	5R01CA174385-02	September 19, 2012 to June 30, 2016
93.398	Cancer Research Manpower	1K01CA151785-01	February 1, 2011 to August 31, 2015
93.535	Affordable Care Act (ACA) Childhood Obesity Research Demonstration	5U18DP003350-03	September 29, 2011 to September 29, 2014
93.865	Child Health and Human Development Extramural Research	4R00HD061689-03	September 1, 2013 to August 31, 2014
93.866	Aging Research	5R01AG039836-04	September 15, 2011 to May 31, 2015
93.867	Vision Research	5P30EY007551-27	July 1, 2014 to June 30, 2015

The following awards were affected by the payroll salary restriction issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Costs</b>
93.103	Food and Drug Administration Research	FDAHHSF2232009	August 1, 2013 to December 31, 2013	\$ 64
93.172	Human Genome Research	5U01HG006507-02	December 1, 2012 to November 30, 2013	417
93.279	Drug Abuse and Addiction Research Programs	R21DA029811	September 1, 2011 to February 28, 2014	5,890
93.867	Vision Research	5R01EY008128-24	February 1, 2010 to January 31, 2015	335
93.867	Vision Research	5R01EY001139-37	September 30, 2012 to August 31, 2017	1,893
93.867	Vision Research	1R01EY019105-04	April 1, 2009 to March 31, 2014	1,276
			Total Questioned Costs	<u>\$ 9,875</u>

The following awards were affected by the issues discussed above in which the University charged unallowable costs:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
43.000	National Aeronautics and Space Administration	NAS 9-02078	November 28, 2011 to June 30, 2014
45.129	Promotion of the Humanities - Federal/State	2014-4596	April 1, 2014 to May 31, 2014
93.310	Trans-NIH Research Support	3U54HG006348-03S1	August 31, 2013 to July 31, 2014

**Recommendations:**

The University should:

- Certify after-the-fact time and effort reports in a timely manner according to its policy.
- Include the percentage of effort that each employee spends on a grant when it performs its NIH salary limits analysis.
- Charge only allowable costs to federal awards.

**Management Response and Corrective Action Plan:**

*We are currently implementing MAXIMUS software for effort reporting, to help ensure that after-the-fact time and effort reports are completed in a timely manner. This software will also help ensure that the percentage of effort each employee spends on a sponsored project is considered when computing NIH salary limitations. We acknowledge that the five salaries charged to the NIH grants were over the monthly cap; however, only one of the salaries was not within the allowed variance per the University policy.*

*To help prevent unallowable costs from posting to sponsored projects in the future, we will modify our financial system to generate a warning message when specific unallowable expenditure accounts are used on federal fund cost centers.*

*Implementation Date: September 2015*

*Responsible Persons: Beverly Rymer and Mike Glisson*

Reference No. 2014-142

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

When a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71).

Questioned Cost:	\$6,661
U.S. Department of Defense	
U.S. Department of Energy	
U.S. Department of Health and Human Services	
Environmental Protection Agency	
National Aeronautics and Space Administration	

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300).

**The University of Houston (University) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period. Specifically:**

- For 3 (5 percent) of 62 transactions and adjustments tested, the University incurred the underlying expenditures outside the period of availability of the award. The University corrected one of those transactions after auditors brought it to the University’s attention; however, it did not correct the remaining 2, resulting in total questioned costs of \$6,661 associated with award number N00014-11-1-0069. The two transactions were payroll transactions for a pay period after the grant ended; the University had not corrected those charges at the time of the audit.
- For all 9 original transactions tested, the University did not liquidate the obligation within 90 days after the end of the funding period. The University liquidated the obligations associated with those 9 transactions between 91 and 199 days after the end of the funding period. For 3 of those 9 transactions, the University also did not incur the costs within the period of availability. Two of those transactions are discussed in the errors above and are included in the questioned costs of \$6,661, and the University corrected the remaining transaction. The University incurred the other six transactions within the period of availability; therefore, there were no questioned costs related to those transactions.

The University's policy is to close out federal awards within 90 days after the expiration of the award. However, the University does not have an effective process to close grant accounts in its accounting system within the required 90-day closeout period after the end of the award funding period. In addition to the errors discussed above, auditors identified 6 additional transactions that removed project deficits more than 90 days after the grants had ended. Control weaknesses increase the risk of non-compliance with period of availability requirements in applicable laws, regulations, and the provisions of federal grant agreements.

The following awards were affected by the period of availability issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Costs</b>
12.000	Department of Defense	G105536	June 1, 2012 to February 28, 2013	\$ 0
12.300	Basic and Applied Scientific Research	N00014-11-1-0069	October 1, 2010 to August 31, 2013	6,661
12.800	Air Force Defense Research Sciences Program	FA8650-05-D-1912	November 1, 2012 to November 29, 2013	0

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Costs</b>
12.910	Research and Technology Development	N66001-11-1-4015	January 3, 2011 to March 15, 2013	0
43.007	Space Operations	NNX13AH25G	November 6, 2012 to December 31, 2013	0
66.419	Water Pollution Control State and Interstate Program Support	582-10-90494-WO-22	February 19, 2013 to August 31, 2013	0
66.419	Water Pollution Control State and Interstate Program Support	582-10-90494-19	September 1, 2012 to August 31, 2013	0
81.000	Department of Energy	DE-AC02-05CH11231	December 14, 2012 to September 30, 2013	0
81.049	Office of Science Financial Assistance Program	DE-FG02-07ER41518	August 15, 2010 to March 14, 2014	0
81.135	Advanced Research and Projects Agency - Energy Financial Assistance Program	DE-AR0000141	January 1, 2012 to July 31, 2013	0
93.213	Research and Training in Complementary and Alternative Medicine	5R01AT005522-04	September 1, 2012 to August 31, 2013	0
93.239	Policy Research and Evaluation Grants	60079362-104354-F	March 1, 2012 to September 29, 2013	0
			<b>Total Questioned Costs</b>	<b><u><u>\$6,661</u></u></b>

**Recommendation:**

The University should develop and implement a process to help ensure that it closes grant accounts in its accounting system within the required 90-day closeout period to help ensure that it complies with all period of availability requirements for federal awards.

**Management Response and Corrective Action Plan:**

*We will modify our procedures to help ensure that we comply with all period of availability requirements for federal awards as specified by the new Uniform Administrative Requirements.*

*Implementation Date: September 2015*

*Responsible Person: Beverly Rymer*

Reference No. 2014-143

**Reporting**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, Code of Federal Regulations (CFR), Sections 215.51 and 215.52). Recipients use the Federal Financial Report Standard Form (SF)-425 to report financial activity. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	
U.S. Department of Energy	
National Aeronautics and Space Administration	

**The University of Houston (University) did not ensure that its financial reports were accurate and supported by applicable accounting records.** Specifically, 4 (7 percent) of 60 financial reports tested did not accurately reflect the indirect costs, indirect cost base amounts, cash disbursement, and cash receipt amounts. The University does not have a consistent review and approval process to help ensure that financial reports are complete and accurate. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

**The University did not submit the required Transparency Act reports within required time frames for all five reports tested.** It submitted one of those five reports 96 days late; the remaining four reports were subaward modifications that the University did not report. The University asserted that it did not submit the subaward modifications because it was not aware of the requirement to report subaward actions after the initial subaward. In addition, the University does not have an effective monitoring process to help ensure that it submits reports in a timely manner when required.

Not reporting Transparency Act reports in a timely manner decreases the reliability and availability of information to the awarding agency and other users of that information.

The following awards were affected by the financial reporting issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
43.001	Science	NNX10AL37G	April 12, 2010 to February 28, 2014
43.003	Exploration	NNX12AB48G	November 3, 2011 to November 2, 2015
81.087	Renewable Energy Research and Development	DE-EE0000295	November 1, 2009 to October 31, 2014
93.859	Biomedical Research and Research Training	5R01GM077635-05	June 5, 2007 to May 31, 2013

The following awards were affected by the Transparency Act reporting issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.243	Substance Abuse and Mental Health Sciences-Projects of Regional and National Significance	1H79SP020184-01	September 30, 2013 to September 29, 2016
93.273	Alcohol Research Programs	5 R01 AA014576-10	September 6, 2004 to July 31, 2016
93.859	Biomedical Research and Research Training	5 R01 GM097553-03	September 30, 2011 to August 31, 2016
93.865	Child Health and Human Development Extramural Research	2P50HD052117-08	February 1, 2006 to November 30, 2016

**Recommendations:**

The University should:

- Strengthen controls to help ensure that the federal financial reports it submits are accurate and supported by applicable accounting records.
- Strengthen controls to help ensure that it accurately reports subawards and subaward modifications that are subject to Transparency Act requirements in a timely manner.

**Management Response and Corrective Action Plan:**

*We will modify our procedures by requiring the financial manager to test the accuracy of financial reports prior to submission.*

*We have implemented procedures for the Federal Funding Accountability and Transparency Act (FFATA) reporting, which will help ensure that all required reports are prepared and submitted in a timely manner.*

*Implementation Date: September 2015*

*Responsible Person: Beverly Rymer*

**University of Houston – Downtown**

Reference No. 2014-144  
**Eligibility**  
 (Prior Audit Issue 11-158)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134118; CFDA 84.033, Federal Work-Study Program, P033A134118; CFDA 84.063, Federal Pell Grant Program, P063P132306; and CFDA 84.268, Federal Direct Student Loans, P268K142306**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Questioned Cost:	\$0
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

The University of Houston - Downtown (University) established different COA budgets for students based on living status (off-campus, with parents, and with parents with dependent) and term enrollment (full-time, three-quarter-time, half-time, and less-than-half-time). For Summer semesters, the University budgets students using a Summer budget if the students request financial assistance for the Summer. The University budgets students at full-time anticipated enrollment for the Fall, Spring, and Summer semesters. At the census date of each semester, the University manually adjusts students’ COA budgets based on actual enrollment from system generated reports.

**For 5 (8 percent) of 60 students tested, the University incorrectly or inconsistently calculated COA. Specifically:**

- For three students, the University incorrectly performed a manual adjustment to the students’ COA budgets. As a result, the students’ COA budgets were each overstated by \$2,093.
- For two students, the University assigned the incorrect living status budget component. That occurred because of an error in the automated financial assistance budgeting processes. The budgeting processes accepted the “with parents” living status prior to checking whether the students satisfied the criteria for “with parents with dependent” living status. As a result, the students’ COA budgets were understated by \$370 and \$185.

The errors did not result in overawards for these five students; however, by incorrectly calculating COA, the University increases the risk of overawarding or underawarding financial assistance to students.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

An institution's policy must describe how a student's grade point average (GPA) and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)). The University's completion rate policy requires students to complete 73 percent of all hours attempted, including transfer hours.

**The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed aid to a student who did not meet the University's pace of completion requirement.** That occurred because the student's transfer credits were not included in the automated SAP calculation; as a result, the student was not flagged as not meeting SAP requirements. The student had received \$7,424 in Federal Direct Loans associated with award number P268K142306 for which the student was not eligible. After auditors brought this matter to its attention, the University returned all federal aid; therefore, there were no questioned costs.

Not evaluating and documenting the review of students' satisfactory academic progress increases the risk of awarding financial assistance to ineligible students.

Recommendations:

The University should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Include all necessary information in SAP determinations.

Management Response and Corrective Action Plan:

Cost of Attendance

*We corrected the setup of the automated grouping process in Spring 2014 to consider "with parent, with dependent" group prior to the "with parent" group to prevent further errors in budget grouping. We have also implemented periodic budgeting which automatically coordinates the students' budget amount with their corresponding budget components and enrollment. The Tuition and Fees component is now tied to the enrollment hours. The budget is automatically re-calculated on a daily basis during the registration period to correspond to the hours as students add and drop courses.*

SAP

*We have modified our admission procedures effective Fall 2014, such that:*

1. *All transfer credits are evaluated prior to an admission decision.*
2. *SAP is calculated after a student is admitted, so all evaluated transfer credits will be captured at the time SAP is calculated for a student.*

*Implementation Date:*      *Fall 2014*

*Responsible Person:*      *LaTasha Goudeau*

Reference No. 2014-145

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P132306; CFDA 84.033, Federal Work-Study Program, P033A134118; CFDA 84.268, Federal Direct Student Loans, P268K142306; and CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134118**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, an institution must recalculate the student’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost:	\$0
U.S. Department of Education	

**For 5 (8 percent) of 60 students tested, the University of Houston – Downtown (University) did not accurately verify all required items on the FAFSA.** Therefore, it did not subsequently update its records and request updated ISIRs as required. For those five students, the University did not accurately verify one or more of the following items: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, education credits, and the amount of U.S. income taxes the student paid.

When auditors brought the errors to the University’s attention, the University made corrections to the students’ ISIRs. For one student, the EFC was overstated and the student should have received an additional \$400 in Pell Grant assistance associated with award P063P132306. The University subsequently awarded the additional \$400 in Pell Grant assistance. For the remaining four students, the errors did not result in changes to the students’ EFC and there was no overaward or underaward of financial assistance.

Those errors occurred because of manual errors the University made during the verification process, and because the University does not have an adequate process to monitor verification. Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.

Management Response and Corrective Action Plan:

*To strengthen verification processes, Financial Aid has required recent training and quality assurance measures. All staff responsible for performing verification as part of their job duties have been required to take an online course offered through the National Association of Student Federal Aid Administrators. All staff responsible for verification have now completed this 4 week course. As an added measure of accountability, the Assistance Director of Processing will review a sample of verification files on a quarterly basis to verify and make any necessary corrections and take actions as warranted.*

*Implementation Date:      January 2015*

*Responsible Person:      LaTasha Goudeau*

**University of North Texas**

Reference No. 2014-146

**Eligibility**

**Special Tests and Provisions – Institutional Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134085; CFDA 84.033, Federal Work-Study Program, P033A134085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132293; CFDA 84.268, Federal Direct Student Loans, P268K142293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142293**

**Type of finding – Material Weakness and Material Non-Compliance**

Cost of Attendance

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

Questioned Cost:	\$0
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

For students who receive loans, COA includes the fees required to receive those loans. The COA may also include the fees required for non-federal student loans (that is, non-federal loans that must be considered Estimated Financial Assistance for the student when packaging aid). An institution can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at the institution. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

**For 28 (47 percent) of 60 students tested, the University of North Texas (University) incorrectly or inconsistently calculated COA.** Specifically, the University included loan fees for Direct PLUS Loans in the COA budget for all dependent students, regardless of whether those students received that type of loan. The University does not have a process to remove the loan fees from the COA budget if a student does not accept a Direct PLUS loan.

Because the University included loan fees for those students, it overawarded financial assistance to 3 of those 28 students. Specifically, the University incorrectly awarded one student need-based aid in excess of financial need, which resulted in an overaward of \$350. For two students, the University incorrectly awarded financial aid in excess of each student’s COA, which resulted in overawards of \$310 and \$85. After auditors brought those errors to its attention, the University corrected those overawards and returned the funds; therefore, there were no questioned costs.

Not removing Direct PLUS loan fees from COA when necessary could result in higher COA budgets and increases the risk of overawarding financial assistance.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory

progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

An institution must establish a reasonable SAP policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA Program. The Secretary of the U.S. Department of Education considers an institution's policy to be reasonable if the policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the Title IV, HEA Program (Title 34, CFR, Section 668.34(a)).

The policy should specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum time frame, as defined in Title 34, CFR, Section 668.34(b), and provides for measurement of the student's progress at each evaluation. An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, the institution is not required to include remedial courses (Title 34, CFR, Section 668.34(5)(i) and (ii)).

For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program as measured in credit hours should be used to determine the maximum time frame for the quantitative component of SAP. For a graduate program, institutions define that period based on the length of the educational program (Title 34, CFR, Section 668.34(b)(1) and (3)).

**The University's SAP policy does not meet all federal requirements. As a result, for 6 (11 percent) of 54 students tested, the University did not correctly determine their SAP status.** The policy allows for students to progress through an academic program at a pace that does not ensure that they will graduate within the maximum time frame. The policy specifies a minimum number of hours that must be completed based on the number of hours enrolled within each semester of a financial assistance year. However, the policy does not consider cumulative hours, which could result in a pace that would not ensure a student graduated within the maximum time frame.

The University incorrectly disbursed financial assistance to five of the six students tested who did not meet SAP requirements. Specifically, the University disbursed \$51,302 in federal Direct Student Loans and \$16,229 in federal Pell Grants to those ineligible students. After auditors brought those errors to the University's attention, it requested SAP appeals for two of those five students, and those two students were placed on an academic plan. For three of those five students, the University corrected their awards and returned funds to the U.S. Department of Education. The remaining student would have entered a probation period and was still eligible for the financial assistance that student received. Therefore, there were no questioned costs.

Having a policy that allows students to progress through their program at a pace that does not ensure that they will graduate within the maximum time frame increases the risk of federal assistance being disbursed to ineligible students.

**In addition, the University's SAP policy is less strict than its academic policy for graduate students.** The University's Institutional Academic Policy in its graduate catalog specifies that master's degree students have five to seven years to complete their degree, and doctoral students have eight years to complete their degree. However, the SAP policy allows graduate students to complete their degree within 150 percent of the published length of the program measured by the number of terms. In addition, the University asserted that, for SAP evaluation, the maximum length was 27 terms (9 years) for master's degree students and 45 terms (15 years) for doctoral students. Although auditors did not identify students who exceeded those time frames during testing, having a SAP policy that is less strict than the academic policy increases the risk of federal assistance being disbursed to ineligible students.

Recommendations:

The University should:

- Include loan fees in COA only for students who receive loans.
- Ensure that its SAP policy meets federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis; ensuring that the policy requires students to graduate within the maximum time frame; and making the policy at least as strict as its academic policy.

Management Response and Corrective Action Plan:

Cost of Attendance

Management made changes to include loan fees in the COA budget only for students who receive loans.

Implementation Date: August 2014

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

Satisfactory Academic Progress

Management made changes to its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis to ensure students graduate within the maximum time frame. For graduate students, management made changes to the policy to make it at least as strict as UNT's academic policy.

Implementation Date: August 2014

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

Reference No. 2014-147

**Special Tests and Provisions – Verification**

(Prior Audit Issue 2013-168)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134085; CFDA 84.033, Federal Work-Study Program, P033A134085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132293; CFDA 84.268, Federal Direct Student Loans, P268K142293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142293**

**Type of finding – Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). The U.S. Department of Education has outlined items that are to be included in other taxable income and items that are not to be included. In addition to other types of income, untaxed Social Security benefits are not to be included in other taxable income (U.S. Department of Education 2013-2014 *Application and Verification Guide*).

Questioned Cost:	\$0
U.S. Department of Education	

When the verification of a student's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student's FAFSA information changes as a result of verification, an institution must recalculate the student's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

**For 1 (3 percent) of 40 students tested, the University of North Texas (University) did not correctly verify all required information on the student's FAFSA and did not correct student ISIR information when required.** The University incorrectly categorized Social Security benefits as untaxed income for that student, which resulted in an overstatement of the student's EFC. That error occurred as a result of a manual error in the University's verification process. When auditors brought that issue to the University's attention, it removed the Social Security benefits as untaxed income and submitted corrections to the student's ISIR. The corrected information changed the student's EFC and resulted in the student being eligible for \$5,645 in Pell Grant assistance. The University awarded the student the additional Pell Grant assistance.

Not properly verifying FAFSA information can result in the University overawarding or underawarding student financial assistance.

Recommendation:

The University should accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.

Management Response and Corrective Action Plan:

*Management made changes to accurately categorize Social Security benefits for students selected for verification. Management corrected the ISIR information for the one student.*

*Implementation Date: December 2014*

*Responsible Persons: Dena Guzman-Torres and Lacey Thompson*

**University of Texas at Arlington**

Reference No. 2014-148

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Reporting**

**Special Tests and Provisions – Separate Funds**

**Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)**

**Special Tests and Provisions – Institutional Eligibility**

(Prior Audit Issues 2013-170, 13-154, and 12-156)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K142335; CFDA 93.264, Nurse Faculty Loan Program, E01HP25899-01-00; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable**

**Type of finding – Material Weakness and Material Non-Compliance**

Eligibility and Certification Approval Report

Each institution’s most recent *Eligibility and Certification Approval Report* (ECAR) lists the institution’s main campus and any additional approved locations. For any other locations at which an institution offers 50 percent or more of an eligible program during the audit period, the institution must either submit an application for approval of that location or notify the U.S. Department of Education of that location (Title 34, Code of Federal Regulations (CFR), Sections 600.20(c) and 600.21(a)(3)). An institution may not disburse Title IV, HEA Program assistance to students at that location before it reports to the U.S. Department of Education about that location (Title 34, CFR, Section 600.21(d)).

Questioned Cost: \$4,459,375

U.S. Department of Education  
U.S. Department of Health and  
Human Services

**The University of Texas at Arlington’s (University) most recent ECAR did not include all additional locations.** The University has additional locations in Fort Worth and Dallas that offer more than 50 percent of an eligible program. Those additional locations should have been included on the University’s most recent ECAR. In addition, the University had not notified the U.S. Department of Education about those additional locations. The University disbursed a total of \$4,459,375 in federal student financial assistance to 308 students enrolled in those locations during the award year. Of those disbursements, \$4,436,625 was associated with CFDA 84.268, Federal Direct Student Loans, award number P268K142335; \$22,000 was associated with CFDA 84.038, Federal Perkins Loans, award number not applicable; and \$750 was associated with CFDA 84.033, Federal Work-Study Program, award number P033A134172, all of which are considered questioned costs.

Failure to update the ECAR and notify the U.S. Department of Education of additional locations could result in students receiving financial assistance for ineligible programs.

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 10871l).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, CFR, Sections 668.2, 673.5, and 685.301).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

The University establishes different COA budgets for students based on class level (undergraduate or graduate); degree program; in-state or out-of-state residency; living status (on campus, off campus, or at home); and term enrollment (full-time, half-time, or three-quarter-time). Prior to an award year, the University requests that students submit their anticipated enrollment to the financial aid office if they plan to enroll less than full-time. The University's student budgets default to full-time enrollment if students do not respond to a request for anticipated enrollment. However, the University does not adjust the budget for actual enrollment; therefore, that increases the risk of awarding assistance in excess of a student's financial need or COA budget and awarding Pell assistance incorrectly.

**For 16 (27 percent) of 60 students tested, the University incorrectly calculated the COA. Specifically:**

- For nine students, the University did not update the COA based on actual enrollment. The University either assigned those students a full-time COA or calculated COA based on the students' anticipated enrollment, which was less than their actual enrollment. The incorrect calculation of COA caused one student to receive a Direct Subsidized Loan that exceeded that student's calculated need by \$909. The University budgeted that student with a full-time COA; however, that student was enrolled half-time for both terms during the award year. The incorrect calculation caused another student to be underawarded Pell assistance by \$706. The University budgeted that student's COA as half-time for one term in which the student was actually enrolled three-quarter-time. While the remaining seven students had incorrect COAs, those students were not overawarded or underawarded financial assistance.
- For three students, the University manually selected an incorrect budget when determining COA. That resulted in understatements of COA for two of those students in the amounts of \$165 and \$250, and an overstatement of COA for one of those students in the amount of \$616.
- For two students, the major in which those students were enrolled was not included in the financial assistance application system; therefore, the COA was based on the wrong budget. Auditors identified an additional 138 students with incorrect COAs due to that error.
- For three students enrolled less than half-time, auditors were unable to calculate a COA for those students. That occurred because the University did not have a documented budget or procedures for calculating COA for less-than-half-time enrollment. The lack of a documented budget or procedure to adjust COA for enrollment levels at less than half-time increases the risk that students could be overawarded or underawarded financial assistance. (One of those students was also discussed above in the issue regarding COA not being updated based on actual enrollment.)

After auditors brought the errors to the University's attention, it adjusted the students' awards by returning overawards to the U.S. Department of Education and disbursing additional funds to students to whom it underawarded assistance. Therefore, there were no questioned costs. Incorrect COA calculations could result in underawards or overawards of financial assistance.

#### Nurse Faculty Loan Program

Students who receive a Nurse Faculty Loan Program (NFLP) loan must be enrolled full-time or part-time in an eligible advanced education nursing degree program (master's or doctoral) that offers an education component to prepare qualified nurse faculty. The total amount of NFLP loans made to a student should cover the full or partial tuition and fees for the academic year, not to exceed \$35,500 during fiscal year 2014. Full support includes the cost of tuition, fees, books, laboratory expenses, and other reasonable education expenses. NFLP loans do not include stipend support

(for example, living expenses, student transportation cost, room/board, and personal expenses) (Title 42, USC, Section 297n-1(b)(4) and 297n-1(c)(4) and Health Resources and Services Administration (HRSA), Announcement HRSA-14-072).

**For 1 (2 percent) of 60 students tested, the University disbursed an NFLP loan to that student in an amount that exceeded that student's qualified educational expenses.** The student was initially awarded assistance based on that student attending half-time in both the Spring term and the Fall term. However, the student attended the Fall term half-time and attended the Spring term less than half-time; that resulted in an overaward of \$1,883. After auditors brought that error to the University's attention, it reduced the student's NFLP award to actual education expenses; therefore, there were no questioned costs.

#### Federal Pell Grant

When awarding Pell Grant assistance to students, for each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)). Institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63 (b)).

**For 8 (28 percent) of 29 students tested who received Pell Grants, the University did not award the correct amount of Pell Grant assistance.** Specifically:

- For five students, the University did not award those students Pell Grant assistance in the Summer term in which those students were eligible to receive that assistance. That occurred because of the University's process to award Pell Grant assistance in the Summer term only if a student requests assistance and meets eligibility requirements. Those five students were eligible to receive Pell Grant assistance in the amounts of \$398, \$673, \$706, \$1,873, and \$2,117.
- For one student, the University awarded Pell Grant assistance in the Summer term for half-time enrollment; however, that student was enrolled three-quarter-time. That occurred because the University automatically disburses Summer Pell Grant assistance as if a student's enrollment is half-time, and it does not adjust award amounts based on actual enrollment. That student was eligible to receive additional Pell Grant assistance in the amount of \$349.
- For one student, the University did not disburse Pell Grant assistance for which the student was eligible because the student was approaching the maximum lifetime limit. Rather than awarding the student the remaining Pell Grant assistance for which the student was eligible, the University did not award the student any Pell Grant assistance. As a result, that student was underawarded Pell Grant assistance by \$1,271.
- For one student, the University calculated COA incorrectly, which resulted in the student being underawarded Pell Grant assistance by \$706. (That student was among the 16 students discussed above for whom the University incorrectly calculated COA.)

The University asserted that the financial aid department monitors an add/drop list until the census date to determine Pell Grant awards; however, the financial aid system does not automatically identify students whose enrollment status changed during the award year. After auditors brought the errors to the University's attention, it adjusted those students' Pell Grant assistance and disbursed additional assistance.

#### Teacher Education Assistance for College and Higher Education

Under the Budget Control Act of 2011, additional sequester funding reductions took effect with the start of the 2014 federal fiscal year. For grants for which the first disbursement is made on or after October 1, 2013, Teacher Education Assistance for College and Higher Education (TEACH) grant awards must be reduced by 7.2 percent from the original statutory amounts. For grants first disbursed after March 1, 2013, and before October 1, 2013, the award amount must be reduced by 6 percent from the award amount for which a recipient would otherwise have been eligible (*Dear Colleague Letter*, GEN-13-22).

During federal fiscal year 2014, there was a change in the sequester-required percentage reduction that applied to TEACH grants first disbursed during fiscal year 2014. The U.S. Office of Management and Budget (OMB) recalculated the sequester-required reduction percentage for the TEACH grant program to 0.89 percent, which was a decrease from the 7.2 percent reduction previously announced in the October 17, 2013 *Dear Colleague Letter*. If an institution had already disbursed TEACH grant awards with a first disbursement date on or after October 1, 2013, and before October 1, 2014, it should have adjusted the award amounts to reflect the reduction percentage of 0.89 percent and disbursed the additional funds to the affected students (*Dear Colleague Letter*, GEN-13-27).

**For 93 (32 percent) of 292 TEACH grant recipients, the University did not award the correct amount of TEACH grant assistance.** That occurred because the University misinterpreted the sequester requirements to mean that if a student had received a TEACH grant before March 1, 2013, the student was entitled to the full amount for subsequent awards disbursed during the sequester period. However, the sequester requirements applied to any student receiving a TEACH grant, even if the student had previously received assistance. For 92 of those 93 students, the University overawarded TEACH grant assistance totaling \$14,664, and for one student, the University underawarded \$178 in assistance. After auditors brought the error to the University's attention, it adjusted all 93 students' TEACH awards to reflect the correct amount required by the sequester; therefore, there were no questioned costs.

#### Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program as measured in credit hours should be used to determine the maximum timeframe quantitative component of SAP (Title 34, CFR, Section 668.34(b)(1)).

**The University's SAP policy does not meet all federal requirements.** The policy allows for students to progress through an academic program at a pace that does not ensure that they will graduate within the maximum time frame. The policy specifies a minimum number of hours that must be completed based on the number of hours enrolled within a financial assistance year. However, that policy does not consider cumulative hours, which could result in a pace that would not ensure a student graduated within the maximum time frame.

Although auditors did not identify students during testing who would be ineligible for student financial assistance as a result of this issue, calculating pace on a financial aid year basis and in a manner that does not ensure graduation within the maximum time frame increases the risk that students will not graduate within the maximum time frame required and, therefore, will be ineligible for federal financial assistance.

#### Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions – separate funds, and special tests and provisions – borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Update its ECAR as required and ensure that it does not disburse financial assistance to students at locations that are not on its ECAR.
- Calculate each student's COA based on the correct budget and ensure that COA calculations based on anticipated enrollment do not result in overawards or underawards of financial assistance.
- Establish procedures to address a student's COA at all enrollment levels, including less-than-half-time enrollment.
- Verify that the amounts of NFLP loans it awards do not exceed students' qualified educational expenses for the year.
- Award students the correct amount of Pell Grants according to their enrollment status for all terms, including the Summer term.
- Award students the correct amount of TEACH grants according to annual limits.
- Ensure that its SAP policy meets federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis, and by ensuring that the policy requires students to graduate within the maximum time frame.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Eligibility and Certification Approval Report

*The University recently identified three, accreditor approved, additional locations that were not submitted to the US. Department of Education, as required, prior to disbursing Title IV funds and was in the processes of evaluating the criteria at the same time the audit was conducted. The University has submitted the additional location update to the Application for Approval to Participate in Federal Student Financial Aid Programs to the Secretary.*

*Implementation Date: January 6, 2015*

*Responsible Person: Dr. Wallace Wasson*

Cost of Attendance

*The University is in the process of simplifying the COA budget assignment to ensure the correct budget assignments are made in addition to updating the budget policy to include less-than-half-time enrollment budgets.*

*Implementation Date: March 1, 2015*

*Responsible Persons: Karen Krause and Beth Reid*

*Nurse Faculty Loan Program*

*The University has implemented a NFLP review process each term to ensure the students requested by the awarding department are enrolled in the hours stated by the department each term.*

*Implementation Date: November 1, 2014*

*Responsible Persons: Tanya Vittitow and Lea Anne Sikora*

*Federal Pell Grant*

*The errors made were a result of manual procedures. The University is reviewing our manual procedures to automate as resources become available and improve accuracy. Additionally, the University is currently reviewing our summer Pell Grant awarding policy and procedures to ensure all eligible students are awarded.*

*Implementation Date: March 1, 2015*

*Responsible Person: Karen Krause*

*Teacher Education Assistance for College and Higher Education*

*The University made a one-time sequester error resulting in the failure to adjust the interest rate as required by sequestration. A 100% student review was performed and all adjustments are completed.*

*Implementation Date: August 1, 2014*

*Responsible Person: Beth Reid*

*Satisfactory Academic Progress*

*The University has published an updated SAP policy, specifically to replace an attempted credit range with an annual pace of 67%.*

*Implementation Date: December 1, 2014*

*Responsible Persons: Karen Krause and Tanya Vittitow*

*General Controls*

*The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.*

*Implementation Date:*     *May 1, 2015*

*Responsible Persons:*     *Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery*

Reference No. 2014-149

**Special Tests and Provisions – Verification**

(Prior Audit Issues 2013-171, 13-155, and 12-158)

**Student Financial Assistance**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K142335; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, the institution must recalculate the student’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost:	\$0
U.S. Department of Education	

**For 11 (18 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify all required items on students’ FAFSAs, and it did not always update its records and request updated ISIRs as required.** The University did not accurately verify one or more of the following items for those students: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, and education credits reported on income taxes.

Those errors occurred because of manual errors the University made during the verification process. In addition, the University’s monitoring of completed verifications did not identify those errors. When auditors brought the errors to the University’s attention, it made corrections to the students’ ISIRs. Specifically:

- For six of those students, the EFC was overstated. Four of those students should have received additional Pell Grant assistance, and the University subsequently disbursed a total of \$8,028 in additional Pell Grants to those four students. One student should have received additional Subsidized Direct Loan assistance, and the University subsequently awarded an additional \$777 in Subsidized Direct Loans to that student. For one student, the overstatement did not result in additional federal financial assistance.
- For five of those students, the errors did not result in changes to the students’ EFCs, and there was no overaward or underaward of financial assistance.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Verification of Applications

*The errors made in the verification reviews were a result of human error and incorrect policy interpretation. The University has updated its Verification Policy to ensure it is compliant with federal verification requirements. Staff performance reviews, work audits and training have been conducted to prevent future errors.*

*Implementation Date: December 1, 2014*

*Responsible Person: Jason Young*

General Controls

*The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.*

*Implementation Date: May 1, 2015*

*Responsible Persons: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery*

Reference No. 2014-150

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K142335; CDFR 93.264, Nurse Faculty Loan Program, E01HP25899-01-00; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Transfer Monitoring

If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary of the U.S. Department of Education, through the National Student Loan Data System (NSLDS), updated information about that student so that it can make certain eligibility determinations. The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS and the information it receives allows it to make the disbursement (Title 34, Code of Federal Regulations (CFR), Section 668.19).

Questioned Cost:	\$0
U.S. Department of Education U.S. Department of Health and Human Services	

**The University of Texas at Arlington (University) did not perform required reviews of transfer students prior to disbursing student financial assistance.** For 4 (80 percent) of 5 students tested who transferred during the academic year, the University did not obtain updated loan history information from NSLDS for the current year before it disbursed funds. The University did not add those students to its transfer monitoring list because of manual errors it made in identifying transfer students. The University asserted that it performed a check of NSLDS prior to disbursing funds for all students; however, it did not have documentation of that check.

Although auditors did not identify students during testing who were overawarded as a result of this issue, not obtaining updated NSLDS information prior to disbursing funds increases the risk that the University could overaward funds to students who received funds at another institution.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendation:

The University should:

- Strengthen its process to help ensure that it identifies all students who transfer during the award year and reviews information from NSLDS before disbursing funds.

- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Transfer Monitoring

*The University failed to follow our Transfer Monitoring Policy and Procedure. Transfer Monitoring Policies and Procedures have been reviewed and training has been provided to the counseling staff to ensure future compliance.*

Implementation Date: October 1, 2014

Responsible Person: Beth Reid

General Controls

*The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.*

Implementation Date: May 1, 2015

Responsible Persons: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery

Reference No. 2014-151

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

(Prior Audit Issues 2013-172, 13-156, 12-160, and 10-112)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.007, Federal Supplement Educational Opportunity Grant, P007A134172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379142335; and CFDA 84.268, Federal Direct Student Loans, P268K142335**

**Type of finding – Significant Deficiency and Non-Compliance**

Return of Title IV Calculations

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

Questioned Cost: \$0

U.S. Department of Education

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 for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

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

**The University of Texas at Arlington (University) did not always use accurate term dates when calculating return amounts.** For 15 (28 percent) of 54 students tested who required a return, the University did not correctly calculate the amount of funds earned. As a result, for ten of those students the University did not return the correct amount of funds (the remaining five students had earned 100 percent of their funds). The errors occurred because the University extended the academic calendar for the Fall 2013 term by two days, but it did not update the programming in its financial aid system to reflect that extension.

After auditors brought the errors to the University's attention, it performed the return calculation again and adjusted the grants and loans associated with the students based on the amount of assistance that it needed to return. As a result, there were no questioned costs.

Not updating its financial aid system to reflect the correct term end dates increases the risk that the University will not return the correct amount of Title IV assistance to the U.S. Department of Education.

#### Timeliness of Returns

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

**For 4 (11 percent) of 37 students tested for whom the University was required to make returns, it did not return those funds within 45 days of determining those students' withdrawal dates.** The University took between 57 and 142 days after determining the students had withdrawn to return the funds.

**In addition, for 1 (2 percent) of 55 students tested who withdrew, the University documented an incorrect withdrawal date and did not perform a return calculation.** After the auditors brought that error to its attention, the University performed the return calculation and determined that the student had earned all of the funds disbursed; therefore, the University was not required to return funds to the Department of Education.

Those errors occurred because of manual errors the University made during the return process. Late identification of withdrawals increases the risk that the University will not return unearned funds to the U.S. Department of Education in a timely manner.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Calculate returns of Title IV funds correctly.
- Return Title IV funds within the required time frames.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Return of Title IV Calculations

*The University made a calendar change at the end of the term officially extending the term for two additional days. As a result all calculations were made using the original last date of term vs. the new last date of the term. A 100% student review was performed and all adjustments are completed.*

*Implementation Date: August 2014*

*Responsible Person: Lea Anne Sikora*

Timeliness of Returns

*The University's policy to grant Official Withdrawals after the end of the term has resulted in late return calculations. Additionally, a human error was made in the manual process used to identify Unofficial Withdrawals. The University continues to review our policy and procedures to ensure future compliance.*

*Implementation Date: December 1, 2014*

*Responsible Persons: Karen Kraus, Tanya Vittitow, and Lea Anne Sikora*

General Controls

*The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.*

*Implementation Date: May 1, 2015*

*Responsible Persons: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery*

Reference No. 2014-152

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issue 2013-173)

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.268, Federal Direct Student Loans, P268K142335; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Enrollment Reporting

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost:	\$0
U.S. Department of Education	

The *National Student Loan Data System (NSLDS) Enrollment Reporting Guide* states that, in the absence of a formal withdrawal, the last recorded date of attendance should be reported as the status change date. In addition, the effective date for a student who has never attended should be the date that the institution certifies the student’s “never attended” status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

An institution must either confirm that the current enrollment provided by NSLDS in the enrollment roster file is still valid, or update the enrollment status to the correct value. When updating the enrollment status, the enrollment status effective date (ESED) must also be updated to correspond to any change. If the status is correct but the ESED is not correct, institutions may correct the ESED without a change of status. The ESED is critical to maintaining student loan records and repayment schedules properly; therefore, it must be reported accurately (*NSLDS Enrollment Reporting Guide*, Chapter 2).

The University of Texas at Arlington (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS, as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

**For 11 (18 percent) of 60 student enrollment changes tested, the University did not report the correct status and correct effective date.** Specifically:

- For 10 of those students, who were unofficially withdrawn, the University did not update the status to withdrawn; therefore, the effective date for their status was incorrect. The University made the withdrawal determination after its final official reporting submission for the Spring semester, and it asserts that NSC does not report changes to NSLDS in the summer months. The *NSLDS Enrollment Reporting Guide* states that “students are considered to be in-school and continuously enrolled during academic year holiday and vacation periods, as well as during the summer between academic years (even if not enrolled in a summer session), as long as there is reason to believe that they intend to enroll for the next regularly scheduled term.” The University had determined a withdrawal date; therefore, the student was not considered to be continuously enrolled and should have been reported to NSLDS within the required time frame.

- For one of those students, the University reported the student as withdrawn at the end of the Fall term; however, the University did not have evidence showing that the student attended that term. Therefore, the University should have determined the last date of attendance for reporting purposes.

**For 15 (25 percent) of 60 student enrollment changes tested, the University did not report the correct effective date.** Specifically:

- For 8 of those students, the University reported an incorrect effective date for graduation. That occurred because the University extended its academic calendar by two days but did not make that same change in NSLDS. That error affected all students with a fall graduation date.
- For 7 of those students, the University reported an incorrect effective date to NSLDS for those students' withdrawal status. For 4 of those students, the University had already reported the students as withdrawn prior to the correct withdrawal date being determined, and it did not subsequently correct that date. For 2 of those students, the University reported the last date of the term for the effective date, instead of the last date of attendance. For one of those students, the University reported the beginning of the term for the effective date because the student had withdrawn prior to the census date.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

#### Recommendations:

The University should:

- Accurately report all student status changes to NSLDS.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

#### Management Response and Corrective Action Plan:

##### Enrollment Reporting

*The University is reviewing its policy and procedure to report Unofficial Withdraws to NSLDS and is in discussions with NSC to explore an alternate reporting schedule.*

*Implementation Date: June 1, 2015*

*Responsible Person: Dr. Wallace Wasson*

*General Controls*

*The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.*

*Implementation Date: May 1, 2015*

*Responsible Persons: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery*

**University of Texas at Austin**

Reference No. 2014-153

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 93.264, Federal Nurse Faculty Loan Program, E01HP24620 and CFDA 84.038, Federal Perkins Loan Program, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Nurse Faculty Loan Program

Students who receive a Nurse Faculty Loan Program (NFLP) loan must be enrolled full-time or part-time in an eligible advanced education nursing degree program (master’s or doctoral) that offers an education component to prepare qualified nurse faculty. The total amount of NFLP loans made to a student should cover the full or partial tuition and fees for the academic year, not to exceed \$35,500 during fiscal year 2014. Full support includes the cost of tuition, fees, books, laboratory expenses and other reasonable education expenses. NFLP loans do not include stipend support (for example, living expenses, student transportation cost, room/board, and personal expenses) (Title 42, United States Code (USC), Section 297n-1(b)(4) and 297n-1(c)(4) and Health Resources and Services Administration (HRSA), Announcement HRSA-14-072). A student is ineligible to receive a NFLP loan if a judgment lien has been entered against the student based on the default on a federal debt (Title 28, USC, Section 3201(e)). An eligible student must be a citizen of the United States, a non-citizen national, or a foreign national having in his or her possession a visa permitting permanent residence in the United States (HRSA Announcement HRSA-14-072).

Questioned Cost:	\$1,673
U.S. Department of Education U.S. Department of Health and Human Services	

**For 2 (67 percent) of 3 students who received NFLP loans tested, the University of Texas at Austin (University) awarded loans to students who were not eligible.** Specifically:

- For one student, the University did not obtain documentation that the student was a U.S. citizen or eligible non-citizen prior to disbursing the NFLP loan. That error resulted in the student receiving assistance for which the student was not eligible in the amount of \$8,000 in Federal Nurse Faculty Loan Program loans. After auditors brought that error to the University’s attention, it canceled the loans for that student; therefore, there were no questioned costs.
- For one student, the University did not obtain documentation that the student was not in default on federal loans prior to disbursing the NFLP loan. After auditors brought that to its attention, the University provided documentation from the National Student Loan Data System (NSLDS) showing that the student was not in default on federal loans. Therefore, there were no questioned costs.

**In addition, for 2 (67 percent) of 3 students who received NFLP loans tested, the University disbursed loans to those students in amounts that exceeded their qualified educational expenses.** For one student, that resulted in an overaward of \$2,297 in NFLP loans. The University canceled the loans for that student; therefore, there were no questioned costs associated with that overaward. For one student, that resulted in an overaward of \$1,673 associated with CFDA 93.264, Federal Nurse Faculty Loan Program, award number E01HP24620.

The School of Nursing at the University receives self-reported information from students to determine their eligibility. It does not verify that information. While the Office of Student Financial Services makes eligibility determinations for students applying for other types of federal aid, it is not involved in the eligibility determination for NFLP loans. The University awarded 9 NFLP loans to students for the 2013-2014 award year totaling \$82,000.

Federal Perkins Loans

Annual loan maximums for the Federal Perkins Loan program are \$5,500 for a student who has not successfully completed a program of undergraduate education and \$8,000 for a graduate or professional student (Title 34, Code of Federal Regulations (CFR), section 674.12).

**Based on a review of all federal student financial assistance recipients, the University awarded four undergraduate students Perkins loans in excess of the annual limit.** The amounts by which those awards exceeded the annual limit ranged from \$300 to \$2,319, and those four students were overawarded a total of \$4,369 in Perkins loans. Those errors occurred because of manual input errors the University made. After auditors brought those errors to the University's attention, it corrected the overawards; therefore, there were no questioned costs.

Recommendations:

The University should:

- Establish and implement a process to ensure that students who receive NFLP loans are eligible for those loans.
- Verify that the amounts of NFLP loans it awards do not exceed students' qualified educational expenses for the year.
- Award Perkins loans in amounts that are within the annual limits.

Management Response and Corrective Action Plan:

Nurse Faculty Loan Program (NFLP)

*The University concurs with the finding.*

*The School of Nursing (Nursing) offers NFLP loans to students providing full or partial tuition or fees for the academic year, not to exceed \$35,500. Full support includes tuition, fees, books, laboratory expenses, and other reasonable education expenses. Travel, mileage, and other living expenses are unallowable per NFLP. Nursing defines reasonable educational expenses necessary for completion of the degree program, such as, electronic devices or equipment, doctoral dissertation expenses, or fees for course-related seminars and conferences. Students receiving additional funds are required to substantiate the expenses.*

*The student awarded \$1,673 above full support provided a list of expenditures deemed reasonable by Nursing. Nursing will require students awarded additional funds to provide receipts to reconcile against the list of expenditures proposed above full support. In addition, the Office of Student Financial Services (OSFS) will collaborate with Nursing in providing cost of attendance information each semester and verify NFLP loans awarded to students do not exceed full support.*

*OSFS has implemented a process to verify NFLP recipients' citizenship status and confirm the recipient is not in default on a Federal loan prior to disbursing the NFLP award. Nursing will require the Free Application for Federal Student Aid (FAFSA) to confirm citizenship status, loan status and social security verification for all NFLP applicants.*

*Implementation Dates: August 2015, Qualified Expenditures  
September 2014, Eligibility*

*Responsible Persons: Margaret Hill, Qualified Expenditures  
Gloria De Leon and Margaret Hill, Eligibility*

Perkins Loan Program

*The University concurs with the finding.*

*OSFS reviewed the files with incorrect Perkins Loan amounts and discovered the errors were made by a counselor rather than the automated financial aid processing system. OSFS Information Technology (IT) staff has already created a computer-generated program that reports the amount of Perkins Loan funds that have been awarded to students for each semester. A counselor reviewed the report in October for the Fall 2014 semester and did not find*

any students that were awarded over the maximum annual Perkins Loan limits. This report will be generated and reviewed each semester.

Implementation Date: October 2014

Responsible Person: Gloria De Leon

Reference No. 2014-154

**Special Tests and Provisions – Student Loan Repayments**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award number – CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations (CFR), Section 674.42(c)).

Questioned Cost:	\$0
U.S. Department of Education	

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, CFR, Section 674.43(b) and (c)). If the borrower does not respond to the final demand letter within 30 days, the institution shall attempt to contact the borrower by telephone before beginning collection procedures (Title 34, CFR, Section 674.43(f)).

If the borrower does not satisfactorily respond to the final demand letter or following telephone contact, the institution is required to report the account as being in default to a national credit bureau and either use its own personnel to collect the amount due or engage a collection firm to collect the account (Title 34, CFR, Section 674.45(a)).

**The University of Texas at Austin (University) did not perform all required contact and collection procedures for defaulted loans in a timely manner.** Specifically, for 13 (36 percent) of 36 students with defaulted loans tested to whom the University sent third overdue billing notices, the University did not make contact within 240 days from the beginning of the grace period. The University made the third contact for each of those students 241 days after the beginning of the grace period. That occurred because the University’s loan management system is programmed to send notices out on the fourth Tuesday of every month. For those 13 students, that resulted in the notices being sent more than 240 days after the beginning of the grace period.

Not sending the required communications within the required time frames increases the risk that students will be unaware that their defaulted Perkins Loans will be referred for collection and students may not have appropriate time to resolve balance deficiencies and prevent their loans from being transferred to a collection agency.

Recommendation:

The University should strengthen controls in its loan management system to help ensure that it sends all required notices within the required time frames.

Management Response and Corrective Action Plan:

The University concurs with the finding.

Of the 36 students with defaulted loans tested, 13 students received their third contact notice in 241 days versus 240 days due to an error in timing. The computer program generating grace letters is programmed to run on the 4th Tuesday of every month in the early morning for same day delivery and mailing. Normally this is well within the 240 days from the grace period begin date but for these students the job was automatically submitted on the 241st day.

Student Accounts Receivable (SAR) will identify the specific dates on the calendar and request programmers manually change the submission date in order to have the third grace letters generate in 240 days or less. SAR will verify dates six months in advance and correspond with programmers using email and provide reminders during bi-weekly meetings.

Implementation Date: December 2014

Responsible Person: Karen Derouen

Reference No. 2014-155

**Equipment and Real Property Management**

(Prior Audit Issues 2013-176, 13-161, and 12-170)

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A recipient’s equipment records for equipment acquired with federal funds and federally-owned equipment shall be maintained accurately and include all of the following: a description of the equipment; manufacturer’s serial number, model number, federal stock number, national stock number, or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment; unit acquisition cost; and ultimate disposition data for the equipment.

Questioned Cost:	\$0
U.S. Department of Defense	
U.S. Department of Energy	
U.S. Department of Health and Human Services	

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment (Title 2, Code of Federal Regulations, Section 215.34 (f)).

The University of Texas at Austin’s (University) *Handbook of Business Procedures* requires that an inventory tag with a bar code be affixed to new equipment items that are capitalized (items with a unit cost of \$5,000 or more) or controlled (certain items with a unit cost of \$500 to \$4,999.99).

**The University did not always maintain adequate property records for its equipment items.** For 3 (5 percent) of 64 equipment items tested, the University’s property records were inaccurate. For each of those three items, the information for one or more of the following was inaccurate: the item location, information on the transfer of an item to another institution, inventory tag numbers, serial numbers, or a condition code.

Those errors occurred as a result of weaknesses in the University’s record keeping process. Not properly maintaining property records increases the risk that assets may be lost or stolen.

The issues above affected the following awards:

CFDA No.	CFDA Title	Award Number	Award Year
12.000	Department of Defense	DAAA21-86-C-0215	July 21, 1986 to March 30, 1995
81.000	Department of Energy	111610917	October 1, 2006 to September 30, 2010
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	5 R01 EB008821- 01,02,03,04	June 1, 2008 to March 31, 2013

Recommendation:

The University should strengthen controls to help ensure that it maintains accurate and complete property records.

Management Response and Corrective Action Plan:

*The University concurs with the finding.*

*Management at The University of Texas at Austin is committed to ensuring the overall financial integrity relative to inventory oversight. Steps taken to demonstrate this commitment include reorganizing Inventory Services and hiring staff to implement process improvements ensuring compliance and data integrity over property management. Inventory Services will continue to reach out to University Business Officers and Department Inventory Leads for their support in improving inventory controls. This commitment is demonstrated through on-going efforts such as departmental spot reviews, on-going training, and year-round communication. This finding will be shared with the appropriate institutional personnel to emphasize the importance of compliance. Inventory Services will continuously seek to identify and implement process improvements to ensure controls over property management.*

*Implementation Date: August 2015*

*Responsible Person: Jose Rios*

**University of Texas Health Science Center at Houston**

Reference No. 2014-156

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

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Direct Costs (Non-payroll)

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in sponsored agreements as to types or amounts of cost items (Title 2, Code of Federal Regulations, Section 220, Appendix A, (C)(2)).

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

**Three (4 percent) of 73 direct cost transactions tested at the University of Texas Health Science Center at Houston (Health Science Center) were unallowable.** The Health Science Center charged unallowable meals and alcohol to federal awards. Specifically:

- A project-related travel reimbursement included a \$12 charge for alcohol. That error occurred because the Health Science Center’s reviews of expenses prior to payment did not identify the alcohol item on the receipt.
- A project-related meal reimbursement included a \$60 expense for the principal investigator’s spouse to attend a dinner. That error occurred because the Health Science Center overrode its policy of rejecting reimbursement requests for expenses related to the attendance of spouses at official functions.
- An invoice for consumable office supplies included \$12 in food items. That error occurred because the purchaser overlooked the fact that that the purchase was made with project funds.

The Health Science Center corrected those errors after auditors brought them to its attention; therefore, there were no questioned costs.

In addition, 1 (1 percent) of the 73 direct cost transactions tested at the Health Science Center was for a cost that was not allocated in accordance with the Health Science Center’s practices. Specifically, the Health Science Center allocated federal funds to pay a monthly fee of \$31 (for a total of \$284) for a phone line that was unrelated to project objectives. That phone line was billed in error on the same project account as an allowable, project-related phone line. The Health Science Center corrected that error after auditors brought it to the Health Science Center’s attention; therefore, there were no questioned costs.

The following awards were affected by the issues discussed above.

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	3U48DP001949-05S1	September 30, 2009 to March 29, 2015
93.350	National Center for Advancing Translational Sciences	5KL2TR000370-08	June 27, 2012 to May 31, 2017
93.838	Lung Diseases Research	5P01HL114457-02	June 1, 2013 to May 31, 2018
93.994	Maternal and Child Health Services Block Grant to the States	2014-044533-001	September 1, 2013 to August 31, 2014

Recommendations:

The Health Science Center should:

- Charge only allowable costs to federal awards.
- Strengthen its review process to help ensure that it identifies unallowable costs so that it does not charge those costs to federal awards.
- Accumulate, allocate, and report costs charged to federal awards in accordance with its practices.

Management Response and Corrective Action Plan:

*Consistent with the audit recommendation the identified costs have been removed and documentation has been provided to the auditors. Allowable Costs training has been provided to central administration staff and school/departmental personnel to ensure that only appropriate costs are charged to federal awards.*

Implementation Date: January 28, 2015

Responsible Person: Jodi Ogden

Reference No. 2014-157

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

When a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71).

Questioned Cost:	\$331,311
U.S. Department of Agriculture	
U.S. Department of Defense	
U.S. Department of Education	
U.S. Department of Health and Human Services	
U.S. Department of Veteran Affairs	

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300).

**The University of Texas Health Science Center at Houston (Health Science Center) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period.**

Specifically:

- For 14 (23 percent) of 60 transactions tested that were recorded after the end of the award period of availability, the Health Science Center did not incur the cost within the funding period and did not liquidate the obligation within 90 days after the end of the funding period. The 14 transactions tested were recorded between 92 and 396 days after the end date of the federal awards and resulted in a total of \$4,093 in questioned costs. Thirteen of those transactions were charges made from funds in excess of expenditures from expired federal awards.
- For 49 (96 percent) of 51 additional federal grant awards tested that expired prior to fiscal year 2014 but had expenditures recorded in fiscal year 2014, the Health Science Center did not liquidate the obligation within 90

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days after the end of the funding period. The transactions associated with the awards tested were recorded between 107 and 6,593 days (18 years) after the end date of the federal awards and resulted in \$327,220 in questioned costs.

- For the two transfer transactions tested that were recorded after the end of the award period of availability, the Health Science Center incurred the original expenditures within the award period but did not process the transfers within 90 days after the end of the funding period. While the Health Science Center reviewed and approved the transfers, that was not effective to ensure that the transfers occurred within 90 days after the end of the funding period.

The Health Science Center does not have a process to close out expired federal grants that have residual funds. The Health Science Center maintains the funds under the original project and federal funding codes after the award has ended, and its subsequent expenditures are not always related to the original project objectives. The Health Science Center has controls within its automated system to prevent transactions outside of the period of availability. However, the Health Science Center bypasses the controls in its financial system to allow transactions outside of the period of availability.

Control weaknesses increase the risk of non-compliance with period of availability requirements in applicable laws, regulations, and the provisions of federal grant agreements.

The following awards were affected by the issues described above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	5888NE1	September 1, 1998 to September 30, 1998	\$ 77
12.420	Military Medical Research and Development	W81XWH-10-1-1060	September 27, 2010 to December 26, 2012	20
12.420	Military Medical Research and Development	W81XWH-11-1-0304	January 1, 2011 to April 30, 2012	0
64.009	Veterans Medical Care Benefits	V671P-3846	December 1, 2001 to September 30, 2003	15,762
64.018	Sharing Specialized Medical Resources	580-D-35329	January 1, 2002 to December 31, 2004	4
64.018	Sharing Specialized Medical Resources	DVA-671/151	January 12, 2000 to September 31, 2000	58
84.305	Education Research, Development and Dissemination	ED-01-CO-0039 0005	December 1, 2003 to November 30, 2004	1,677
84.359	Early Reading First Program	EDO1CO00550006	August 15, 2002 to April 30, 2003	2,210
93.000	Department of Health and Human Services	CRB-SSS-S-12-002254	January 20, 2012 to March 31, 2013	5,156
93.000	Department of Health and Human Services	HHSN261201200210P	June 14, 2012 to December 31, 2012	1,506

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.000	Department of Health and Human Services	MDC-03-03	December 1, 2007 to October 21, 2009	723
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	U52/CCU600497	January 1, 2005 to December 31, 2005	6,075
93.226	Research on Healthcare Costs, Quality and Outcomes	5R01HS013099-02	September 30, 2004 to September 29, 2006	1,383
93.262	Occupational Safety and Health Program	264585	September 30, 2002 to September 30, 2003	22,795
93.278	Drug Abuse National Research Service Awards for Research Training	R01DA1075	February 2, 2002 to December 2, 2003	0
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	2011-037904-001	March 15, 2011 to August 31, 2011	2,160
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	2012-039523-001	September 1, 2011 to August 31, 2012	75
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	H056-03/03	December 1, 1997 to September 30, 1999	146
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	REG 65-10	July 1, 2010 to June 30, 2011	4,099
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	2013-043379-002	January 14, 2013 to June 29, 2013	118

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	2013-043379-001	January 14, 2013 to June 29, 2013	91
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	2013-043379-000	January 14, 2013 to June 29, 2013	669
93.350	National Center for Advancing Translational Sciences	5UL1TR000371-07	February 1, 2012 to May 31, 2013	0
93.350	National Center for Advancing Translational Sciences	5UL1TR000371-08	January 1, 2012 to May 31, 2013	6,450
93.389	National Center for Research Resources	UL1RR024148	July 1, 2007 to June 30, 2011	24,429
93.531	PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	4500160060-1	April 1, 2012 to September 30, 2012	7,892
93.837	Cardiovascular Diseases Research	5U01HL087318-04	January 1, 2009 to December 31, 2010	7,309
93.837	Cardiovascular Diseases Research	N02-HL-3-4208	September 1, 2003 to February 28, 2005	4,442
93.837	Cardiovascular Diseases Research	U01HL38844	August 15, 1997 to July 31, 2002	22,215
93.837	Cardiovascular Diseases Research	R01HL095132	June 1, 2009 to June 30, 2013	3
93.837	Cardiovascular Diseases Research	5R01HL088128-05	March 7, 2008 to February 28, 2014	46
93.838	Lung Diseases Research	R01HL089901-03	December 1, 2007 to July 31, 2013	1,821

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	N01-AI-05419	January 1, 2008 to September 21, 2012	51
93.849	Kidney Diseases, Urology and Hematology Research	5U01DK066174-05	August 1, 2004 to July 31, 2008	8,968
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	1U01NS045719	August 1, 2004 to November 30, 2012	56,435
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS037666-07	January 17, 2005 to March 31, 2009	29,215
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5U01NS032228-12	January 1, 2008 to September 30, 2012	247
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5U01NS052220-02	February 1, 2006 to November 30, 2010	8,215
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	P50NS044378-06	July 22, 2008 to April 30, 2013	0
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	R1NS39160	September 30, 2000 to March 31, 2004	9,525
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS040406	June 1, 2007 to May 31, 2013	33,464
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS053998	May 1, 2009 to April 30, 2012	0

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	1U0NS062778-01	September 1, 2010 to June 30, 2013	1,235
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5U01NS056975-02	August 1, 2007 to May 31, 2014	25
93.855	Allergy, Immunology and Transplantation Research	1U01AI067693-02	September 1, 2008 to August 31, 2011	446
93.855	Allergy, Immunology and Transplantation Research	ACTG PROTOCOL A5280/SITE 31473	June 1, 2011 to May 31, 2012	363
93.855	Allergy, Immunology and Transplantation Research	PROTOCOL A5257	February 1, 2009 to November 30, 2011	25
93.855	Allergy, Immunology and Transplantation Research	ACTG A5260S	January 1, 2010 to July 31, 2013	84
93.855	Allergy, Immunology and Transplantation Research	5R21AI088329-02	January 1, 2011 to December 31, 2013	0
93.865	Child Health and Human Development Extramural Research	5R01HD043943-04	February 1, 2004 to January 31, 2008	1,364
93.865	Child Health and Human Development Extramural Research	HHSN267200603425C	June 1, 2007 to September 30, 2008	4,031
93.865	Child Health and Human Development Extramural Research	U01HD050078/SUBAWA RD 11-035	February 1, 2009 to January 31, 2013	3,459
93.867	Vision Research	U10EY09867-05	July 1, 2001 to June 30, 2002	128

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	7447447444-2001-17	June 1, 2001 to December 31, 2001	1,863
93.924	Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	RWDENTAIDS/95	August 1, 1995 to August 1, 1997	590
93.940	HIV Prevention Activities -Health Department Based	P015148	March 1, 1995 to February 28, 2001	23
93.940	HIV Prevention Activities -Health Department Based	U62/CCU606238	January 1, 2003 to December 31, 2011	32,144
Total Questioned Cost				\$331,311

**Recommendations:**

The Health Science Center should:

- Develop and implement an award close-out process that will help ensure that it complies with all period of availability requirements for federal awards with residual funds.
- Strengthen its process to help ensure that adjustments and transfers it makes after the period of availability are within the 90-day period after the expiration of an award.

**Management Response and Corrective Action Plan:**

*Of the costs listed, 89% involve projects whereby funds vest with the University. The other 11% are comprised of two subaccounts for an ongoing project that ends in 2017, two interest earnings which occur in arrears and thus impacted FY14 accordingly, and three projects were subsequently closed out pending receipt of necessary documentation from the departments.*

*The University concurs with the recommendation to improve its award close out process. The close out process is in development and will comply with all period of availability requirements for federal awards with residual funds. As part of this process, adjustments and transfers will occur with the 90-day period after the expiration of the award.*

*Implementation Date: April 1, 2015 with estimated completion date of August 31, 2015*

*Responsible Person: Jodi Ogden*

Reference No. 2014-158

**Subrecipient Monitoring  
Special Tests and Provisions – R3 – Subrecipient Monitoring**

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Preaward Requirements

Beginning October 1, 2010, an agency may not make an award to an entity until it has obtained a valid Data Universal Numbering System (DUNS) number for that entity (Title 2, Code of Federal Regulations (CFR), Sections 25.105 and 25.205).

Questioned Cost:	\$0
U.S. Department of Health and Human Services	
U.S. Department of Defense	

**For 2 (5 percent) of 41 non-American Recovery and Reinvestment Act subawards tested that were awarded after October 1, 2010, the University of Texas Health Science Center at Houston (Health Science Center) did not obtain a DUNS number prior to making the subaward.** The Health Science Center documents DUNS numbers in an attachment to the subaward. However, the Health Science Center did not consistently use that attachment.

Not obtaining a DUNS number prior to making a subaward could lead to improper reporting of federal funding on the Health Science Center’s Federal Funding Accountability and Transparency Act reports.

Award Identification Requirements

At the time of a subaward, the pass-through entity must identify to the subrecipient the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, whether the award is research and development, the name of the federal awarding agency, and applicable compliance requirements (U.S. Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)).

**For 3 (7 percent) of 42 subawards tested, the Health Science Center did not always include federal award identification requirements or applicable compliance requirements in subaward agreements.** Specifically, the Health Science Center did not always include the CFDA number, ensure that the CFDA number was correct, include the prime award number, or include any special terms and conditions. The Health Science Center created subawards using the Federal Demonstration Partnership template. However, it did not consistently or accurately complete all fields in that template.

Inadequate identification of federal awards to subrecipients could lead to improper reporting of federal funding on a subrecipient’s schedule of expenditures of federal awards. Inadequate identification of special terms and conditions increases the risk that the Health Science Center would not detect a subrecipient’s noncompliance with federal requirements.

Subrecipient Audits

The Health Science Center must ensure a subrecipient that expends \$500,000 or more in federal awards during the subrecipient’s fiscal year obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Health Science Center within nine months of the end of the subrecipient’s audit period (OMB Circular A-133, Sections 320 and 400). In addition, the Health Science Center must issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report and follow up to ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to obtain the required audits, the Health Science Center must take appropriate action using sanctions (OMB Circular A-133, Section 400).

**For 9 (21 percent) of 42 subawards tested, the Health Science Center did not obtain the required subrecipient Single Audit report.** The Health Science Center’s process was to send confirmation letters to its subrecipients regarding whether they had obtained the required audit and whether there were any material findings. However, the Health Science Center did not consistently send that letter to its subrecipients.

When the Health Science Center does not ensure that required audits are performed, that increases the risk that deficiencies could go unaddressed.

Special Tests and Provisions – R3 – Subrecipient Monitoring

The American Recovery and Reinvestment Act (Recovery Act) of 2009 required recipients to (1) agree to maintain records that identify adequately the source and application of Recovery Act awards; (2) separately identify to each subrecipient, and document at the time of subaward and at the disbursement of funds, the federal award number, CFDA number, and the amount of Recovery Act funds; and (3) require their subrecipients to include on their schedules of expenditures of federal awards information to specifically identify Recovery Act funding (Title 2, CFR, Section 176.210).

**For 2 (50 percent) of 4 Recovery Act subawards tested, the Health Science Center did not separately identify to each subrecipient, and document at the time of the subaward, the requirement for their subrecipients to include on their schedules of expenditures of federal awards information to specifically identify Recovery Act funding.** The Health Science Center included that information in the subaward agreement using a specific Recovery Act attachment with the requirements. However, it did not consistently include that attachment with its Recovery Act subaward agreements.

Not informing subrecipients of the requirement to include on their schedules of expenditures of federal awards information to specifically identify Recovery Act funding could lead to improper reporting in the schedule of expenditures of federal awards.

**In addition, for 2 (50 percent) of 4 Recovery Act subawards tested, the Health Science Center did not identify Recovery Act information when it disbursed Recovery Act funds to those subrecipients.** The Health Science Center’s process was to include that information in a letter that it provided to the subrecipient at the time of disbursement. However, the Health Science Center did not consistently send that letter at the time of disbursement.

Inadequate identification of Recovery Act information at the time of disbursement could result in subrecipients incorrectly reporting Recovery Act funds in their schedules of expenditures of federal awards.

The following awards were affected by the issues discussed above.

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>
12.420	Military Medical Research and Development	W81XWH-13-1-0489	September 30, 2013 to September 29, 2016
93.279	Drug Abuse and Addiction Research Programs	1R01DA035157-02	September 1, 2012 to July 31, 2013
93.307	Minority Health and Health Disparities Research	5U24MD006941-04	September 20, 2011 to June 30, 2012
93.324	State Health Insurance Assistance Program	R324A120363	September 1, 2012 to August 31, 2013
93.701	Trans-NIH Recovery Act Research	U01NS062835	September 30, 2009 to August 31, 2010

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.728	ARRA - Strategic Health IT Advanced Research Projects	90TR0004-01	April 10, 2010 to March 31, 2014
93.837	Cardiovascular Diseases Research	5UM1HL087318-08	March 15, 2012 to February 28, 2013
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS078745-03	June 1, 2013 to May 31, 2014
93.859	Biomedical Research and Research Training	5R01GM104411-02	April 1, 2013 to January 31, 2014
93.865	Child Health and Human Development Extramural Research	5R01HD067694-04	April 1, 2011 to March 31, 2012

**Recommendations:**

The Health Science Center should:

- Strengthen its processes to ensure that it consistently obtains a DUNS number prior to making a subaward.
- Provide all award requirements, including any special terms and conditions of the prime award, at the time of each subaward.
- Strengthen its controls to ensure that it obtains required audits from subrecipients.
- Strengthen its process to ensure that it identifies at the time of the subaward and at the time of disbursement all required Recovery Act information.

**Management Response and Corrective Action Plan:**

*Based upon preliminary audit results, Sponsored Project Administration has analyzed its clerical processes, identified its deficiency, and subsequently enhanced its training and implemented a more thorough review process to prevent the errors identified from reoccurring.*

*Implementation Date: January 15, 2015*

*Responsible Person: Jodi Ogden*

**University of Texas M.D. Anderson Cancer Center**

Reference No. 2014-159

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

**Cash Management**

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding –Significant Deficiency and Non-Compliance**

Payroll Expenditures

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, activity reports must be prepared each academic term, but no less frequently than every six months (Title 2, Code of Federal Regulations, Section 220, Appendix A (J)(10)).

Questioned Cost: \$8,393  
U.S. Department of Health and Human Services

Every year since 1990, the U.S. Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under a National Institutes of Health (NIH) grant. The amount of direct salary to Executive Level II of the federal executive pay scale was restricted to \$179,700 from December 23, 2011, through January 11, 2014. The Executive Level II salary restriction increased from \$179,700 to \$181,500 effective January 12, 2014 (NIH Notice Number NOT-OD-14-052).

**The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not always limit the direct salary that employees received under NIH grants.** The Cancer Center’s effort certification system is designed to identify employees whose salaries exceed the NIH limit. However, when the limit increased in January 2014, the Cancer Center incorrectly established the limit as \$185,800 in its effort certification system. As a result of that error, the Cancer Center overcharged NIH awards \$2,144 for salary expenses for 6 employees.

The following awards were affected by the issue discussed above:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>	<u>Questioned Cost</u>
93.000	Department of Health and Human Services	N01 CM-2011-00039 01	June 12, 2013 to March 31, 2014	\$ 4
93.279	Drug Abuse and Addiction Research Programs	5 R25 DA026120 05	August 1, 2010 to March 31, 2015	150
93.393	Cancer Cause and Prevention Research	1 R01 CA169122 01	September 17, 2013 to May 31, 2014	161
93.393	Cancer Cause and Prevention Research	5 R01 CA154823 03	April 1, 2011 to March 31, 2013	147

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<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>	<u>Questioned Cost</u>
93.395	Cancer Treatment Research	5 R21 CA153017 02	March 2, 2011 to February 28, 2013	24
93.397	Cancer Centers Support Grants	5 U54 CA153505 04	September 1, 2010 to August 31, 2015	110
93.397	Cancer Centers Support Grants	5 P30 CA016672 39	July 1 2013, to June 30, 2018	272
93.398	Cancer Research Manpower	2 R25 CA056452 21 A1	July 3, 2013 to June 30, 2018	445
93.398	Cancer Research Manpower	2 R25 CA057730 22	July 23, 2012 to July 22, 2013	441
93.398	Cancer Research Manpower	5 K08 CA151651 05	September 1, 2010 to August 31, 2015	291
93.398	Cancer Research Manpower	5 K12 CA088084 14	September 13, 2000 to August 31, 2015	99
Total Questioned Cost				<u>\$2,144</u>

**The Cancer Center also did not always adjust salaries charged to federal awards as a result of after-the-fact confirmation of effort.** One employee whose salary exceeded the NIH salary limit had payroll expenses that exceeded the certified effort percentage. That resulted in an overcharge of \$6,249 associated with the following award:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>	<u>Questioned Cost</u>
93.398	Cancer Research Manpower	5 K12 CA088084 14	September 13, 2010 to August 31, 2015	\$6,249

Other Compliance Requirements

Although the general control weaknesses described below apply to cash management and period of availability of federal funds, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

**The Cancer Center did not consistently maintain high-profile user accounts at the server level.** Specifically, nine individuals had inappropriate access to the PeopleSoft Financials and Human Resources systems’ servers. After auditors brought that issue to its attention, the Cancer Center removed the inappropriate access for those nine individuals. The Cancer Center asserted that it had a periodic user access review process to identify and remove inappropriate system access and to help ensure that segregation of duties issues do not exist for users who have access to multiple system profiles or transactions. However, that process was not documented, and it was not sufficient to prevent the errors discussed above.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Recommendations:

The Cancer Center should:

- Establish correct NIH salary limits in its effort certification system.
- Adjust payroll charges to federal awards based on certified effort.
- Ensure that access to its information systems is limited and appropriate based on job responsibilities.
- Document its periodic reviews of access accounts and the results of those reviews.

Management Response and Corrective Action Plan:

*The Cancer Center developed and implemented a process to establish the correct NIH salary limits in our effort certification system, and to adjust payroll charges to certified effort.*

*Implementation Date: February 2015*

*Responsible Person: Claudia Delgado*

*The Cancer Center's PeopleSoft security team implemented a monthly recertification process of access provisioned in the Financials, Supply Chain and Grants modules.*

*Implementation Date: November 2014*

*Responsible Persons: Richard Tademey Jr. and Sharon Robertson*

Reference No. 2014-160

**Equipment and Real Property Management**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A recipient's property management standards for equipment acquired with federal funds and federally-owned equipment must include all of the following: a description of the equipment; manufacturer's serial number or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment, unit acquisition cost; and ultimate disposition data for the equipment. In addition, a physical inventory of equipment must be taken, and the results must be reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records must be investigated to determine the causes of the difference. The recipient must, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system also must be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment must be investigated and fully documented; if the equipment was owned by the federal government, the recipient must promptly notify the federal awarding agency (Title 2, Code of Federal Regulations, Section 215.34 (f)).

Questioned Cost:	\$0
U.S. Department of Health and Human Services U.S. Department of Defense	

The University of Texas M.D. Anderson Cancer Center's (Cancer Center) *Asset Control Manual* requires that all capital and controlled assets be tagged upon receipt or prior to being placed in service with a standard, prenumbered Cancer Center property identification tag. Tags must be placed in a highly visible location on each asset where the

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tags are easily accessible during the annual inventory, and unauthorized removal of the property identification tags is strictly prohibited.

**The Cancer Center did not always maintain adequate property records for its equipment or adequately safeguard its equipment.** Specifically, the Cancer Center was unable to locate 1 (2 percent) of 63 equipment items tested. That item was computer software. The Cancer Center inventoried that item in fiscal year 2014 and transferred it to another department; however, it could not locate that item during audit testing. As of the date of audit testing, the Cancer Center had not completed a missing property form for that item. The federal award through which the Cancer Center purchased that item was complete, and the Cancer Center had ownership of that item; therefore, there were no questioned costs.

For 7 (78 percent) of 9 fiscal year 2014 equipment purchases tested, the Cancer Center did not update its inventory management system with each item’s information. During fiscal year 2014, the Cancer Center’s process for updating its inventory management system depended on the assignment of a property identification tag to each item. Those seven errors occurred because the Cancer Center did not assign property identification tags in a timely manner, which caused a significant delay in updating its inventory management system.

Without properly maintaining property records, the Cancer Center cannot ensure that it adequately safeguards equipment, which increases the risk that assets may be unidentified, lost, or stolen.

The following awards were affected by the issues noted above:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>
12.420	Military Medical Research and Development	W81XWH-04-1-0142	December 15, 2003 to July 14, 2011
93.837	Cardiovascular Diseases Research	5 R01 HL077400 10	July 1, 2004 to June 30, 2015
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 R01NS078152-03	August 1, 2012 to May 31, 2017
93.887	Health Care and Other Facilities	1 C76 HF015481 01	September 1, 2009 to September 30, 2014
93.394	Cancer Detection and Diagnosis Research	5 U24 CA144025 03	September 29, 2009 to July 31, 2014
93.395	Cancer Treatment Research	5 U10 CA010953 45	March 18, 2011 to December 31, 2013
93.398	Cancer Research Manpower	5 K12 CA088084 14	September 13, 2000 to August 31, 2015
93.396	Cancer Biology Research	5 R01 CA138345 05	July 1, 2009 to April 30, 2014

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

**The Cancer Center did not consistently maintain high-profile user accounts at the server level.** Specifically, nine individuals had inappropriate access to the PeopleSoft Financials and Human Resources systems' servers. After auditors brought that issue to its attention, the Cancer Center removed the inappropriate access for those nine individuals. The Cancer Center asserted that it had a periodic user access review process to identify and remove inappropriate system access and to help ensure that segregation of duties issues do not exist for users who have access to multiple system profiles or transactions. However, that process was not documented, and it was not sufficient to prevent the errors discussed above.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Recommendations:

The Cancer Center should:

- Strengthen controls to ensure that it maintains complete and accurate property records for equipment.
- Strengthen controls to ensure that it adequately safeguards its equipment to prevent loss, damage, or theft of equipment.
- Ensure that access to its information systems is limited and appropriate based on job responsibilities.
- Document its periodic reviews of access accounts and the results of those reviews.

Management Response and Corrective Action Plan:

*We agree the seven assets selected were not in the asset registry. There were several contributing factors which will be addressed by the end of the fiscal year. The corrective action plan will include 1) re-education of buyers regarding the use of the "Do Not Receive" flag for asset purchases; 2) closer monitoring of PeopleSoft operational ticket requests to fix issues impacting the creation of assets; 3) removal of the PeopleSoft customization that requires certain data to be entered at the receipt level which if not entered, keeps receipts open not allowing the asset information to pass to the Asset Management (AM) subsystem's interface for asset creation; 4) review all asset related open receipts and fix any issues; and 5) utilize a process made available to the AM subsystem in January 2015 to quickly and accurately load assets into the registry.*

*Implementation Date: August 2015*

*Responsible Person: Bob Mahaney*

*The missing equipment item was accounted for during the Cancer Center's last annual inventory, July 2014. While the asset was not located during the audit testing, in accordance with our procedures the department, which owns the asset, has until July 2015 to complete the annual inventory and submit the appropriate documentation required to complete this process, including a missing property report for items not located during the inventory cycle.*

*Implementation Date: February 2015*

*Responsible Person: Rick Dillard*

*The Cancer Center's PeopleSoft security team implemented a monthly recertification process of access provisioned in the Financials, Supply Chain and Grants modules.*

*Implementation Date: November 2014*

*Responsible Persons: Richard Tademy Jr. and Sharon Robertson*

Reference No. 2014-161

**Reporting**

(Prior Audit Issues 2013-185 and 13-171)

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, Code of Federal Regulations (CFR), Sections 215.51 and 215.52). Recipients use the Federal Financial Report Standard Form (SF) 425, the Federal Cash Transactions Report SF-272, or other reporting forms as required by the applicable Federal awarding agency to report financial activity. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425 and SF-272, including definitions and requirements of key reporting elements.

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

**The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not ensure that its financial reports were supported by applicable accounting records and were fairly presented in accordance with program requirements.** Specifically, the Cancer Center did not prepare 3 (5 percent) of 60 financial reports tested in accordance with the applicable accounting method. For all three reports, the Cancer Center indicated on the SF-425 that it used the cash accounting basis; however, the Cancer Center included unobligated balances in the “Federal share of expenditures,” which is not in accordance with the cash accounting basis as defined in the SF-425 reporting instructions. In addition, the amounts the Cancer Center included on one of those three reports were not supported by its accounting records.

While the Cancer Center reviewed those financial reports prior to submission, that review was not sufficient to ensure that the reports (1) were completed in accordance with the applicable accounting method or (2) were fully supported. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor their awards.

Federal Funding and Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

**The Cancer Center did not ensure that it consistently submitted Transparency Act reports within the required time frames or with the correct subaward obligation date.** For 2 (40 percent) of 5 reports tested, the Cancer Center submitted the reports 28 and 234 days late. The Cancer Center implemented new Transparency Act reporting procedures during fiscal year 2014; those procedures included reporting all past awards that had not been submitted and a review and approval of submitted reports. The number of reports submitted in fiscal year 2014 and the coordination needed between multiple departments caused a delay in submitting some of the required reports.

In addition, the Cancer Center incorrectly reported the subaward obligation date for 1 (20 percent) of 5 reports tested. The Cancer Center detected that error during its review of the report; however, it did not update the information in the reporting system.

Not submitting required Transparency Act reports in a timely manner and with correct information decreases the reliability and availability of information provided to the awarding agency and other users of that information. The following awards were affected by the financial reporting issue discussed above:

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.397	Cancer Centers Support Grants	5 P50 CA093459 09	July 27, 2012 to July 26, 2013
93.397	Cancer Centers Support Grants	5 P50 CA091846 11	September 19, 2012 to August 31, 2017
93.399	Cancer Control	5 P50 CA083639 14	September 30, 1999 to August 31, 2015

The following awards were affected by the Transparency Act reporting issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.855	Allergy, Immunology and Transplantation Research	5 R01 AI093533 04	March 1, 2011 to February 29, 2016
93.394	Cancer Detection and Diagnosis Research	5 R01 CA157450 04	March 14, 2011 to February 29, 2016
93.395	Cancer Treatment Research	5 R21 CA177049 02	April 3, 2013 to March 31, 2015

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

**The Cancer Center did not consistently maintain high-profile user accounts at the server level.** Specifically, nine individuals had inappropriate access to the PeopleSoft Financials and Human Resources systems’ servers. After auditors brought that issue to its attention, the Cancer Center removed the inappropriate access for those nine individuals. The Cancer Center asserted that it had a periodic user access review process to identify and remove inappropriate system access and to help ensure that segregation of duties issues do not exist for users who have access to multiple system profiles or transactions. However, that process was not documented, and it was not sufficient to prevent the errors discussed above.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Recommendations:

The Cancer Center should:

- Strengthen controls to ensure that the federal financial reports that it submits are complete and accurate.
- Submit accurate and complete Transparency Act reports within required time frames.
- Ensure that access to its information systems is limited and appropriate based on job responsibilities.
- Document its periodic reviews of access accounts and the results of those reviews.

Management Response and Corrective Action Plan:

*The Cancer Center will continue to strengthen its controls to ensure that the federal financial reports and Transparency Act reports are complete, accurate and timely.*

Implementation Date: February 2015

Responsible Person: Claudia Delgado

The Cancer Center’s PeopleSoft security team implemented a monthly recertification process of access provisioned in the Financials, Supply Chain and Grants modules.

Implementation Date: November 2014

Responsible Persons: Richard Tademey Jr. and Sharon Robertson

Reference No. 2014-162

**Subrecipient Monitoring**

**Special Tests and Provisions – R3 – Subrecipient Monitoring**

(Prior Audit Issues 2013-186 and 13-172)

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – May 1, 2010 to February 28, 2015; January 1, 2011 to December 31, 2012; September 1, 2011 to August 31, 2013; July 1, 2012 to June 30, 2015; September 1, 2009 to September 30, 2014; and September 1, 2010 to August 31, 2013**

**Award numbers – CFDA 93.393, Cancer Cause and Prevention Research, 5 R01 CA149462 04; CFDA 93.855, Allergy, Immunology and Transplantation Research, 5 R03 AI092252 02; CFDA 93.395, Cancer Treatment Research, 5 R21 CA159270 01; CFDA 12.420, Military Medical Research and Development, W81XWH-12-1-0202 02; CFDA 93.887, Health Care and Other Facilities, 1 C76 HF015481 01; and CFDA 93.715, Recovery Act – Comparative Effectiveness Research - AHRQ, 1 R18 HS019354 01 A**

**Type of finding – Significant Deficiency and Non-Compliance**

Preaward Requirements

Beginning October 1, 2010, an agency may not make an award to an entity until it has obtained a valid Data Universal Numbering System (DUNS) number for that entity (Title 2, Code of Federal Regulations (CFR), Sections 25.105 and 25.205).

Questioned Cost:	\$0
U.S. Department of Health and Human Services	
U.S. Department of Defense	

**For 4 (21 percent) of 19 non-American Recovery and Reinvestment Act subawards tested that were awarded after October 1, 2010, the University of Texas M.D. Anderson Cancer Center (Cancer Center) did not obtain a DUNS number prior to making the subaward.** The Cancer Center uses a preaward process to document subrecipient information, including a subrecipient’s DUNS number. However, the Cancer Center did not consistently apply that process. In May 2014, the Cancer Center implemented a new preaward process to ensure that it obtains DUNS numbers for subrecipients prior to executing subawards. The four subawards for which the Cancer Center did not obtain DUNS numbers were awarded prior to the implementation of that new preaward process.

Not obtaining a DUNS number prior to making a subaward could lead to improper reporting of federal funding on the Cancer Center’s Federal Funding Accountability and Transparency Act reports.

During-the-award Monitoring

As a pass-through entity, the Cancer Center is required by U.S. Office of Management and Budget Circular A-133, Subpart D, Section 400(d), to monitor the activities of subrecipients to ensure that federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**For 3 (11 percent) of 28 subawards tested, the Cancer Center did not consistently monitor subrecipient activities during the subaward periods to provide reasonable assurance that the subrecipients administered the subawards in compliance with federal requirements.** Specifically, for those subawards, the Cancer Center reviewed and approved subrecipient invoices prior to payment; however, those invoices did not contain sufficient detail for the Cancer Center to determine whether the expenditures were for allowable activities and costs or whether the expenditures complied with other federal and award requirements. For example, one subrecipient invoice included an \$8,266 line item labeled “Supplies/Services”; however, the subaward budget included costs only for equipment, and there was no further information on the invoice regarding the type of expenses it covered. The Cancer Center implemented a new process in May 2014 to strengthen its review of subrecipient invoices; however, it reviewed and approved the activities of a subrecipient associated with one of the errors discussed above in July 2014, after it had implemented that new process.

Insufficient during-the-award monitoring increases the risk that the Cancer Center would not detect subrecipients’ noncompliance with federal requirements.

#### Special Tests and Provisions – R3 – Subrecipient Monitoring

The American Recovery and Reinvestment Act (Recovery Act) of 2009 required recipients to (1) agree to maintain records that identify adequately the source and application of Recovery Act awards; (2) separately identify to each subrecipient, and document at the time of subaward and at the disbursement of funds, the federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of Recovery Act funds; and (3) require their subrecipients to include on their schedules of expenditures of federal awards information to specifically identify Recovery Act funding (Title 2, CFR, Section 176.210).

**The Cancer Center did not send the required notifications at the time of disbursement of funds to its only subrecipient of Recovery Act funds to which it made disbursements during fiscal year 2014.** The Cancer Center disbursed funds to that subrecipient in September and November 2013, but it did not send the notification for both disbursements until January 2014.

Inadequate identification of Recovery Act information at the time of disbursement could lead to improper reporting of Recovery Act funds in subrecipients’ schedules of expenditures of federal awards.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

**The Cancer Center did not consistently maintain high-profile user accounts at the server level.** Specifically, nine individuals had inappropriate access to the PeopleSoft Financials and Human Resources systems’ servers. After auditors brought that issue to its attention, the Cancer Center removed the inappropriate access for those nine individuals. The Cancer Center asserted that it had a periodic user access review process to identify and remove inappropriate system access and to help ensure that segregation of duties issues do not exist for users who have access to multiple system profiles or transactions. However, that process was not documented, and it was not sufficient to prevent the errors discussed above.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

#### Recommendations:

The Cancer Center should:

- Strengthen its procedures to ensure that it consistently obtains a DUNS number prior to making a subaward.
- Consistently monitor subrecipients’ activities during subaward periods to ensure that subrecipients’ expenditures are allowable and comply with award requirements.

- Provide all required information to its subrecipients of Recovery Act funds at the time of each disbursement.
- Ensure that access to its information systems is limited and appropriate based on job responsibilities.
- Document its periodic reviews of access accounts and the results of those reviews.

Management Response and Corrective Action Plan:

*The Cancer Center will continue to strengthen its procedures implemented in May 2014 to ensure that a DUNS number is obtained prior to issuing an award to a subrecipient. The four subawards for which the DUNS number was not obtained were awarded prior to the implementation of the new procedures.*

*The Cancer Center will consistently monitor subrecipient activity during the period of performance to ensure that the expenditures are allowable and in compliance with the award requirements. A new procedure was implemented in May 2014.*

*The Cancer Center will provide all the required information to its subrecipients of Recovery Act funds at the time of each disbursement.*

*Implementation Date: February 2015*

*Responsible Person: Claudia Delgado*

*The Cancer Center's PeopleSoft security team implemented a monthly recertification process of access provisioned in the Financials, Supply Chain and Grants modules.*

*Implementation Date: November 2014*

*Responsible Persons: Richard Tademy Jr. and Sharon Robertson*

**University of Texas Medical Branch at Galveston**

Reference No. 2014-163

**Equipment and Real Property Management**  
(Prior Audit Issue 13-175)

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of Finding – Significant Deficiency and Non-Compliance**

Equipment

A recipient’s equipment records for equipment acquired with federal funds and federally owned equipment shall be maintained accurately and include all of the following: a description of the equipment; manufacturer’s serial number, model number, federal stock number, national stock number, or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment; unit acquisition cost; and ultimate disposition data for the equipment. In addition, a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment (Title 2, Code of Federal Regulations, Section 215.34 (f)).

Questioned Cost:	\$0
U.S. Department of Health and Human Services	

The University of Texas Medical Branch at Galveston’s (Medical Branch) *Asset Management Handbook* also requires that an inventory tag with a bar code be affixed to new equipment items that are capitalized (items with a unit cost of \$5,000 or more) or controlled (certain items with a unit cost between \$500 and \$5,000).

**The Medical Branch did not always maintain adequate property records for its equipment.** For 4 (6 percent) of 64 equipment items tested, the Medical Branch’s property records did not accurately reflect the serial number or asset tag number. Those errors occurred because of weaknesses in the Medical Branch’s record keeping processes and because the Medical Branch did not update asset information during the annual inventory process. Not properly maintaining property records and not tagging equipment increases the risk that assets may be lost or stolen.

Equipment Disposition

The Medical Branch’s *Asset Management Handbook* requires that an asset disposition form be completed when the Medical Branch disposes of an asset. The asset manager and a representative of the Office of Sponsored Programs are required to review and approve that form when an asset was acquired with federal funds.

**For 4 (36 percent) of 11 equipment disposals tested, the Medical Branch did not obtain the required approvals from a representative of the Office of Sponsored Programs.** The Medical Branch did not route the asset disposition forms to obtain the approval of the Office of Sponsored Programs prior to auctioning the items. Not obtaining the proper approvals increases the risk that assets acquired with federal funds could be disposed of improperly.

The following awards were affected by the issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.000	Department of Health and Human Services	N01-AI-40097/HHSN266	September 30, 2004 to September 30, 2010
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK3481718	April 1, 1999 to May 31, 2004

**UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON**

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 P01 NS011255-31	August 1, 2001 to March, 31, 2008
93.855	Allergy, Immunology and Transplantation Research	5UC7AI09466004	May 31, 2011 to April 30, 2016

Recommendations:

The Medical Branch should:

- Strengthen controls to help ensure that it maintains accurate and complete property records.
- Strengthen controls to help ensure that it obtains proper approvals prior to final disposition of assets.

Management Response and Corrective Action Plan:

Equipment:

Management agrees with the auditor's recommendation. Asset Management will reiterate to our Asset Custodians the importance of relaying to us any changes or updates to their inventoried assets in a timely manner.

Equipment Disposition:

Management agrees with the auditor's recommendation and has identified the following steps as necessary to mitigate this risk and ensure proper approval of federally funded equipment occurs prior to it being sent to Surplus:

- Asset Management will be working with logistics to ensure the data feed detailing what assets are purchased with federal funds is prepared and loaded into eSurplus in the appropriate manner to ensure asset funding source is correctly identified.
- Asset Management will request that Logistics add additional fields to the data export from eSurplus to ensure that OSP approval has occurred for applicable items. This will include: the fund code related to the asset, the field identifying whether the item has been marked as needing OSP approval, and the field noting that OSP has approved this item. This will allow Asset Management to identify at the beginning of the process any potential issues and ensure proper approvals occur.
- Asset Management will be doing a quarterly review of all disposed assets purchased with federal funds to ensure appropriate approvals have occurred.

Implementation Date: February 2015

Responsible Persons: Robert Benbrook and Craig Elmore

Reference No. 2014-164

**Reporting**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of Finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations (CFR), Chapter 170).

Questioned Cost:	\$0
U.S. Department of Health and Human Services	
U.S. Department of Defense	

**The University of Texas Medical Branch at Galveston (Medical Branch) did not submit reports within required time frames.** Specifically, for 6 (67 percent) of 9 Transparency Act reports tested, the Medical Branch did not submit the reports for its subawards or subaward modifications within the required time frame. It submitted three of those reports between three days and four months after the required date. The remaining three reports were subaward modifications that the Medical Branch did not report. Because the Medical Branch did not report those modifications, the key data elements it previously reported for those subawards were not accurate in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

The Medical Branch has a process for Transparency Act reporting that includes identifying subawards and reviewing and approving reports prior to submission, but that process was not working effectively. In addition, the Medical Branch does not have a process for identifying when it should report subaward modifications.

Not submitting required Transparency Act reports in a timely manner and with accurate information decreases the reliability and availability of information provided to the awarding agency and other users of that information.

The following awards were affected by the Transparency Act reporting issues noted above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.300	Basic and Applied Scientific Research	N00014-12-C-0556	August 27, 2012 to February 27, 2015
12.351	Basic Scientific Research – Combating Weapons of Mass Destruction	HDTRA1-11-1-0032	June 15, 2013 to June 14, 2014
93.226	Research on Healthcare Costs, Quality and Outcomes	5R24HS022134-02	May 1, 2013 to April 30, 2018
93.855	Allergy, Immunology and Transplantation Research	5R01AI093445-04	April 4, 2011 to March 31, 2016
93.855	Allergy, Immunology and Transplantation Research	5R21AI102267-02	July 1, 2012 to June 30, 2014
93.866	Aging Research	5R01AG018016-08	September 30, 1999 to March 31, 2016

**Recommendation:**

The Medical Branch should strengthen controls to help ensure that it accurately reports subawards and subaward modifications that are subject to Transparency Act reporting requirements in a timely manner.

Management Response and Corrective Action Plan:

Management agrees with the auditor’s recommendation and has taken the necessary steps to establish and implement procedures to ensure that all required reports are filed timely.

Implementation Date: January 2015

Responsible Person: Glenita Segura

Reference No. 2014-165

**Equipment and Real Property Management**

(Prior Audit Issue 2013-187)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award year – September 13, 2008**

**Award number – 1791DRTXP00000001**

**Type of Finding – Significant Deficiency**

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

Questioned Cost:	\$0
U.S. Department of Homeland Security – Federal Emergency Management Agency	

The University of Texas Medical Branch at Galveston (Medical Branch) requires an asset disposition form to be completed when an asset is disposed. In addition, the asset manager and a representative of the Office of Sponsored Programs are required to review that form when an asset is acquired with federal funds.

**The Medical Branch did not obtain the required approvals from a representative of the Office of Sponsored Programs for the asset disposition tested prior to the disposition of that asset.**

That error occurred as a result of a weakness in the University’s disposal process when auctioned assets were not routed to obtain proper approvals prior to final disposition. Not obtaining the required approvals increases the risk that assets acquired with federal funds could be disposed of improperly.

Recommendation:

The Medical Branch should strengthen controls to help ensure that it obtains required approvals prior to final disposition of assets.

Management Response and Corrective Action Plan:

UTMB will add additional data fields in eSurplus, the web application which tracks disposals through its surplus program. UTMB will monitor those fields to ensure proper approvals occur when assets are in the process of being disposed. UTMB will also perform a quarterly review of all disposed assets purchased with federal funds to ensure appropriate approvals have occurred.

Implementation Date: February 2015

Responsible Persons: Mike Linton and Kelly Dean

**University of Texas of the Permian Basin**

Reference No. 2014-166

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A1304178; CFDA 84.063, Federal Pell Grant Program, P063P133265; CFDA 84.268, Federal Direct Student Loans, P268K143265; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T143265; and CFDA 84.033, Federal Work-Study Program, P0033A134178**

**Type of finding – Significant Deficiency and Non-Compliance**

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

Questioned Cost:	\$0
U.S. Department of Education	

An institution's policy must describe how a student's grade point average (GPA) and pace of completion are affected by course incompletes, withdrawals, repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

**The University of Texas of the Permian Basin's (University) SAP policy does not meet all federal requirements.** Its policy includes transfer credits as completed hours, but not as attempted hours; therefore, the University incorrectly calculates the completion rate for students with transfer credits. As a result, for 40 (67 percent) of 60 students tested, the University did not accurately include transfer hours in the students' SAP calculations. However, those students still met the University's SAP requirements and were eligible to receive assistance.

Because the University's policy does not meet all federal requirements, the related automated controls in its financial aid system, POISE, do not accurately identify students not meeting SAP requirements. Excluding transfer hours from attempted hours in the SAP calculation increases the risk that the University's calculation may not identify students who do not comply with the pace of completion requirement. As a result, those students could receive financial assistance for which they are ineligible or eligible students could be denied financial assistance.

Pell Grants

In selecting students for federal Pell Grants, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

**Based on a review of the entire population of Title IV assistance recipients, the University disbursed Pell Grants to two students who were not eligible for that assistance.** Those students were undergraduate students in the Fall semester and admitted into graduate and post-baccalaureate programs for the Spring semester. The University awarded a total of \$2,017 in Pell grant assistance to those students in the Fall semester, which was disbursed in the Spring semester, and did not adjust the assistance based on the students' admission to the new programs. When auditors brought those errors to the University's attention, the University corrected the errors, adjusted the students' awards, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

### Federal Direct Subsidized Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

**Based on a review of the entire population of Title IV assistance recipients, the University disbursed Subsidized Direct Loans to one ineligible graduate student.** The student was an undergraduate student in the Fall semester and admitted into a graduate program for the Spring semester. The University awarded a total of \$2,722 in Direct Loan assistance to the student in the Spring semester and did not adjust the assistance based on the student's admission to the new program. When auditors brought the error to the University's attention, the University corrected the error, adjusted the student's award, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

### Federal Award Limits

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Department of Education has established annual, and in some cases aggregate, limits for awarded federal aid (Title 34, CFR, 685.203; Title 34, CFR, 690.62; Title 34, CFR, 676.20; and Title 34, CFR 686.21).

An institution can reduce a borrower's determination of need for a Direct Subsidized, Unsubsidized, or PLUS loan if the reason for the action is documented and provided to the borrower in writing, and if the determination is made on a case-by-case basis; the documentation supporting the determination is retained in the student's file; and the institution does not engage in any pattern or practice that results in a denial of a borrower's access to Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income (Title 34, CFR, 685.301(a)(8)).

**The University's financial aid system, POISE, does not have automated controls for aggregate assistance limits and is not adequately designed for some annual assistance limits to ensure that those limits are enforced.** Specifically, POISE does not have controls to ensure that annual award limits for Direct Loans and Teacher Education Assistance for College and Higher Education Grants (TEACH) are not exceeded. In addition, the University's automated controls over federal financial aid do not ensure that manually entered awards comply with federal assistance limits. When awards are manually entered, POISE does not apply automated packaging rules to those awards. Not having controls for aggregate and annual assistance limits increases the risk that students could be overawarded student financial assistance.

In addition, POISE restricts the amount of awarded unsubsidized loans to independent undergraduates through its automated packaging formulas, but the University does not provide notification of reductions to students in writing. Not notifying students that their unsubsidized loan amounts have been reduced increases the risk that students may not receive the full amount for which they are eligible.

### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have sufficient change management controls for the POISE student financial aid system.** Specifically, for all five POISE changes tested, the University did not maintain adequate documentation of its testing or migration into the production by an appropriate individual. In addition, for 2 (40 percent) of those 5 changes, the University did not maintain adequate documentation showing that the change was authorized prior to migrating that

change to the production environment. The University has a software change policy; however, it did not enforce that policy.

Having insufficient change management procedures increase the risk of unauthorized programming changes being made to critical information systems.

Recommendations:

The University should:

- Update its SAP policy and financial aid system to include transfer hours as both attempted and completed hours in its SAP calculations.
- Award Pell Grant and Federal Direct Subsidized Loan assistance only to eligible students.
- Ensure that its financial aid system enforces aggregate and annual award limits.
- Notify students when their loan limits have been reduced.
- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan:

Satisfactory Academic Progress

*In response to the Satisfactory Academic Progress Policy, the University of Texas of the Permian Basin acknowledges and agrees with the finding. Automated controls in POISE do not accurately identify students not meeting SAP requirements. The University is in the process of converting to PeopleSoft, once implemented automated controls will be set to accurately determine SAP.*

*The Financial Aid office is working to update and revise its existing SAP policies and procedures to ensure compliance with all federal requirements. Modifications will be made to the SAP process to include transfer hours in the overall SAP calculation for hours attempted and earned, as well as in the determination of the maximum timeframe until the conversion to PeopleSoft is completed.*

*Implementation Date: June 2015*

*Responsible Person: Jennifer Taveras*

Pell Grant and Federal Direct Subsidized Loans

*In response to the awarding of Pell Grant and Federal Direct Subsidized loans to ineligible students, the University of Texas of the Permian Basin acknowledges and agrees with the finding. The students in question changed classification in the spring of 2014 after graduation in the Fall of 2013. The awards are made on a yearly basis, and there is no process in POISE that updates the student financial aid files when a student graduates.*

*Upon finding the error, the Pell Grant and loans were cancelled and replaced with institutional funds. In order to stop this error from reoccurring we have initiated a process in which the Registrar's office will notify the Financial Aid office of students that have graduated at the end of each semester so awards can be changed prior to the beginning of the following semester, if a student re-enrolls. This will ensure that the awards, per semester, are correct.*

*Implementation Date: December 2014*

*Responsible Person: Jennifer Taveras*

Federal Awards Limits

*In response to the aggregate and annual loan and TEACH limits, the University of Texas of the Permian Basin acknowledges and agrees with the findings. Poise does not possess automated controls that monitor aggregate or annual award limits. Until the implementation of the PeopleSoft system the Financial Aid office will continue to monitor annual and aggregate limits manually with the assistance of COD and NSLDS. Once implemented automated controls will be set to accurately monitor both aggregate and annual award limits based on student classification.*

*In response to the reduced annual limits for students, the University of Texas of the Permian Basin acknowledges and agrees with the findings. Previous limits were set to reduce the amount of unsubsidized loans offered to students in an effort to uphold the universities “Graduate Debt Free” approach. To satisfy federal requirements for annual loan limits modifications have been made in POISE to ensure that students receive the full amount of unsubsidized loans for their grade level during automated packaging. All department personnel were made aware of this specific finding, and will manually award the full amount of loan eligibility with regard to COA if packaging students by hand. Notification of reductions to students will not be necessary since changes have already been made to award students the full amount of loan eligibility.*

Implementation Date: January 2015

Responsible Person: Jennifer Taveras

General Controls

*In response to general controls the University of the Permian Basin acknowledges and agrees with the findings. The Information Resources Division (IRD) will re-implement the existing policy with documentation being maintained regarding the authorization, testing, and approval of all changes being migrated to the production environment. New staff will be trained on the procedures associated with this policy.*

Implementation Date: February 2015

Responsible Person: Ken Bridges

Reference No. 2014-167

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A1304178; CFDA 84.063, Federal Pell Grant Program, P063P133265; CFDA 84.268, Federal Direct Student Loans, P268K143265; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T143265; and CFDA 84.033, Federal Work-Study Program, P033A134178**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of an applicant’s eligibility results in any change

Questioned Cost:	\$0
U.S. Department of Education	

to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

**For 3 (5 percent) of 57 students tested, the University of Texas of the Permian Basin (University) did not accurately verify all required items on the FAFSA.** For one student, the number of household members was not completed on the verification form. For two students, the verification form was not signed appropriately. Those errors occurred because of manual errors the University made during the verification process. Those errors did not result in any underawards or overawards of student financial assistance; therefore, there were no questioned costs.

Not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

#### Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information. Those policies must include: (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, CFR, Section 668.57; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).

An institution's procedures must provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

**The University's policies and procedures for its verification process did not include all of the required elements.**

Specifically, the University's verification policies and procedures do not include:

- Consequences for applicants failing to provide the appropriate documentation by the specified time period.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- Procedures for the types of information to be collected from students.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have sufficient change management controls for the POISE student financial aid system.** Specifically, for all five POISE changes tested, the University did not maintain adequate documentation of its testing

or migration into the production environment by an appropriate individual. In addition, for 2 (40 percent) of those 5 changes, the University did not maintain adequate documentation showing that the change was authorized prior to migrating that change to the production environment. The University has a software change policy; however, it did not enforce that policy.

Having insufficient change management procedures increases the risk of unauthorized programming changes being made to critical information systems.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for the students it selects for verification and correct students' ISIR when required.
- Include in its written verification policies and procedures all elements required by Title 34, CFR, Section 668.53.
- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan:

Verification of Applications

*In response to the verification of applications the University of Texas of the Permian Basin acknowledges and agrees with the findings. The need for consistency and accuracy is important, and errors in the verification due to oversights were the result of an increase in student population with no adjustment in staff size. Efforts will be made to establish and enhance the verification protocol and process, and training schedules along with reference guides will be established to facilitate training of staff.*

*The Financial Aid office is working to update and revise its existing verification policies and procedures to ensure compliance to all required elements under Title 34, CFR, Section 668.53. This revision will include the consequences for failing to provide the appropriate documentation by a specified time period, the procedure for making referrals, and procedures for types of information to be collected from students.*

*Implementation Date: April 2015*

*Responsible Person: Jennifer Taveras*

General Controls

*In response to general controls the University of Texas of the Permian Basin acknowledges and agrees with the findings. The Information Resources Division (IRD) will re-implement the existing policy with documentation being maintained regarding the authorization, testing, and approval of all changed being migrated to the production environment. New staff will be trained on the procedures associated with this policy.*

*Implementation Date: February 2015*

*Responsible Person: Ken Bridges*

**University of Texas at San Antonio**

Reference No. 2014-168

**Special Tests and Provisions – Enrollment Reporting**

Prior Audit Issue 2013-191

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134169; CFDA 84.033, Federal Work-Study Program, P033A134169; CFDA 84.063, Federal Pell Grant Program, P063P133294; CFDA 84.268, Federal Direct Student Loans, P268K143294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T143294; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost:	\$0
U.S. Department of Education	

The University of Texas at San Antonio (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student’s formal withdrawal, the student’s last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 3 (5 percent) of 60 students tested, the University did not accurately report enrollment changes to NSLDS.**

- For one student, the University submitted information to NSC regarding the student’s change in enrollment from less-than-half-time to withdrawn; however, NSC did not submit that change to NSLDS.
- For two students, changes were not submitted to NSC or NSLDS. For one student, the University did not submit information to NSC regarding the student’s change in enrollment from less-than-half-time to withdrawn. For the other student, the University did not submit information to NSC regarding the student’s change in enrollment from half-time to never attending. The University identified the status of those two students at the end of the semester; however, it did not submit those changes to NSC or NSLDS.

**For 5 (8 percent) of 60 students tested, the University did not accurately report the effective dates of the students’ withdrawal to NSLDS.** Three of those students were the students discussed above, and the errors discussed above resulted in incorrect effective dates of withdrawal being submitted to NSLDS. The University also did not accurately report the effective dates of students’ withdrawal to NSLDS for two additional students. At the end of the semester, the University identified those two students as never attending. For those two students, the University should have reported the last dates of attendance as the last effective enrollment dates. However, the dates it submitted to NSLDS were those students’ withdrawal dates during the semester.

Inaccurate or incomplete submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Recommendations:

The University should:

- Accurately report all student status changes to NSLDS.
- Strengthen its procedures for reporting the effective dates of withdrawal for students who are identified at the end of the semester as having withdrawn or are identified as never having attended classes.

Management Response and Corrective Action Plan:

*The Office of the Registrar will update the less than half-time status criteria in the Banner student information system to change from zero to greater than zero. For undergraduate students, the less than half-time range will be greater than zero through five hours for fall, spring or summer terms. For graduate/doctorate students, the less than half-time range will be greater than zero through three hours for fall or spring terms. For summer, graduate/doctorate students, the less than half-time range will be greater than zero through two hours.*

*Implementation Date: February 28, 2015*

*Responsible Person: Joe DeCristoforo*

*At the end of each term, Student Financial Aid and Enrollment Services (SFAES) will identify students who never attended and will update the National Student Loan Database System (NSLDS) to reflect the correct enrollment status.*

*Implementation date: June 30, 2015*

*Responsible Person: Diana S. Martinez*

## West Texas A&M University

Reference No. 2014-169

### Eligibility

#### Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134186; CFDA 84.033, Federal Work-Study Program, P033A134186; CFDA 84.063, Federal Pell Grant Program, P063P132342; and CFDA 84.268, Federal Direct Student Loans, P268K142342

Type of finding – Significant Deficiency and Non-Compliance

### Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, Code of Federal Regulations (CFR), Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, expected family contribution (EFC), and cost of attendance (COA). There are separate schedules for full-time, three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). Additionally, a student's eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

Questioned Cost:	\$0
U.S. Department of Education	

**West Texas A&M University (University) awarded an incorrect Pell Grant amount to 1 (3 percent) of 40 students tested.** That student received \$400 less than the amount for which the student was eligible. That error occurred because the University did not increase the student's Pell award as a result of a change in the EFC after it had verified that student's information. After auditors brought that error to the University's attention, it awarded the additional \$400 to that student.

In addition to affecting Pell Grant awards, errors made in Pell Grant awards may adversely affect awards made under other federal programs, such as Direct Subsidized or Direct Unsubsidized loans.

### Pell Grant and Direct Loan Limits

Direct Subsidized/Unsubsidized Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower's COA, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

**The University's financial aid system, Colleague, does not have sufficient controls over Direct Loans and Pell Grant awards to ensure that manually entered awards comply with federal financial assistance limits.** Colleague has controls to prevent awarding more student financial assistance than a student is eligible to receive. However, if the University manually awards student financial assistance, Colleague does not prevent students from being awarded more than the annual or aggregate award limits. The automated packaging process in Colleague does not review awards that the University enters manually.

The University manually packages federal financial assistance for students who are enrolled for the Summer term and for other students on an exception basis as needed. Not having sufficient controls to prevent awarding more than the limit increases the risk that students could be overawarded financial assistance. Audit testing did not identify any students who were awarded federal financial assistance that exceeded their annual or aggregate award limits.

### Comment Codes

The U.S. Department of Education's Central Processing System (CPS) adds comment codes and text to students' Institutional Student Information Record (ISIR) transactions to provide information to the students and institutions about the students' processed Free Application for Federal Student Aid (FAFSA) (U.S. Department of Education

2013-2014 *Technical Reference for Electronic Data Exchange (EDE) and Companion to the EDE Technical Reference SAR Comment Codes and Text*). For some comment codes and text, there will also be a comment (C) code, which institutions must resolve before disbursing financial assistance to students (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

**Colleague does not have sufficient controls to prevent federal financial aid funds from being authorized and disbursed before the University resolves comment codes.** Colleague is designed to prevent packaging financial assistance for students with outstanding comment codes. However, if the University manually packages financial assistance for students, Colleague does not prevent disbursement of financial assistance to those students before the University resolves comment codes. The University manually packages federal financial assistance for students who are enrolled for the Summer term and for other students on an exception basis as needed. Not having sufficient controls to prevent financial assistance from being disbursed until the resolution of comment codes could result in ineligible students receiving financial assistance.

Recommendation:

The University should:

- Award federal Pell Grant funds to eligible students based on the applicable Pell disbursement tables.
- Establish and implement a process to (1) review manually packaged financial assistance for award limits and (2) resolve comment codes prior to disbursement of financial assistance.

Management Response and Corrective Action Plan:

*The Financial Aid Office at West Texas A&M University will start implementing the Update Mode process in the automatic packaging process on every FAFSA that is imported from the Department of Education with the exception of those students who are changing from undergraduate classification to graduate classification and for summer terms which will still be a manual process. This will automatically update each student's package and therefore should eliminate any oversights in the amount of aid being awarded and disbursed.*

*Implementation Date: December 2014*

*Responsible Person: Rebecca Rutkowski*

Reference No. 2014-170

**Special Test and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2013 to June 30, 2014**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134186; CFDA 84.033, Federal Work-Study Program, P033A134186; CFDA 84.063, Federal Pell Grant Program, P063P132342; and CFDA 84.268, Federal Direct Student Loans, P268K142342**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 77, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the applicant's FAFSA, the institution

Questioned Cost:	\$0
U.S. Department of Education	

must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the corrected expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under the award (Title 34, CFR, Section 668.59).

**West Texas A&M University (University) did not always accurately verify FAFSA information.** For 3 (21 percent) of 14 students tested who had non-tax filer status, the University did not request sufficient documentation to verify that the students had no taxable income. That occurred because the University does not have a process to monitor its verification of students' FAFSAs. When auditors brought those errors to the University's attention, the University requested that each of the three students confirm that he or she did not work or were not required to file taxes for 2012. The three students confirmed that they were not required to file taxes for 2012. Therefore, there were no questioned costs. Not properly verifying FAFSA information could result in the University overawarding students federal financial assistance.

**The University's financial aid system, Colleague, does not have sufficient controls to prevent federal financial aid funds from being authorized and disbursed before the completion of the verification process.** If the University manually awards students federal financial aid, Colleague does not prevent the authorization and disbursement of that aid before the FAFSA verification process is complete. The University manually packages federal financial aid for students who are enrolled for the Summer term and for other students on an exception basis as needed. It has a process to ensure that students who are owed a credit do not receive funds until verification is complete; however, that control does not apply if a student is not owed a credit. Not having sufficient controls to prevent financial aid from being disbursed until the completion of verification could result in ineligible students receiving financial aid.

**In addition, the University's verification policy does not meet all federal requirements.** The University's policy states that corrections to a student's application do not need to be resubmitted to the U.S. Department of Education unless the absolute value of the discrepancies exceeds \$200. According to federal requirements, any change to a single dollar item of \$25 or more must be resubmitted. Auditors did not identify any applications with a single dollar item of \$25 or more that required resubmission in the 60 student financial aid applications tested. However, not having up-to-date policies increases the risk that student applications would not be corrected when required.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for the students selected for verification, and correct students' applications as required.
- Establish and implement a process to monitor the verification of student applications for federal financial assistance.
- Establish and implement a process to prevent the authorization and disbursement of all federal financial aid before the completion of its verification process.
- Ensure that its verification policy meets federal requirements.

Management Response and Corrective Action Plan:

*The verification department will begin requesting further documentation to resolve discrepancies between the information reported on the FAFSA and the Verification Worksheet. The file will not be marked completed until all discrepancies have been resolved which will insure that the file will not be sent to the packaging process.*

*Additional rules are being added to the packaging rules for federal aid so that if the verification status field is not populated with a "7" or "null" code, then it will not be able to disburse funds.*

*Implementation Date: August 2014*

*Responsible Person: Rachel Williams*

*The Financial Aid's Policy and Procedures Manual has been updated to reflect that corrections to a student's application do not need to be resubmitted to the U.S. Department of Education unless the absolute value of the discrepancies exceeds \$25.*

*Implementation Date: December 2014*

*Responsible Person: Marian Giesecke*

**Summary Schedule of Prior Audit Findings**

Federal Portion of  
Statewide Single Audit Report

For the Year Ended August 31, 2014

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## Summary Schedule of Prior Year Audit Findings – KPMG

Federal regulations (*Office of Management and Budget Circular OMB Circular A-133*) state, “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2013 Schedule of Findings and Questioned Costs
- Each finding in the 2013 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2014 has been prepared to address these responsibilities.

### Department of Aging and Disability Services

Reference No. 2013-001

**Matching, Level of Effort, Earmarking  
Reporting  
Subrecipient Monitoring**

**Aging Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 13AATXT3SP, 13AATXNSIP, 12AATXT3SP, and 12AATXNSIP**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Aging and Disability Services (DADS) passed through approximately 92% of the Aging Cluster to subrecipients, approximately \$71 million in fiscal year 2013. DADS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. This monitoring includes but is not limited to: determining subrecipient eligibility, DUNS number identification, award identification, during-the-award monitoring, and close-out and sanctions activities. According to OMB Circular A-133, DADS must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor’s report to DADS within nine months of the subrecipient’s fiscal year end. DADS is to review the report and issue a management decision within six months, if applicable. Per title 2 of the Code of Federal Regulation (CFR) part 25, an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). The requirement was effective October 1, 2010.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Health and Human Services	

DADS’ subrecipient monitoring procedures include the use of a standard contract for services, the provision of technical assistance to subrecipients, and the collection and processing of A-133 reports. Currently, monitoring activities are conducted by the Access and Intake Unit for Aging within DADS. The current policy is to perform an on-site review of all twenty-eight Aging Area Agency (AAA) subrecipients in a four year cycle. In the event an AAA has elevated risk, DADS does modify their approach and perform additional work as considered necessary. During the current four year cycle (2010 to 2013), DADS was unable to review three of the AAAs due to elevated risk at other AAAs that required additional site visits. An on-site monitoring manual is utilized for the on-site reviews.

Audit procedures involved a review of five of twenty-eight subrecipients’ files for fiscal year 2013. From those five files, the following items were noted:

- DADS has an on-site monitoring manual with areas to review, such as verification of expenditures and reimbursement requests, program income and in-kind, provider monitoring, and sub-contract provider audits. However, the procedures are not specific as to sample sizes for each area, attributes to be executed for each area, required documentation to include in the monitoring file, and stratification of expenditure types. For the five files reviewed, the documentation was inconsistent, including lack of justification as to areas reviewed and resulting sample sizes. Currently payroll transactions are not required to be reviewed.

- The on-site monitoring manual does not address matching and maintenance of effort (MOE) requirements that are self-reported by the AAA. In addition, service provider eligibility is not verified.
- The recipient share of expenditures (line 10J) on the SF-425 primarily consists of AAA matching expenditures. The information is self-reported by the AAA and thus should be verified during monitoring.

Corrective Action:

This finding was reissued as current year reference number 2014-001.

Reference No. 2013-002

**Period of Availability of Federal Funds Reporting**

**Aging Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 13AATXT3SP, 13AATXNSIP, 12AATXT3SP, and 12AATXNSIP**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website. Per Title II part 170 of the Code of Federal Regulation (CFR), an entity must report each action that obligates \$25,000 or more in Federal funds for a subaward to an entity. The agency must subsequently amend the award if changes in circumstances increase the total Federal funding under the award during the project or program period. This information is to be reported no later than the end of the month following the month in which the obligation or amendment was made. This requirement was effective for all grants starting October 1, 2010 or after. Per Title II part 25 of the Code of Federal Regulation (CFR), an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). This requirement was effective for all grants starting October 1, 2010 or after. The Department of Aging and Disability Services (DADS) FFATA process is manual in nature. The accumulation of the data to include in the FFATA report and the actual filing of the FFATA report is a manual process based on the obligation/award spreadsheets. DADS has twenty-eight subrecipients. DADS currently has two individuals assigned to the task of filing the FFATA report. One program individual accumulates the data to include in the FFATA report and the FFATA Administrator files the report.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Health and Human Services	

A sample of forty transactions included in the FFATA submissions were selected for review and involved in the following:

- Ten samples from one monthly submission were submitted late. The submission was late due to a lack of coordination between program personnel and the FFATA Administrator with regard to the need to file a report. In addition, the FFATA Administrator was new to her role and did not have the correct privileges to assess the Federal Subaward Reporting System (FSRS).
- For all forty samples, rather than utilizing the effective date from the Notification of Funds Available (i.e. grant award to each subrecipient) as the subaward action date, the FFATA Administrator defaulted to the first day of the month that the FFATA report was due. The program personnel has not updated the subaward action date on the submission spreadsheet for the new grant effective dates.

In addition, funds are made available to the State annually and must be obligated by the State by the end of the Federal fiscal year in which they were awarded. The State has an additional two years to liquidate all obligations for its administration of the State Plan and for awards to the Area Agencies consistent with its intrastate allocation formula. Therefore, in any given year, multiple years of funding are being used to provide services statewide (42 USC 3024 (b)). The obligation/award spreadsheets noted above that are the source of the FFATA information are also the support for the above obligation requirement. Currently the spreadsheets are prepared by program personnel and no detail review is performed regarding obligation requirements.

Corrective Action:

This finding was reissued as current year reference number 2014-002.

Reference No. 2013-003

**Special Tests and Provisions – Distribution of Cash**

**Aging Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 13AATXT3SP, 13AATXNSIP, 12AATXT3SP, and 12AATXNSIP**

**Type of finding – Significant Deficiency and Non-Compliance**

States are required to promptly and equitably distribute Nutrition Services Incentive Program (NSIP) cash to recipients of grants or contracts under OAA Title C1 and C2 (42 USC 3030a(d)(4)).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

The Department of Aging and Disability Services (DADS) process is to allocate the NSIP funds upon receipt of the grant award based on prior year meals serviced. Notices of Funds Available (NFA or a grant award to a subrecipient) are issued to the Aging Area Agencies (AAA) based on the initial award. The NSIP grant award is often updated by the federal government throughout the fiscal year with additional funding. With each update, DADS amends the AAA NFA to allocate the additional funding based on the prior meal counts. A portion of the NSIP funds is also allocated to the service providers based on prior year meal counts.

For fiscal year 2013, the NSIP funds were allocated using the methodology above. The federal government updated the NSIP funding twice, thus DADS amended the AAA and NFAs accordingly. The original allocation to the AAA agrees to the NFAs issued and used total meal counts to allocate. The first amendment was not allocated correctly as the original award allocations were not carried forward, so the increment change in total allocation is incorrect. The third allocation was calculated excluding the service providers. Approximately \$108,600 was not awarded to either the AAA or service providers due to the errors noted and two AAA were over awarded approximately \$13,000. NSIP awards totaled \$10,766,639 for fiscal year 2013.

Corrective Action:

Corrective action was taken.

Reference No. 2013-004

**Cash Management**

**CFDA 93.667 – Social Services Block Grant**

**Award year – October 1, 2012 to September 30, 2014**

**Award number – G1301TXS0SR**

**Type of finding – Significant Deficiency and Non-Compliance**

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. CFDA 93.667 is covered by the Treasury-State Agreement in accordance with the materiality thresholds in 31 CFR section 205.5, Table A. The funding technique specified is Pre-Issuance. However, rebates held in State accounts are exempt from the interest provisions of the CMIA (42 USC 1786 (h) (8) (J); 7 CFR section 246.15(a).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

**AGING AND DISABILITY SERVICES, DEPARTMENT OF**

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The Department of Aging and Disability Services (DADS) utilizes a system query to capture the deposit and disbursement information for the Pre-Issuance calculation. The query design did not include the correct parameters as to the inclusion of all open grant years. The Pre-Issuance calculation prepared by DADS resulted in a positive number of days (i.e. interest is due to the federal government). Upon correction, the change to the pre-issuance number of days was negative (i.e. no interest is due to the federal government). The consolidated CMIA report for Texas shows \$512 paid to the federal government in error.

Corrective Action:

Corrective action was taken.

Reference No. 2013-005

**Allowable Costs/Cost Principles**

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Type of finding – Significant Deficiency and Non-Compliance**

Individual State agencies are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with A-87. While direct costs are those that can be identified specifically with a particular final cost objective, the indirect costs are those that have been incurred for common or joint purposes and are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. The Department of Aging and Disability Services (DADS) allocates costs to various programs using factors as approved in its Cost Allocation Plan (CAP). Seventeen factors were used to charge expenses to the Medicaid program at DADS in fiscal year (FY) 2013.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

Factor 241 is the consolidated factor DADS began using in FY 2012 for costs related to its State Supported Living Centers and per the CAP it is intended to be updated at the beginning of each fiscal year. Due to a miscommunication between the budget and accounting departments, factor 241 was not updated in FY 2013 so the FY 2012 rate was used again, resulting in an incorrect amount being reported on the Schedule of Expenditures of Federal Awards. The total estimated impact of this error is estimated by DADS to be approximately \$97,000 for both federal and state funding sources.

Corrective Action:

Corrective action was taken.

Reference No. 2013-006

**Matching, Level of Effort, Earmarking**

(Prior audit issues 13-01)

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Type of finding – Significant Deficiency**

The Medicaid Home and Community-Based services waiver program is authorized under Section 1915(c) of the Social Security Act. The program permits a state to furnish an array of home and community-based services that assist Medicaid beneficiaries to live in the community and avoid institutionalization. The Texas Department of Aging and Disability Services (DADS) has six of these waivers in place which contain level of effort and earmarking requirements. DADS reports on these waivers and its compliance with prescribed metrics through the use of the CMS 372, *Annual Report on Home and Community-Based Services Waiver*, report. The CMS 372 reports information including unduplicated participant counts and waiver expenditures. The information reported on the CMS 372 report must be actual information for which all supporting information, in readily reviewable form, is available to support the amounts used in the included computations.

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Health and Human Services	

Of the six waivers DADS has in place, four were selected for test work in the current year. The information reported on the CMS 372 reports is primarily obtained from MIS reports, which are system generated reports received from the Texas Medicaid and Healthcare Partnership (TMHP). Out of the four waivers reviewed, one of the CMS 372 reports had incorrect information reported due to improper exclusion of Dental REQ services in the amount of \$4,227 for the reporting period March 1, 2010 to February 28, 2011. There was no noncompliance noted as a result of these errors as thresholds were met for compliance after consideration of the revised amounts. However, the review performed does not appear to be at a sufficient level of detail to note amounts reported which do not agree to the supporting documentation.

Corrective Action:

Corrective action was taken.

**Texas Department of Agriculture**

Reference No. 2013-007

**Cash Management**

**CFDA 10.558 – Child and Adult Care Food Program**

**Award years – October 1, 2012 to September 30, 2013, October 1, 2012 to September 30, 2013, and October 1, 2012 to September 30, 2014**

**Award numbers – 6TX300332, 6TX300352, and 6TX300333**

**Child Nutrition Cluster**

**Award year – October 1, 2012 to September 30, 2013**

**Award number – 6TX300332**

**Type of finding – Significant Deficiency and Non-Compliance**

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. CFDA 10.558 is covered by the Treasury-State Agreement in accordance with the materiality thresholds in 31 CFR section 205.5, Table A. The funding technique specified for program and payroll expenditures is Pre-Issuance.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Agriculture	

Texas Department of Agriculture (TDA) utilizes the Comptroller of Public Accounts' (CPA) Uniform Statewide Accounting System (USAS) as their official book of record. To perform the Pre-Issuance calculations, TDA requests a query of the appropriate revenue and expenditure transactions. The data from the query was determined to be incomplete as a result of the CPA applying filters and/or parameters to the query that were not requested by TDA. Upon further review, no impact to the Pre-Issuance calculation was noted since the missing data did not relate to revenue and expense transactions for either the Child Nutrition Cluster or CFDA 10.558 – Child and Adult Care Food Program (CACFP) for the three month period used for the Pre-Issuance Calculation.

Cash draws for CACFP include both program and payroll costs. For program costs, the amounts are based on claims submitted by contracting entities in the TX-UNPS system. Personnel in the Food and Nutrition Division send an email to Financial Services Division personnel with instructions on the amount to draw for each program and provide a supporting pivot table with expenditures and advances. Historically the funds are drawn on the same day as the disbursements are made, resulting in neutral interest position. During test work over the Pre-Issuance calculation performed by TDA, a significant disbursement without a corresponding deposit was noted. TDA represented that for a period of approximately forty-five days between November and December 2012 there were overdrafts that occurred due to the draw calculations including advances in error as a result of miscommunication. The aforementioned overdrafts produced excess cash on hand of approximately \$5.5 million for approximately forty-five days, which was not fully disbursed for program purposes until January 2013. TDA noted that a process was not in place in November and December 2012 wherein the Food and Nutrition Division personnel would review the draw amount prior to funds being requested. The new process was implemented in May 2013. The Pre-Issuance calculation for the period covering January to March 2013 did not provide an accurate representation of the flow of federal funds for the year, as it indicated a negative clearance pattern of five days (TDA paid for expenditures prior to drawing federal funds) due to the large disbursement of funds in January but not the accumulation of the funds in November and December 2012. The annual interest rate for 2013 was .07%, or approximately \$500 in interest.

CACFP was also required to submit a Pre-Issuance calculation for payroll costs. TDA process is to draw mid-month based on estimated payroll costs. The amount is disbursed at the end of the pay period, or the beginning of the subsequent month. At that time, actual payroll costs are determined and supplemental draws are made, if needed. When the initial draw is made, the funds are recorded to a single general ledger account. Approximately a month later, allocations are recorded to transfer the funds to the appropriate general ledger accounts for the various Child and Nutrition Programs, including CACFP. During fiscal year 2013, the monthly allocations were not made resulting in several months of payroll being aggregated in one allocation. The impact to the Pre-Issuance calculation is the date associated with the deposit represents the allocation date rather than the actual draw date. A negative clearance pattern

(TDA paid for expenditures prior to drawing federal funds) resulted since the allocation dates used were later than the actual draw dates. Payroll costs were approximately \$1.5 million during fiscal year 2013. The annual interest rate for 2013 was .07%, or approximately \$1,000 in interest.

Corrective Action:

Corrective action was taken.

**Department of Family and Protective Services**

Reference No. 2013-008

**Eligibility**

**CFDA 93.658 – Foster Care – Title IV-E**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1301TX1401 and 1201TX1401**

**Type of finding – Significant Deficiency and Non-Compliance**

Funds may be expended for foster care maintenance payments on behalf of eligible children, in accordance with the IV-E agency’s foster care maintenance payment rate schedule, and in accordance with 45 CFR 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child care-agencies. Such payments may include the cost of (and the cost of providing, including certain associated administrative and operating costs of an institution) food, clothing, shelter, daily supervision, school supplies, personal incidentals, liability insurance with respect to a child, and reasonable travel to the child’s home for visitation, as well as reasonable travel for the child to remain in the same school he or she was attending prior to placement in foster care (42 USC 672(b)(1) and (2), (c)(2), and 675(4)).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

On August 1, 2012, the Department of Family and Protective Services (DFPS) switched from a “one step” eligibility determination methodology to a “two step” eligibility methodology based on results of a review by the Department of Health & Human Services Administration for Children and Families. The “two step” methodology is essentially the same as the “one step” methodology with one added requirement related to a 100% income test. Between August 1, 2012 and November 19, 2012, the “two step” determination was documented using a manual control form. Effective November 19, 2012, the “two step” determinations were automated in the Information Management Protecting Adults and Children in Texas (IMPACT) system. Compliance test work consisted of a sample of sixty-five eligibility determinations including “one step”, “two step” manual, and “two step” automated sample items. A separate control sample of forty manual control forms was selected related to the “two step” manual process.

For one of the sixty five compliance sample items tested utilizing the “two-step” automated methodology, the mother’s social security income (SSI) was incorrectly excluded. Upon further investigation, DFPS noted that the income had also been overlooked in the February 2012 application when the initial eligibility determination was performed using the “one step” methodology. By including the SSI income, the child was not eligible for Title IV-E funding under either methodology. For one of the forty manual control form sample items, the control form used to support the “two step” eligibility determination was not located in the file. Upon further review of the case, the child was determined not to be eligible for Title IV-E funding.

In both cases, the amounts paid on behalf of the children have been retroactively reclassified to state funding; therefore no questioned costs are reported.

Corrective Action:

Corrective action was taken.

**General Land Office**

Reference No. 2013-009

**Davis-Bacon Act  
Subrecipient Monitoring**

**CDBG – State-Administered CDBG Cluster**

**Award year – N/A for disaster-funds**

**Award numbers – B-06-DG-48-0002, B-08-DI-48-0001, B-08-DN-48-0001, and B-12-DT-48-0001**

**Type of finding – Material Weakness and Material Non-Compliance**

General Land Office (GLO) passed through approximately 70% of the CDBG Disaster Funds to subrecipients, approximately \$233 million in fiscal year 2013. GLO is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. This monitoring includes, but is not limited to: determining subrecipient eligibility, DUNS number identification, award identification, during-the-award monitoring, and close-out and sanctions activities. According to OMB Circular A-133, GLO must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor’s report to GLO within nine months of the subrecipient’s fiscal year end. GLO is to review the report and issue a management decision within six months, if applicable. Per title 2 of the Code of Federal Regulation (CFR) part 25, an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). The requirement was effective October 1, 2010.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Housing and Urban Development	

GLO’s subrecipient monitoring procedures include the use of a standard contract for services, the provision of technical assistance to subrecipients, and the collection and processing of A-133 reports. In addition, the requests for reimbursement are accompanied with contractor invoices to support the reimbursement request. Currently, monitoring activities are conducted by the Quality Assurance and Quality Control (QAQC) section of the Finance Division of the Disaster Recovery Division (DR Division).

Audit procedures involved a review of fifteen of approximately 150 subrecipients’ files for fiscal year 2013. From those fifteen files, the following items were noted:

- For all contracts, the CFDA number is not included in the contract notification to the subrecipients. For one of our sample items, the subrecipient reported the GLO funds under CDBG – Entitlement Grants Cluster instead of State-Administered CDBG Cluster.
- Suspension and debarment clauses are not consistent on the contracts to include both the certification of the subrecipient and its principals and to ensure that the subrecipient does not award any funds to subcontractors or their principals that are suspended or debarred.
- For one sample item, the DUNS certification on file for the subrecipient was not completed.
- GLO has a risk assessment but is not executing their monitoring in accordance with their risk assessment rankings. Also, there are currently no policies to guide the selection of subrecipients to monitor including frequency and follow-up provisions.
- GLO has a monitoring tool with general program areas such as vendor contracts, environmental work, project construction, draw reimbursements, and closeout activities. However, the procedures are not specific as to the allowability of vendor and payroll costs, sample sizes for each area, attributes to be executed for each area, and required documentation to include in the monitoring file. For the fifteen files reviewed, the documentation was inconsistent, including lack of justification as to areas reviewed and resulting sample sizes.
- QAQC conducted approximately ten subrecipient reviews during the fiscal year.

Corrective Action:

This finding was reissued as current year reference number 2014-005.

GENERAL LAND OFFICE

Reference No. 2013-010

Reporting

CDBG – State-Administered CDBG Cluster

Award year – N/A for disaster-funds

Award numbers – B-06-DG-48-0002, B-08-DI-48-0001, B-08-DN-48-0001, and B-12-DT-48-0001

Type of finding – Significant Deficiency and Non-Compliance

OMB Circular A-133 and A-102 require grantees of the State-Administered CDBG Cluster to submit a Performance and Evaluation Report (PER) (OMB No. 2506-0085). This report is due from each grantee within ninety days after the close of its program year. Among other factors, the report is to include a description of the use of funds during the program year and an assessment of the grantee’s use for the priorities and objectives identified in its plan. Grantees are also required to submit HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (OMB No. 2529-0043).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Housing and Urban Development	

For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit form HUD 60002 (24 CFR sections 135.3(a), 135.90, and 570.487(d)).

For disaster funds, the requirements for submission of the PER pursuant to 42.U.S.C. 12708 and 24 CFR 91.520 are waived for CDBG Disaster Recovery Grantees. However, the alternative requirement is that each grantee must submit a quarterly performance report, as HUD prescribes, no later than thirty days following each quarter, beginning after the first full calendar quarter after grant award and continuing until all funds have been expended and all expenditures reported. Each quarterly report will include information about the use of funds during the applicable quarter, including (but not limited to) the project name, activity, location, and national objective; funds budgeted, obligated drawn down, and expended; the funding source and total amount of any non-CDBG disaster funds; beginning and ending dates of activities; and performance measures such as number of low- and moderate-income persons or households benefiting. Quarterly reports to HUD must be submitted using HUD’s internet-based Disaster Recovery Grant Reporting (DRGR) System and, within 3 days of submission, be posted on the grantee’s official Internet site open to the public. (February 13, 2009 Federal Register Vol. 74, No. 29, page 7252).

HUD 60002 Report

The preparation of the HUD 60002 Report includes the requirement of all subrecipients to submit their respective Section 3 Report information to the General Land Office (GLO) electronically, along with any supporting program-related information or descriptions. This includes all subrecipients, including those with no information to report to ensure completeness. Section 3 Reporting information is tracked by HNTB Corporation (GLO professional engineering services contractor) staff on-site at GLO in a spreadsheet for each subrecipient to determine receipt of the respective reports for accurate reporting of information. Once the spreadsheet is completed with information for all subrecipients for all months, the spreadsheet is forwarded to GLO staff for review and submission. The review process includes the random sampling of a few subrecipient data elements. When testing the Annual 60002 Section 3 Summary Report for Non-Housing grants for the period February 1, 2012 to January 31, 2013, it was noted that there were several manual errors. The amount of \$1,564,903 of construction projects was erroneously entered as a duplicate in GLO’s Section 3 Report. Therefore, the “Total dollar amount of all construction contracts awarded on the project” of \$199,051,802 was overstated by this amount and should have been \$197,486,899. Additionally, it was noted that 6 Section 3 businesses receiving construction contracts were erroneously excluded from the Section 3 Report. Therefore, the “Total number of Section 3 businesses receiving construction contracts” of six is understated and should have been twelve.

DRGR Disaster Report – Quarterly Performance Report

GLO is required to submit quarterly performance reports for the following disaster programs during fiscal year 2013: Hurricanes Katrina, Rita, and Wilma Round I; Hurricanes Katrina, Rita and Wilma Round II; Hurricanes Ike and Dolly; and Bastrop Wildfire. The following reports were submitted late: the September 30, 2012 reports for Rita Round I and Ike/Dolly, and the June 30, 2013 report for Ike/Dolly. These reports ranged from one to forty-four days late. Additionally, the required posting of the report to the grantee’s official internet site within three days of submission was late for the September 30, 2012 Ike/Dolly Report and the June 30, 2013 Wildfire Report. All other

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report submissions and internet postings for these reports for the fiscal year were noted to be timely, and no compliance exceptions were noted with the content of the reports.

Corrective Action:

Corrective action was taken for the DRGR Disaster Report. HUD issued the notice dated January 9, 2014 regarding the “Temporary Shutdown of the Section 3 60002 Summary Reporting System”; therefore, the HUD 60002 comment above was unable to be addressed.

**Health and Human Services Commission**

Reference No. 2013-011

**Allowable Costs/Cost Principles**

**CFDA 93.667 – Social Services Block Grant**

**Award year – October 1, 2012 to September 30, 2014**

**Award number – G1301TXS0SR**

**CFDA 93.767 – Children’s Health Insurance Program**

**Award years – October 1, 2012 to September 30, 2014 and October 1, 2011 to September 30, 2013**

**Award numbers – 1305TX5021 and 1205TX5021**

**SNAP Cluster**

**Award years – October 1, 2012 to September 30, 2014, October 1, 2011 to September 30, 2013, October 1, 2011 to September 30, 2012, and May 1, 2012 to September 30, 2012**

**Award numbers – 6TX400405, 6TX430145, 6TX400105, and 6TX400205**

**TANF Cluster**

**Award years – October 1, 2012 to September 30, 2013, October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012**

**Award numbers – G1302TXTAN3, G1302TXTANF, and G1202TXTANF**

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Non-Major Programs:**

**CFDA 93.566 – Refugee and Entrant Assistance – State-Administered Programs**

**Type of finding – Non-Compliance**

Individual State agencies are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with A-87. While direct costs are those that can be identified specifically with a particular final cost objective, the indirect costs are those that have been incurred for common or joint purposes, and not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. The Health and Human Services Commission (HHSC) allocates costs to various programs using factors as approved in its Cost Allocation Plan (CAP) using seventy-five different cost allocation factors.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	
U.S. Department of Agriculture	

Six factors were selected for test work, of which, two factors (factors 57 and 1) have not been updated since February 2013 due to unavailability of usable data from HHSC IT systems. HHSC was aware of the unavailability of the usable data and management made the decision to address other higher priority items. As a result, the factors applied from March through the year-end close at August 31, 2013 have not been based on the most current data as required under the CAP. Per review of December 2012 and February 2013 #57 and #1 factor allocations, there was no change impacting an individual federal program noted above greater than 1%.

**Corrective Action:**

Corrective action was taken.

**HEALTH AND HUMAN SERVICES COMMISSION**

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Reference No. 2013-012

**Eligibility**

**Special Tests and Provisions – Income Eligibility and Verification System**

**Special Tests and Provisions – Penalty for Refusal to Work**

**Special Tests and Provisions – Adult Custodial Parent of Child under Six When Child Care Not Available**

**Special Tests and Provisions – Child Support Non-Cooperation**

**Special Tests and Provisions – ADP System for SNAP**

(Prior Audit Issues – 13-02, 13-03, 13-05, 12-02, 11-09, 10-12, 09-17, 08-12, and 07-13)

**SNAP Cluster**

**Award years – October 1, 2012 to September 30, 2014, October 1, 2011 to September 30, 2013, October 1, 2011 to September 30, 2012, and May 1, 2012 to September 30, 2012**

**Award numbers – 6TX400405, 6TX430145, 6TX400105, and 6TX400205**

**TANF Cluster**

**Award years – October 1, 2012 to September 30, 2013, October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012**

**Award numbers – G1302TXTAN3, G1302TXTANF, and G1202TXTANF**

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Non-Major Programs:**

**CFDA 93.566 – Refugee and Entrant Assistance – State-Administered Programs**

**Type of finding – Significant Deficiency and Non-Compliance**

The Health and Human Services Commission (HHSC) utilizes the Texas Integrated Eligibility Reporting System (TIERS) for determining eligibility for Medicaid, Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and the Refugee and Entrant Assistance Program. Eligibility for the following programs is considered to be deemed (i.e., the applicant is automatically eligible) during the time period they are also eligible for TANF, Medicaid, and/or Supplemental Nutrition Assistance Program (SNAP).

Initial Year Written:	2006
Status:	Partially Implemented
U.S. Department of Health and Human Services U. S. Department of Agriculture	

**Additional Federal Programs**

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Child Nutrition Cluster  
CFDA 93.563 – Child Support Enforcement  
CFDA 93.568 – Low-Income Home Energy Assistance  
CFDA 10.557 – Supplemental Nutrition Program for Women, Infants, and Children  
Child Care Cluster

**Deemed Program**

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TANF and SNAP  
TANF and Medicaid  
SNAP  
SNAP and Medicaid  
TANF

Per review of the regulations and State Plan documents for Medicaid, SNAP, and TANF benefits, individuals must generally meet the *following criteria to be eligible*, and the information is required to be verified per a third-party source of information. Any exceptions are noted below:

- Completed and signed an application for benefits with eligibility determined at least every twelve months for Medicaid (42 CFR 435.916(a)) and TANF (per State Plan) and at least every six months for SNAP (7 CFR 273.10(f)). In some situations, Medicaid cases are not required to be redetermined, such as for earned income transitional coverage.
- Be a Texas resident. Verification of residency is not required for Medicaid recipients. Verification is required for TANF, per State Policy. Verification is required for SNAP per 7 CFR 273.2(f)(1)(vi).
- Be a U.S. citizen or non-citizen in certain recognized categories. Verification is not required for non-cash TANF recipients. Verification is required for Medicaid by State Policy and federal regulations and cash TANF by State Policy. Verification is required for SNAP, if receiving cash TANF benefits based on TANF State Policy.

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- Meet certain resource and income limits, which vary by eligibility group, including proof of unemployment. Verification is required for Medicaid and TANF by State Policy. For SNAP, verification is required by State Policy and additionally verification of “gross non-exempt income” is required by 7 CFR 273.2(f)(i).
- Social security number. Verification of social security numbers is required for Medicaid by 42 CFR 435.910(g), TANF by State Policy, and SNAP by State Policy and 7 CFR 273.2(f)(1)(v).

Audit procedures included review of certain general and application level controls designed for TIERS, along with review of selected case files, as noted below. The eligibility process does not enforce the respective eligibility decisions necessary to ensure clients are eligible and receive proper benefit amounts.

- Consistent with current HHSC policy, TIERS is not designed to enforce third-party verification for residency, or U.S. citizenship. HHSC’s process should be improved by implementing automated controls to enforce third-party verifications. For example, a field for each is required to be populated. However, one of the choices is “client statement,” which does not constitute third-party verification. Selection of self-declaration through “client statement” allows the respective case file to proceed to the next step toward benefit issuance with no third-party verification. In limited circumstances (e.g., homeless person), self-declaration for residency is acceptable. However, in general circumstances, these two elements are required to be verified with a third party. Currently, state eligibility workers assess the validity and accuracy of the client’s statement. Eligibility policy should be modified to enable TIERS to prohibit case workers from continuing towards benefit issuance until verification is obtained. A manual system override by a supervisor would be necessary in the limited circumstances where self-declaration is acceptable.
- TIERS interfaces with the Social Security Administration (SSA) to verify social security numbers. TIERS is designed so that a correct match of a client’s social security number will populate a field noting the respective social security number has been verified. For social security numbers where a match is not successful, an alert is sent to the file for the case worker to investigate. However, TIERS is not designed nor are there manual controls to restrict benefits from being issued, if the social security number has not been verified before the first recertification. HHSC’s policy is to deny benefits after one year unless efforts are underway to obtain a social security number.
- The design of TIERS does not allow the processing of various sanctions such as penalty for refusal to work, adult custodial parent of child under six when child care is not available, and child support non-cooperation through the Mass Update process in a timely manner. The Mass Update only processes requests with active EDGs. A case needs to be in “ongoing mode” versus “change mode” for changes to be implemented. When a case is in any mode other than “ongoing mode,” the sanctions are not processed timely. No compliance exceptions were noted as a result of the Mass Update for the Special Tests and Provisions – Penalty for Refusal to Work and Child Support Non-Cooperation compliance requirements noted above.

One hundred files processed through TIERS were reviewed for SNAP and Medicaid, and eighty files were reviewed for TANF. No reportable compliance exceptions were noted for SNAP and TANF. For each of the files, an initial month and a recertification month, if available during the fiscal year, was selected for test work.

For the one hundred files receiving Medicaid reviewed, three files were found to be incomplete. The three files paid benefits of \$368 for the selected months, of which \$247 resulted in net questioned costs.

- For one file, the income amount was not properly supported. There were no benefits paid to this household during the selected month.
- For one file, the application for the benefit month or redetermination month was not available for review. The benefit amount paid to these households during the selected months was \$247.
- For one file, the income amount in TIERS did not agree to the supporting check stub due to an input error. The household remained eligible; therefore there were no questioned costs.

### Corrective Action:

This finding was reissued as current year reference number 2014-006.

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Reference No. 2013-013

**Matching, Level of Effort, Earmarking**

(Prior Audit Issues – 13-07)

**CFDA 93.767 – Children’s Health Insurance Program**

**Award years – October 1, 2012 to September 30, 2014 and October 1, 2011 to September 30, 2013**

**Award numbers – 1305TX5021 and 1205TX5021**

**Type of finding – Significant Deficiency and Non-Compliance**

Per the OMB Circular A-133 Compliance Supplement, matching rates for the Children’s Health Insurance Program (CHIP) expenditures are determined in accordance with the Federal matching rate for such expenditures, referred to as the enhanced Federal Medical Assistance Percentage (Enhanced FMAP) for a State. That is, the CHIP State matching rate is calculated by subtracting the Medicaid FMAP rate from one hundred, taking thirty percent of the difference, and then adding it to the Medicaid FMAP rate. Federal Register, Vol. 76, No. 230 for November 30, 2011 Notice includes the federal fiscal year 2013 rates.

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Health and Human Services	

Based on FMAP rates in place, the State share of expenditures in place for Texas was 28.49% and 29.25% for Federal Fiscal Year (FFY) 2013 and 2012, respectively. The Health and Human Services Commission (HHSC) administers the CHIP program in Texas.

For forty invoices reviewed for matching percentages in CHIP, one provider payment of \$14,905 was found to have an incorrect matching rate used. The matching rate used in CHIP is based on the FFY in which an amount is paid. HHSC’s general ledger system applies the matching rate based on the payment date. For this one sample item, the payment date was April 19, 2013; therefore a matching rate of 28.49% should have been applied. However, the FFY 2012 matching rate of 29.25% was applied instead. As a result, HHSC drew \$10,545 based on the 29.25% but should have drawn \$10,658, a difference of \$113. Also, HHSC general ledger accounts reflect the incorrect state vs. federal funding allocation share.

When the purchase order behind this particular voucher was created in September 2012, the system rate table (i.e. speed chart) used to code the distribution, assigned the federal fiscal year 2012 rates that were in place at the time. When the voucher was created against the purchase order in fiscal year 2013, the distribution lines were pulled in at the same 2012 rates resulting in application of the incorrect FMAP rate.

HHSC utilizes Xerox State Healthcare LLC (operating as Xerox Pharmacy) as the Pharmacy Claims and Rebate Administrator for the Vendor Drug Program. Xerox Pharmacy became the vendor drug service provider in November 2010. HHSC utilizes the FMAP rate in effect for the payment date. CHIP claims were paying based on service date instead of payment date; hence, an incorrect matching rate was applied. Xerox Pharmacy and HHSC were unable to quantify the necessary adjustment prior to the issuance of the report. HHSC posted an adjustment in January 2013 based on their calculations and Xerox Pharmacy adjusted the tables to ensure the current FMAP is used for prior year expenses processed in the current year. However, HHSC has been unable to reconcile their adjustment to Xerox Pharmacy’s records.

For both instances noted above, HHSC has noted that although the incorrect matching rate was applied at the date of payment, the expense was correctly reported on the CMS-21 report and the SF425 report federal financial report. For both reports, HHSC utilizes a query of amounts paid, which is separate from the application control in the general ledger that allocates the federal vs. state share for cash draw purposes. The total per the “amounts paid” query is manually split into state vs. federal share on the CMS 21 report based on the current FMAP rate.

Corrective Action:

Corrective action was taken.

## HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 2013-014

### Program Income

(Prior Audit Issues – 13-08)

#### Medicaid Cluster

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Type of finding – Significant Deficiency and Non-Compliance**

Title XIX, Section 1927 of the Social Security Act, allows states to receive the same rebates for drug purchases as other payers. Drug manufacturers are required to provide a listing to Centers for Medicare and Medicaid Services (CMS) of all covered outpatient drugs, and, on a quarterly basis, are required to provide their average manufacturer's price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provides to states. No later than sixty days after the end of the quarter, the State Medicaid agency must provide drug utilization data to manufacturers. Within thirty days of receipt of the utilization data from the state, the manufacturers are required to pay the rebate or provide the state with written notice of disputed items not paid because of discrepancies found.

Initial Year Written:	2012
Status:	Implemented

U.S. Department of Health and Human Services	
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The Health and Human Services Commission (HHSC) contracts with Texas Medicaid & Healthcare Partnership (TMHP) to administer the Vendor Drug Rebate Program for the Medicaid Cluster. TMHP's contract requires the generation and mailing of the Dunning/Collection Notices to drug manufacturers. The TMHP Drug Rebate Administration Policy and Procedures Document require that notices be sent to drug manufacturers that are more than forty-five days late in payment of drug rebates. Additional notices are required when drug manufacturers are seventy-five and one hundred and five days past due. Effective February 21, 2013, a five-day grace period was added to the dunning notice mail deadlines to allow additional time to mail notices.

For a sample of fifty-nine drug manufacturers for the Medicaid Cluster with program income, nine sample items were involved in the detail exception below:

- For eight of the sample items, invoices were mailed after the due date.
- For one of the sample items the 75-day and one 105-day dunning notices were not sent timely to the drug manufacturers to pursue payment. The late notices took place prior to amending procedures to provide for a five-day grace period for dunning notices on February 21, 2013.
- For one sample item, the 45-, 75-, and 105-day dunning notices were not sent. The sample item related to a new program. HHSC did not immediately send dunning notices. HHSC received payment on the sample item before sending the dunning notices.

The Dunning/Collection Notices mailing process is not automated. TMHP is required to manually initiate the production and mailing of the invoices. Per discussion with HHSC, the manual initiation for these notices was performed late.

#### Corrective Action:

Corrective action was taken.

**HEALTH AND HUMAN SERVICES COMMISSION**

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Reference No. 2013-015

**Reporting**

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Type of finding – Significant Deficiency and Non-Compliance**

Per OMB Circular A-102, Federal agencies shall require grantees to use the SF-269, Financial Status Report-Long Form, or SF-269a, Financial Status Report-Short Form, to report the status of funds for all non-construction projects or programs. Federal agencies need not require the Financial Status Report when the SF-270, Request for Advance or Reimbursement, or SF-272, Report of Federal Cash Transactions, is determined to provide adequate information. The SF-269 and 272 reports have been replaced by the SF-425. The Health and Human Services Commission (HHSC) is required to submit a Federal Financial Report (Standard Form 425 or SF-425) for many of its federally funded programs, including the Medical Cluster. The form includes information regarding federal cash receipts, cash disbursements, and cash on hand. The amounts reported on the SF-425 and its attachments must be supported by HHSC's books and records.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

On the SF-425 report, for the quarter ended December 31, 2012, the total reduction of expense reported for Medicaid grant #1105TXEXTN was \$(3,547,634). The amount was reported on the original SF-425 for December 31, 2012, which was submitted on January 30, 2013. The amount was subsequently adjusted to \$(3,558,675), but HHSC did not reflect the change on the updated SF-425 submitted on February 22, 2013. Two quarters were selected for test work.

Corrective Action:

Corrective action was taken.

## HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 2013-016

### Subrecipient Monitoring

#### TANF Cluster

Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012

Award numbers – G1302TXTAN3, G1302TXTANF, and G1202TXTANF

Type of finding – Material Weakness and Material Non-Compliance

The Health and Human Services Commission (HHSC) passes through federal funds to subrecipients to carry out the objectives of the TANF Cluster program for the Texas Nurse Family Partnership Program (NFP). HHSC is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, HHSC must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor's report to HHSC within nine months of the subrecipient's fiscal year end. HHSC is to review the report and issue a management decision within six months, if applicable. Per title 2 of the Code of Federal Regulation (CFR) part 25, an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). The requirement was effective October 1, 2010.

Initial Year Written:	2013
Status:	Partially Implemented

U.S. Department of Health and Human Services	
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HHSC's subrecipient monitoring procedures include the use of a standard contract for services, the provision of technical assistance to subrecipients, and the submission of a monthly billing summary. Audit procedures involved a review of five of thirteen subrecipients' files for fiscal year 2013. Total expenses for TANF subrecipients were approximately \$2.8 million. From those five files, the following items were noted:

- For all five contracts, the CFDA title, CFDA number, and name of the Federal agency, was not included in the contract notification to the subrecipients. Additionally, the requirements imposed by law are not explicitly stated in the contract.
- The award amount is communicated in the contracts; however, it is part federal and part state. HHSC does not know at the time of the award, the allocation of federal to state and therefore does not communicate this to the client. Likewise, HHSC does not track the funding separately in their general ledger during the year as to federal or state.
- For two subrecipients, HHSC did not obtain the DUNS number prior to executing the contract. HHSC obtained the DUNS during the audit.
- For three subrecipients, the Nurse-Family Partnership National Service Office (NSO) approval award letter, which indicates that all requirements have been met to be eligible for the NFP award, was not available in the subrecipient file.
- For all five subrecipients, insufficient documentation was available to validate that HHSC obtained and reviewed reimbursement requests to ensure the subrecipient was in compliance with the allowable cost or matching requirements of the grant.
- For four subrecipients, TANF funds were reported as State funds and not as Federal, resulting in an A-133 audit report not specifically covering the TANF Federal funds expended by the subrecipient.

#### Corrective Action:

This finding was reissued as current year reference number 2014-007.

## HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 2013-017

### Special Tests and Provisions – Provider Health and Safety Standards

#### Medicaid Cluster

Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012

Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP

Type of finding – Significant Deficiency and Material Non-Compliance

Per 42 CFR part 442, providers must meet the prescribed health and safety standards for hospital, nursing facilities, and ICF/MR. The standards may be modified in the State plan. An out-of-state (OOS) provider may come into the program based on several different circumstances, including: (1) The client being sent out of state for services that are not readily available in Texas; (2) Border states where it is the norm for clients to receive a service in that border state; (3) Provider was originally allowed in the program before OOS rules were updated.

Under current Health and Human Services Commission (HHSC) procedures, HHSC requires OOS providers to fill out the same application as an in-state provider. OOS providers are to receive a letter that tells them that their enrollment is limited and informing them of the amount of time that has been granted. Of a sample of forty providers receiving Medicaid payments during fiscal year 2013, eight were OOS providers. Current health and safety information was not provided for these OOS providers.

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

#### Corrective Action:

This finding was reissued as current year reference number 2014-015.

Reference No. 2013-018

### Special Tests and Provisions – Provider Eligibility

(Prior Audit Issues – 13-10, 12-06, 11-17, 10-13, 09-22, and 08-19)

#### Medicaid Cluster

Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012

Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP

Type of finding – Significant Deficiency and Material Non-Compliance

Per 42 CFR Section 431.107, in order to receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program. Per 42 CFR Section 455.106(a) before the Medicaid agency enters into or renews a provider agreement, the provider must disclose to the Medicaid agency the identity of any person who: (1) has ownership or control interest in the provider, or is an agent or managing employee of the provider, and (2) has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs. Additionally, per 42 CFR Section 455.103, a State plan must provide that the requirements of 455.106 are met. Per review of the State plan, a search should be conducted to ensure that the provider is not included on the Medicaid exclusion list.

Initial Year Written: 2007  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

A sample of fifty providers receiving Medicaid payments during fiscal year 2013 were selected for review and twenty-two files were noted to have the following exceptions. Of the twenty-two files with exceptions, fifteen files were enrolled prior to fiscal year 2004 when the Health and Human Services Commission (HHSC) contracted with their current vendor who operates under current HHSC policies and procedures.

- For sixteen providers, a search to ensure the provider was not on the Medicaid exclusion list was not documented at the time of enrollment.
- For eight providers, a signed and notarized copy of the Provider Information Form was not available for review.

**HEALTH AND HUMAN SERVICES COMMISSION**

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- For seven providers, there was no signed disclosure of ownership and control interest statement available for review.
- For two providers, there was no provider agreement or suspension and debarment certification.
- For two transportation service area providers, files were not located. For two additional transportation service area providers, the files were not complete.
- For one lodging provider, the agreement and vendor information form were provided but other documentation was not available for review.
- For one individual transportation provider (ITP), necessary documentation such as credentials, had not been updated and no panel letter was included.

Corrective Action:

This finding was reissued as current year reference number 2014-014.

Reference No. 2013-019

**Special Tests and Provisions – EBT Card Security**

(Prior Audit Issue – 13-11)

**SNAP Cluster**

**Award years – October 1, 2012 to September 30, 2014, October 1, 2011 to September 30, 2013, October 1, 2011 to September 30, 2012, and May 1, 2012 to September 30, 2012**

**Award numbers – 6TX400405, 6TX430145, 6TX400105, and 6TX400205**

**Type of finding – Significant Deficiency and Non-Compliance**

The State is required to maintain adequate security over, and documentation/records for, Electronic Benefits Transfer (EBT) cards (7 CFR section 274.12(h)(3)) to prevent their: theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use (7 CFR sections 274.7(b) and 274.11(c)).

Initial Year Written:	2012
Status:	Partially Implemented
U.S. Department of Agriculture	

The Health and Human Services Commission (HHSC) maintains segregation of duties between case worker access to dispose cases in the eligibility systems and EBT clerk access to the EBT card issuance system to issue cards. Based on a review of all access to both systems, fifty-eight employees were noted as having access to both dispose cases in the eligibility systems and to issue cards in the EBT card issuance system from September 2012 to January 2013. In January 2013, HHSC reviewed the access and implemented a new policy requiring advance approval of access to both systems. For offices where such approval is granted, HHSC regional managers review monthly reports to determine if such employees have disposed cases in the eligibility system and issued EBT cards. From January 2013 to August 31, 2013, there were three employees with access to both systems being monitored by their respective regional managers. During review of the access lists dated fall 2013, two additional employees were noted to have inappropriate access to both systems.

Corrective Action:

This finding was reissued as current year reference number 2014-009.

**HEALTH AND HUMAN SERVICES COMMISSION**

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Reference No. 2013-020

**Special Tests and Provisions – Adult Custodial Parent of Child under Six When Child Care Not Available**

**TANF Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – G1302TXTAN3, G1302TXTANF, and G1202TXTANF**

**Type of finding – Significant Deficiency and Non-Compliance**

Per 45 CFR 261.56(a)(1), if an individual is a single custodial parent caring for a child under age six, the State may not reduce or terminate assistance based on the parent’s refusal to engage in required work if he or she demonstrates an inability to obtain needed child care for one or more of the following reasons: (i) Appropriate child care within a reasonable distance from the home or work site is unavailable; (ii) Informal child care by a relative or under other arrangements is unavailable or unsuitable; or (iii) Appropriate and affordable formal child care arrangements are unavailable; (2) Refusal to work when an acceptable form of child care is available is not protected from sanctioning. Per 45 CFR 261.15(b), a State that fails to impose penalties on individuals in accordance with the provisions of Section 407(e)(2) of the Act and the requirements at Section 261.56 may be subject to the State penalty specified at Section 261.57. The State’s policy is to reduce benefits 100% for noncooperation. The Texas Integrated Eligibility Reporting System (TIERS) determines eligibility for Temporary Assistance for Needy Families (TANF).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

The design of TIERS does not allow the processing of various sanctions such as penalty for refusal to work, adult custodial parent of child under six when child care is not available, and child support non-cooperation through the Mass Update process in a timely manner. The Mass Update only processes requests with active EDGs. A case needs to be in “ongoing mode” versus “change mode” for changes to be implemented. When a case is in any mode other than “ongoing mode” the sanctions are not processed timely.

A sample of forty beneficiaries who should have had their benefits reduced was selected for review. Our review noted for one case, benefits were reduced one month late. This resulted in an overpayment of \$211.

Corrective Action:

Corrective action was taken.

**Health and Human Services Commission**  
**Department of State Health Services**

Reference No. 2013-021

**Allowable Costs/Cost Principles**

(Prior Audit Issues – 13-14)

**CFDA 93.667 – Social Services Block Grant**

**Award year – October 1, 2012 to September 30, 2014**

**Award number – G1301TXS0SR**

**CFDA 93.767 – Children’s Health Insurance Program**

**Award years – October 1, 2012 to September 30, 2014 and October 1, 2011 to September 30, 2013**

**Award numbers – 1305TX5021 and 1205TX5021**

**CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Award years – October 1, 2012 to September 30, 2014, October 1, 2011 to September 30, 2013, and October 1, 2010 to September 30, 2012**

**Award numbers – 2B08TI010051-13, 2B08TI010051-12, and 2B08TI010051-11**

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Non-Major Programs:**

**CFDA 93.958 – Block Grants for Community Mental Health Services**

**Type of finding – Material Weakness**

Per Section 1115 of the Social Security Act, a State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. A waiver may involve the use of a program of managed care for selected elements of the client population, or allow the use of program funds to serve specified populations that would be otherwise ineligible. Managed care providers must be eligible to participate in the program at the time services are rendered, payments to managed care plans should only be for eligible clients for the proper period, and the capitation payment should be properly calculated. Medicaid service payments (e.g., hospital and doctor charges) should not be made for services that are covered by managed care. States should ensure that capitated payments to providers are discontinued when a beneficiary is no longer enrolled for services.

Initial Year Written:	2012
Status:	Partially Implemented
U.S. Department of Health and Human Services	

The Texas Health and Human Services Commission (HHSC) has a managed care program through a section 1115 waiver. Effective April 2012, approximately 85% of all Texas-covered individuals are in the managed care program. Managed care payments total approximately \$1 billion a month. The Premiums Payable System (PPS) maintained by HHSC maintains participant risk groups, capitated rates for risk groups, and managed care organizations to which individuals are assigned. Eligibility of individuals is received via interface files with other Texas systems. HHSC reorganized the Medicaid and CHIP division in April 2013 to create an HHSC Managed Care Operations Coordination Department separate from the HHSC Managed Care Program Operations Department. Data from PPS is downloaded by the HHSC Managed Care Operations Coordination Department to calculate amounts due to each Managed Care Organization (MCO), to create invoices to be paid to the MCOs, and to allocate payments to the proper funding source. HHSC maintains segregation of duties between information technology (IT) operations and program personnel in its eligibility systems and PPS to ensure that individuals approving eligibility are not the same individuals who approve or process the MCO transactions.

Based on a review of the manual and automated processes related to the managed care program, adequate segregation of duties is not in place related to the functions performed by the HHSC Managed Care Operations Coordination Department. Also, the PPS system is not automated as to the calculation of the MCO payments amounts and assignment of funding sources. Primarily, two individuals within HHSC Managed Care Operations Coordination Department performed the following tasks during fiscal year 2013. These same two individuals also have IT access to PPS to modify certain data maintained in the system such as capitation rates.

These tasks are:

- Adding authorized MCOs to PPS,
- Updating capitated rates within PPS for changes,
- Downloading and utilizing the information from PPS to calculate payment amounts to MCOs and generate invoices to be paid by accounting by funding source,
- Communicating with MCOs regarding support for payments, and
- Reconciling totals to be paid to MCOs back to total premiums per PPS.

Forty MCO payments in CHIP and forty in Medicaid were selected for allowable costs test work and no exceptions were noted with regard to allowable services to the respective eligible provider.

Issues were noted around IT general controls for the PPS system, specifically access and change management controls. Segregation of duties is not enforced as two HHSC developers have access to one of the two PPS production servers. In addition, one of the two noted developers has administrative access to the PPS application. Through June 2013, informal processes exist for promoting program changes into the PPS system, and formal documentation was not maintained for testing and final approval prior to promoting code to the production environment. Since June 2013, a process has been formalized to test and approve code changes.

Corrective Action:

This finding was reissued as current year reference number 2014-012.

**Health and Human Services Commission  
Department of State Health Services**

Reference No. 13-15

**Subrecipient Monitoring**

**CFDA 93.566 – Refugee and Entrant Assistance – State-Administered Programs**

**Award years – October 1, 2011 to September 30, 2013; October 1, 2011 to September 30, 2012; October 1, 2010 to September 30, 2012; and October 1, 2010 to September 30, 2011**

**Award numbers – 1202TXCMAR, 1201TXRRSS, 1101TXCMAR, 1101TXRRSS, 10AATX6100, and 09AATX6100**

**Type of finding – Material Weakness and Material Non-Compliance**

The Health and Human Services Commission (HHSC) passes through federal funds to subrecipients to carry out the objectives of the refugee and entrant assistance program (CFDA 93.566). HHSC is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, HHSC must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy of the auditor’s report to HHSC within nine months of the subrecipient’s fiscal year. HHSC is to review the report and issue a management decision within six months, if applicable.

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Health and Human Services	

HHSC’s subrecipient monitoring procedures include the use of a standard contract for services, the provision of technical assistance to subrecipients, a risk assessment process, program/fiscal monitoring, and A-133 audit report collection and review. Program/fiscal monitoring is performed once during each five year contract and is conducted by the HHSC Family and Community Services division of the Office of Family Services. HHSC has two types of subrecipient contracts: Refugee Social Services (RSS) and Refugee Cash Assistance (RCA). HHSC passed through approximately \$13.5 million of approximately \$30.1 million in fiscal year 2012 expenditures for RSS and RCA services.

Audit procedures involved a review of five of thirty-seven subrecipients’ files for fiscal year 2012. From those five files, the following items were noted:

- For all five contracts, the CFDA title, CFDA number and name of the Federal agency is not included in the contract notification to the subrecipients.
- Inconsistencies were noted between the risk assessment selection of which subrecipients to monitor, the monitoring summary of when site visits were performed, and the actual files noting the performance of the site visits. HHSC is not executing the site visits in accordance with their risk assessment and/or documenting the reasons for changes in decisions.
- For one subrecipient, HHSC was unable to locate the monitoring tool and supporting documentation to reflect the details of the review. A summary letter addressed to the subrecipient was provided which noted the completion of the review.
- The monitoring tool does not contain procedures to address the allowability of costs incurred by the subrecipient. Through verbal discussions with two monitors, the monitors indicated they are looking for allowability of costs but no documentation is maintained as to sample size, attributes reviewed, and results.
- The monitoring tool is also not clear with regard to the required eligibility attributes for full-time student requirements for both RSS and RCA contracts. The RSS monitoring tool includes a procedure to obtain the Rights and Responsibilities form, but the form itself does not include anything specific as to the full-time student status requirements. The RCA Rights and Responsibilities Form does include full-time student status documentation but the monitoring tool does not include a step to obtain the form for review. As a result, eligibility related to full-time students is not adequately being reviewed during site visits.

Management noted they were not aware of all the required communication for subrecipients that should be included in the standard contracts. Also management has not recently reviewed its monitoring policies and procedures for completeness due to program monitoring personnel turnover in fiscal years 2011 and 2012.

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In addition, HHSC contracts with another state agency, Department of State Health Services (DSHS) to conduct a portion of the Refugee Medical Assistance (RMA) program, which includes conducting medical screenings (health assessments) on refugees. Approximately \$8.4 million of the \$30.1 million was expended by DSHS on these RMA services for fiscal year 2012. DSHS has seven subrecipient contracts with six local health departments and one hospital district to provide the RMA services. The primary regulation for which DSHS is responsible is 45 CFR section 400.94 and 400.100 (45 CFR section 400.107): *A state may charge refugee medical screening costs to RMA upon submission of a medical screening plan which the State Director or designee and the Director of ORR have approved in writing. If such screening is done during the first 90 days after a refugee's initial date of entry into the United States, it may be provided without prior determination of the refugee's eligibility and may be charged to RMA with the written approval of the Director of ORR. States may charge the RMA the cost of medical screenings done later than 90 days after the refugees' arrival only if the refugees had been determined ineligible for Medicaid or CHIP.*

The DSHS subrecipients are informed when a person is a refugee by one of the local affiliates of the National Voluntary Resettlement Agency that works with the U.S. Department of State. It is the responsibility of the resettlement agencies to determine whether the individual is a refugee and to set up the health assessment appointments based on the date of arrival in the United States with the DSHS subrecipient. As part of their subrecipient monitoring process, DSHS currently performs a minimum of three RMA desk reviews per year for each subrecipient with a focus on various performance measures, which include the 90-day requirement noted above. These desk reviews include an analysis of self reported information regarding the length of time taken to serve each refugee. When performance metrics are not met, DSHS does follow up to determine cause and to establish a corrective action plan. However, when medical screening services are not provided within the 90-day requirement, DSHS does not have a formal process for ensuring related costs are allowed only if the refugee has been determined to be ineligible for Medicaid or CHIP. DSHS monitors the allowability of costs through medical record reviews during on-site visits.

Corrective Action:

Corrective action was taken.

**Department of Human Services**

Reference No. 02-23

**Allowable Costs/Cost Principles/Auto-Eligibility Approval by FEMA**

**CFDA 83.543 – Individual Family Grants (FEMA)**

**Type of finding – Non-Compliance**

In an effort to expedite assistance, FEMA automated the awarding process for selected individuals affected by Tropical Storm Allison. When caseworkers (both Federal and DHS employees) visit sites and perform inspections, their case files are loaded into NEMIS, FEMA's computer system. If the case file passed established threshold checks, approval was automatic and the award was transferred by DHS' computer system into the nightly batch of warrants requested from the State Treasury. For the files that were not auto approved, DHS personnel worked the files and when approval was given, they too were transferred into the nightly batch of warrant requests.

Initial Year Written: 2001  
Status: Partially Implemented

Federal Emergency  
Management Agency

FEMA has quality control procedures in place to monitor disasters. During the performance of these procedures, FEMA discovered that over payments were made to the auto approved (i.e., no DHS involvement) eligible recipients. The recipients were eligible for grant funds but the calculation of the amount was incorrect. FEMA has established an IFG Recoupment Process which includes reviewing 3,029 auto-approved files. Per their review, FEMA noted 814 over awards or a 27% error rate due to a FEMA programming error. The estimated dollars with those 814 files is \$1,835,207. These files were considered to be high-risk by FEMA (i.e., based on the nature of the programming error). DHS estimates that about 36,715 files were auto approved and the average claim per file is \$5,014.

Recommendation:

DHS is currently involved with FEMA assisting with the resolution of these over awards. The weekly Situation Reports published by FEMA include the current status of the Recoupment Process. DHS should continue to monitor FEMA's process.

Management Response and Corrective Action Plan 2003:

*IFG personnel worked with FEMA personnel throughout fiscal year 2002 to identify cases and recoup Federal and State funds from Tropical Storm Allison. The State and FEMA are currently discussing the management and monitoring of recoupment cases. IFG is manually testing as many cases as possible related to Disaster 1425 that are auto-approved by NEMIS. As amounts that should be recouped are identified, the case is placed in the NEMIS recoupment queue. At present, there are about 700 cases representing \$1,624,000 in debt collection at FEMA's disaster finance center, of which approximately \$44,000 has been collected as of August 2003. Discussion is being held with U.S. Department of Treasury (IRS) regarding collection of these outstanding amounts.*

Management Response and Corrective Action Plan 2004:

*There are about 700 cases with overpayments of approximately \$1,617,000 being pursued by FEMA and the U.S. Department of Treasury. As of February 2005, approximately \$78,000 total has been returned. The U.S. Department of Treasury has begun turning cases over to private collection agencies.*

Management Response and Corrective Action Plan 2005:

*FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal*

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Revenue Service to refer delinquent accounts for collection. As of November 2005, a total of \$473,662 has been recouped, consisting of \$152,229 in interest and \$321,433 in principal.

### Management Response and Corrective Action Plan 2006:

FEMA and HHSC staffs continue to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 19, 2007, a total of \$363,779 in principal has been collected.

### Management Response and Corrective Action Plan 2007:

FEMA and HHSC staffs continue to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 31, 2008, a total of \$425,878 in principal has been collected.

### Management Response and Corrective Action Plan 2008:

FEMA and HHSC staffs continue to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of December 31, 2008, a total of \$483,535 in principal has been collected.

### Management Response and Corrective Action Plan 2009:

FEMA and HHSC staffs continue to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of December 31, 2009, a total of \$514,141 in principal has been collected.

### Management Response and Corrective Action Plan 2010:

FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of December 31, 2010, a total of \$591,587 in principal has been collected.

Management Response and Corrective Action Plan 2011:

FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of December 31, 2011, a total of \$584,131 in principal has been collected.

Management Response and Corrective Action Plan 2012:

FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of December 5, 2012, a total of \$469,032 in principal has been collected. The reduced amount is a result of a refund returned back to the state in the amount of \$147,896.

Management Response and Corrective Action Plan 2013:

FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 21, 2014, a total of \$639,017 in principal has been collected.

Management Response and Corrective Action Plan 2014:

FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 15, 2015, a total of \$668,753 in principal has been collected.

Implementation Date: On-going

Responsible Person: Gina Marie Muniz

**Texas Department of Housing and Community Affairs**

Reference No. 2013-022

**Reporting**

**CFDA 93.568 – Low-Income Home Energy Assistance**

**Award year – October 1, 2011 to September 30, 2013**

**Award number – G-12B1TXLIEA**

**Type of finding – Non-Compliance**

As part of the application for block grant funds each year, a report is required for the preceding fiscal year of (1) the number and income levels of the households assisted for each component (heating, cooling, crisis, and weatherization), and (2) the number of households served that contained young children, elderly, or persons with disabilities. Territories with annual allotments of less than \$200,000 and Indian tribes are required to report only on the number of households served for each component (42 USC 8629; 45 CFR section 96.82). Key line items are noted as Section 1 – LIHEAP Assisted Households and Section 2 – LIHEAP Applicant Households.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

For the federal fiscal year 2012 LIHEAP annual report, the Texas Department of Housing and Community Affairs (TDHCA) did not retain documentation for the number of elderly, disabled, or young children column in Section 1 of the report. TDHCA was unable to produce the report in arrears as the database is continuously updated.

Corrective Action:

Corrective action was taken.

**Office of the Attorney General**

Reference No. 2013-023

**Allowable Costs/Cost Principles**

(Prior audit issues 13-18)

**CFDA 93.563 – Child Support Enforcement**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1304TX4005 and 1204TX4005**

**Medicaid Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – 1305TX5ADM, 1305TX5MAP, 1205TX5ADM, and 1205TX5MAP**

**Type of finding – Significant Deficiency and Non-Compliance**

Individual State agencies are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with A-87. While direct costs are those that can be identified specifically with a particular final cost objective, the indirect costs are those that have been incurred for common or joint purposes and not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate.

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Health and Human Services	

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State agency, to substantiate its request for the establishment of an indirect cost rate. The indirect costs include: (1) costs originating in the agency carrying out Federal awards, and (2) costs of central governmental services distributed through the State central service cost allocation plan (CAP) that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to A-87, Attachment E, paragraph B).

Prior to fiscal year 2012, the Office of the Attorney General (OAG) had an approved methodology with the U.S. Department of Health and Human Services, Division of Cost Allocation (DCA) to prepare and submit their annual OMB A-87 Cost Allocation Plan (the Plan) based on budgeted information. During fiscal year 2012, OAG received communication from DCA to change their Plan to actual expenditures incurred for the state fiscal year. The fiscal year 2012 Plan approved by DCA on March 1, 2012, was to be based on fiscal year 2010 actual expenditures. Similarly, the fiscal year 2013 Plan was to be based on fiscal 2011 actual expenditures. During the reconciliation of the expenditures included in the approved fiscal year 2012 and 2013 Plans to the final 2010 and 2011 actual expenditures included in the State of Texas Comprehensive Annual Financial Report (CAFR), OAG noted they had continued to report expenses based on the budget year and not the state fiscal year. Per email communications with DCA in Dallas, Texas, dated October 25, 2012, DCA reconfirmed to OAG the need to prepare the Plan based on actual state fiscal year expenses as reported in the respective CAFR. Additionally, DCA agreed to accept the fiscal year 2012 Plan noted above and the fiscal year 2013 Plan submitted and under DCA review based on the budget year expenditure information. OAG was instructed via the email to prepare the fiscal year 2014 Plan based on actual state fiscal year 2012 expenditures. Therefore no questioned costs are noted.

Corrective Action:

Corrective action was taken.

## Department of State Health Services

Reference No. 2013-024

### Cash Management

#### CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children

Award years – January 1, 2012 to September 30, 2013 and October 1, 2012 to September 30, 2013

Award numbers – 6TX700526 and 6TX700506

Type of finding – Significant Deficiency

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. CFDA 10.557 is covered by the Treasury-State Agreement in accordance with the materiality thresholds in 31 CFR section 205.5, Table A. The funding technique specified is Pre-Issuance. However, rebates held in State accounts are exempt from the interest provisions of the CMIA (42 USC 1786 (h) (8) (J); 7 CFR section 246.15(a).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Agriculture	

CFDA 10.557 CMIA calculation includes the netting of the infant formula rebates. The Department of State Health Services (DSHS) should net the rebates when received against both disbursements and deposits (i.e. no further food draws are made until the rebates are accounted for). DSHS netted the infant formula rebates against the incorrect dates and also against administrative expenses instead of food only expenses. Upon correction, the change to the pre-issuance number of days remained negative (i.e. no interest is due to the federal government) thus there was no change in the consolidated CMIA report. The management review of the CMIA calculation for CFDA 10.557 was not performed at the correct level of precision to identify the above issues.

#### Corrective Action:

Corrective action was taken.

Reference No. 2013-025

### Reporting

(Prior Audit Issue 13-17)

#### CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children

Award years – January 1, 2012 to September 30, 2013 and October 1, 2012 to September 30, 2013

Award numbers – 6TX700526 and 6TX700506

Type of finding – Significant Deficiency and Non-Compliance

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website. Per Title II part 170 of the Code of Federal Regulation (CFR), an entity must report each action that obligates \$25,000 or more in Federal funds for a subaward to an entity. The agency must subsequently amend the award if changes in circumstances increase the total Federal funding under the award during the project or program period. This information is to be reported no later than the end of the month following the month in which the obligation or amendment was made. This requirement was effective for all grants starting October 1, 2010 or after. Per Title II part 25 of the Code of Federal Regulation (CFR), an entity is prohibited from making an award until the subrecipient has a valid Data Universal Numbering System (DUNS). This requirement was effective for all grants starting October 1, 2010 or after.

Initial Year Written:	2012
Status:	Partially Implemented
U.S. Department of Agriculture	

The Department of State Health Services' (DSHS) FFATA process is manual in nature. There is an automated report with date parameters that is used to identify subrecipients with obligations required to be reported. However, the accumulation of the data to include in the FFATA report and the actual filing of the FFATA report is all manual. DSHS has over six hundred subrecipients with over one thousand grants and amendments. DSHS currently has one person assigned to the task of filing the FFATA reports.

DSHS' policy was to report the effective date (the date both parties signed the contract) as the subaward obligation/action date on the FFATA report, even if the contract start date was after the effective date. The obligation date reported on FFATA should be the date the funds can actually be drawn, which is the later of the contract start date or the date the contract is signed by both parties. For two of eleven sample subawards reviewed, the subaward action date per the FFATA report was August 2012 and one of eleven was September 2012, when the start date for all three of these contracts was not until October 2012. Consequently, because these subrecipient contracts were submitted early, they were incorrectly submitted under the 2012 FAIN number (12126TX506W1003) rather than the 2013 FAIN number (13136TX506W1003) for WIC Award 6TX5700506.

Additionally, one subrecipient had an amendment dated April 2013 which was not filed. A second subrecipient was amended and when DSHS went to file the amendment, DSHS noted the original contract dated October 2012 had not been reported. Both the original and amendment were reported as of June 2013.

Corrective Action:

This finding was reissued as current year reference number 2014-018.

Reference No. 2013-026

**Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccine  
Special Tests and Provisions – Record of Immunization**

**CFDA 93.268 – Immunization Cooperative Agreements**

**Award years – January 1, 2013 to December 31, 2013 and January 1, 2012 to December 31, 2012**

**Award numbers – 1H23IP000773-01 and 5H23IP622571-10**

**Type of finding – Significant Deficiency and Non-Compliance**

Under Title 42 of the United States Code, effective control and accountability must be maintained for all vaccines under the Vaccines for Children (VFC) program. Vaccines must be adequately safeguarded and used solely for authorized purposes (42USC1396s). This includes administration only to VFC program-eligible children, as defined in 42USC1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42USC1396s(c)(2)(C)(iii)). Additionally, a record of the vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42USC300aa-25) which includes: date of administration of the vaccine, vaccine manufacturer and lot number of the vaccine, and name and address and, if appropriate, the title of the health care provider administering the vaccine.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

The Department of State Health Services (DSHS) is responsible for monitoring all providers that receive vaccines from DSHS. Although the City of Houston and San Antonio Metro are Center of Disease Control (CDC) grantees, providers in those areas receive DSHS vaccines. The City of Houston and San Antonio Metro conduct site visits, monitor inventory, and approve vaccine orders for providers in their respective areas. Of a sample of forty-two providers, nineteen were related to City of Houston and San Antonio Metro.

The City of Houston follows the DSHS monitoring process, which includes completing the Immunization Record Review Tool. DSHS's current process is to review a portion of the City of Houston reviews. However per review of three site visits conducted by the City of Houston, the Immunization Record Review Tool was not completed. Additionally, one of the three sites also did not have evidence of follow-up in the file.

**STATE HEALTH SERVICES, DEPARTMENT OF**

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San Antonio Metro has established their own monitoring process and DSHS currently does not have a process to oversee San Antonio. For the San Antonio Metro files reviewed, no compliance exceptions were noted.

Corrective Action:

Corrective action was taken.

Reference No. 2013-027

**Allowable Costs/Cost Principles**

**CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**

**Award years – January 1, 2012 to September 30, 2013 and October 1, 2012 to September 30, 2013**

**Award numbers – 6TX700526 and 6TX700506**

**CFDA 93.268 – Immunization Cooperative Agreements**

**Award years – January 1, 2013 to December 31, 2013 and January 1, 2012 to December 31, 2012**

**Award numbers – 1H23IP000773-01 and 5H23IP622571-10**

**CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Award years – October 1, 2012 to September 30, 2014, October 1, 2011 to September 30, 2013, and October 1, 2010 to September 30, 2012**

**Award number – 2B08TI010051-13, 2B08TI010051-12, and 2B08TI010051-11**

**Non-Major Programs:**

- 10.475 Cooperative Agreements with State for Intrastate Meat and Poultry Inspection
- 10.579 Child Nutrition Discretionary Grants Limited Availability
- 66.001 Air Pollution Control Program Support
- 66.032 State Indoor Radon Grants
- 66.034 Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
- 66.701 Toxic Substances Compliance Monitoring Cooperative Agreements
- 66.707 TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals
- 93.018 Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission
- 93.069 Public Health Emergency Preparedness
- 93.103 Food and Drug Administration Research
- 93.110 Maternal and Child Health Federal Consolidated Programs
- 93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs
- 93.130 Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices
- 93.136 Injury Prevention and Control Research and State and Community Based Programs
- 93.150 Projects for Assistance in Transition from Homelessness
- 93.217 Family Planning Services
- 93.235 Affordable Care Act (ACA) Abstinence Education Program
- 93.240 State Capacity Building
- 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
- 93.251 Universal Newborn Hearing Screening
- 93.262 Occupational Safety and Health Program
- 93.283 The Affordable Care Act: Centers for Disease Control and Prevention Investigations and Technical Assistance
- 93.448 Food Safety and Security Monitoring Project
- 93.507 PPHF 2012 National Public Health Improvement Initiative
- 93.521 The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF
- 93.523 The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities
- 93.531 PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants
- 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
- 93.889 National Bioterrorism Hospital Preparedness Program
- 93.917 HIV Care Formula Grants
- 93.940 HIV Prevention Activities Health Department Based
- 93.944 Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
- 93.945 Assistance Programs for Chronic Disease Prevention and Control
- 93.958 Block Grants for Community Mental Health Services

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**93.977 Preventive Health Services\_Sexually Transmitted Diseases Control Grants**

**93.988 Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems**

**93.994 Maternal and Child Health Services Block Grant to the States**

**Type of finding – Significant Deficiency**

OMB A-87 section H – Support of Salaries and Wages sets standards regarding time distribution, in addition to the standards for payroll documentation. These standards include:

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Health and Human Services U.S. Department of Agriculture Environmental Protection Agency	

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
4. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - a) More than one Federal award,
  - b) A Federal award and a non-Federal award,
  - c) An indirect cost activity and a direct cost activity,
  - d) Two or more indirect activities which are allocated using different allocation bases, or
  - e) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
  - a) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - b) They must account for the total activities, for which each employee is compensated,
  - c) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - d) They must be signed by the employee.
  - e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
    - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
    - ii. At least quarterly, comparisons of actual costs to budgeted distributions, based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually, if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
    - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Budget to Actual Costs

Department of State Health Services (DSHS) requires its employees to complete monthly time and effort reporting, regardless of whether the employee works solely on a single Federal award or cost objective, or on multiple activities or cost objectives. Each employee has a default task profile based on their position in the agency that determines how their payroll dollars are allocated. These task profiles are re-evaluated every year by department supervisors.

Employees are instructed and given training on how to report any deviations from their profile as well as report any vacation time, sick time, leave of absence, etc. Employees are required to certify their time by the fifteenth of the month for the previous month's time. Supervisors approve monthly payroll for their employees only if there are deviations from the employee task profile.

Forty payroll samples under the Block Grants for Prevention and Treatment of Substance Abuse Program were selected for test work. There were none in our sample that deviated from their task profile for regular hours worked (i.e., excludes deviated time for vacation, sick time, etc.) and furthermore, none that could be provided for the entire program that deviated from their task profile for regular hours worked. Additionally, after talking with some of the individuals in our sample, it does not appear that there is consistency regarding individuals' knowledge of what their task profiles are (i.e., from what funding source(s) they are getting paid), where to find this in the payroll reporting system, or how to go about reporting a deviation of their time from their profiles for regular hours worked. In addition, when an employee certifies, they simply report any hours that deviated from their profile, but their profile is not shown on the certification screen. Therefore, if an employee does not know how their time is being allocated based on their default profile, and it is not evident and easy to find when they are certifying their time, there is risk that individuals do not know the time allocation that they are certifying. Total payroll expenditures for the DSHS programs noted above and included in the schedule of federal awards for fiscal year 2013 is approximately \$45.7 million.

Employee signature of Personnel activity reports

Two sample items of the forty retired during fiscal year 2013. Their final timesheet was not certified by the employee, instead their supervisor signed on their behalf.

Corrective Action:

This finding was reissued as current year reference number 2014-017.

Reference No. 2013-028

**Matching, Level of Effort, Earmarking**

**CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Award year – October 1, 2010 to September 30, 2012**

**Award number – 2B08TI010051-11**

**Type of finding – Non-Compliance**

The State shall, for each fiscal year, maintain aggregate State expenditures for authorized activities by the principal agency, at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant. The "principal agency" is defined as the single State agency responsible for planning, carrying out and evaluating activities to prevent and treat SA and related activities. The Secretary may exclude from the aggregate State expenditures, funds appropriated to the principal agency for authorized activities, which are of a non-recurring nature and for a specific purpose (42 USC 300x-30; 45 CFR sections 96.121 and 96.134; and *Federal Register*, July 6, 2001 (66FR 35658) and November 23, 2001 (66 FR 58746-58747) as specified in II, "Program Procedures – Availability of Other Program Information").

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

The award ending September 30, 2012 closed during fiscal year 2013. The Department of State Health and Services (DSHS) was aware that the maintenance of effort (MOE) was short of the requirement for this grant year by approximately \$168,000. Further, DSHS reported the actual final MOE amount in the December 2013 Grant Application, and DSHS plans to apply for a Material Compliance Exemption since the amount of the shortfall was under 3% of the requirement. The State is waiting on final approval of the new Grant Application, which will allow them to file for the exemption. There were no compliance exceptions noted with the allowability of these State expenditures.

Corrective Action:

Corrective action was taken.

Reference No. 2013-029

**Matching, Level of Effort, Earmarking  
Subrecipient Monitoring**

**CFDA 93.667 – Social Services Block Grant**

**Award year – October 1, 2012 to September 30, 2014**

**Award number – G1301TXS0SR**

**Type of finding – Significant Deficiency and Non-Compliance**

A State may transfer up to ten percent of the combined total of the State family assistance grant, supplemental grant for population increases, and bonus funds for high performance and illegitimacy reduction, if any, (all part of Temporary Assistance for Needy Families (TANF), CFDA 93.558) for a given fiscal year to carry out programs under Social Services Block Grant (SSBG). Such amounts may be used only for programs and services to children, or their families whose income is less than two hundred percent of the poverty level (42 USC 604(d)(3)(A) and 9902(2)).

Initial Year Written:	2013
Status:	Partially Implemented

U.S. Department of Health and Human Services
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Health and Human Service Commission (HHSC) passed through approximately \$26.6 million of Social Services Block Grant funding to the Department of State Health Services (DSHS). Of this \$26.6 million, approximately \$18.6 million originated from TANF funding at HHSC.

The TANF to SSBG funding from HHSC was spent on various programs at DSHS. The services provided by these programs fall under allowable costs for SSBG. Additionally, either all the participants, or a sufficient percentage compared to the overall percentage of TANF to SSBG funding for the programs, appear to meet the income eligibility requirements based on information provided by the subrecipients to DSHS. Similarly, either all or a sufficient percentage of the recipients receiving the care, are children or children's families. However, there is not a formalized process in place to document how these requirements were met, and no monitoring of these entities for the specific use of the TANF to SSBG funds to ensure the participants are eligible. For example, the largest percentage of these funds went to community centers for mental health services for children and adults. However, while there is monitoring of the financial data for these centers, there is no other monitoring of allowable costs or review of income verification for the families.

Corrective Action:

This finding was reissued as current year reference number 2014-019.

**Texas Education Agency**

Reference No. 2013-030

**Cash Management**

**Matching, Level of Effort, and Earmarking**

**Reporting**

**Eligibility for Subrecipients**

**Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools**

**Special Tests and Provisions – Developing and Implementing Improvement Plans**

(Prior Audit Issues – 13-20, 12-26, 11-36 and 10-63)

**CFDA 84.048 – Career and Technical Education – Basic Grants to States**

Award years – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – V048A120043 and V048A110043

**CFDA 84.287 – Twenty-First Century Community Learning Centers**

Award years – July 1, 2012 to September 30, 2014, July 1, 2011 to September 30, 2013, and July 1, 2010 to September 30, 2012

Award numbers – S287C120044, S287C110044, and S287C100044

**CFDA 84.365 – English Language Acquisition State Grants**

Award years – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – S365A120043 and S365A110043

**CFDA 84.367 – Improving Teacher Quality State Grants**

Award years – July 1, 2011 to September 30, 2013, July 1, 2010 to September 30, 2012, and July 1, 2009 to September 30, 2012

Award numbers – S367A110041, S367A100043, and S367A090041

**Title I – Part A Cluster**

Award years – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – S010A120043 and S010A110043A

**Title I – Part A Cluster – ARRA**

Award year – February 17, 2009 to September 30, 2011

Award number – S389A090043A

**Special Education Cluster (IDEA)**

Award years – July 1, 2012 to September 30, 2014, July 1, 2012 to September 30, 2014, July 1, 2011 to September 30, 2013, and July 1, 2011 to September 30, 2013

Award numbers – H173A120004, H027A120008, H173A110004, and H027A110008

**School Improvement Grants Cluster**

Award years – July 1, 2012 to September 30, 2014, July 1, 2010 to September 30, 2013, July 1, 2009 to September 30, 2013, and July 1, 2008 to September 30, 2013

Award numbers – S377A120044, S377A100044, S377A090044, and S377A080044

**School Improvement Grants Cluster – ARRA**

Award year – February 17, 2009 to September 30, 2013

Award number – S388A090044

Type of finding – Significant Deficiency

The collection of Public Education Information Management System (PEIMS) data is required of all school districts by TEC §42.006. The *Data Standards* provides instructions regarding the submission of PEIMS data from a Local Education Agency (LEA) to the Texas Education Agency (TEA). The LEA is responsible for reporting federal, state, and local funds expended through PEIMS, along with various types of demographic data, and students served. Two developers have access to the PEIMS production application environment through their own user IDs. Access to migrate changes to the production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation

Initial Year Written: 2009  
 Status: Partially Implemented  
 U.S. Department of Education

of duties exist. A developer with access to migrate changes on any production system introduces the risk of unauthorized changes to applications and data. Additionally, developer access to move their own code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment. In general, programmers should not have access to migrate changes to the production environment. In addition, a periodic review at the application level, and all administrative access accounts (both user and generic) including those with knowledge of the passwords, was not performed to identify and review users and groups with access to PEIMS for appropriateness during fiscal year 2013.

TEA uses the LEA submitted information for compliance with applicable compliance requirements under various components of Cash Management, Eligibility for Subrecipients, Matching, Level of Effort, and Earmarking, Reporting, and certain Special Tests and Provisions. No compliance exceptions were noted with regard to the use of PEIMS data in the analysis related to the applicable compliance requirements.

Corrective Action:

This finding was reissued as current year reference number 2014-020.

Reference No. 2013-031

**Cash Management**

**Matching, Level of Effort, Earmarking**

**Maintenance of Effort (MOE) for Subrecipients**

**Period of Availability of Federal Funds**

**Reporting**

**Subrecipient Monitoring**

**Special Tests and Provisions – ARRA**

**Special Tests and Provisions – Developing and Implementing Improvement Plans**

**CFDA 84.048 – Career and Technical Education – Basic Grants to States**

Award years – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – V048A120043 and V048A110043

**CFDA 84.287 – Twenty-First Century Community Learning Centers**

Award years – July 1, 2012 to September 30, 2014, July 1, 2011 to September 30, 2013, and July 1, 2010 to September 30, 2012

Award numbers – S287C120044, S287C110044, and S287C100044

**CFDA 84.365 – English Language Acquisition State Grants**

Award years – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – S365A120043 and S365A110043

**CFDA 84.367 – Improving Teacher Quality State Grants**

Award years – July 1, 2011 to September 30, 2013, July 1, 2010 to September 30, 2012, and July 1, 2009 to September 30, 2012

Award numbers – S367A110041, S367A100043, and S367A090041

**Title I – Part A Cluster**

Award years – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013

Award numbers – S010A120043 and S010A110043A

**Title I – Part A Cluster – ARRA**

Award year – February 17, 2009 to September 30, 2011

Award number – S389A090043A

**Special Education Cluster (IDEA)**

Award years – July 1, 2012 to September 30, 2014, July 1, 2012 to September 30, 2014, July 1, 2011 to September 30, 2013, and July 1, 2011 to September 30, 2013

Award numbers – H173A120004, H027A120008, H173A110004, and H027A110008

**School Improvement Grants Cluster**

**Award years – July 1, 2012 to September 30, 2014, July 1, 2010 to September 30, 2013, July 1, 2009 to September 30, 2013, and July 1, 2008 to September 30, 2013**

**Award numbers – S377A120044, S377A100044, S377A090044, and S377A080044**

**School Improvement Grants Cluster – ARRA**

**Award year – February 17, 2009 to September 30, 2013**

**Award number – S388A090044**

**Type of finding – Significant Deficiency**

The Texas Education Agency (TEA) utilizes the Integrated Statewide Accounting System (ISAS) for its general ledger. Four developers have access to the ISAS production database environment through one user ID. Access to migrate changes to the production environment should be restricted appropriately, based on job function, to help ensure adequate internal controls are in place and appropriate segregation of duties exist. A developer with access to migrate changes on any production system introduces the risk of unauthorized changes to applications and data. Additionally, developer access to move their own code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment. In general, programmers should not have access to migrate changes to the production environment. In addition, a periodic review at the application level was performed by TEA to identify and review users and groups with access to ISAS for appropriateness during fiscal year 2013. TEA does not perform a periodic review of administrative access accounts (both user and generic) including those with knowledge of the passwords at the server or database level.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

TEA uses information produced from ISAS for compliance with applicable compliance requirements under various components of Cash Management, Eligibility for Subrecipients, Matching, Level of Effort, and Earmarking, Period of Availability, Reporting, Subrecipient Monitoring, and certain Special Tests and Provisions. No compliance exceptions were noted with regard to the use of ISAS data in the analysis related to the applicable compliance requirements.

Corrective Action:

This finding was reissued as current year reference number 2014-021.

**Texas Higher Education Coordinating Board**

Reference No. 2013-032

**Reporting  
Subrecipient Monitoring**

**CFDA 84.048 – Career and Technical Education – Basic Grants to States**  
**Award year – July 1, 2012 to September 30, 2014 and July 1, 2011 to September 30, 2013**  
**Award number – V048A120043 and V048A110043**  
**Type of finding – Significant Deficiency**

The Texas Higher Education Coordinating Board (THECB) utilizes the Education Data Center (EDC) system to interface with the subrecipients and to accept and process data submitted by public community and technical colleges. One developer has knowledge of the passwords to four service accounts with administrative access on the EDC server. This level of access allows the user to migrate changes to production, resulting in inappropriate developer access to production. The EDC server supports the edit checking and data load process that occurs. Access to migrate changes to the production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. In general, programmers should not have access to migrate changes to the production environment.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

No compliance exceptions were noted related to this test work for the major program above.

Corrective Action:

This finding was reissued as current year reference number 2014-023.

**Texas Workforce Commission**

Reference No. 2013-033

**Matching, Level of Effort, Earmarking**

**Reporting**

**Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan**

**CFDA 17.225 – Unemployment Insurance**

**Award years – July 1, 2013 to June 30, 2014 and July 1, 2012 to June 30, 2013**

**Award numbers – UI-22342-12-55-A-48 and UI-21128-11-55-A-48**

**WIA Cluster**

**Award years – April 1, 2012 to June 30, 2015 and April 1, 2011 to June 30, 2014**

**Award numbers – AA-22964-12-55-A-48 and AA-21424-11-55-A-48**

**TANF Cluster**

**Award years – October 1, 2012 to September 30, 2013 October 1, 2011 to September 30, 2012**

**Award numbers – G1302TXTAN3, G1302TXTANF, and G1202TXTANF**

**Type of finding – Significant Deficiency**

The Texas Workforce Commission (TWC) utilizes the Texas Workforce Information System of Texas (TWIST) to manage subrecipient data. Eleven developers have access to the TWIST database through two generic accounts giving them the ability to promote changes to production. Three of the twenty-five changes sampled for change management review appear to be coded and migrated by a developer. Access to migrate changes to the production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. A developer with access to migrate changes on any production system introduces the risk of unauthorized changes to applications and data. Additionally, developer access to move their own code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment. In general, programmers should not have access to migrate changes to the production environment. In addition, a periodic review was not performed to identify and review users and groups with access to TWIST for appropriateness during fiscal year 2013.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Labor U. S. Department of Health and Human Services	

No compliance exceptions were noted related to test work for the major programs and respective compliance requirements that rely on the TWIST database. These areas are:

- WIA Cluster – Low income youth earmarking
- TANF Cluster – TANF 199 report and Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan
- Unemployment Insurance – Trade Act Participant Report (TARP)

Corrective Action:

This finding was reissued as current year reference number 2014-024.

**TEXAS WORKFORCE COMMISSION**

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Reference No. 2013-034

**Special Tests and Provisions – Penalty for Refusal to Work**

**TANF Cluster**

**Award years – October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012**

**Award numbers – G1302TXTAN3, G1302TXTANF, and G1202TXTANF**

**Type of finding – Significant Deficiency and Non-Compliance**

Per 45 CFR 261.14, if an individual refuses to engage in work required under Section 407 of the Act, the State must reduce, or terminate the amount of assistance payable to the family, subject to any good cause, or other exceptions the State may establish. Such a reduction is governed by the provisions of §261.16. The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work. The State may impose a greater reduction, including terminating assistance. A State that fails to impose penalties on individuals in accordance with the provisions of Section 407(e) of the Act may be subject to the State penalty specified at Section 261.54. The State's policy is to reduce benefits 100% for non-cooperation.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

The Health and Human Services Commission (HHSC) works with the Texas Workforce Commission (TWC) to administer the program at the Texas Local Workforce Development Boards. TWC's role is to transmit information from the Texas Local Workforce Development Boards to HHSC who imposes the sanctions.

A sample of forty beneficiaries who should have had their benefits reduced was selected for review. Our review noted for one case, benefits were not reduced timely by one month. This resulted in an overpayment of \$271. The Texas Local Workforce Development Board did not report the sanction timely to TWC.

Corrective Action:

Corrective action was taken.

## Summary Schedule of Prior Year Audit Findings – Other Auditors

Federal regulations (*Office of Management and Budget Circular OMB Circular A-133*) state, “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2013 Schedule of Findings and Questioned Costs
- Each finding in the 2013 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2014 has been prepared to address these responsibilities.

### Angelo State University

Reference No. 12-104

#### Eligibility

#### Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.033 P033A113956, CFDA 84.375 P375A112258, CFDA 84.376 P376S112258, CFDA 84.007 P007A113956, CFDA 84.268 P268K112258, CFDA 84.063 P063P112258, and CFDA 93.264 E10HP13020-01-00

Type of finding – Significant Deficiency and Non-Compliance

#### Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 10871l).

Initial Year Written: 2011  
Status: Partially Implemented

U.S. Department of Education  
U.S. Department of Health and  
Human Services

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 673.5, 673.6, and 682.603).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

**Angelo State University (University) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual or expected enrollment.** As a result, for 4 (6.2 percent) of 65 students tested, the University based the students’ COA on full-time enrollment, although the students indicated that they would attend less than full-time. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of awarding financial assistance that exceeds financial need.

Because the University developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were awarded financial assistance that exceeded their financial need for the 2010-2011 school year.

Recommendation:

The University should determine each student's COA and financial need based on the student's expected or actual enrollment.

Management Response and Corrective Action Plan 2011:

*Management concurs with recommendations related to determination of eligibility for financial assistance specifically related to Cost of Attendance. Angelo State University will continue the practice of initially packaging student assistance based on projected fulltime enrollment. Manual procedures to subsequently update COA based on actual attendance will be implemented. Specifically, following the census date for fall or spring semester, Information Technology will provide a report to the Director of Financial Aid containing a list of students that are enrolled less than half-time. The Director will process the list, changing all affected students from the fulltime COA budgets to a less-than-half-time budget. Financial Aid Counselors will manually review each student for over-awards and correct the student's aid package to ensure the student's financial aid and need are correct. Since, summer semesters are packaged manually, students that have submitted a "summer supplemental application" will be reviewed by a Financial Aid Counselor to ensure students are placed in the correct COA budgets and ensure the student's financial aid and need are correct.*

Management Response and Corrective Action 2012:

*Given that financial aid packages are initially prepared prior to registration, Financial Aid ordinarily uses full-time COA budgets during this process. Financial Aid believes the best available enrollment data on which to base final COA budgets is actual attempted enrollment, available at census date. The Division of Information Technology is creating a report that will identify three groups of students: those enrolled less than half-time; those enrolled half-time; and those enrolled for between half- and full-time. For those students identified in each group, Financial Aid counselors will correct COA budgets based on the actual attempted enrollment as of the census date and repackage financial aid as necessary. Calendar reminders are set for September 15th for future fall semesters and February 15th for future spring semester to ensure the report is run and COA budgets and financial aid packages are adjusted timely.*

Management Response and Corrective Action 2013:

*Management is generating reports to identify students enrolled less than full time and awarded as full time. Once identified, these students have manual modifications made to their budgets and awards. Additionally, consulting services were contracted to assist the financial aid staff to develop and implement rules using algorithmic budgeting. This process will automate the adjustments to a student's budget and awards depending on their enrollment status. The Interim Director of Financial Aid is responsible for implementing the new process by January 15, 2014.*

Management Response and Corrective Action 2014:

**Immediate corrective action:** *Angelo State University has implemented a process to identify students who are enrolled for hours less than full time. There is a tracking requirement placed on the student's Banner account that will prohibit any awards from crediting until the costs of attendance (COA) are adjusted to reflect actual enrollment. We have rechecked all 2013-2014 students enrolled less than full time, identifying and correcting random isolated values that were manually inputted with errors. While we have reviewed COA for 2014-2015 students, we will be conducting a second phase check of all manually inputted budget values for all 2014-2015 terms and adjusting COA budgets using one-quarter time, half-time, three-quarters time, and full-time as appropriate.*

**Long term corrective action:** *Angelo State University is developing an Algorithmic Rule budget program in the student management software Banner. Algorithmic rules show methods of calculating the various budget components, including looking up values from the RORALGS charts, calculating amounts based on the number of credits a student*

*is taking, calculating amounts based on the number of courses the student is taking, and other parameters. This process is consistent with most other state institutions. Timeline for implementation is Fall 2015.*

*Implementation Date: Fall 2015*

*Responsible Person: William Bloom*

**Lamar Institute of Technology**

Reference No. 2013-101

**Eligibility**

(Prior Audit Issue 11-101)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A128695; CFDA 84.033, Federal Work-Study Program, P033A128695; CFDA 84.063, Federal Pell Grant Program, P063P125265; and CFDA 84.268, Federal Direct Student Loans, P268K135265**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written: 2010
Status: Partially Implemented
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Lamar Institute of Technology (Institute) established different COA budgets for students based on living status (off campus and with parents) and term enrollment (full-time, half-time, three-quarter time, and less than half-time). The Institute budgets students at full-time anticipated enrollment for Fall and Spring. For Summer, it budgets students using a Summer budget if students request financial assistance for the Summer. At the census date of each semester, the Institute manually adjusts students’ COA budgets based on actual enrollment.

**For 5 (8 percent) of 60 students tested, the Institute calculated COA incorrectly. Specifically:**

- For three students, the Institute did not adjust the students’ COA budgets at the census date to match their actual enrollment. As a result, the students’ COA budgets were each understated by amounts ranging from \$606 to \$1,258.
- For one student, the Institute incorrectly budgeted the student’s COA for Summer 2013. The Institute manually adjusted the student’s COA at the census date; however, the adjustment was incorrect. As a result, the student’s COA budget was overstated by \$35.
- For one student, the Institute incorrectly budgeted the student’s COA for Spring 2013. The student was ineligible for assistance in Fall 2012. When the student regained eligibility for assistance in Spring 2013, the Institute applied a budget for Spring only; however, it used incorrect amounts for tuition, fees, and books. As a result, the student’s budget was understated by \$303.

The above errors were related to the Institute's manual process of adjusting COA. The errors did not result in overawards for those students; however, by incorrectly calculating COA, the Institute increases the risk of overawarding or underawarding financial assistance to students.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Institute did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment.** Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. In addition, three Lamar University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. Section 4.7 (Privileged Roles) of the Institute's Information Security Policies does not adequately address the sharing of administrative access accounts among users or the documentation of exemptions for generic administrative accounts that are required by the information technology systems. Sharing generic, administrative accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

The Institute also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. Section 4.4 (Owner Responsibilities) of the Institute's Information Security Policy does not adequately address the periodic review of user access to the information technology systems. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the Institute did not configure password settings for the Banner application and the Banner database in accordance with its password policy. Not adhering to the Institute's password policy could result in unauthorized access or alteration to critical applications and data.

#### Recommendations:

The Institute should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Strengthen its information security policies by addressing the use of shared generic account, requiring documentation for all exemptions to the policy, and requiring the periodic review of user access to critical applications and their associated databases and servers.

#### Management Response and Corrective Action Plan 2013:

##### Cost of Attendance:

*Management concurs with the findings associated with determining accurate Cost of Attendance budgets for student financial aid applicants. Efforts will be made to correctly and consistently apply and adjust COA Budgets for all students. It should be noted that issues associated with incorrect COA Budgets result from the manual nature of the methodology involved in identifying students with changing enrollment levels within a term, inconsistent application of adjustments when dealing with student records requiring mixed budgets (enrollment differs from one term to the next), and simple human error in the case of a \$35 books/supplies cost element. Because initial COA budgets are assigned on the presumption of expected enrollment at full-time, all students not enrolling for a full time load must be identified for the purpose of review and adjustment to ensure that COA is ultimately assigned to match actual enrollment levels for all students.*

Management will work to create a viable query system designed to identify financial aid applicants not enrolling for a full-time load during a given semester. This query will be run immediately following census and will be used to select student records in need of review and subsequent adjustment. Budgets will be adjusted to ensure that elements for tuition & fees, room & board, books & supplies, transportation and personal/miscellaneous costs are assigned based on established COA budgets for the actual enrollment level of each student. This query/review/adjustment protocol will be run after census date for each semester. Review in subsequent semesters will also be used to compare enrollment levels and budget assignments from term to term. Problems associated with the use of mixed budgets for students will be addressed by the Director and Financial Aid Coordinator. Research will be conducted to ensure that the "mixed budget" feature within the Banner Financial Aid module is functioning properly, and to determine if this feature can be better utilized. A uniform process will be defined to ensure that the use of the mixed budget feature is used when appropriate and in a consistent manner with accurate results.

#### General Controls

Management concurs with findings associated with maintaining adequate user access controls to its Banner student assistance application and its operating environment.

Review of existing access accounts will be performed on an annual basis for users in the Banner Financial Aid Module, database, and servers. Financial Aid Director will request printed documentation to review administrative access account assignments for both internal and external administrators to ensure those individuals have obtained individually assigned accounts for use when accessing the database and/or servers to perform duties associated with functions related to inquiries and assistance, administration, troubleshooting, and reporting functions associated with student financial aid. A report will be requested by the director to review utilization of any existing generic access accounts, users with knowledge and access to such accounts, and justification of need for this type of access. A subsequent report will be required to demonstrate elimination or restricted access of generic accounts ensuring the security policies related to this practice have strengthened and enforced. Director will request review and update of password settings, to ensure the institution password policy has been followed.

#### Management Response and Corrective Action 2014:

##### Cost of Attendance

Management concurs with the findings associated with determining accurate Cost of Attendance budgets for student financial aid applicants. Federally required Cost of Attendance budgets are initially assigned by an automated process, using data from the FAFSA, related to residency and housing plans. Student budgets are calculated at full-time enrollment to allow awarding at maximum eligibility for each applicant. Errors associated with reasonable COA budgets occur when human intervention is required to supersede automated processes and change budgets due to fluctuations in enrollment.

Management will continue to strive to perfect manual processes and efforts will be made to correctly and consistently apply and adjust COA Budgets for all students.

Implementation date: July 2014

Responsible Person: Lisa Schroeder

#### General Controls

Management concurs with findings associated with maintaining adequate controls and establishing appropriate Information Security Policies to ensure the integrity and secure operation of automated systems.

Management will continue to review access for high profile roles, with periodic reviews of active/inactive user accounts and adherence to Information Security Policies now in place.

Implementation date: August 2014

Responsible Person: Isaac Barbosa

Reference No. 2013-102

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P125265; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A128695; CFDA 84.268, Federal Direct Student Loans, P268K135265; and CFDA 84.033, Federal Work-Study Program, P033A128695**

**Type of finding – Material Weakness and Material Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register* Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

**For 20 (33 percent) of 60 students tested, Lamar Institute of Technology (Institute) did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required.** Specifically:

- For 1 (2 percent) of 60 students tested, the Institute did not ensure that the number of household members enrolled in post-secondary education reported on the student’s application was adequately supported.
- For 3 (20 percent) of the 15 students who received food stamps, the Institute did not accurately verify that the students received food stamps.
- For 16 (27 percent) of 59 students who reported tax-related verification items, the Institute did not accurately verify the students’ applications. Auditors identified application errors in education credits, income tax paid, AGI, and untaxed pensions.

According to the Institute, the errors occurred because of errors in manual processing during verification. In addition, the process the Institute uses to monitor verification addresses only corrections it makes to a student’s ISIR and does not assess the overall quality of the verifications performed.

For the 20 students discussed above, the Institute did not initially correct the students’ ISIRs to reflect the accurate information at the time of verification. As a result:

- For 7 students, the errors resulted in overawards of federal Pell Grant funds totaling \$2,475 associated with award number P063P125265.
- For 4 students, the errors resulted in underawards of federal Pell Grant funds totaling \$837 associated with award number P063P125265.
- For 9 students, the errors related to non-dollar items or did not result in a change to the students’ EFC or awards.

When auditors brought the errors to the Institute’s attention, it requested updated ISIRs and/or adjusted the students’ awards; therefore, there were no questioned costs.

Not properly verifying FAFSA information can result in the Institute overawarding or underawarding student federal financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Institute did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment.** Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. In addition, three Lamar University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. Section 4.7 (Privileged Roles) of the Institute's Information Security Policies does not adequately address the sharing of administrative access accounts among users or the documentation of exemptions for generic administrative accounts that are required by the information technology systems. Sharing generic, administrative accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

The Institute also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. Section 4.4 (Owner Responsibilities) of the Institute's Information Security Policy does not adequately address the periodic review of user access to the information technology systems. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the Institute did not configure password settings for the Banner application and the Banner database in accordance with its password policy. Not adhering to the Institute's password policy could result in unauthorized access or alteration to critical applications and data.

Recommendations:

The Institute should:

- Strengthen the process it uses to monitor the quality of verifications.
- Strengthen its information security policies by addressing the use of shared generic account, requiring documentation for all exemptions to the policy, and requiring the periodic review of user access to critical applications and their associated databases and servers.

Management Response and Corrective Action Plan 2013:

Verification of Applications:

*Management concurs with issues cited from review of the verification of financial aid records. It is agreed that the need for accuracy and consistency is vitally important. A major factor was a personnel shortage, with one long term vacancy and the loss of a valued financial aid specialist. There are some conditions that must also be noted, with regard to specific categories. With regard to the number in college issue: the FAFSA reflected 2 in college. The student's sister was to be attending college in San Antonio. At some point health issues caused her to be unable to continue, and with the hardship/stress on the family we were not able to obtain proof of her enrollment to justify leaving both siblings in college. Of the three students whose answer to the SNAP benefits was not "corrected" by the school, 2 of these were already eligible for the Auto Zero EFC by meeting some other criterion; retained their Zero EFC through all transactions with no impact to eligibility. The third student had an initial EFC = 0, which remained unchanged through all transactions with no impact to eligibility. Issues related to tax related verification items presented as we transitioned from utilization of student 1040 forms to the now required Tax Return Transcripts. Reliance on the copied tax returns provided the ease of specified line numbers for required verification elements, whereas review of the Tax Transcript relies on wordy definitions/labels for specific data fields. It was suggested that we might use a provided verification table as a guide to selecting the appropriate items. When forwarding the table,*

it did not match what the auditors had been using. It was discovered that there had been 3 versions of this table which only served to compound the problem. 10 of the 16 tax related issues were based on selecting the inappropriate Tax Paid line when verifying and making corrections. Unfortunately, in these instances, our consistency actually resulted in greater level of errors in this category.

Previous vacancies in the financial aid office have been filled and efforts to replace another position are underway. Management will establish a verification spreadsheet to become a part of processor desk references to assist with selection of proper tax related items. Training schedules will be established to facilitate training of new staff members and retraining veteran employees as appropriate. Efforts will be made to establish an enhanced verification protocol utilizing additional form(s) within Banner, which will potentially provide useful output and/or exception data resulting in an improved a more detailed review process to reduce errors and inconsistencies.

General Controls

Management concurs with findings associated with maintaining adequate user access controls to it Banner student assistance application and its operating environment.

Review of existing access accounts will be performed on an annual basis for users in the Banner Financial Aid Module, database, and servers. Financial Aid Director will request printed documentation to review administrative access account assignments for both internal and external administrators to ensure those individuals have obtained individually assigned accounts for use when accessing the database and/or servers to perform duties associated with functions related to inquiries and assistance, administration, troubleshooting, and reporting functions associated with student financial aid. A report will be requested by the director to review utilization of any existing generic access accounts, users with knowledge and access to such accounts, and justification of need for this type of access. A subsequent report will be required to demonstrate elimination or restricted access of generic accounts ensuring the security policies related to this practice have strengthened and enforced. Director will request review and update of password settings, to ensure the institution password policy has been followed.

Management Response and Corrective Action 2014:

Verification of Applications

Management concurs with issues cited from review of the verification of financial aid records. It is agreed that strong processes must be in place to ensure accuracy and consistency when verifying applicant data.

Management will continue efforts to strengthen processes used to monitor the quality of verifications.

Implementation date: July 1, 2014

Responsible Person: Lisa Schroeder

General Controls

Management concurs with findings associated with maintaining adequate controls and establishing appropriate Information Security Policies to ensure the integrity and secure operation of automated systems.

Management will continue to review access for high profile roles, with periodic reviews of active/inactive user accounts and adherence to Information Security Policies now in place.

Implementation date: August 31, 2014

Responsible Person: Isaac Barbosa

**Lamar State College – Orange**

Reference No. 2013-103

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2012**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P124258; CFDA 84.268, Federal Direct Student Loans, P268K134258; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A127177; and CFDA 84.033, Federal Work-Study Program, P033A127177**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Education

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Lamar State College – Orange (College) established different COA budgets for students enrolled full-time, three-quarter-time, half-time, and less-than-half-time, as required. The College’s financial aid system automatically applies the COA based on its full-time budgets; however, the College manually updates the COA budget for students whose attendance is less than full-time or who are not attending the College for a full academic year.

**For 7 (12 percent) of 60 students tested, the College inconsistently or incorrectly calculated the student’s COA.** That occurred because of manual errors the University made when adjusting COA for students enrolled less than full-time or enrolled only for a portion of the academic year. None of those students received student financial assistance in excess of their COA or auditor-calculated need; however, incorrectly or inconsistently calculating COA increases the risk that students may be overawarded or underawarded student financial assistance.

Recommendations:

The College should strengthen its process for adjusting COA budgets for students enrolled less than full-time or students enrolled for only a portion of the academic year so that it accurately calculates COA budgets in accordance with its policy.

Management Response and Corrective Action Plan 2013:

*To strengthen the adjusting of COA budgets, all of the appropriate different budgets have been added to the RBRCOMP form in Banner. Financial aid personnel then only have to adjust the student’s individual aid period on the RBAABUD screen. This will eliminate the need for financial aid personnel having to make calculations on individual students.*

Management Response and Corrective Action 2014:

We agree with the SAO finding of partially implemented for the Cost of Attendance portion of the #2013-103 Eligibility audit.

We are striving to complete the adjustment of COA budgets more efficiently and accurately. We believe most of the issues we experienced for the 2013-14 award year were due inaccuracies in the system set-up. We think we have corrected these issues for the current year.

Implementation Date: August 2014

Responsible Person: Kerry Olson

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education 2012-2013 Federal Student Aid Handbook). Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

**For 1 (2 percent) of 60 students tested, the College overawarded the student \$694 in Pell Grants associated with award P063P124258 because it did not adjust the award amount when the student withdrew from all courses for the Spring 2013 semester.** The College does not have a process to automatically adjust student financial assistance awarded when a student withdraws from courses prior to the beginning of a semester without going through the College’s Registrar’s Office; therefore, the College’s Student Financial Aid Office uses a manual process to identify and adjust awards for those students. After auditors brought this error to the College’s attention, the College returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

In addition to affecting Pell Grant awards, errors made in Pell Grant awards may adversely affect awards made under other federal programs, such as Direct Subsidized or Direct Unsubsidized loans.

Corrective Action:

Corrective action was taken.

Reference No. 2013-104

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P124258 and CFDA 84.268, Federal Direct Student Loans, P268K134258**

**Type of finding – Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

(CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

**For 3 (8 percent) of 40 students tested, Lamar State College – Orange (College) did not accurately verify all required items on the students' FAFSAs. Specifically:**

- For 1 (25 percent) of 4 students tested who earned income and did not file a tax return, the College incorrectly verified the student's income earned from work as reported by the student in a signed statement certifying the student's income. Based on information the College provided, that error did not result in an adjustment to the student's EFC or award. The error occurred because of a manual error the College made in verification.
- For 1 (3 percent) of 38 students tested who filed tax returns or whose parents filed tax returns, the College incorrectly verified the parents' IRA deductions. For that student, the College understated the student's EFC by \$379, resulting in a \$300 overaward of a Pell Grant. After auditors brought this matter to the College's attention, the College provided evidence that it corrected that overaward; therefore, there were no questioned costs associated with that error. The error occurred because of a manual error the College made in verification.
- For 1 (3 percent) of 38 students tested who filed tax returns or whose parents filed tax returns, the College incorrectly verified the student's AGI and income tax paid. The College did not follow the methodology prescribed in the 2012-2013 *Application and Verification Guide* to calculate individual AGI and taxes paid using a joint return. Based on information the College provided, that error did not result in an adjustment to the student's EFC or award.

Corrective Action:

Corrective action was taken.

**Lamar University**

Reference No. 2013-105

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124051; CFDA 84.033, Federal Work-Study Program, P033A124051; CFDA 84.063, Federal Pell Grant Program, P063P122282; CFDA 84.268, Federal Direct Student Loans, P268K132282; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132282; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Education

Lamar University (University) has established full-time budgets in its financial aid system, and it also has established rates for three-quarter-time, half-time, and less-than-half-time enrollment. The University sets each of its rates based on actual tuition and fees charged (either resident or non-resident), average cost of books for students who attend, and estimated costs for living expenses and other personal expenses based on average living costs for the area in which the University is located. The school’s financial aid system automatically applies the COA based on a student’s academic schedule.

**For 1 (3 percent) of 40 students tested, the University incorrectly calculated the student’s COA.** That occurred because of an error the University made when it updated the COA budget tables in its financial aid system for the 2012-2013 academic year. Specifically, the University did not properly update amounts for all budget components in one budget group. A total of three students were affected by that error. As a result, the University understated the COA and financial need for each of those students by \$1,189. The University corrected those students’ COA when auditors brought the issue to its attention. However, not applying correct COA budgets to students could result in an overaward or underaward of student financial assistance.

Recommendations:

The University should apply current COA budgets correctly for all budget groups.

Management Response and Corrective Action Plan 2013:

*In response to the COA budget errors, the discrepancy occurred due to a manual data-entry error that was copied across the Banner system and applied to multiple students. Upon the auditors’ findings, we immediately corrected these individual errors. In the future, we will run RBRBCMP which details the values that make up the cost of attendance. A different processor will review the values for manual errors before they are copied into production.*

Management Response and Corrective Action Plan 2014:

Currently, Lamar University has approximately ninety (90) possible Cost of Attendance (COA) budget combinations due to the addition of the on-line Academic Partnership programs. Budgets are manually calculated and entered into the student information system called Banner. After budgets are entered into the system, the accuracy of each budget is electronically verified through the running of a computer process called RBRCMP within the Banner System. In addition to running this report, the Office of Student Financial Assistance will strengthen procedures by adding two people to work on this report. The first employee will be assigned to review the report for each detail of items that make up the budget (i.e. tuition, fees, room and board, etc...) and the second will verify the accuracy of each budget amount. This will be implemented with the 15-16 budgets for the new award year. The Associate Director, Chris Baur, will be responsible for this.

**Cost of Attendance (COA):** To ensure accurate budgeting of each individual student, a report is run on the University's official census date that freezes hours and student enrollment statuses. Based upon the students' status on the census date, students who are no longer enrolled or have reduced hours of enrollment will have their COA reduced or cancelled to match the enrollment status. This may cause some students aid to be reduced so that they do not exceed their Unmet Need. Students who indicate that they anticipate a full-year enrollment are packaged for Fall/Spring with a COA based on nine months. After completing the Fall semester, should a student not return to the University for the Spring semester, the second (Spring) semester of aid is cancelled and the budget is adjusted to reflect five months of attendance. Since one-half of the nine month COA is 4.5 months, the Department of Education provides for schools to round to the nearest whole month. After adjusting the Expected Family Contribution (EFC) for the same five month period the contribution appears to be increased and thus students will technically fall into an over-award situation. On the other hand, should the University choose to round down to four months (rather than up to five) the use of a four month EFC would require that the COA be adjusted to reflect a four month budget and then (depending on the individual EFC) the result is that the student will be under-awarded for the completed term. Aid Periods are adjusted to Fall only if the Office of Student Financial Assistance is made aware that the student will not be attending the subsequent semester (term). Otherwise, we do not change the Aid Period as the student may return at a later date within the semester.

In striving to maintain the Subsidized Usage Limits Applied (SULA), our office does terminate the loan period for the semester (term) the student attended and cancel any future financial aid.

Implementation Date: March 2015

Responsible Person: Margo Hymer

Federal Direct Student Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

**Based on a review of the full population of federal student financial assistance recipients, the University awarded one graduate student a \$2,723 Subsidized Direct Loan associated with award number P268K132282 for which that student was not eligible.** According to the University, that occurred because the student's status changed from post-baccalaureate to graduate on the same day that the University disbursed the funds. After auditors identified that error, the University canceled that award.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment.** Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) prohibits the sharing of administrative access accounts among users. Sharing those accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

In addition, three University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) requires that information regarding users with access to a generic account must be documented with the office of the chief information officer (CIO) annually. However, there was no documentation filed with the office of the CIO to document the purpose of the two generic database accounts or the six DBAs who had passwords for those accounts.

The University also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 6) requires that access to, changes to, and use of information resources be strictly secured and states that information access authority for each user must be reviewed on a regular basis, as well as when a job status changes, such as a transfer or termination of service. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the University did not configure password settings for its network, the Banner application, and the Banner database in accordance with its password policy. Not adhering to the University's password policy could result in unauthorized access or alteration to critical applications and data.

Corrective Action:

Corrective action was taken.

Reference No. 2013-106

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124051; CFDA 84.033, Federal Work-Study Program, P033A124051; CFDA 84.063, Federal Pell Grant Program, P063P122282; CFDA 84.268, Federal Direct Student Loans, P268K132282; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132282; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

**For 1 (3 percent) of 40 applications tested, Lamar University (University) did not accurately verify all required items on the FAFSA.** Specifically, the applicant’s parent reported paying \$24,000 in child support, but the University did not verify that because of a manual error. As a result, the University did not request an updated ISIR for the student at the time of verification. Based on information the University provided, that error resulted in an overaward of \$88 in subsidized direct loans associated with award P268K132282.

When auditors brought the error to the University’s attention, the University requested an updated ISIR and adjusted the student’s award; therefore, there were no questioned costs. However, not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant’s FAFSA information. Those policies must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant’s failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action. An institution’s procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant’s cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

**The University’s policies and procedures for its verification process did not include all of the required elements.** Specifically, the University’s verification policies and procedures did not provide that it would furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification, deadlines for completing any

required actions. Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment.** Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) prohibits the sharing of administrative access accounts among users. Sharing those accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

In addition, three University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) requires that information regarding users with access to a generic account must be documented with the office of the chief information officer (CIO) annually. However, there was no documentation filed with the office of the CIO to document the purpose of the two generic database accounts or the six DBAs who had passwords for those accounts.

The University also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 6) requires that access to, changes to, and use of information resources be strictly secured and states that information access authority for each user must be reviewed on a regular basis, as well as when a job status changes, such as a transfer or termination of service. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the University did not configure password settings for its network, the Banner application, and the Banner database in accordance with its password policy. Not adhering to the University's password policy could result in unauthorized access or alteration to critical applications and data.

Corrective Action:

Corrective action was taken.

**Prairie View A&M University**

Reference No. 10-33

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2008 to June 30, 2009**

**Award numbers – CFDA 84.268 P268K092319, CFDA 84.063 P063P082319, CFDA 84.007 P007A084098, CFDA 84.033 P033A084098, CFDA 84.375 P375A082319, CFDA 84.376 P376S082319, CFDA 84.379 P379T082319, and CFDA 93.925 Award number Not Applicable.**

**Type of finding – Material Weakness and Non-Compliance**

Budget Amounts

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of Education  
U.S. Department of Health and  
Human Services

When entering students' cost of attendance (COA) budgets into its financial aid system tables, the University included incorrect loan fee amounts for three budget groups. The University entered \$200, when the correct amount was \$100. This was limited to the following three budget groups: (1) student was a full-time undergraduate from out of state entering the University in the Spring semester; (2) student was a three-quarter time undergraduate in-state resident entering the University in the Spring semester; and (3) student was a full-time undergraduate from out of state entering the University for the Spring and Summer 1 semesters. A total of 42 students were affected by the incorrect cost of attendance budgets. As a result, the University included incorrect loan fee amounts within all Pell-based budgets that it reported to the U.S. Department of Education's *Common Origination and Disbursement* (COD) system. Reporting incorrect COA budgets could result in students being underawarded or overawarded financial assistance. None of the items tested resulted in incorrect award amounts.

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

The University's satisfactory academic progress policy requires an undergraduate student receiving federal aid to (1) maintain a minimum 2.00 cumulative GPA, (2) successfully complete at least 75 percent of the student's credit hours, and (3) meet the student's degree objectives within 180 total attempted hours. If a student does not meet these requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. All appeals that are denied could be awarded in error if the manual adjustment is not made to the automated system.

The University disbursed financial assistance to 1 (2.5 percent) of 40 students tested, even though that student did not meet the University's satisfactory academic progress policy. The University awarded the student a total of \$8,880 in assistance because the University did not manually adjust its automated system to reflect that the student's satisfactory academic progress appeal was denied. The University later detected this error and canceled the assistance, but it had already disbursed \$8,800 for the Spring semester to this student. The University cleared the student's account with the U.S. Department of Education after canceling the funds; therefore, there is no questioned cost associated with the error.

COA Calculation

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student’s COA minus the expected family contribution (EFC). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 108711).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Section 685.301).

The University incorrectly calculated the COA for 4 (10 percent) of 40 students tested. While the University’s financial aid system automatically calculates COA for Fall and Spring semesters, University staff manually calculates the Summer semester portion of each student’s COA. This could result in an overaward if the student does not have any excess unmet need. For the four students noted, the staff incorrectly calculated the Summer semester portion of the student’s COA. One student was a full-time graduate student who incorrectly had a loan fee of \$75 added to the student’s COA. The remaining three students were part-time for the Summer semester: One student had a \$500 room charge incorrectly added to the student’s COA, one student had a \$425 book allowance incorrectly omitted from the student’s COA, and one student had \$406 in personal expenses incorrectly omitted from the student’s COA. However, the incorrect COA calculations did not have an effect on the amount of assistance awarded to students because the students had excess unmet needs.

Corrective Action:

This finding was reissued as current year reference number 2014-101.

Reference No. 10-34

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

(Prior Audit Issue - 08-38)

**Student Financial Assistance Cluster**

**Award year – July 1, 2008 to June 30, 2009**

**Award numbers – CFDA 84.268 P268K092319, CFDA 84.063 P063P092319, CFDA 84.007 P007A084098, CFDA 84.033 P033A084098, CFDA 84.375 P375A082319, CFDA 84.376 P376S082319, and CFDA 93.925 Award number Not Applicable.**

**Type of finding – Significant Deficiency and Non-Compliance**

Disbursement Notification Letters

If an institution credits a students’ account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student’s account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student’s right or parent’s right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written:	2007
Status:	Partially Implemented
U.S. Department of Education U.S. Department of Health and Human Services	

For 7 (18 percent) of 39 students tested who received Direct Loans, the University did not send disbursement notifications within the required 30 days for the Fall 2008 semester. The University implemented a new financial aid system and did not set up the automated process for disbursement notification letters in time to ensure that it sent

disbursement notifications within the 30-day requirement for some of the disbursements it made on the first day of the Fall 2008 disbursement cycle (August 18, 2008). As a result, the University sent disbursement notification letters one day late for some of the disbursements that occurred on the first day of the Fall 2008 disbursement cycle, including for the seven students discussed above. Auditors did not note any late disbursement notification letters for the Spring 2009 semester. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

#### Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 1 (4 percent) of 25 students with Pell disbursements tested, the University did not report the amount and date of the Pell disbursement to the COD System. According to University staff, the student's information was recorded in Banner but was rejected by the COD System. The student's information was not manually corrected; therefore, the University did not report information subsequently to the COD System. The University did not have an adequate procedure in place to ensure data not accepted by COD was corrected and submitted timely.

#### Corrective Action:

This finding was reissued as current year reference number 2014-103.

**Department of Public Safety**

Reference No. 2013-107

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

(Prior Audit Issue 13-117)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Allowable Costs/Cost Principles - Payroll

In accordance with Title 2, Code of Federal Regulations (CFR), Chapter 225, when employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that award or cost objective for the period covered by the certification. Those certifications must be prepared at least semi-annually and signed by the employees or supervisory official having firsthand knowledge of the work performed by the employees. For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that:

- Reflects an after-the-fact distribution of the actual activity of each employee.
- Accounts for the total activity for which each employee is compensated.
- Is prepared at least monthly and must coincide with one or more pay periods.
- Is signed by the employee.

Budget estimates or other distribution percentages that are developed before services are performed do not qualify as support for charges to federal awards but may be used for interim purposes, provided that at least quarterly comparisons of actual costs to budgeted distributions based on the monthly activity reports are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than 10 percent.

The Department of Public Safety (Department) uses estimates to determine its payroll charges on a monthly basis and then performs reconciliations between the estimated time and actual time employees worked on each federal award so that it can process necessary adjustments. **However, during fiscal year 2013, the Department did not perform quarterly activity report reconciliations in a timely manner.** The Department did not begin its reconciliation process for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program until April 2013 and did not perform reconciliations for the July 2013 and August 2013 pay periods until December 2013. Not performing reconciliations in a timely manner could delay the identification of required adjustments and result in questioned costs.

**In addition, for 1 (2 percent) of 63 payroll charges, the Department charged employee benefits to the grant when the employee did not perform work on the grant during the pay period.** That occurred because the Department does not perform a reconciliation of benefits based on actual hours worked if the employee charges time to only one disaster grant during the month. That error resulted in questioned costs of \$29.

Allowable Costs/Cost Principles and Activities Allowed or Unallowed – Non-payroll

The Office of Management and Budget requires that costs be allocable to federal awards under the provisions of Title 2, CFR, Chapter 225. Any cost allocable to a particular federal award or cost objective may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons. Additionally, to be allowable under federal awards, costs must be adequately documented (Title 2, CFR, Chapter 225).

Initial Year Written: 2012  
Status: Partially Implemented

U.S. Department of Homeland  
Security – Federal  
Emergency Management  
Agency

**One (1 percent) of 69 non-payroll expenditures tested at the Department was unallowable.** The Department charged a \$10 unallowable prompt payment interest expenditure to an award. The Department later reallocated that expenditure to a non-federal account; therefore, there were no related questioned costs.

**For 4 (6 percent) of 69 non-payroll expenditures tested, the Department charged the expenditures to awards to which the expenditures were not allocable.** Specifically:

- One of those expenditures was for consulting work related to the implementation of a grants management application. The Department was unable to provide documentation to support whether the work performed solely benefitted the program to which it was charged. That error resulted in \$20,800 in questioned costs.
- The Department charged two of those expenditures to the wrong award because of a coding error in its payment processing. The Department later corrected those errors, which totaled \$193; therefore, there are no related questioned costs.
- One of those expenditures was a recurring cellular data charge that was not allocable to the program. That error resulted in \$38 in questioned cost; however, because the expenditure was recurring, the Department may have charged additional related unallowable costs.

**For 1 (1 percent) of 69 non-payroll expenditures tested, the Department could not provide the underlying supporting documentation for the expenditure.** Therefore, auditors could not determine whether the Department appropriately allocated that expenditure. That error resulted in \$91 in questioned costs.

#### Indirect Costs

Departments or agencies that desire to claim indirect costs under federal awards are required to prepare indirect cost rate proposals and documentation to support those costs. These proposals must be retained for audit and must be submitted to the cognizant agency (Title 2, CFR, Section 225, Appendix E, (D)(1)).

An indirect cost rate proposal (IDCRP) documents the indirect cost rates that an agency will use to charge its indirect cost by calculating a ratio of indirect costs to a direct cost base. Those rates are calculated using an indirect cost pool, which represents accumulated costs that jointly benefit two or more programs or other cost objectives (Title 2, CFR, Chapter 225, Appendix E (B)).

In 2009, the Department hired a third-party vendor to develop an IDCRP on its behalf based on its fiscal year 2007 expenditures. However, the Department did not submit that IDCRP to the federal cognizant agency until February 2012. The Federal Emergency Management Agency (FEMA) approved the IDCRP in May 2012. The IDCRP included a fixed rate of 55.59 percent for fiscal years 2008 and 2009, and that same rate on a provisional basis for periods after fiscal year 2009. **However, the Department did not retain sufficient support for its IDCRP for auditors to test the accuracy of the indirect cost rate.** As a result, auditors could not determine whether the indirect cost rate approved in May 2012 was accurate. **The Department's next IDCRP was due in February 2013. However, the Department was still in the process of completing that proposal at the close of fiscal year 2013.** During fiscal year 2013, the Department drew down federal Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds for indirect costs using the provisional rate of 55.59 percent on the previous indirect cost rate agreement.

**The Department did not always apply its provisional indirect cost rate correctly.** Specifically, for 1 (8 percent) of 12 indirect cost revenue transactions tested, the Department applied an incorrect rate due to a formula error in the spreadsheet the Department used to calculate indirect costs. As a result, the Department drew down \$308 for unsupported indirect costs, which is considered a questioned cost.

Additionally, for 2 (17 percent) of 12 indirect cost revenue transactions tested, the Department inaccurately recorded the indirect cost revenue. One of those transactions had an error in the indirect cost calculation. For the other transaction, the Department recorded the indirect cost revenue to the incorrect federal program. Specifically, the Department drew down \$70,745 in indirect costs against the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program, but it recorded the indirect cost revenue to the Hazard Mitigation Grant program. The Department does not record indirect cost expenditures in its accounting system; instead, it processes adjusting journal entries at the close of the fiscal year to record indirect cost expenditures on its Schedule of Expenditures of Federal

**PUBLIC SAFETY, DEPARTMENT OF**

Awards. As a result, errors in the recording of deposits could affect the accuracy of the adjusting journal entries and the agency's financial reporting.

The issues discussed above affected the following awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>	<b>Questioned Costs</b>
1257	99612576	October 21, 1998	\$ 0
1379	TX01PA1379	June 9, 2001	0
1425	TX02PA1425	July 4, 2002	0
1479	TX03PA1479	July 17, 2003	0
1606	1606DRTXP00000001	September 24, 2005	0
1624	1624DRTXP00000001	January 11, 2006	0
1658	1658DRTXP00000001	August 15, 2006	0
1709	1709DRTXP00000001	June 29, 2007	0
1780	1780DRTXP00000001	July 24, 2008	91
1791	1791DRTXP00000001	September 13, 2008	20,867
1931	1931DRTXP00000001	August 3, 2010	0
1999	1999DRTXP00000001	July 1, 2011	308
3216	3216EMTXP00000001	September 2, 2005	0
3261	3261EMTXP00000001	September 21, 2005	0
3363	3363EMTXP00000001	April 17, 2013	0
4029	4029DRTXP00000001	September 9, 2011	0
Total			<u>\$21,266</u>

Corrective Action:

This finding was reissued as current year reference number 2014-106.

Reference No. 2013-108

**Cash Management**

(Prior Audit Issues 13-118, 12-112 and 11-112)

**CFDA 97.036 - Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding –Significant Deficiency and Non-Compliance**

According to the Cash Management Improvement Act agreement between the U.S. Department of the Treasury and the State of Texas (Treasury-State Agreement) applicable to fiscal year 2013, the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program is subject to the pre-issuance and reimbursement funding techniques. Under the pre-issuance funding method, the State is required to request that funds be deposited into the state account no more than three days prior to the day the State makes a disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity (Title 44, Code of Federal Regulations, Section 13.20(b)(7)).

Initial Year Written:	2010
Status:	Partially Implemented
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**PUBLIC SAFETY, DEPARTMENT OF**

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**For 9 (14 percent) of 65 drawdowns tested, the Department of Public Safety (Department) did not comply with the time requirements for disbursing federal funds.** The Department disbursed funds from those 9 drawdowns between 4 and 18 days after it received the funds, instead of within 3 days as required by the Treasury-State Agreement. Those errors occurred because the Department uses a manual process to disburse funds to its subrecipients, and that process does not consistently ensure that the Department disburses funds in a timely manner. In February 2013, the Department adjusted its process for drawing down funds for payroll costs to better ensure compliance with timing requirements outlined in the Treasury-State Agreement.

**Additionally, for 10 (28 percent) of 36 subrecipients tested, the Department did not obtain sufficient documentation to ensure that subrecipients minimized the time between their receipt of funds and the disbursement of those funds.** The Department’s procedures do not require subrecipients to provide documentation to support that they are minimizing the time between receipt and disbursement of funds. As a result, auditors could not verify whether subrecipients minimized that time or whether they earned interest on advanced funds. Insufficient monitoring of subrecipients during the award period increases the risk that the Department would not detect subrecipients’ non-compliance with cash management requirements.

The timing issues discussed above affected the following awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>
1709	1709DRTXP00000001	June 29, 2007
1780	1780DRTXP00000001	July 24, 2008
1791	1791DRTXP00000001	September 13, 2008
1931	1931DRTXP00000001	August 3, 2010
1999	1999DRTXP00000001	July 1, 2011
4029	4029DRTXP00000001	September 9, 2011

*Corrective Action:*

This finding was reissued as current year reference number 2014-107.

Reference No. 2013-109

**Period of Availability of Federal Funds**

(Prior Audit Issue 13-119)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding –Significant Deficiency and Non-Compliance**

For major disaster declarations, a grantee of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program may expend management cost funds for allowable costs for a maximum of 8 years from the date of the major disaster declaration or 180 days after the latest performance period date of a non-management cost project worksheet, whichever is sooner (Title 44, Code of Federal Regulations (CFR), Section 207.8(b) and Title 44, CFR, Sections 207.9(a) and (d)). Additionally, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the performance period (Title 44, CFR, Section 13.23).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**PUBLIC SAFETY, DEPARTMENT OF**

**The Department of Public Safety (Department) charged to awards costs that it incurred after the period of performance for those awards. Specifically:**

- For all five payroll transfers tested, the Department incurred the original cost supporting the transfers outside of the period of performance for the awards. All five transfers were for pay periods between September 2011 and April 2012; however, during fiscal year 2013 the Department transferred those charges to awards whose periods of performance ended prior to September 2011. That resulted in questioned costs of \$918.
- For 2 (3 percent) of 69 non-payroll direct cost expenditures tested, the Department incurred and liquidated the expenditures outside of the period of performance for one award. The Department incurred those costs in May 2012 and June 2012 and charged those costs to the award during fiscal year 2013; however, the award’s period of performance ended in August 2010. That resulted in questioned costs of \$5,306. An analysis of the expenditure population identified 18 additional unallowable charges to that award totaling \$12,052 in additional questioned cost.

The errors discussed above occurred because the Department has not established adequate controls to ensure that it does not incur direct costs for disasters after the period of performance has ended.

The issues noted above affected the following awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>	<b>Questioned Costs</b>
1257	99612576	October 21, 1998	\$ 7
1379	TX01PA1379	June 9, 2001	515
1425	TX02PA1425	July 4, 2002	272
1479	TX03PA1479	July 17, 2003	42
3261	3261EMTXP00000001	September 21, 2005	82
3290	3290EMTXP00000001	August 29, 2008	17,358
		Total	<u>\$ 18,276</u>

Corrective Action:

Corrective action was taken.

Reference No. 2013-110

**Procurement and Suspension and Debarment  
Subrecipient Monitoring**

**Special Test and Provisions – Project Accounting**

(Prior Audit Issues 13-120, 12-113, 11-115, 10-42, and 09-48)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Public Safety (Department) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor subrecipients’ use of federal awards to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In fiscal year 2013, the Department passed through \$104,489,125 in Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds to its subrecipients.

Initial Year Written: 2008  
 Status: Partially Implemented  
  
 U.S. Department of Homeland  
 Security – Federal  
 Emergency Management  
 Agency

### Pre-award Monitoring

At the time of the award, pass-through entities must identify to subrecipients the applicable compliance requirements and the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, the federal award name and number, the name of the federal awarding agency, and whether the award is research and development (OMB Circular A-133, Section .400(d)).

Additionally, federal rules require that, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from federal contracts. That verification may be accomplished by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Covered transactions include all nonprocurement transactions irrespective of award amount (Title 2, Code of Federal Regulations (CFR), Section 3000).

Beginning October 1, 2010, an agency may not make an award to an entity until it has obtained a valid Data Universal Numbering System (DUNS) number for that entity (Title 2, CFR, Sections 25.105 and 25.205).

The Department communicates federal award information to subrecipients on an application for federal assistance and requires that subrecipients sign various assurances to ensure that they are aware of award information and applicable federal compliance requirements. The assurances also serve as the subrecipients' certification that they are not suspended or debarred from participating in federal contracts.

**The Department did not always include all required elements in its subaward agreements and did not obtain subrecipient DUNS numbers.** Specifically:

- For 2 (6 percent) of 36 subrecipients tested, the Department did not identify all required federal award information to the subrecipient. For one of those subrecipients, the Department did not include the CFDA number on the subrecipient application for federal assistance. For the other subrecipient, the Department could not provide evidence that it identified the CFDA title to the subrecipient.
- For 31 (86 percent) of 36 subrecipients tested, the Department did not ensure that the subrecipients' principals were not suspended or debarred. Those errors occurred because for 30 of those subrecipients the Department used an older version of the required assurances for those subrecipients that did not cover the subrecipients' principals. For one of those subrecipients, the Department did not retain the subrecipient's assurance form.
- For all three subrecipients tested for which a DUNS number was required, the Department did not obtain a DUNS number for the subrecipients prior to issuing the subaward. Those errors occurred because the Department used an older version of the federal application documents that did not have a designated space for the DUNS number.

Inadequate identification of federal award information to subrecipients could lead to inaccurate reporting of federal funding on a subrecipient's schedule of expenditures of federal awards. Not verifying that subrecipients' principals are not suspended or debarred from participation in federal awards increases the risk that the Department could enter into awards with ineligible parties. Not obtaining DUNS numbers prior to making a subaward could lead to inaccurate federal reporting.

### During-the-award Monitoring

Recipients of Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds are required to monitor grant-supported and subgrant-supported activities to ensure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity (Title 44, CFR, Section 13.40). The Department monitors subrecipient projects through review and approval of payment vouchers, quarterly performance reporting, and audits and inspections of subrecipient projects.

**The Department did not consistently enforce and monitor subrecipient compliance with federal requirements related to period of availability, equipment, and procurement during the performance period of its subawards.** Specifically:

- For 14 (39 percent) of 36 subrecipients tested, the Department could not provide evidence that it monitored the subrecipients' compliance with period of availability requirements. For those subrecipients, the performance period of the subgrant had expired, and the Department could not provide evidence that it had approved an extension of that period. The Department has not established a formal monitoring process prior to its project close-out to identify subrecipients that did not complete projects within the established period of performance.
- The Department could not provide evidence that it monitored subrecipients' compliance with requirements related to equipment for 1 (7 percent) of 14 subrecipient projects for which it should have monitored compliance.
- The Department could not provide evidence that it monitored subrecipients' compliance with requirements related to procurement and suspension and debarment for 9 (27 percent) of 33 subrecipient projects for which it should have monitored compliance.

At the conclusion of a project, the Department conducts final audits on projects that the Federal Emergency Management Agency (FEMA) designates as "large" projects according to the Department's State Administrative Plan for each disaster. The Department uses those audits to monitor its subrecipients' compliance with requirements related to allowable costs and activities, equipment, and procurement. However, final audits may not always be an effective monitoring tool to identify potential subrecipient non-compliance during the performance period of a subgrant.

Project Accounting

According to Department policy, subrecipients must submit a *Project Completion and Certification Report* within 60 days of completing all approved work for a project. That report certifies that all work has been completed in accordance with funding approvals and that all claims have been paid in full for each specific project.

**For 19 (59 percent) of 32 subrecipients tested that were required to submit a *Project Completion and Certification Report*, the Department did not ensure that the subrecipients submitted the reports in a timely manner.** The subrecipients submitted those reports between 109 and 2,218 days after project completion. Those errors occurred because the Department does not have a process to ensure that subrecipients notify the Department in a timely manner that a project is complete. Not notifying the Department of project completion in a timely manner delays final audits and project close-outs. Additionally, the deficiencies in monitoring project completion status delay the submission of required time extensions. For 14 (44 percent) of 32 subrecipients tested (which includes 7 of the 19 subrecipients discussed above), the Department did not identify deficiencies in subrecipient compliance related to required subrecipient time extensions.

The issues discussed above affect the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
1379	TX01PA1379	June 9, 2001
1709	1709DRTXP00000001	June 29, 2007
1780	1780DRTXP00000001	July 24, 2008
1791	1791DRTXP00000001	September 13, 2008
1931	1931DRTXP00000001	August 3, 2010
1999	1999DRTXP00000001	July 1, 2011
4029	4029DRTXP00000001	September 9, 2011

Corrective Action:

This finding was reissued as current year reference number 2014-107.

**PUBLIC SAFETY, DEPARTMENT OF**

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Reference No. 2013-111

**Reporting**

(Prior Audit Issues 13-121, 12-114, 11-114, 10-41, 09-47, 08-91, and 07-26)

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Material Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each program, subaward, function, or activity supported by the award. Recipients use the Federal Financial Report SF-425 to report financial activity on a quarterly basis. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions of key reporting elements (Title 44, Code of Federal Regulations (CFR), Section 13.41).

Initial Year Written:	2006
Status:	Partially Implemented
U.S. Department of Homeland Security - Federal Emergency Management Agency	

**For all 14 SF-425 reports tested, the Department of Public Safety (Department) did not ensure that its reports included all activity in the reporting period, were supported by applicable accounting records, and were fairly presented in accordance with program requirements.** Those errors occurred because (1) reports were not based on information in the Department’s financial system (instead, those reports were based on information from the federal system through which the Department requested funds) and (2) the Department used an incorrect methodology or incomplete information to report recipient share of expenditures. The Department’s methodology to report the recipient’s share of expenditures does not consider the different matching requirements across projects and disasters. As a result, auditors identified errors in all 14 reports tested. Department management reviewed and approved those financial reports; however, that review was not sufficient to detect those errors.

Unsupported or inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that equal or exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

Recipients of awards that are subject to the Transparency Act must report all required elements, including the subaward date, subawardee Dun and Bradstreet Data Universal Numbering System (DUNS) number, amount of subaward, subaward obligation or action date, date of report submission, and subaward number. Additionally, the amount of the subaward is the net dollar amount of federal funds awarded to the subawardee, including modifications (U.S. Office of Management and Budget’s *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting*, August 27, 2010, Appendix C).

**For 5 (83 percent) of 6 Transparency Act reports tested, the Department did not accurately report all key data elements.** For those reports, the Department underreported the total subaward amount because it did not include amounts for donated resources projects or deobligations as required. Those errors occurred because the Federal Emergency Management Agency’s Electronic Data Warehouse, which the Department uses to prepare its Transparency Act reports, excludes amounts for donated resources projects and deobligations due to technical issues. During the prior-year audit, auditors communicated to the Department information regarding its noncompliance with Transparency Act requirements. The Department implemented a formal process for Transparency Act reporting in April 2013. That process decreased, but did not eliminate, instances of noncompliance with federal requirements.

Not submitting accurate Transparency Act reports decreases the reliability and availability of information to the awarding agency and the public.

**PUBLIC SAFETY, DEPARTMENT OF**

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General Controls

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section .300 (b)).

**The Department did not adequately restrict access to its accounts in the State’s Uniform Statewide Accounting System (USAS).** Specifically, four former contractors and employees of the Department still had active accounts in USAS. The Department’s periodic review of user access was not effective in identifying and removing that inappropriate access. Not maintaining appropriate access to USAS increases the risk of unauthorized modification of the Department’s accounting data.

The financial reporting issues discussed above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
1379	TX01PA1379	June 9, 2001
1425	TX02PA1425	July 4, 2002
1479	TX03PA1479	July 17, 2003
1606	1606DRTXP00000001	September 24, 2005
1658	1658DRTXP00000001	August 15, 2006
1709	1709DRTXP00000001	June 29, 2007
1780	1780DRTXP00000001	July 24, 2008
1931	1931DRTXP00000001	August 3, 2010
3216	3216EMTXP00000001	September 2, 2005
3294	3294EMTXP00000001	September 10, 2008
4029	4029DRTXP00000001	September 9, 2011

The Transparency Act reporting issues discussed above affected the following award:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
4029	4029DRTXP00000001	September 9, 2011

Corrective Action:

This finding was reissued as current year reference number 2014-108.

Reference No. 2013-112

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

**CFDA 97.046 – Fire Management Assistance Grant**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Allowable Costs/Cost Principles - Payroll

In accordance with Title 2, Code of Federal Regulations (CFR), Chapter 225, when employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that award or cost objective for the period covered by the certification. Those certifications must be prepared at least semi-annually and signed by the employees or supervisory official having firsthand knowledge of the work performed by the employees. For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that:

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Homeland  
Security – Federal  
Emergency Management  
Agency

- Reflects an after-the-fact distribution of the actual activity of each employee.
- Accounts for the total activity for which each employee is compensated.
- Is prepared at least monthly and must coincide with one or more pay periods.
- Is signed by the employee.

Budget estimates or other distribution percentages that are developed before services are performed do not qualify as support for charges to federal awards but may be used for interim purposes, provided that at least quarterly comparisons of actual costs to budgeted distributions based on the monthly activity reports are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than 10 percent.

The Department of Public Safety (Department) uses estimates to determine its payroll charges on a monthly basis and then performs reconciliations between the estimated time and actual time employees worked on each federal award so that it can process necessary adjustments. **However, during fiscal year 2013, the Department did not perform quarterly activity report reconciliations in a timely manner.** The Department did not begin its reconciliation process for the Fire Management Assistance Grant program until June 2013 and did not perform reconciliations for the July 2013 and August 2013 pay periods until December 2013. Not performing reconciliations in a timely manner could delay the identification of required adjustments and result in questioned costs.

Corrective Action:

Corrective action was taken.

Indirect Costs

Departments or agencies that desire to claim indirect costs under federal awards are required to prepare indirect cost rate proposals and documentation to support those costs. These proposals must be retained for audit and must be submitted to the cognizant agency (Title 2, CFR, Section 225, Appendix E, (D)(1)).

An Indirect Cost Rate Proposal (IDCRP) documents the indirect cost rates that an agency will use to charge its indirect cost by calculating a ratio of indirect costs to a direct cost base. Those rates are calculated using an indirect cost pool, which represents accumulated costs that jointly benefit two or more programs or other cost objectives (Title 2, CFR, Chapter 225, Appendix E (B)).

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In 2009, the Department hired a third-party vendor to develop an IDCRC on its behalf based on its fiscal year 2007 expenditures. However, the Department did not submit that IDCRC to the federal cognizant agency until February 2012. The Federal Emergency Management Agency (FEMA) approved the IDCRC in May 2012. The IDCRC included a fixed rate of 55.59 percent for fiscal years 2008 and 2009, and that same rate on a provisional basis for periods after fiscal year 2009. **However, the Department did not retain sufficient support for its IDCRC for auditors to test the accuracy of the indirect cost rate.** As a result, auditors could not determine whether the indirect cost rate approved in May 2012 was accurate. **The Department's next IDCRC was due in February 2013. However, the Department was still in the process of completing this proposal at the close of fiscal year 2013.** During fiscal year 2013, the Department drew federal Fire Management Assistance Grant program funds for indirect costs using the provisional rate of 55.59 percent on the previous indirect cost rate agreement.

**For 12 (80 percent) of 15 indirect cost revenue transactions tested, the Department inaccurately recorded the revenue.** For those transactions, the Department drew down funds for indirect costs but did not record the receipt of those funds as indirect cost revenue. Auditors identified \$557 in indirect costs that the Department drew down but recorded as direct cost revenue. That error occurred because the Department had not established appropriate index funds within its accounting system at the time of the drawdown. Those transactions did not result in questioned costs.

The Department processed all 12 transactions on the same drawdown request and deposit document. The Department does not record indirect cost expenditures in its accounting system during the course of a fiscal year; instead, it processes adjusting journal entries at the close of the fiscal year to record indirect cost expenditures on its Schedule of Expenditures of Federal Awards. As a result, errors in recording deposits could affect the accuracy of the adjusting journal entries and the Department's financial reporting.

The payroll issues identified discussed affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2785	2785FMTXP00000001	August 7, 2008
2794	2794FMTXP00000001	February 25, 2009
2795	2795FMTXP00000001	February 27, 2009
2796	2796FMTXP00000001	February 28, 2009
2797	2797FMTXP00000001	March 3, 2009
2798	2798FMTXP00000001	March 5, 2009
2800	2800FMTXP00000001	March 20, 2009
2801	2801FMTXP00000001	April 3, 2009
2802	2802FMTXP00000001	April 4, 2009
2803	2803FMTXP00000001	April 5, 2009
2804	2804FMTXP00000001	April 7, 2009
2805	2805FMTXP00000001	April 10, 2009
2806	2806FMTXP00000001	April 10, 2009
2807	2807FMTXP00000001	April 10, 2009
2810	2810FMTXP00000001	April 10, 2009
2814	2814FMTXP00000001	April 10, 2009
2867	2867FMTXP00000001	March 11, 2011
2870	2870FMTXP00000001	March 12, 2011
2881	2881FMTXP00000001	April 3, 2011
2882	2882FMTXP00000001	April 5, 2011
2884	2884FMTXP00000001	April 9, 2011
2885	2885FMTXP00000001	April 9, 2011
2886	2886FMTXP00000001	April 9, 2011
2888	2888FMTXP00000001	April 15, 2011
2889	2889FMTXP00000001	April 15, 2011
2891	2891FMTXP00000001	April 15, 2011
2892	2892FMTXP00000001	April 15, 2011
2893	2893FMTXP00000001	April 16, 2011
2894	2894FMTXP00000001	April 16, 2011
2895	2895FMTXP00000001	April 16, 2011

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<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>
2896	2896FMTXP00000001	April 17, 2011
2898	2898FMTXP00000001	April 17, 2011
2899	2899FMTXP00000001	April 21, 2011
2901	2901FMTXP00000001	April 27, 2011
2903	2903FMTXP00000001	April 29, 2011
2904	2904FMTXP00000001	April 30, 2011
2905	2905FMTXP00000001	April 30, 2011
2906	2906FMTXP00000001	May 8, 2011
2908	2908FMTXP00000001	May 9, 2011
2910	2910FMTXP00000001	May 24, 2011
2911	2911FMTXP00000001	May 29, 2011
2912	2912FMTXP00000001	May 29, 2011
2913	2913FMTXP00000001	May 29, 2011
2914	2914FMTXP00000001	June 2, 2011
2916	2916FMTXP00000001	June 3, 2011
2922	2922FMTXP00000001	June 16, 2011
2924	2924FMTXP00000001	June 17, 2011
2925	2925FMTXP00000001	June 18, 2011
2926	2926FMTXP00000001	June 18, 2011
2927	2927FMTXP00000001	June 20, 2011
2928	2928FMTXP00000001	June 20, 2011
2929	2929FMTXP00000001	June 20, 2011
2930	2930FMTXP00000001	June 21, 2011
2931	2931FMTXP00000001	June 21, 2011
2937	2937FMTXP00000001	July 11, 2011
2949	2949FMTXP00000001	August 15, 2011
2952	2952FMTXP00000001	August 30, 2011
2957	2957FMTXP00000001	September 4, 2011
2958	2958FMTXP00000001	September 4, 2011
2959	2959FMTXP00000001	September 5, 2011
2960	2960FMTXP00000001	September 5, 2011
2962	2962FMTXP00000001	September 6, 2011
2963	2963FMTXP00000001	September 6, 2011
2964	2964FMTXP00000001	September 6, 2011
2965	2965FMTXP00000001	September 6, 2011
2967	2967FMTXP00000001	September 8, 2011
2968	2968FMTXP00000001	September 9, 2011
2976	2976FMTXP00000001	April 30, 2012

The indirect cost issues discussed above affected the following awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>
2794	2794FMTXP00000001	February 25, 2009
2795	2795FMTXP00000001	February 27, 2009
2796	2796FMTXP00000001	February 28, 2009
2797	2797FMTXP00000001	March 3, 2009
2798	2798FMTXP00000001	March 5, 2009
2800	2800FMTXP00000001	March 20, 2009
2801	2801FMTXP00000001	April 3, 2009
2802	2802FMTXP00000001	April 4, 2009
2803	2803FMTXP00000001	April 5, 2009
2804	2804FMTXP00000001	April 7, 2009
2805	2805FMTXP00000001	April 10, 2009

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<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2806	2806FMTXP00000001	April 10, 2009
2807	2807FMTXP00000001	April 10, 2009
2810	2810FMTXP00000001	April 10, 2009
2814	2814FMTXP00000001	April 10, 2009

Recommendations:

The Department should:

- Submit an updated IDCRCR to its federal cognizant agency and retain adequate documentation of its proposed indirect cost rate.
- Record indirect cost revenues accurately in its accounting system.

Management Response and Corrective Action Plan 2013:

*The Department agrees with the finding.*

*Payroll – As noted, the agency implemented a process to determine payroll charges midway through Fiscal Year 2013, and will continue to refine the process.*

*Indirect – DPS discontinued use of indirect rates midway through the fiscal year. DPS has submitted an updated indirect cost rate that is currently being negotiated with FEMA.*

2014 Update:

The Department submitted an indirect cost rate proposal that was approved by the Federal Emergency Management Agency in April 2014. The Department maintained relevant support for the indirect cost rate proposal; however, the proposal did not include all of the required documentation. In addition, the indirect cost pool included unallowable costs and the distribution base was not accurately calculated. The Department did not request reimbursement for indirect costs in fiscal year 2014.

Management Response and Corrective Action Plan 2014:

*These corrections and additional documentation will be built into the next indirect cost rate proposal to be presented to FEMA.*

*Implementation Date: March 2015*

*Responsible Person: Maureen Coulehan*

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Reference No. 2013-113

**Cash Management**

**CFDA 97.046 – Fire Management Assistance Grant**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A state must minimize the time between the drawdown of federal funds from the federal government and its disbursement of funds for federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a state’s actual cash outlay (Title 31, Code of Federal Regulations (CFR), Section 205.33). When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity (Title 44, CFR, Section 13.20(b)(7)).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**For 4 (6 percent) of 63 drawdowns tested, the Department of Public Safety (Department) did not minimize the time between its drawdown and disbursement of federal funds.** The Department disbursed funds from those 4 drawdowns between 17 and 31 days after it received those funds. Those errors occurred because the Department does not have a sufficient process to minimize the time between its drawdowns of federal funds and the disbursement of those funds for the Fire Management Assistance Grant program.

**Additionally, for 2 (17 percent) of 12 subrecipients tested, the Department did not obtain sufficient documentation to ensure that subrecipients minimized the time between their receipt of funds and the disbursement of those funds.** The Department’s procedures do not require subrecipients to provide documentation to support that they are minimizing the time between receipt and disbursement of federal funds. As a result, auditors could not verify whether those subrecipients minimized that time or whether they earned interest on advanced funds. Insufficient monitoring of subrecipients increases the risk that the Department would not detect subrecipients’ non-compliance with cash management requirements.

The cash management issues discussed above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2867	2867FMTXP00000001	March 11, 2011
2870	2870FMTXP00000001	March 12, 2011
2884	2884FMTXP00000001	April 9, 2011
2885	2885FMTXP00000001	April 9, 2011
2888	2888FMTXP00000001	April 15, 2011
2892	2892FMTXP00000001	April 5, 2011
2913	2913FMTXP00000001	May 29, 2011
2926	2926FMTXP00000001	June 18, 2011
2958	2958FMTXP00000001	September 4, 2011
2959	2959FMTXP00000001	September 5, 2011
2962	2962FMTXP00000001	September 6, 2011
2963	2963FMTXP00000001	September 6, 2011
2968	2968FMTXP00000001	September 9, 2011

Corrective Action:

Corrective action was taken.

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Reference No. 2013-114

**Eligibility**

**CFDA 97.046 – Fire Management Assistance Grant**

**Award year – September 6, 2011**

**Award number – 2962FMTXP00000001**

**Type of finding –Significant Deficiency and Non-Compliance**

Federal rules specify that the State is responsible for assisting the Federal Emergency Management Agency (FEMA) in determining applicant eligibility for Fire Management Assistance Grant awards. The following entities are eligible to apply for a subaward: state agencies, local governments, and Indian tribal governments. Entities that are not eligible to apply for a subaward, such as privately owned entities and volunteer firefighting organizations, may be reimbursed through a contract or compact with an eligible applicant for eligible costs associated with the fire or fire complex. The activities performed must be the legal responsibility of the applying entity, required as the result of the declared fire, and located within the designated area (Title 44, Code of Federal Regulations, Sections 204.41 and 204.51).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**For 1 (8 percent) of 12 subrecipients tested, the subrecipient was not eligible to receive a Fire Management Assistance Grant program award because it was a fire department that was not associated with a state or local government and used volunteer labor.** The Department of Public Safety (Department) did not maintain documentation that it reviewed that subrecipient’s eligibility for an award. However, both the Department and FEMA approved that subrecipient’s project worksheet. Because of the large number of fires declared during the 2011 fire season, the Department played a decreased role in the application and award process. The Department made \$6,534 in payments to that subrecipient in fiscal year 2013, and that amount was considered a questioned cost. Not verifying the eligibility of all applying entities increases the risk that the Department could award federal funds to ineligible subrecipients.

Recommendation:

The Department should ensure that subrecipients meet all eligibility requirements before granting subawards and retain documentation of its eligibility determinations.

Management Response and Corrective Action Plan 2013:

*The Department agrees with the finding and will assure current processes are followed on all future FMAGs.*

Management Response and Corrective Action Plan 2014:

*The Department agrees with the recommendation and will ensure current processes are followed on all future FMAGs.*

*Implementation Date: March 2015*

*Responsible Person: Paula Logan*

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Reference No. 2013-115

**Period of Availability of Federal Funds**

**CFDA 97.046 – Fire Management Assistance Grant**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

For the Fire Management Assistance Grant program, all eligible work and related costs must be associated with the incident period of a declared fire (Title 44, Code of Federal Regulations (CFR) Section 204.42). Administrative costs should be incurred within the performance period, which is the period of time during which the grantee and all subgrantees are expected to submit all eligible costs and have those costs processed, obligated, and closed out by the Federal Emergency Management Agency (FEMA) (Title 44, CFR, Section 204.3). Additionally, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the performance period. (Title 44, CFR, Section 13.23).

Initial Year Written: 2013  
 Status: Partially Implemented

U.S. Department of Homeland  
 Security – Federal  
 Emergency Management  
 Agency

Because of the large number of declared fires during the 2011 fire season, the Department of Public Safety (Department) required additional time to write project worksheets and submit project costs to FEMA for obligation. The Department formally requested extensions for all 2011 Fire Management Assistance Grant program declarations in August 2012, extending the latest performance period for any declaration to January 2013.

**The Department charged direct costs after the performance period for its 2011 awards. Specifically:**

- For all 11 monthly payroll transactions tested, the underlying obligations included payroll charges for pay periods that were after the award performance period. For nine of those transactions, the Department also did not liquidate the underlying obligations within the required time period. The pay periods for those transactions ranged from September 2012 to August 2013, while the performance period end dates for the associated awards ranged from January 2010 to January 2013. Those errors resulted in \$9,687 in questioned costs.
- For 1 (2 percent) of 60 non-payroll direct expenditures tested, the Department did not liquidate the underlying obligation within the required time period. The performance period for that expenditure ended in January 2013, but the Department did not pay that expenditure until July 2013. Because the Department incurred the obligation within the performance period, that expenditure was not considered a questioned cost.

The Department’s review and approval of project expenditures was not effective in ensuring compliance with period of availability requirements for its awards. The Department asserted that it received an informal approval from FEMA to extend the performance period for all 2011 Fire Management Assistance Grant program declarations to November 30, 2013. However, the Department could not provide documentation that FEMA approved or communicated that date to the Department. Additionally, Department staff responsible for processing and approving program expenditures do not retain a complete list of approved performance periods for Fire Management Assistance Grant program awards.

The period of availability issues discussed above affected the following awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>	<b>Questioned Costs</b>
2785	2785FMTXP00000001	August 7, 2008	\$ 0
2794	2794FMTXP00000001	February 25, 2009	0
2795	2795FMTXP00000001	February 27, 2009	0
2796	2796FMTXP00000001	February 28, 2009	0
2797	2797FMTXP00000001	March 3, 2009	0
2798	2798FMTXP00000001	March 5, 2009	0
2800	2800FMTXP00000001	March 20, 2009	0
2801	2801FMTXP00000001	April 3, 2009	0
2802	2802FMTXP00000001	April 4, 2009	0
2803	2803FMTXP00000001	April 5, 2009	0
2804	2804FMTXP00000001	April 7, 2009	0

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<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>	<b>Questioned Costs</b>
2805	2805FMTXP00000001	April 10, 2009	0
2806	2806FMTXP00000001	April 10, 2009	0
2807	2807FMTXP00000001	April 10, 2009	0
2810	2810FMTXP00000001	April 10, 2009	0
2814	2814FMTXP00000001	April 10, 2009	0
2867	2867FMTXP00000001	March 11, 2011	141
2870	2870FMTXP00000001	March 12, 2011	198
2881	2881FMTXP00000001	April 3, 2011	153
2882	2882FMTXP00000001	April 5, 2011	141
2884	2884FMTXP00000001	April 9, 2011	190
2885	2885FMTXP00000001	April 9, 2011	568
2886	2886FMTXP00000001	April 9, 2011	142
2888	2888FMTXP00000001	April 15, 2011	713
2889	2889FMTXP00000001	April 15, 2011	192
2891	2891FMTXP00000001	April 15, 2011	120
2892	2892FMTXP00000001	April 15, 2011	437
2893	2893FMTXP00000001	April 16, 2011	142
2894	2894FMTXP00000001	April 16, 2011	165
2895	2895FMTXP00000001	April 16, 2011	117
2896	2896FMTXP00000001	April 17, 2011	141
2898	2898FMTXP00000001	April 17, 2011	165
2899	2899FMTXP00000001	April 21, 2011	141
2901	2901FMTXP00000001	April 27, 2011	88
2903	2903FMTXP00000001	April 29, 2011	239
2904	2904FMTXP00000001	April 30, 2011	88
2905	2905FMTXP00000001	April 30, 2011	88
2906	2906FMTXP00000001	May 8, 2011	281
2908	2908FMTXP00000001	May 9, 2011	141
2910	2910FMTXP00000001	May 24, 2011	188
2911	2911FMTXP00000001	May 29, 2011	130
2912	2912FMTXP00000001	May 29, 2011	248
2913	2913FMTXP00000001	May 29, 2011	194
2914	2914FMTXP00000001	June 2, 2011	218
2916	2916FMTXP00000001	June 3, 2011	241
2922	2922FMTXP00000001	June 16, 2011	255
2924	2924FMTXP00000001	June 17, 2011	150
2925	2925FMTXP00000001	June 18, 2011	174
2926	2926FMTXP00000001	June 18, 2011	197
2927	2927FMTXP00000001	June 20, 2011	197
2928	2928FMTXP00000001	June 20, 2011	197
2929	2929FMTXP00000001	June 20, 2011	174
2930	2930FMTXP00000001	June 21, 2011	150
2931	2931FMTXP00000001	June 21, 2011	173
2937	2937FMTXP00000001	July 11, 2011	174
2949	2949FMTXP00000001	August 15, 2011	113
2952	2952FMTXP00000001	August 30, 2011	286
2957	2957FMTXP00000001	September 4, 2011	23
2958	2958FMTXP00000001	September 4, 2011	320
2959	2959FMTXP00000001	September 5, 2011	141
2960	2960FMTXP00000001	September 5, 2011	141
2962	2962FMTXP00000001	September 6, 2011	141
2963	2963FMTXP00000001	September 6, 2011	0
2964	2964FMTXP00000001	September 6, 2011	72
2965	2965FMTXP00000001	September 6, 2011	317
2967	2967FMTXP00000001	September 8, 2011	141

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<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>	<u>Questioned Costs</u>
2968	2968FMTXP00000001	September 9, 2011	141
2976	2976FMTXP00000001	April 30, 2012	0
		Total	<u>\$ 9,687</u>

Recommendations:

The Department should:

- Charge expenditures only within the performance period and liquidate obligations within the required time frames.
- Develop and retain a complete list of approved performance periods for its Fire Management Assistance Grant program awards.

Management Response and Corrective Action Plan 2013:

*The Department agrees with the finding.*

*Period of performance will be monitored for expenditures and liquidation of obligations will be done timely on all future FMAGs.*

2014 Update:

The federal application forms approved by the Federal Emergency Management Agency for disasters either did not have a period of performance included or the time period was the same as the incident period. Those conditions impeded the Department's compliance with period of availability requirements. The Department asserts that corrective action was implemented in August 2014; however, there were no new fire disasters in fiscal year 2014.

Management Response and Corrective Action Plan 2014:

*The Department has implemented processes to track Period of Availability and will ensure these processes are followed on all future FMAGs.*

*However, the Department asserts the dates audited include the submission dates for the projects to FEMA, rather than the period of availability following the award and obligation of the grants.*

*Implementation Date: February 2014*

*Responsible Person: Paula Logan*

Reference No. 2013-116

**Procurement and Suspension and Debarment  
Subrecipient Monitoring**

**CFDA 97.046 – Fire Management Assistance Grant**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Material Non-Compliance**

The Department of Public Safety (Department) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor subrecipients' use of federal awards to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Homeland Security – Federal Emergency Management Agency	

In fiscal year 2013, the Department passed through \$59,621,025 in Fire Management Assistance Grant program funds to its subrecipients.

Pre-award Monitoring

At the time of the award, pass-through entities must identify to subrecipients the applicable compliance requirements and the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, the federal award name and number, the name of the federal awarding agency, and whether the award is research and development (OMB Circular A-133, Section .400(d)).

Additionally, federal rules require that, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from federal contracts. That verification may be accomplished by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Covered transactions include all nonprocurement transactions irrespective of award amount (Title 2, CFR, Section 3000).

Beginning October 1, 2010, an agency may not make an award to an entity until it has obtained a valid Data Universal Numbering System (DUNS) number for that entity (Title 2, CFR, Sections 25.105 and 25.205).

The Department communicates federal award information to subrecipients on an application for federal assistance and requires that subrecipients sign various assurances to ensure that they are aware of award information and applicable federal compliance requirements. The assurances also serve as the subrecipients' certification that they are not suspended or debarred from participating in federal contracts.

**For all 12 of the subrecipients tested, the Department did not include all required elements in its subaward agreements and did not obtain subrecipient DUNS numbers. Specifically:**

- For 6 (50 percent) of 12 subrecipients tested, the Department could not provide evidence that the subrecipients received and signed all award documents prior to the subawards. As a result, the Department (1) did not communicate applicable compliance requirements and federal award information to the subrecipients, (2) did not ensure that the subrecipients and their principals were not suspended or debarred from participation in federal awards, and (3) did not obtain valid DUNS numbers for the subrecipients prior to issuing the subawards.
- For the other 6 subrecipients tested, the Department did not identify the CFDA number on the subrecipients' application documents and did not obtain a DUNS number for the subrecipients prior to making the subawards. Additionally, the Department did not ensure that the subrecipients' principals were not suspended or debarred from participation in federal awards.

Inadequate identification of federal awards to subrecipients could lead to inaccurate reporting of federal funding on a subrecipient's schedule of expenditures of federal awards. Not verifying that subrecipients or their principals are not suspended or debarred from participation in federal awards increases the risk that the Department could enter into

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awards with ineligible parties. Not obtaining DUNS numbers prior to making a subaward could lead to inaccurate federal reporting.

During-the-award Monitoring

Recipients of Fire Management Assistance Grant program funds are required to monitor grant-supported and subgrant-supported activities to ensure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity (Title 44, CFR, Section 13.40). The Department monitors subrecipient activities through review and approval of project worksheets and reimbursement requests and collection of project completion reports.

**The Department’s procedures for monitoring subrecipients were not adequate to ensure compliance with federal requirements.** Specifically:

- For 3 (25 percent) of 12 subrecipients tested, the Department did not effectively monitor to ensure that the subrecipients spent funds on allowable costs and activities. For those subrecipients, the Department could not provide evidence that it reviewed and approved the subrecipients’ project worksheets.
- For 3 (25 percent) of 12 subrecipients tested, the Department did not receive the project worksheets until after the subawards’ performance periods. That occurred because the Department does not have established procedures for subrecipients to request extensions for project worksheets.
- For 11 (92 percent) of 12 subrecipients tested, the Department did not obtain the subrecipients’ signed project completion reports upon completion of all approved work. The Department could not confirm whether the subrecipients had ever submitted those reports.
- For all 7 subrecipients tested that were not required to obtain an OMB Circular A-133 Single Audit, the Department could not provide evidence that it applied alternate monitoring techniques, such as project audits. That occurred because the Department does not have established procedures for monitoring subrecipients that are not required to obtain a Single Audit.

Insufficient during-the-award period monitoring increases the risk that the Department may not detect subrecipients’ non-compliance with federal requirements.

The issues discussed above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2870	2870FMTXP00000001	March 12, 2011
2885	2885FMTXP00000001	April 9, 2011
2888	2888FMTXP00000001	April 15, 2011
2913	2913FMTXP00000001	May 29, 2011
2926	2926FMTXP00000001	June 18, 2011
2958	2958FMTXP00000001	September 4, 2011
2959	2959FMTXP00000001	September 5, 2011
2962	2962FMTXP00000001	September 6, 2011
2963	2963FMTXP00000001	September 6, 2011
2968	2968FMTXP00000001	September 9, 2011

Recommendations:

The Department should:

- Communicate all relevant federal award information and applicable compliance requirements to subrecipients and maintain subaward documentation for its monitoring records.
- Retain documentation of its verification that subrecipients and subrecipients’ principals are not suspended or debarred from participation in federal awards.
- Obtain valid DUNS numbers from its subrecipients prior to issuing subawards.

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- Perform effective review of project worksheets to ensure that subrecipient expenditures are for allowable costs incurred within the subaward performance period.
- Develop and implement procedures for subrecipients to request extensions for submitting project worksheets.
- Obtain signed project completion reports from all subrecipients upon completion of approved work.
- Develop and implement procedures to monitor subrecipients that are not required to obtain a Single Audit.

Management Response and Corrective Action Plan 2013:

*The Department agrees with the finding.*

*New rules have been drafted to address these recommendations and will be implemented on all future FMAGs.*

Management Response and Corrective Action Plan 2014:

*The Department agrees with the recommendation and will ensure current processes are followed on all future FMAGs.*

*Implementation Date: May 2014*

*Responsible Person: Paula Logan*

Reference No. 2013-117

**Reporting**

**CFDA 97.046 – Fire Management Assistance Grant**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each program, subaward, function, or activity supported by the award. Recipients use the Federal Financial Report SF-425 to report financial activity on a quarterly basis. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions of key reporting elements (Title 44, Code of Federal Regulations (CFR), Section 13.41).

Initial Year Written:	2013
Status:	Partially Implemented

U.S. Department of Homeland Security – Federal Emergency Management Agency
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**The Department of Public Safety (Department) did not always ensure that its SF-425 reports included all activity in the reporting period, were supported by applicable accounting records, and were fairly presented in accordance with program requirements.** Specifically, for 28 (47 percent) of 60 financial reports tested, the Department inaccurately reported the total recipient share required and the remaining recipient share to be provided. Those errors occurred because the Department used an incorrect methodology to report those amounts. The Department’s methodology for determining the total recipient share required used current expenditures in its calculation instead of the total award amount. That methodology does not produce an accurate amount if all federal obligations for an award have not been liquidated. As a result of those errors, for those 28 reports the Department underreported the total recipient share required and remaining recipient share to be provided by \$4,767,762. Department management reviewed and approved those financial reports; however, that review was not sufficient to detect those errors. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

**PUBLIC SAFETY, DEPARTMENT OF**

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Corrective Action:

Corrective action was taken.

Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that equal or exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

Recipients of awards that are subject to the Transparency Act must report all required elements, including the subaward date, subawardee Dun and Bradstreet Data Universal Numbering System (DUNS) number, amount of subaward, subaward obligation or action date, date of report submission, and subaward number. Additionally, the amount of the subaward is the net dollar amount of federal funds awarded to the subawardee, including modifications (U.S. Office of Management and Budget's *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting, August 27, 2010, Appendix C*).

**The Department did not always accurately report key data elements or submit reports within the required time frame.** Specifically:

- For 4 (25 percent) of 16 Transparency Act reports tested, the Department underreported the total subaward amount because it did not include amounts for donated resources projects as required. Those errors occurred because the Federal Emergency Management Agency's Electronic Data Warehouse, which the Department uses to prepare its Transparency Act reports, excludes amounts for donated resources projects.
- For 6 (38 percent) of 16 Transparency Act reports tested, the Department did not submit reports within the required time frame. The Department submitted those 6 reports between 16 and 132 days late. During the prior-year audit, auditors communicated to the Department information regarding its noncompliance with Transparency Act requirements. The Department implemented a formal process for Transparency Act reporting in April 2013. For four of those subawards, the Department did not submit the reports in a timely manner because the reports were due prior to the Department's implementation of a formal process for Transparency Act reporting. For the other two subawards, the Department was not aware that the applicable prime awards were available in the Transparency Act reporting system.

Not submitting accurate Transparency Act reports in a timely manner decreases the reliability and availability of information to the awarding agency and the public.

General Controls

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section .300 (b)).

**The Department did not adequately restrict access to its accounts in the State's Uniform Statewide Accounting System (USAS).** Specifically, four former contractors and employees of the Department still had active accounts in USAS. The Department's periodic review of user access was not effective in identifying and removing that inappropriate access. Not maintaining appropriate access to USAS increases the risk of unauthorized modification of the Department's accounting data.

The financial reporting issues discussed above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2806	2806FMTXP00000001	April 10, 2009
2807	2807FMTXP00000001	April 10, 2009
2867	2867FMTXP00000001	March 11, 2011

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<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2870	2870FMTXP00000001	March 12, 2011
2885	2885FMTXP00000001	April 9, 2011
2889	2889FMTXP00000001	April 15, 2011
2896	2896FMTXP00000001	April 17, 2011
2898	2898FMTXP00000001	April 17, 2011
2904	2904FMTXP00000001	April 30, 2011
2906	2906FMTXP00000001	May 8, 2011
2912	2912FMTXP00000001	May 29, 2011
2916	2916FMTXP00000001	June 3, 2011
2922	2922FMTXP00000001	June 16, 2011
2925	2925FMTXP00000001	June 18, 2011
2926	2926FMTXP00000001	June 18, 2011
2927	2927FMTXP00000001	June 20, 2011
2930	2930FMTXP00000001	June 21, 2011
2931	2931FMTXP00000001	June 21, 2011
2958	2958FMTXP00000001	September 4, 2011
2960	2960FMTXP00000001	September 5, 2011
2962	2962FMTXP00000001	September 6, 2011
2965	2965FMTXP00000001	September 6, 2011

The Transparency Act issues discussed above affected the following awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2886	2886FMTXP00000001	April 9, 2011
2910	2910FMTXP00000001	May 24, 2011
2913	2913FMTXP00000001	May 29, 2011
2929	2929FMTXP00000001	June 20, 2011
2958	2958FMTXP00000001	September 4, 2011
2960	2960FMTXP00000001	September 5, 2011
2964	2964FMTXP00000001	September 6, 2011
2965	2965FMTXP00000001	September 6, 2011

Recommendations:

The Department should:

- Correct its methodology for reporting the total recipient share required in its SF-425 reports by using the total award amount in its calculation instead of current expenditures.
- Submit all required Transparency Act reports accurately and in a timely manner.
- Restrict access to its USAS accounts to current staff whose responsibilities require that access.
- Ensure that its periodic review process is effective and identifies all users whose access needs to be removed.

Management Response and Corrective Action Plan 2013:

*The Department agrees with the finding.*

*SF 425 Reporting – DPS Finance has taken responsibility for SF-425 reporting effective January of 2012 and TDEM is working diligently with Finance to reconcile all open disasters. Finance and TDEM will also correct state match reporting.*

*Transparency Act Reporting – Processes have been updated to implement change.*

*USAS – Finance will implement controls to ensure we identify and remove all users whose access needs to be removed.*

Management Response and Corrective Action Plan 2014:

The Department agrees with the recommendation and will ensure current processes are followed on all future FMAGs.

Implementation Date: May 2014

Responsible Person: Paula Logan

General Controls

The Department will restrict USAS accounts to match staff responsibilities and will complete periodic reviews.

Implementation Date: January 2015

Responsible Persons: Garry Jones and Sharon Page

Reference No. 2013-118

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

(Prior Audit Issues 13-103, 12-106, 11-107, 10-35, and 09-38)

**CFDA 97.067 – Homeland Security Grant Program**

**Award year – 2010**

**Award number – 2010-SS-T0-0008**

**Type of finding – Significant Deficiency and Non-Compliance**

Allowable Costs/Cost Principles - Payroll

In accordance with Title 2, Code of Federal Regulations (CFR), Chapter 225, when employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that award or cost objective for the period covered by the certification. Those certifications must be prepared at least semi-annually and signed by the employees or supervisory official having firsthand knowledge of the work performed by the employees. For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that:

- Reflects an after-the-fact distribution of the actual activity of each employee.
- Accounts for the total activity for which each employee is compensated.
- Is prepared at least monthly and must coincide with one or more pay periods.
- Is signed by the employee.

Budget estimates or other distribution percentages that are developed before services are performed do not qualify as support for charges to federal awards but may be used for interim purposes, provided that at least quarterly comparisons of actual costs to budgeted distributions based on the monthly activity reports are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than 10 percent.

Initial Year Written: 2008 Status: Partially Implemented  U.S. Department of Homeland Security – Federal Emergency Management Agency
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The Department of Public Safety (Department) uses estimates to determine its payroll charges on a monthly basis and then performs reconciliations between the estimated time and actual time employees worked on each federal award so that it can process necessary adjustments.

**The Department did not always perform quarterly activity report reconciliations accurately or in a timely manner.** Specifically:

- For 2 (3 percent) of 65 payroll charges tested, the Department based the charges on budget estimates and did not reconcile the charge amounts to reflect actual time. Therefore, those payroll charges did not reflect an after-the-fact distribution of the actual activity of each employee, resulting in questioned costs of \$5,059. Those errors occurred because the employees were not included in the report the Department uses in its reconciliation between estimated and actual time.
- For 2 (3 percent) of 65 payroll transactions tested, the Department incorrectly calculated the necessary payroll adjustment based on its activity report reconciliation. Those errors occurred because the Department used the incorrect time periods when performing its reconciliation, which resulted in a net questioned cost of \$401.
- The Department did not begin its fiscal year 2013 reconciliation process for the Homeland Security Grant Program until April 2013. Not performing reconciliations in a timely manner could delay the identification of required adjustments and result in questioned costs.

Allowable Costs/Cost Principles – Non-payroll

The Office of Management and Budget (OMB) requires that costs be allocable to federal awards under the provisions of Title 2, CFR, Chapter 225. Any cost allocable to a particular federal award or cost objective may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons. Additionally, to be allowable under federal awards, costs must be adequately documented (Title 2, CFR, Chapter 225).

**Twenty (31 percent) of 65 non-payroll expenditures tested that the Department charged to the 2010 Homeland Security Grant Program were not solely allocable to that program.** Specifically:

- Two of those expenditures were for temporary staffing charges; however, the supporting documentation from the vendor did not identify the grant programs that benefited from the work performed. The Department did not have a policy requiring the vendor to submit adequate documentation specifying the grant programs that benefited, which is necessary to appropriately allocate costs. Those errors resulted in \$630 in questioned costs.
- Eighteen of those expenditures were management and administrative (M&A) costs that benefited the State Administrative Agency (SAA), which manages and administers multiple federal grant programs. Those costs could have benefited other grant programs, but the Department charged them solely to the Homeland Security Grant Program. Those errors resulted in \$71,642 in questioned costs. The Department asserted that it implemented a process to allocate M&A charges among the programs SAA administers in August 2013; however, all of the transactions tested were processed before the Department implemented that process. Approximately 16 percent of funds the SAA manages relate to non-Homeland Security Grant Program federal awards.

In addition to the Homeland Security Grant Program, the SAA also manages funds for the following federal programs:

- Border Interoperability Demonstration Project (CFDA 97.120).
- Buffer Zone Protection Program (CFDA 97.078).
- Emergency Operation Center Program (CFDA 97.052).
- Interoperable Emergency Communications Program (CFDA 97.055).
- Nonprofit Security Program (CFDA 97.008).
- Rail and Transit Security Grant Program (CFDA 97.075).
- Regional Catastrophic Preparedness Grant Program (CFDA 97.111).

Corrective Action:

This finding was reissued as current year reference number 2014-109.

**PUBLIC SAFETY, DEPARTMENT OF**

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Reference No. 2013-119  
**Reporting**  
(Prior Audit Issue 13-107)

**CFDA 97.067 – Homeland Security Grant Program**  
**Award years – 2011 and 2012**  
**Award numbers – EMW-2011-SS-00019 and EMW-2012-SS-00018**  
**Type of finding – Significant Deficiency and Non-Compliance**

Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that equal or exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations, Chapter 170). Recipients of awards that are subject to the Transparency Act must report all required elements, including the subaward date, subawardee Dun and Bradstreet Data Universal Numbering System (DUNS) number, amount of subaward, subaward obligation or action date, date of report submission, and subaward number. The subaward obligation date is defined as the date the subaward agreement is signed. Additionally, the amount of the subaward is the net dollar amount of federal funds awarded to the subawardee, including modifications (U.S. Office of Management and Budget’s *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting*, August 27, 2010, Appendix C).

Initial Year Written:	2012
Status:	Partially Implemented
U.S. Department of Homeland Security – Federal Emergency Management Agency	

**The Department of Public Safety (Department) did not always accurately report key data elements or submit Transparency Act reports within the required time frame.** Specifically:

- For 25 (50 percent) of 50 Transparency Act reports tested, the Department did not accurately report the subaward obligation date. Those errors occurred because the Department did not have a consistent process for determining the obligation date to report.
- For 25 (76 percent) of 33 Transparency Act reports tested that were due in fiscal year 2013, the Department did not report the subaward within the required time frame. Additionally, the Department submitted other Transparency Act reports in fiscal year 2013 that were due in a previous fiscal year. During the prior-year audit, auditors communicated to the Department information regarding its noncompliance with Transparency Act requirements. The Department implemented a formal process for Transparency Act reporting in April 2013. That process decreased, but did not eliminate, instances of noncompliance with federal requirements.

Not submitting accurate Transparency Act reports in a timely manner decreases the reliability and availability of information to the awarding agency and the public.

General Controls

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section .300 (b)).

**The Department did not adequately restrict access to its accounts in the State’s Uniform Statewide Accounting System (USAS).** Specifically, four former contractors and employees of the Department still had active accounts in USAS. The Department’s periodic review of user access was not effective in identifying and removing that inappropriate access. Not maintaining appropriate access to USAS increases the risk of unauthorized modification of the Department’s accounting data.

Corrective Action:

This finding was reissued as current year reference number 2014-112.

**PUBLIC SAFETY, DEPARTMENT OF**

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Reference No. 2013-120

**Subrecipient Monitoring**

(Prior Audit Issues 13-108, 12-109, 11-111, 10-37 and 09-43)

**CFDA 97.067 – Homeland Security Grant Program**

**Award years – 2009, 2010, 2011, and 2012**

**Award numbers – 2009-SS-T9-0064, 2010-SS-T0-0008, EMW-2011-SS-00019, and EMW-2012-SS-00018**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Public Safety (Department) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In fiscal year 2013, the Department passed through \$137,224,217 in Homeland Security Grant Program funds to its subrecipients.

Initial Year Written:	2008
Status:	Implemented

U.S. Department of Homeland Security – Federal Emergency Management Agency	
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During-the-award Monitoring

Recipients of Homeland Security Grant Program funds are required to monitor grant-supported and subgrant-supported activities to ensure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity (Title 44, Code of Federal Regulations (CFR), Section 13.40). Specifically, grantees and subgrantees are required to enter into procurement contracts and covered transactions in accordance with program requirements and must not make any award or permit any award at any tier to any party that is debarred or suspended or otherwise excluded from participation in federal assistance programs (Title 44, CFR, Sections 13.35 and 13.36).

**For 57 (88 percent) of 65 subrecipients tested, the Department did not monitor the subrecipients' compliance with requirements related to procurement.** The Department did not monitor those subrecipients' compliance with procurement requirements because it did not conduct a desk review or site visit for the subrecipients during fiscal year 2013. The Department monitors subrecipient activities related to procurement through desk reviews and site visits. However, the Department asserted that the limited number of monitoring personnel it has reduces the number of site visits and desk reviews it can conduct. During fiscal year 2013, the Department developed a process to monitor subrecipient procurement practices through procedures other than the site visits or desk reviews it performs; however, that process was not in place until August 26, 2013.

Additionally, for 6 of those subrecipients, the Department did not include the subrecipients in the fiscal year 2013 risk assessment it used to select subrecipients for desk reviews and site visits. Those subrecipients were not included because the Department prepared the risk assessment based on a report of subrecipients that received funds in prior grant years, instead of based on all active subrecipients.

Insufficient monitoring of subrecipients' procurement practices during the award period increases the risk that the Department will not detect subrecipients' non-compliance with federal procurement requirements.

Corrective Action:

Corrective action was taken.

Reference No. 13-111

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

**CFDA 97.039 – Hazard Mitigation Grant Program**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Non-Compliance**

Allowable Costs/Cost Principles – Payroll

In accordance with Title 2, Code of Federal Regulations (CFR), Chapter 225, when employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that award or cost objective for the period covered by the certification. Those certifications must be prepared at least semi-annually and signed by the employees or supervisory official having firsthand knowledge of the work performed by the employees. For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that:

Initial Year Written:	2012
Status:	Partially Implemented
U.S. Department of Homeland Security	

- Reflects an after-the-fact distribution of the actual activity of each employee.
- Accounts for the total activity for which each employee is compensated.
- Is prepared at least monthly and must coincide with one or more pay periods.
- Is signed by the employee.

Budget estimates or other distribution percentages that are developed before services are performed do not qualify as support for charges to federal awards but may be used for interim purposes, provided that at least quarterly comparisons of actual costs to budgeted distributions based on the monthly activity reports are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than 10 percent.

**The Department of Public Safety (Department) based 16 (76 percent) of 21 Hazard Mitigation payroll charges tested on budget estimates; therefore, those payroll charges did not reflect an after-the-fact distribution of the actual activity of each employee.** The Department requires its employees to complete weekly time sheets to indicate the number of hours they work, including the number of hours charged to each federal award. The Department then estimates its payroll charges based on actual time charged in a previous period. However, the Department has not established controls to ensure that it reconciles the estimated effort with the actual effort for each employee. This resulted in questioned costs of \$3,162 associated with awards FEMA-1606-DR and FEMA-1999-DR.

Additionally, for 5 (24 percent) of 21 payroll charges tested, the Department did not perform its reconciliation of estimated effort with actual effort; however, for those payroll charges, this did not result in non-compliance because the estimated and actual charges were the same.

Corrective Action:

Corrective action was taken.

Allowable Costs/Cost Principles and Activities Allowed or Unallowed – Non-payroll

The Office of Management and Budget (OMB) requires that costs be allocable to federal awards under the provisions of Title 2, CFR, Chapter 225. Any cost allocable to a particular federal award or cost objective may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal

awards, or for other reasons. Additionally, to be allowable under federal awards, costs must be adequately documented (Title 2, CFR, Chapter 225).

Capital expenditures for general purpose equipment are unallowable as direct charges unless those charges are approved in advance by the awarding agency. In addition, special purpose equipment with a unit cost of \$5,000 or more must have prior approval of the awarding agency in order to be allowable as a direct cost (Title 2, CFR, Chapter 225, Appendix B).

**For 2 (4 percent) of 51 direct cost expenditures tested, the Department could not provide evidence that it obtained approval from Federal Emergency Management Agency (FEMA) prior to purchasing equipment.** The Department asserted that it has an informal process to obtain approval from FEMA for the purchase of equipment exceeding \$5,000; however, that process is not documented. This resulted in a questioned cost of \$51,040 associated with award FEMA-1780-DR and \$6,657 in questioned costs associated with award FEMA-1791-DR.

Additionally, the Department's policy requires its Grant Finance unit to review direct expenditures by approving a payment voucher. **For 2 (4 percent) of 51 direct cost expenditures tested, however, the Department could not provide evidence that its Grant Finance unit reviewed and approved vouchers prior to payment as required by its policy.** For one of those expenditures, the Grants Finance unit did not approve the voucher. For the other expenditure, the Department was unable to provide the voucher; therefore, auditors could not determine whether the Grants Finance unit had approved that voucher. Not reviewing and approving vouchers prior to payment increases the risk that the Department will charge unallowable costs to federal grants.

The Department also is required to allocate costs among federal awards in accordance with the benefits that the costs provided. However, **the Department has no control to allocate direct costs to each disaster's federal award based on the benefits received. For example, the Department charged 1 (1 percent) of 72 transactions tested to a general budget code for the Hazard Mitigation Grant program that could have been associated with multiple awards.** The Department asserted that it had not yet drawn federal funds to reimburse those costs and that it would allocate those costs at the time that it drew those funds; however, as of January 14, 2013, it had not allocated those costs to a specific federal award. This increases the risk that the Department will improperly allocate costs to federal grants.

Corrective Action:

The Department has not purchased equipment over the past two years with Hazard Mitigation program funds; therefore, this finding is no longer valid.

Indirect Costs

Departments or agencies that desire to claim indirect costs under federal awards are required to prepare indirect cost rate proposals and documentation to support those costs. These proposals must be retained for audit and must be submitted to the cognizant agency (Title 2, CFR, Chapter 225, Appendix E, (D)(1)).

An Indirect Cost Rate Proposal (IDCRP) documents the indirect cost rates that an agency will use to charge its indirect cost by calculating a ratio of indirect costs to a direct cost base. Those rates are calculated using an indirect cost pool, which represents accumulated costs that jointly benefit two or more programs or other cost objectives (Title 2, CFR, Chapter 225, Appendix E, (B)).

The Department began charging indirect costs to the Hazard Mitigation Grant Program during fiscal year 2012. During 2009, the Department utilized a third-party vendor to develop an IDCRP on its behalf based on its fiscal year 2007 expenditures. However, the Department did not submit that IDCRP to the federal cognizant agency until February 2012. The Department asserted that the submission delay occurred because it had originally submitted the IDCRP to the incorrect federal cognizant agency. FEMA approved the IDCRP on May 7, 2012. The IDCRP included a fixed rate of 55.59 percent for fiscal years 2008 and 2009, and that same rate on a provisional basis for periods from fiscal year 2009 forward. The Department's next IDCRP is due in February 2013.

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However, the Department did not retain sufficient support for its IDCPR for auditors to test the accuracy of the indirect cost rate. As a result, **auditors could not determine whether the indirect cost rate approved in May 2012 was accurate.**

Prior to the approval of its IDCPR, the Department used a previous indirect cost rate agreement to charge indirect costs to federal awards; however, that agreement expired on August 31, 2007. As a result, the Department had been charging indirect costs without a valid rate agreement. Additionally, the Department did not record indirect cost transactions in its financial system at the time it made each charge. As a result, auditors could not identify all indirect cost charges the Department made during the year. Instead, the Department processed an adjusting entry to its schedule of expenditures of federal awards to recognize \$291,187 in indirect cost charges for the Hazard Mitigation Grant program during fiscal year 2012.

As a result of the Department's process for recording indirect cost transactions, auditors also were unable to determine the amount of unallowable charges the Department made under the expired indirect cost rate agreement. However, for 2 (5 percent) of 43 cash draws tested, the Department charged a total of \$974 in indirect costs associated with award FEMA-1624-DR and \$3,128 in indirect cost charges associated with award FEMA-1606-DR under the expired indirect cost rate agreement. Those amounts are considered questioned costs.

The issues noted above affected the following Hazard Mitigation Grant Program awards:

<u>Award Number</u>	<u>Start Date</u>	<u>Questioned Cost</u>
FEMA-1356-DR	January 8, 2001	\$ 0
FEMA-1379-DR	June 9, 2001	0
FEMA-1425-DR	July 4, 2002	0
FEMA-1439-DR	November 5, 2002	0
FEMA-1479-DR	July 17, 2003	0
FEMA-1606-DR	September 24, 2005	4,598
FEMA-1624-DR	January 11, 2006	974
FEMA-1658-DR	August 15, 2006	0
FEMA-1697-DR	May 1, 2007	0
FEMA-1709-DR	June 29, 2007	0
FEMA-1730-DR	October 2, 2007	0
FEMA-1780-DR	July 24, 2008	51,040
FEMA-1791-DR	September 13, 2008	6,657
FEMA-1931-DR	August 3, 2010	0
FEMA-1999-DR	July 1, 2011	1,692
FEMA-4029-DR	September 9, 2011	0
	Total Questioned Costs	<u>\$ 64,961</u>

Recommendations:

The Department should:

- Calculate indirect cost charges using a federally approved indirect cost rate that is in effect at the time the Department charges those costs.
- Retain support for its Indirect Cost Rate Proposal, including support for its indirect cost pool.

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Management Response and Corrective Action Plan 2012:

The Department agrees with the recommendations and will implement processes and procedures to:

- Calculate indirect cost charges using a federally approved indirect cost rate that is in effect at the time the Department charges those costs.
- Retain support for its Indirect Cost Rate Proposal, including support for its indirect cost pool.

Management Response and Corrective Action Plan 2013:

Updated indirect cost proposal has been submitted and is currently under review by FEMA for final negotiation.

Records for the above mentioned updated Indirect Cost plan have been maintained.

2014 Update:

The Department submitted an indirect cost rate proposal that was approved by the Federal Emergency Management Agency in April 2014. The Department maintained relevant support for the indirect cost rate proposal; however, the proposal did not include all of the required documentation. In addition, the indirect cost pool included unallowable costs and the distribution base was not accurately calculated. The Department did not request reimbursement for indirect costs in fiscal year 2014.

Management Response and Corrective Action Plan 2014:

These corrections and additional documentation will be built into the next indirect cost rate proposal to be presented to FEMA.

Implementation Date: March 2015

Responsible Person: Maureen Coulehan

Reference No. 13-112

**Cash Management**

**CFDA 97.039 – Hazard Mitigation Grant Program**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Material Non-Compliance**

Funding Technique

A state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay (Title 31, Code of Federal Regulations (CFR), Section 205.33).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Homeland Security	

Additionally, the state's financial management systems must include written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the Department (Title 2, CFR, Section 215.21(5)).

**The Department of Public Safety (Department) has not established controls to ensure that it minimizes the time elapsing between the drawdown of federal funds and the disbursement of those funds.** Results of audit testing

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indicated that the Department disbursed funds between 1 and 56 business days after it had drawn those funds. The Department did not disburse funds within 5 business days for 17 (40 percent) of 43 drawdowns tested.

The Department uses a manual process to disburse funds to its subrecipients, and that process does not consistently ensure the timely disbursement of funds. Additionally, the Department’s process for drawing funds for payroll costs is not adequately designed to minimize the time between the drawdown of funds and the disbursement of payroll. The Department drew funds for payroll at the same time that it ran its monthly trial balance; on average, that occurred 9.4 days before the Department needed to disburse payroll.

The issues noted above affect the following Hazard Mitigation Grant Program awards:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>	<u>Questioned Costs</u>
1379	FEMA-1379-DR	June 9, 2001	\$0
1425	FEMA-1425-DR	July 4, 2002	0
1439	FEMA-1439-DR	November 5, 2002	0
1479	FEMA-1479-DR	July 17, 2003	0
1606	FEMA-1606-DR	September 24, 2005	0
1624	FEMA-1624-DR	January 11, 2006	0
1658	FEMA-1658-DR	August 15, 2006	0
1697	FEMA-1697-DR	May 1, 2007	0
1709	FEMA-1709-DR	June 29, 2007	0
1730	FEMA-1730-DR	October 2, 2007	0
1780	FEMA-1780-DR	July 24, 2008	0
1791	FEMA-1791-DR	September 13, 2008	521
1931	FEMA-1931-DR	August 3, 2010	0
1999	FEMA-1999-DR	July 1, 2011	0
4029	FEMA-4029-DR	September 9, 2011	0
Total Questioned Costs			<u>\$521</u>

Corrective Action:

Corrective action was taken.

Reference No. 13-113

**Eligibility**

**CFDA 97.039 – Hazard Mitigation Grant Program**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Federal rules state that it is the State’s responsibility to identify and select eligible hazard mitigation projects (Title 44, Code of Federal Regulations (CFR), Section 206.435). Entities eligible to apply for the Hazard Mitigation Grant Program include: (1) state and local governments; (2) private nonprofit organizations that own or operate a private nonprofit facility as defined in Title 44, CFR, Section 206.221(e); and (3) Indian tribes or authorized tribal organizations and Alaska Native villages or organizations. In addition, entities eligible for project subgrants must have an approved local or tribal mitigation plan before they can receive Hazard Mitigation Grant Program funds (Title 44, CFR, Section 206.434).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Homeland Security	

In accordance with the Local Multi-hazard Mitigation Planning Guidance established by Federal Emergency Management Agency (FEMA), private non-profit entities are eligible subrecipients for the Hazard Mitigation Grant

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Program if the jurisdiction in which the project is located has a FEMA-approved mitigation plan. Those entities are not required to approve or adopt a plan if they have participated in the development and review of the local or tribal mitigation plan.

**The Department of Public Safety (Department) has not established controls to ensure that its subrecipients are eligible for Hazard Mitigation Grant Program funds prior to making subawards.** As a result, for 9 (15 percent) of 62 subrecipients tested, the subrecipient was ineligible for Hazard Mitigation Grant Program funds at the time that the Department made the subawards. Specifically:

- Seven subrecipients were private non-profit entities, however, the Department could not provide evidence that those subrecipients approved or adopted a hazard mitigation plan or that the subrecipients were involved in the development of a hazard mitigation plan, as required by program guidance.
- Two subrecipients did not have approved hazard mitigation plans in effect at the time the Department granted the subawards. Auditors determined that both of those subrecipients are currently eligible to receive Hazard Mitigation Grant Program funds because they subsequently developed approved hazard mitigation plans.

Because FEMA is closely involved in the award process, auditors concluded that the errors described above did not result in questioned costs.

Although the Department has information that would enable it to identify whether proposed subrecipients have FEMA-approved hazard mitigation plans prior to making subawards, it does not communicate that information to FEMA when it submits an application on behalf of a potential subrecipient. As a result, FEMA does not always have accurate and complete information regarding the eligibility status of potential subrecipients, which increases the risk that FEMA and the Department could award federal funds to subrecipients who are not eligible for that assistance. The issues discussed above affected the following Hazard Mitigation Grant Program awards:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1606	FEMA-1606-DR	September 24, 2005
1697	FEMA-1697-DR	May 1, 2007
1709	FEMA-1709-DR	June 29, 2007
1730	FEMA-1730-DR	October 2, 2007
1780	FEMA-1780-DR	July 24, 2008
1791	FEMA-1791-DR	September 13, 2008
1931	FEMA-1931-DR	August 3, 2010
1999	FEMA-1999-DR	July 1, 2011
4029	FEMA-4029-DR	September 9, 2011

Corrective Action:

Corrective action was taken.

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Reference No. 13-114

**Period of Availability of Federal Funds**

**CFDA 97.039 – Hazard Mitigation Grant Program**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

For major disaster declarations, the grantee may expend management cost funds for allowable costs for a maximum of 8 years from the date of the major disaster declaration or 180 days after the latest performance period date of a non-management cost Hazard Mitigation Grant Program project narrative, whichever is sooner (Title 44, Code of Federal Regulations (CFR), Section 207.8(b) and Title 44, CFR Section 207.9(a) and (d)).

Initial Year Written:	2012
Status:	Partially Implemented
U.S. Department of Homeland Security	

The Hazard Mitigation Assistance Unified Guidance, Part VI, Section B.4, states that the period of performance is the period of time during which the grantee is expected to complete all grant activities and to incur and expend approved funds. The period of performance begins on the date that the grant is awarded and ends no later than 36 months from the award of the final subgrant under the grant.

**The Department of Public Safety (Department) charged direct costs to Hazard Mitigation Grant Program awards when it had incurred those costs after the period of performance for those awards. Specifically:**

- For 1 (6 percent) of 18 transfers tested, the Department could not provide evidence that it incurred the original cost supporting that transfer within the period of performance for the award to which it charged the cost. For that transfer, the Department incurred the cost between December 2011 and February 2012; however, based on information provided by the Department, the period of performance for the award ended on August 8, 2007. That resulted in questioned costs of \$17 associated with award FEMA-1439-DR. The Department asserted that it was aware that it should not have charged those costs to that award, but it had not yet transferred those costs to non-federal funds.
- For 3 (6 percent) of 51 direct cost expenditures tested, the Department incurred direct costs after the period of performance for the federal awards to which it charged those costs. The Department incurred two of those costs in August 2011, but the period of performance for the award ended in June 2009. The Department incurred the remaining cost in May 2012, but the period of performance for the award ended in March 2012. That resulted in questioned costs of \$8,769 associated with award FEMA-1606-DR and \$261 associated with award FEMA-1697-DR.
- The Department incurred 2 (10 percent) of 21 payroll expenditures tested after the end of the period of performance for the awards to which it charged those costs. Further analysis of the entire population of Department payroll charges during fiscal year 2012 indicates that the Department charged a total of \$33,890 in payroll costs after the end of the period of performance for the awards to which it charged those costs (see “Questioned Costs Related to Payroll” below for the individual awards to which the Department charged the \$33,890).
- For 1 (5 percent) of 21 payroll expenditures tested, auditors could not determine whether the Department incurred the cost during the period of performance for the award because the Department assigned that cost to a generic budget code that could be connected with multiple disasters. However, the Department asserted that it had not yet drawn federal expenditures for that transaction.

The errors discussed above occurred because the Department has not established controls to ensure that it does not incur direct costs for disasters after the period of performance for awards has ended.

The issues noted above affected the following Hazard Mitigation Grant Program awards:

<u>Award Number</u>	<u>Start Date</u>	<u>Questioned Costs Related to Payroll</u>	<u>Other Questioned Costs</u>	<u>Total Questioned Costs</u>
FEMA-1356-DR	January 8, 2001	\$ 15	\$ 0	\$ 15
FEMA-1379-DR	June 9, 2001	25,551	0	25,551

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<u>Award Number</u>	<u>Start Date</u>	<u>Questioned Costs Related to Payroll</u>	<u>Other Questioned Costs</u>	<u>Total Questioned Costs</u>
FEMA-1425-DR	July 4, 2002	593	0	593
FEMA-1439-DR	November 5, 2002	334	17	351
FEMA-1479-DR	July 17, 2003	297	0	297
FEMA-1606-DR	September 24, 2005	0	8,769	8,769
FEMA-1624-DR	January 11, 2006	2,448	0	2,448
FEMA-1658-DR	August 15, 2006	1,280	0	1,280
FEMA-1697-DR	May 1, 2007	3,371	261	3,632
FEMA-1709-DR	June 29, 2007	0	0	0
FEMA-1730-DR	October 2, 2007	0	0	0
FEMA-1780-DR	July 24, 2008	0	0	0
FEMA-1791-DR	September 13, 2008	0	0	0
FEMA-1999-DR	July 1, 2011	0	0	0
FEMA-4029-DR	September 9, 2011	0	0	0
	<b>Total Questioned Costs</b>	<b>\$33,889</b>	<b>\$9,047</b>	<b>\$42,936</b>

Recommendation:

The Department should implement a process to ensure that it charges expenditures to disasters only within the period of performance.

Management Response and Corrective Action Plan 2012:

*We agree with the recommendation. We will implement a process to ensure that expenditures will only be charged to disasters within the period of performance.*

Management Response and Corrective Action Plan 2013:

*Procedures have been put in place to ensure that program informs Financial Management Section and Grants Accounting when the period of performance (POP) date is set to preclude the Department from expending funds outside the POP.*

Management Response and Corrective Action Plan 2014:

*The Department agrees with the recommendation and will ensure current processes are followed.*

*Implementation Date: August 2013*

*Responsible Person: Paula Logan*

Reference No. 13-115

**Procurement and Suspension and Debarment  
Subrecipient Monitoring**

(Prior Audit Issue 12-110)

**CFDA 97.039 – Hazard Mitigation Grant Program**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Material Non-Compliance**

The Department of Public Safety (Department) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Initial Year Written: 2011  
Status: Partially Implemented

U.S. Department of Homeland  
Security

In fiscal year 2012, the Department passed through \$28,552,465 to subrecipients.

Award Identification and Subrecipient Suspension and Debarment

As a pass-through entity, the Department is required by OMB Circular A-133, Section .400(d) to identify to the subrecipient, at the time of the subaward, federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, whether the award is research and development, name of federal awarding agency, and applicable compliance requirements.

Federal rules require that, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (Title 2, Code of Federal Regulations (CFR), Section 180.300). Covered transactions include procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all nonprocurement transactions (that is, subawards to subrecipients) irrespective of award amount (Title 2, CFR, Section 180.220).

The Department communicates federal award information to subrecipients in an award letter that it provides to subrecipients following final approval of a project. However, **prior to January 2012, the award letter template the Department used did not include the CFDA number associated with the award.** As a result, for 61 (98 percent) of 62 subrecipient agreements tested, the Department could not provide evidence that it communicated the CFDA number to the subrecipient. The Department made subawards to those subrecipients prior to January 2012.

The Department requires that subrecipients certify that they are not suspended or debarred at the time they submit an application. **For 1 (2 percent) of 62 subrecipients tested, the Department could not provide evidence that the subrecipient certified that it was not suspended or debarred.** Auditors verified through the EPLS that the subrecipient was not currently suspended or debarred.

Incomplete communication of federal compliance requirements in the Department's award documents increases the risk that subrecipients will not follow federal guidelines related to administering subrecipient awards. Not verifying that a subrecipient is not suspended or debarred increases the risk that the Department will enter into an agreement with an entity that is not eligible to receive federal funds.

Corrective Action:

Corrective action was taken.

During-the-award Monitoring

Recipients of Hazard Mitigation Grant Program grant funds are required to monitor grant-supported and subgrant-supported activities to ensure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity (Title 44, CFR, Section 13.40).

The Department monitors subrecipient activities through review and approval of reimbursement requests and final audits of subrecipient projects. However, **for 3 (5 percent) of 62 subrecipient reimbursement requests tested, the Department could not provide evidence that it monitored the subrecipients for compliance with requirements related to allowability, cash management, or matching; it also could not provide evidence that it reviewed the federal share of costs for accuracy.** For those three subrecipients, the Department could not provide evidence that it had approved those subrecipients' reimbursement requests.

In addition, the Department did not consistently follow up to ensure that subrecipients took corrective action on deficiencies that it noted during its review of the reimbursement requests. **For 1 (25 percent) of 4 reimbursement requests for which the Department noted deficiencies, the Department could not provide evidence that it communicated the deficiencies to the subrecipient or followed up to ensure that the subrecipient took corrective action.**

The Department uses a final project audit as its primary audit tool for monitoring its subrecipients' compliance with requirements related to equipment maintenance, procurement, and real property acquisitions. **However, the Department does not always complete a final project audit prior to making the final payment on a project, which limits the effectiveness of the final project audit to monitor compliance with federal requirements.** The Department also does not perform other types of monitoring of subrecipient compliance with requirements related to equipment maintenance, procurement, and real property acquisitions. As a result, auditors identified the following issues:

- For 30 (91 percent) of 33 subrecipient projects for which the Department was required to monitor the subrecipients' compliance with equipment requirements, the Department could not provide evidence that it monitored subrecipients' record keeping and safeguarding of equipment.
- For 59 (95 percent) of 62 subrecipient projects tested, the Department could not provide evidence that it monitored the subrecipients' compliance with procurement requirements.
- For all 7 subrecipient projects tested that included the acquisition of real property, the Department could not provide evidence that it monitored the subrecipients' compliance with requirements related to acquisition and appraisal.

**The Department does not have a process to ensure that subrecipients spend funds within the period of availability for the subaward.** For all 62 subrecipient projects tested, the Department could not provide evidence that it verified that the subrecipients did not spend funds outside of the established performance period for their subawards.

Insufficient monitoring during the award period increases the risk that the Department would not detect subrecipients' non-compliance with requirements regarding federally funded projects.

Recommendations:

The Department should:

- Retain documentation of its during-the-award monitoring activities and communicate deficiencies identified during its monitoring process to subrecipients.
- Implement a process to ensure that it monitors subrecipients during the award for all required compliance areas.

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### Management Response and Corrective Action Plan 2012:

*We agree with the recommendations. We have implemented a procedure to ensure we communicate all relevant federal award information and applicable compliance requirements to subrecipients.*

*Additionally, the Department will implement procedures to ensure:*

- *Documentation of verification that subrecipients are not suspended or debarred is retained,*
- *Documentation of during-the-award monitoring activities is retained and deficiencies identified during the monitoring process are communicated to subrecipients.*
- *Subrecipients are monitored during the award for all required compliance areas.*
- *All open grant subrecipients are included in the A-133 Single Audit Review tracking sheet.*
- *Subrecipients receive notification of the OMB A-133 requirements and obtain a certification that a single audit is not required, or receive a copy of the single audit report and follow up with Subrecipients who do not respond to ensure they respond.*
- *Single Audit reports are reviewed and management decisions are issued within six months of receipt.*
- *The A-133 Review spreadsheet is updated as reports are received and reviewed, reports with findings are forwarded to grant program management for management decisions, and management decisions are received.*

### Management Response and Corrective Action Plan 2013:

*Draft documentation has been completed to ensure we communicate all relevant federal award information and applicable compliance requirements to subrecipients.*

*Procedures have been implemented to ensure subrecipients are monitored during the awards for all required compliance areas.*

*Single Audit review processes have been updated to ensure submitted single audit reports are reviewed. Management decisions on findings affecting grant programs have been made within six months.*

### Management Response and Corrective Action Plan 2014:

*The Department agrees with the recommendation and will ensure current processes are followed.*

*Implementation Date: April 2014*

*Responsible Person: Paula Logan*

### Subrecipient Audits

According to OMB Circular A-133, the Department must ensure that each subrecipient expending federal funds in excess of \$500,000 obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department within nine months of the subrecipient's fiscal year end (OMB Circular A-133, Sections 320 and 400). In addition, the Department must issue a management decision on audit findings within six months after receipt of a subrecipient's audit report (OMB Circular A-133, Section 400). In cases of continued inability or unwillingness of a subrecipient to obtain the required audits, the Department must take appropriate action using sanctions (OMB Circular A-133 Section 225).

The Department's Standards and Compliance group within its Division of Emergency Management monitors subrecipient Single Audits through a tracking spreadsheet, and it documents its review of submitted audit reports using a checklist. However, **for 6 (10 percent) of 62 subrecipients tested, the Department did not effectively monitor or enforce subrecipient compliance with the requirement to obtain a Single Audit during fiscal year 2012.** As a result, the Department could not provide documentation to support that all subrecipients complied with the requirement to obtain a Single Audit or that it sanctioned the subrecipients that did not comply. Specifically:

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- The Department did not include one subrecipient on its tracking spreadsheet. As a result, the Department did not verify whether that subrecipient complied with the requirement to obtain a Single Audit or review that subrecipients' Single Audit report. Based on a review of the Federal Audit Clearinghouse, that subrecipient did not submit a Single Audit report for fiscal year 2011.
- The Department did not obtain Single Audit reports from three subrecipients on its tracking spreadsheet and could not provide evidence that it sanctioned those subrecipients for non-compliance.
- The Department did not review the Single Audit reports that two subrecipients submitted. The Department incorrectly determined that it did not need to review one of those reports because it did not pass through funds to the subrecipient during fiscal year 2011; however, that subrecipient received funds during fiscal year 2012. The Department had not yet reviewed the other Single Audit report at the time of the audit, which was more than six months after it had received that report.

For all five subrecipient Single Audit reports the Department reviewed that contained audit findings, the Department did not issue a management decision regarding those findings within the required time period. For each of those subrecipients, the Department reviewed the Single Audit reports, but it did not issue a management decision on findings identified in those reports within six months of receiving those reports.

Finally, **for 9 (15 percent) of 62 subrecipients tested, the Department's Single Audit tracking spreadsheet was incomplete or contained inaccurate information.** This increases the risk that the Department may not identify instances of subrecipient non-compliance, or that it may not require a subrecipient to submit a Single Audit report.

Inaccurate information in its tracking spreadsheet can prevent the Department from identifying and addressing subrecipient noncompliance. Not ensuring that subrecipients obtain Single Audits and not following up on deficiencies noted in Single Audit reports increases the risk that deficiencies could go unaddressed.

The issues noted above affect the following Hazard Mitigation awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Start Date</u>
1606	FEMA-1606-DR	September 24, 2005
1697	FEMA-1697-DR	May 1, 2007
1709	FEMA-1709-DR	June 29, 2007
1730	FEMA-1730-DR	October 2, 2007
1780	FEMA-1780-DR	July 24, 2008
1791	FEMA-1791-DR	September 13, 2008
1931	FEMA-1931-DR	August 3, 2010
1999	FEMA-1999-DR	July 1, 2011
4029	FEMA-4029-DR	September 9, 2011

Corrective Action:

Corrective action was taken.

Reference No. 13-116

**Reporting**

(Prior Audit Issues 12-111, 09-47, 08-91, and 07-26)

**CFDA 97.039 – Hazard Mitigation Grant Program**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Material Non-Compliance**

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award. Recipients use the Federal Financial Report SF-425 (Office of Management and Budget No. 0348-0061) to report financial activity on a quarterly basis. The Office of Management and Budget provides specific instructions for completing the SF-425 in its Federal Financial Report Instructions, including definitions of key reporting elements.

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Homeland  
Security

Additionally, Hazard Mitigation grantees are required to submit quarterly Federal Financial Reports on which obligations and expenditures must be reported (Hazard Mitigation Assistance Unified Guidance, Part VI, Sec. C.1).

During fiscal year 2012, the Department of Public Safety’s (Department) Division of Emergency Management and the Department’s Grants Finance unit prepared SF-425 reports. Prior to January 2012, the Division of Emergency Management prepared all reports. In January 2012, the Department moved the reporting function for some disasters to its Grants Finance unit.

**The Department did not ensure that its SF-425 reports included all activity in the reporting period, were supported by applicable accounting records, and were fairly presented in accordance with program requirements.** That occurred because (1) reports the Division of Emergency Management prepared were not based on information in the Department’s financial system (instead, those reports were based on information from the federal system through which the Department requested funds) and (2) the Department used an incorrect methodology or incomplete information for some information it reported. As a result, auditors identified errors in all 13 SF-425 reports tested. Specifically:

- For 11 (85 percent) of 13 reports tested, the Department incorrectly reported its cash disbursements and the federal share of expenditures based on the amount of funds it received according to the federal SmartLink system through which it requested funds, instead of based on expenditure information from the Department’s accounting system. The Department also incorrectly reported several other data fields, including cash on hand, total federal share, and the unobligated balance of federal funds because those fields were derived from the incorrectly reported cash disbursement amount. In addition, the Department incorrectly reported the federal share of unliquidated obligations for those 11 reports.
- For 2 (15 percent) of the 13 reports tested, both of which the Grants Finance unit prepared, the Department indicated that it prepared the reports on a cash basis; however, the supporting accounting data indicated the reports were prepared on an accrual basis.
- For all 13 reports tested, the Department did not correctly report information associated with matching amounts for each project. Specifically, for the two reports the Grants Finance unit prepared, the total recipient share required and the recipient share of expenditures were based on incorrect formulas. For the 11 reports the Division of Emergency Management prepared, the amounts reported for total recipient share required and recipient share of expenditures were supported by spreadsheets the Department used to track recipient expenditures; however, the Department does not reconcile those spreadsheets with its accounting data; therefore, the Department should not rely on those spreadsheets. As a result of those errors, the Department also incorrectly reported the remaining subrecipient share to be provided for all 13 reports tested.
- For all 13 reports tested, the Department did not include indirect cost expenditures in the amount it reported for cash disbursements as required. The Department omitted those expenditures because it had not established a method to record them in the accounting system when it charges those expenditures to a federal grant.

Unsupported, omitted, and inaccurate information in reports increases the risk that federal agencies could rely on inaccurate information.

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The issues noted above affected the following Hazard Mitigation Program awards:

<u>Disaster Number</u>	<u>Award Number</u>	<u>Start Date</u>
1356	FEMA-1356-DR	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1439	FEMA-1439-DR	November 5, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
1624	FEMA-1624-DR	January 11, 2006
1658	FEMA-1658-DR	August 15, 2006
1697	FEMA-1697-DR	May 1, 2007
1709	FEMA-1709-DR	June 29, 2007
1730	FEMA-1730-DR	October 02, 2007
1780	FEMA-1780-DR	July 24, 2008
1791	FEMA-1791-DR	September 13, 2008
1931	FEMA-1931-DR	August 3, 2010
1999	FEMA-1999-DR	July 1, 2011
4029	FEMA-4029-DR	September 9, 2011

Recommendation:

The Department should develop and implement a process to report required information based on supporting information, including information from its financial systems or other accounting information.

Management Response and Corrective Action Plan 2012:

*The Department agrees with the recommendation and will implement a process to assure reported information is properly supported.*

Management Response and Corrective Action Plan 2013:

*The federal quarterly 425 reporting process on the Hazard Mitigation grant program has been a shared process between TDEM and Grants Accounting. A complete transition to Grants Accounting is scheduled to be completed in May 2014, where data from the accounting system is the standard support for these reports.*

Management Response and Corrective Action Plan 2014:

*The Department agrees with the recommendation and will ensure current processes are followed.*

*Implementation Date: May 2014*

*Responsible Person: Paula Logan*

**Sam Houston State University**

Reference No. 2013-121

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award number – CFDA 84.063, Federal Pell Grant Program, P063P122301**

**Type of finding –Significant Deficiency and Non-Compliance**

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, Code of Federal Regulations (CFR), Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, estimated family contribution (EFC), and cost of attendance (COA). There are separate schedules for three-quarter-time, half-time, and less-than-half-time students.

Initial Year Written: 2013  
 Status: Partially Implemented  
  
 U.S. Department of Education

Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance, such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200). Students who are enrolled less-than-half-time are eligible for Pell based on the Pell disbursement tables, which include calculations based on less-than-half-time enrollment. Institutions do not have the discretion to refuse to provide Pell funds to an eligible part-time student, including during a summer term or intersession (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

An institution must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, Higher Education Act programs. The Secretary of the U.S. Department of Education considers the institution’s SAP policy to be reasonable if it meets certain conditions. To be considered reasonable, the policy must be at least as strict as the policy the institution applies to a student who is not receiving federal financial assistance and provide for consistent application of standards to all students within categories of students (for example, full-time, part-time, undergraduate, and graduate students). The policy also must specify the grade point average that a student must achieve at each evaluation and the pace at which a student must progress through his or her educational program. An institution calculates the pace at which a student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted (Title 34, CFR, Section 668.34).

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

**Sam Houston State University (University) did not disburse federal student financial assistance to students enrolled in fewer than six course hours in a semester, even when those students were eligible to receive financial assistance. As a result, for 1 (2 percent) of 60 students tested, the University underawarded the student \$694 in federal Pell Grant assistance for which the student was eligible.** That underaward was associated with award number P063P122301.

The University requires that students be enrolled in at least six hours each semester to make satisfactory academic progress toward a degree and be eligible to receive financial aid. The University has implemented a disbursement rule in its financial aid system that prevents disbursement to students who are enrolled in fewer than six hours for a semester. However, that policy contradicts federal requirements related to Pell Grant eligibility determination and does not meet federal requirements for a reasonable SAP policy. As a result, students enrolled in fewer than six course hours may not receive financial assistance for which they are eligible.

**Additionally, for 11 (18 percent) of 60 students tested, the University did not determine the students' COA based on tuition and fees normally assessed for students carrying the same academic workload.** Those students were enrolled in fewer than six hours in one or more semesters, and the University assigned them COA budgets that did not reflect their actual enrollment. Because the University does not disburse federal student financial assistance to students enrolled in fewer than six hours, it did not have correct COA budgets to assign to those students. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded assistance.

Recommendations:

The University should revise its COA budgets to include a less-than-half-time enrollment category.

Management Response and Corrective Action Plan 2013:

*Sam Houston State University acknowledges and agrees with the finding. As of August 2013, Pell was disbursed to all eligible students enrolled in less than half time for the 2012-2013 academic year. Management has modified disbursement rules to allow Pell disbursement for eligible students enrolled in less than half.*

*Management concurs with the State Auditor's Office (SAO) regarding the Satisfactory Academic Progress Policy (SAP). The SAP policy has been modified as of June 2013 to meet federal requirements for reasonableness. In the future, the Financial Aid and Scholarships Office will conduct an annual review of the policy.*

*Management recognizes the need for less than half time cost of attendance (COA) budgets. As indicated by the finding, Sam Houston State University identified all affected students and has taken corrective action as necessary. As of August 2013, COA budgets for less than half-time have been implemented. In the future, the Financial Aid and Scholarships Office will conduct an annual, secondary review of both the programmatic and business elements to ensure correct calculations.*

2014 Update:

The University awarded federal Pell Grant funds to eligible part-time students and updated its SAP policy to meet federal requirements for reasonableness. The University also revised its COA budgets to include a less than half-time enrollment category; however, the less-than-half-time budgets include a component for personal/miscellaneous expenses which is not allowable per Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087 II (4).

Management Response and Corrective Action Plan 2014:

*Corrective action taken concerning Pell eligible students. Software awarding and disbursement rules were modified to allow Pell awarding and disbursement for less than half time. Pell was paid to students enrolled in less than half time for Fall 2012, Spring 2013, and Summer 2013 terms.*

*Cost of Attendance budgets created for less than half time enrollment August 2013 and will be modified to comply with Federal Regulation for the 15-16 academic year.*

*Implementation Date: April 2015*

*Responsible Person: Lydia Hall*

Reference No. 2013-122

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award number – CFDA 84.063, Federal Pell Grant Program, P063P122301**

**Type of finding – Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

**For 1 (3 percent) of 40 students tested, Sam Houston State University (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required.** Specifically, the University incorrectly verified that student’s education credit amount because of a manual data entry error. As a result, the University overstated the student’s EFC by \$46 and underawarded the student \$100 in Pell grants. After auditors brought the error to its attention, the University corrected the error and awarded the student the additional \$100 in Pell grant funds.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant’s FAFSA information. Those policies must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant’s failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action. An institution’s procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant’s cost of attendance or to the values of the data items required to calculate the EFC. (Title 34, CFR, Section 668.53).

**The University’s written policies and procedures for verifying an applicant’s FAFSA information did not include all of the required elements.** Specifically, the University’s verification policies and procedures did not include:

- The procedures for making referrals under Title 34, CFR, Section 668.16.

- The procedures the institution will follow and the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

Corrective Action:

Corrective action was taken.

**Texas A&M AgriLife Extension Service**

Reference No. 2013-123

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

**CFDA 10.500 – Cooperative Extension Service**  
**Award year – September 1, 2012 to August 31, 2013**  
**Award number – 2012-41200-04400**  
**Type of finding – Significant Deficiency and Non-Compliance**

Direct Costs (Non-payroll)

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, Code of Federal Regulations, Section 220, Appendix A, C.2).

Initial Year Written: 2013  
Status: Partially Implemented  
U.S. Department of Agriculture

No portion of Smith-Lever Act funds and Section 1444 funds of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA) may be applied directly or indirectly to the purchase, erection, preservation or repair of any building or buildings, or the purchase of rental of land, or in college-course teaching, or lectures in college (Title 7, United States Code, Sections 345 and 3221 (e)).

**One (2 percent) of 63 transactions tested at the Texas A&M AgriLife Extension Service (Extension Service) was unallowable according to federal program guidelines.** The Extension Service inappropriately charged \$25,000 to award 2012-41200-04400 for the installation of auditorium seating, which was a building renovation. The Extension Service classified the expenditure as “Office Furnishings and Equipment,” which is an allowable use of Smith-Lever Act funds; however, that classification did not accurately describe the expenditure. Using program funds for unallowable activities could hinder achievement of Smith-Lever Act goals.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Extension Service did not have sufficient controls over change management testing and migration for its Time and Effort application.** Specifically, for 2 (67 percent) of 3 changes to the Time and Effort application tested, the Extension Service did not maintain adequate documentation of its testing or final authorization prior to migrating those changes to the production environment. The Extension Service has general change management policies; however, it does not have specific procedures for change management related to the Time and Effort application. Additionally, the Extension Service did not adequately restrict developers’ access to modify code in the production environment for the Time and Effort application.

Insufficient change management procedures or inadequate segregation of duties among developers increases the risk of unauthorized programming changes being made to critical information systems.

Recommendations:

The Extension Service should:

- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.
- Restrict access to modify code in the production environment for critical information systems to only those individuals who are authorized to perform such tasks.

Management Response and Corrective Action Plan 2013:

*The Texas A&M AgriLife Extension Service acknowledges the coding error made on the federal fund and has corrected the entry. The agency will review its coding practices to ensure expenditures are accurately recorded.*

*The Texas A&M University System is adding additional access controls to the source control and build system used by the Time and Effort application. This will restrict the building of production software release to only authorized employees. Additionally, the Texas A&M University System will implement better practices for the retention and management of documentation related to testing and authorization of changes in its production environment. Testing plans and results along with final authorization will be electronically captured and attached to each change item. The Texas A&M University system is also in the process of selecting and implementing a new service desk software application. If this software solution provides superior change management processes over the existing process, it will be adopted as the new change management solution.*

Management Response and Corrective Action Plan 2014:

General Controls

*In FY 2014, The Texas A&M University System added additional access controls to the source control and build system used by the Time and Effort application. Additionally, the Texas A&M University System also implemented a new change management process to include retention and management of documentation related to testing and authorization of changes in its production environment. Testing plans and results along with final authorization are electronically captured and attached to each change item. The FY 2014 audit at Texas A&M Corpus Christi revealed that this documentation was not always captured in advance of the changes. The Texas A&M University System has revised its process documentation to require documentation and authorization of changes to be recorded prior to changes impacting production.*

*Additionally, Implementation of the new service desk software has begun. Implementation of the complete change management module will begin this calendar year.*

*Implementation Date: March 2015*

*Responsible Person: Mark Schulz*

Reference No. 2013-124

**Equipment and Real Property Management**

**CFDA 10.500 – Cooperative Extension Service**

**Award years – October 1, 2008 to September 30, 2013; October 1, 2010 to September 30, 2015; and October 1, 2012 to September 30, 2017**

**Award numbers –2008-41100-04400, 2011-41100-04400, and 2013-41100-04400**

**Type of finding – Significant Deficiency and Non-Compliance**

A recipient’s property management standards for equipment acquired with federal funds and federally owned equipment shall include all of the following: a description of the equipment; manufacturer’s serial number or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment, unit acquisition cost; and ultimate disposition data for the equipment.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Agriculture	

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment (Title 2, Code of Federal Regulations, Section 215.34 (f)).

The Texas A&M University System *Asset Management Manual* requires that all capital items, equipment having a unit value of \$5,000 or more and an estimated useful life of more than one year, and certain assets below the capitalization threshold must be inventoried. An inventory number is to be assigned and permanently affixed to each item prior to the item being placed in use. The inventory number must be permanently affixed to an item promptly upon receipt and acceptance, but not later than 10 calendar days after receipt, unless prevented by unusual circumstances.

**The Texas A&M AgriLife Extension Service (Extension Service) did not always maintain adequate property records for its equipment items or ensure that it adequately safeguarded items. Specifically:**

- For 2 (14 percent) of 14 equipment items tested, the Extension Service did not properly safeguard and maintain the equipment. For one of those items, the Extension Service did not update its equipment records to reflect the disposition of that item. Although the item was listed as active in the Extension Service’s equipment records, the Extension Service had disposed of it and transferred it to another state agency. The Extension Service stored the other item in an unsecured location.
- For 1 (7 percent) of 14 equipment items tested, the inventory tag number affixed to the item did not match the tag number assigned to that item in the Extension Service’s property records. The item contained the inventory tag number of a similar item purchased at the same time.
- For 1 (7 percent) of 14 equipment items tested, the Extension Service purchased the item with a detachable trailer; however, it did not create a separate inventory record for the trailer or assign and affix an inventory tag number to the trailer.

Not maintaining accurate property records, not adequately safeguarding equipment, and not assigning inventory tag numbers increases the risk that equipment could be lost, or stolen.

Corrective Action:

Corrective action was taken.

Reference No. 2013-125

**Procurement and Suspension and Debarment**

**CFDA 10.500 – Cooperative Extension Service**

**Award years – July 15, 2010 to July 14, 2013 and September 1, 2012 to August 31, 2013**

**Award numbers – 2010-45049-20713 and 2013-41510-04400**

**Type of finding – Significant Deficiency and Non-Compliance**

Open and Free Competition

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. In addition, procurement records and files shall include the following at a minimum: (1) basis for contractor selection, (2) justification for lack of competition when competitive bids or offers are not obtained, and (3) basis for award cost or price (Title 2, Code of Federal Regulations (CFR), Sections, 215.43 and 215.46).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Agriculture	

The Texas A&M AgriLife Extension Service’s (Extension Service) purchasing procedures require bids for purchases of goods and services of at least \$5,000. Purchases ranging from \$5,000 to \$25,000 may be informally bid, and purchases that exceed \$25,000 must be formally bid. In addition, the procedures state that departments may not split orders to avoid bidding requirements. Formal and informal bid purchases require the solicitation of at least six bids, except in instances of sole source procurements. For sole source procurements, a sole source justification is required and must be reviewed and approved by the purchasing director.

**The Extension Service did not obtain bids or document its rationale for limiting competition for 1 (25 percent) of 4 procurements tested that required competitive bidding.** A department within the Extension Service circumvented competitive bid requirements by creating 7 invoices to the same vendor, each less than \$5,000, within days of each other. Together, those invoices totaled \$22,981 for award number 2010-45049-20713. The department asserted that the selected vendor was the only vendor able to provide the requested goods within a specific time line; however, the department did not comply with the Extension Service’s sole source justification or emergency purchase requirements. Therefore, those purchases were considered questioned costs. Not complying with established procurement processes and bidding requirements could result in inadequate competition and unallowable procurements.

Suspension and Debarment

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from federal contracts. Covered transactions include procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all nonprocurement transactions (that is, subawards to subrecipients) irrespective of award amount (Title 2, CFR, Sections 180.210 through 180.220 and 180.970).

**The Extension Service did not always verify that vendors were not suspended or debarred or otherwise excluded from participating in federal contracts.** Specifically, for 1 (11 percent) of 9 covered transactions tested, the Extension Service did not verify that the vendor was not suspended or debarred. That transaction was a \$206,324 agreement to lease office space from a local government. The Extension Service considered the suspension and debarment verification requirement not to apply because the vendor was a local government; however, local governments are not exempt from that requirement. Not verifying that vendors are not suspended or debarred from federal contracts increases the risk that the Extension Service could enter into procurements with ineligible vendors.

Corrective Action:

Corrective action was taken.

Reference No. 2013-126

## Reporting

### CFDA 10.500 – Cooperative Extension Service

Award years – September 1, 2011 to August 31, 2012 and June 1, 2011 to August 31, 2013

Award numbers – 2011-48679-31066 and 2011-41534-30982

Type of finding – Significant Deficiency and Non-Compliance

Federal Financial Reports (FFR) should include all receipts and expenditures of federal, state, and county appropriations and contributions from non-tax sources, for furtherance of extension work. Expenditures are considered to be cash disbursements and valid liquidated obligations chargeable to the reporting fiscal year (*Administrative Handbook for Cooperative Extension Work*, Chapter 3 Financial Operations, Section L(1) Annual Financial Report). When reports are required on an annual basis, they are due 90 days after the end of the grant or agreement period (Title 7, Code of Federal Regulations, Section 3015.82(d)).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Agriculture

**For 1 (11 percent) of 9 financial reports tested, the Texas A&M AgriLife Extension Service (Extension Service) did not ensure that the financial report included all activity in the reporting period and was supported by applicable accounting records.** The Texas A&M System Sponsored Research Services (Sponsored Research Services), which prepared the financial report for the Extension Service, inaccurately reported cash disbursements for the period as \$0 instead of \$9,999. Sponsored Research Services does not review financial reports to verify that they are accurate and supported by accounting records. Sponsored Research Services corrected and resubmitted the report after auditors identified the error.

**Additionally, the Extension Service did not submit 2 (22 percent) of the 9 financial reports tested within the required time frame.** Sponsored Research Services, which prepared and submitted the financial reports for the Extension Service, submitted those reports 356 days late and 382 days late. (One of those reports was the report also discussed above.) At the time those reports were due, Sponsored Research Services did not have a process to monitor the due dates of financial reports.

Inaccurate information in and late submission of financial reports increases the risk that federal agencies may not have accurate information to manage and monitor awards.

### Recommendation:

The Extension Service should ensure that its financial reports accurately include all activity in the reporting period, are supported by accounting records, and are submitted in a timely manner.

### Management Response and Corrective Action Plan 2013:

*Sponsored Research Services reviewed its internal procedures and implemented the following additional steps to ensure that financial reports are accurate and timely:*

- *A report listing of all financial reports that are Due/Over Due is generated monthly and distributed to all SRS accountants to ensure that all due reports are identified for submission.*
- *All financial reports are reviewed for accuracy and signed by a second SRS accountant before submission.*

### Management Response and Corrective Action Plan 2014:

*Texas A&M System Sponsored Research Services agrees with the finding. A process is currently being implemented utilizing the new deliverable tracking capability of Maestro, the grants management system for TAMUS. Final financial reports and invoices are entered with the required due date, the A/R Accountant as the responsible person and the A/R Coordinator as the secondary responsible person. Maestro allows the coordinator to review reports that are due on a daily basis.*

*Implementation Date:*     *January 2015*

*Responsible Person:*     *Diane Hassel*

**Texas A&M AgriLife Research**

Reference No. 12-129

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Award years – Multiple**

**Award numbers – Multiple**

**Type of finding – Significant Deficiency**

When a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations, Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, Code of Federal Regulations, Section 215.71).

Initial Year Written:	2011
Status:	Partially Implemented
Federal agencies that award R&D funds	

Texas AgriLife Research's (AgriLife) contracts and grants procedures require AgriLife's contracts and grants office to review grant expenditures to ensure they do not occur after the grant funding period has ended. In addition, contracts and grants office staff are responsible for submitting closeout paperwork to sponsors, closing grant accounts in AgriLife's accounting system, and processing cost overruns or disallowed expenses against unit accounts within the 90-day closeout period.

**AgriLife does not have a process to close grant accounts in the accounting system within the required 90-day closeout period.** While AgriLife has written policies and procedures that set project closeout requirements, it does not adhere to those policies and procedures. Before grant accounts can be closed in the accounting system, contracts and grants office staff must process any cost overruns on the accounts. However, auditors identified multiple instances in which AgriLife did not process cost overruns within the required 90-day closeout period. AgriLife processed cost overruns between 178 days to more than 12 years following the end of the grant budget period. The average length of time between the end of the grant budget period and AgriLife's processing of cost overruns was 5 years.

Auditors did not identify any compliance errors related to period of availability of federal funds. However, not closing grant accounts in the accounting system in a timely manner could lead to obligations being incurred outside of the funding period. AgriLife relies on contracts and grants office staff to review monthly expenditure reports and identify charges outside of the funding period to ensure that those charges are not paid for with federal funds. If staff do not identify charges outside of the funding period, federal funds could be improperly spent, which could affect AgriLife's ability to obtain future grant funding.

Recommendation:

AgriLife should establish and implement a process to ensure that it closes grant accounts in its accounting system within the required 90-day closeout period.

Management Response and Corrective Action Plan 2011:

*The referenced procedure was written in 2003. In the ensuing years, the staffing of the AgriLife Contracts and Grants Office did not kept pace with the growth in contracts and grants or in the increased reporting requirements from the Federal government, even though an internal study indicated the office was understaffed by half.*

*Since the AgriLife Contracts and Grants Office has been merged into the Office of Sponsored Research Services for the Texas A&M University System effective September 1, 2011. All procedures are being reviewed and best practices are being established. These will be finalized by December 31, 2012.*

Management Response and Corrective Action Plan 2012:

*This finding relates to closing out accounts in the 90 days following the end of the grant. While no expenses were found to have occurred in this time period, the concern of the auditors was that expenses could have been incurred. The Office of Sponsored Research Services has established a detailed close-out process and places an emphasis on timely close-out of projects and submission of FFRs. Enhancements have been requested to the accounting system to prevent this. In addition, all expenses for an account are reviewed prior to posting against the account.*

Management Response and Corrective Action Plan 2013:

*SRS has implemented a 12- step close out process that starts the date the project ends (1/1/2012). Additionally, SRS has worked with AgriLife to identify and develop expedited processes for some of the older projects needing to be closed (3/1/2013). Also, for projects beginning 9/1/12 and after, a new procedure to have departments move any cost overruns prior to closeout has been implemented. There have been enhancements implemented in the financial systems to keep expenditures from being charged to the project once the termination date has been reached. Expenses charged on a project are reviewed by the SRS voucher compliance group and they review to ensure that expenditures occur within the project term. SRS is continuing to fine tune the closeout process with the goal of being able to work through the backlog of closeouts and close projects within the required timeframe.*

Management Response and Corrective Action Plan 2014:

*The closeout process has been modified to automate the notification process, reduce the number of steps in the review process from twelve to six and track the number of projects that ended over 90 days ago by responsible individual. Additionally, the closeout group has been given more responsibility for the non-financial closing aspects of the project, and has been given the systematic access to address those issues in an effort to streamline the process even further. SRS has also implemented a new closeout procedure that clearly outlines the timeframe and requirements for closing a project within 90 days of the end date. In addition to the changes implemented, a task force of four temporary accountants has been hired solely to focus on reducing the backlog of closeouts.*

*Implementation Date: May 2014*

*Responsible Person: Michele Lacey*

**Texas A&M Engineering Experiment Station**

Reference No. 2013-127

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

**Research and Development Cluster**

**Award year – November 1, 2007 to October 31, 2013**

**Award number – CFDA 47.076, Education and Human Resources, HRD-0703290**

**Type of finding – Significant Deficiency and Non-Compliance**

Direct Costs (Non-payroll)

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, Code of Federal Regulations, Section 220, Appendix A, C.2).

Initial Year Written:	2013
Status:	Partially Implemented
National Science Foundation	

According to Office of Management and Budget Circular A-21, Section J-17, costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

**One (1 percent) of 68 direct cost transactions tested at the Texas A&M Engineering Experiment Station (Experiment Station) was not allowable.** The Experiment Station charged \$240 to CFDA 47.076, award HRD-0703290, for a string quartet performance as entertainment at an awards ceremony. The Experiment Station did not identify the expenditure as unallowable during its approval process. The Experiment Station reversed that expenditure after auditors identified the error; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Experiment Station did not have sufficient controls over change management testing and migration for its Time and Effort application.** Specifically, for 2 (67 percent) of 3 changes to the Time and Effort application tested, the Experiment Station did not maintain adequate documentation of its testing or final authorization prior to migrating those changes to the production environment. The Experiment Station's change management policies require that documentation. Additionally, the Experiment Station did not adequately restrict developers' access to modify code in the production environment for the Time and Effort application.

Insufficient change management procedures or inadequate segregation of duties among developers increases the risk of unauthorized programming changes being made to critical information systems.

Recommendations:

The Experiment Station should:

- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

- Restrict access to modify code in the production environment for critical information systems to only those individuals who are authorized to perform such tasks.

Management Response and Corrective Action Plan 2013:

General Controls

*Texas A&M Engineering Experiment Station acknowledges and agrees with the finding. The Texas A&M University System is adding additional access controls to the source control and build system used by the Time and Effort application. This will restrict the building of production software release to only authorized employees. Additionally, the Texas A&M University System will implement better practices for the retention and management of documentation related to testing and authorization of changes in its production environment. Testing plans and results along with final authorization will be electronically captured and attached to each change item. The Texas A&M University system is also in the process of selecting and implementing a new service desk software application. If this software solution provides superior change management processes over the existing process, it will be adopted as the new change management solution.*

Management Response and Corrective Action Plan 2014:

General Controls

*In FY 2014, The Texas A&M University System added additional access controls to the source control and build system used by the Time and Effort application. Additionally, the Texas A&M University System also implemented a new change management process to include retention and management of documentation related to testing and authorization of changes in its production environment. Testing plans and results along with final authorization are electronically captured and attached to each change item. The FY 2014 audit at Texas A&M Corpus Christi revealed that this documentation was not always captured in advance of the changes. The Texas A&M University System has revised its process documentation to require documentation and authorization of changes to be recorded prior to changes impacting production.*

*Additionally, Implementation of the new service desk software has begun. Implementation of the complete change management module will begin this calendar year.*

*Implementation Date: March 2015*

*Responsible Person: Mark Schulz*

Reference No. 2013-128

**Reporting**

**Research and Development Cluster**

**Award years – December 1, 2009 to November 30, 2013; September 1, 2011 to April 30, 2013; August 1, 2011 to August 31, 2014; and March 15, 2011 to March 15, 2014**

**Award numbers – CFDA 12.300, Basic and Applied Scientific Research, N00014-10-1-0389; CFDA 81.049, Office of Science Financial Assistance Program, DE-SC0006885; CFDA 47.041, Engineering Grants, CMMI-1131758; and CFDA 12.630, Basic, Applied, and Advanced Research in Science and Engineering, HQ0147-11-C-6009**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, Code of Federal Regulations (CFR), Sections 215.51 and 215.52). Recipients use the Federal Financial Report SF-425 or the Request for Advance or Reimbursement SF-270 to report financial activity. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425 and SF-270, including definitions and requirements of key reporting elements.

Initial Year Written: 2013  
Status: Partially Implemented

Office of Naval Research  
U.S. Department of Energy  
National Science Foundation  
Missile Defense Agency

During fiscal year 2013, Texas A&M System Sponsored Research Services (Sponsored Research Services) prepared the financial reports for the Texas A&M Engineering Experiment Station (Experiment Station).

**The Experiment Station did not ensure that its financial reports included all activity in the reporting period, were supported by applicable accounting records, and were fairly presented in accordance with program requirements.** Specifically, for 2 (3 percent) of 60 reports tested, the reports did not accurately reflect award expenditures:

- For one SF-270 report, there was a formula error in the spreadsheet used to calculate program expenditures and cash draws to date. The formula double-counted a monthly draw; as a result, the SF-270 report was overstated by \$5,347.
- For one SF-425 report, Sponsored Research Services used a prior period's accounting system report; as a result, the SF-425 was understated by \$7,976.

The Experiment Station and Sponsored Research Services do not review financial reports after they are prepared to verify that the reports are accurate and supported by accounting system records. Unsupported and inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor its awards.

Recommendations:

The Experiment Station should ensure that its financial reports accurately include all activity in the reporting period and are supported by applicable accounting records.

Management Response and Corrective Action Plan 2013:

Financial Reporting

*Texas A&M Engineering Experiment Station acknowledges and agrees with the finding. Sponsored Research Services (SRS) reviewed its internal procedures and implemented the following additional steps to ensure that financial reports are accurate:*

- *When setting up a new spreadsheet for use in calculating data to be transferred to a financial report, the spreadsheet will be reviewed and verified for accuracy by a second SRS accountant before use.*
- *EPIK reports used to prepare financial reports will always be accessed utilizing the “Billing History by Billing Method” to ensure that all expenses are accurately reported.*
- *All financial reports will be reconciled to the accounting system for accuracy and signed by a second SRS accountant before submission.*

Management Response and Corrective Action Plan 2014:

Financial Reporting

*Texas A&M Engineering Experiment Station and Texas A&M System Sponsored Research Services acknowledge and agree with the finding. An error on a financial report occurred when a required manual calculation was not accurately performed, resulting in an incorrect amount reported for the IDC base. Additional training has been provided to the secondary reviewer of the reports to ensure that calculation oversights are corrected before submission.*

*Implementation Date: January 2015*

*Responsible Person: Diane Hassel*

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

Sponsored Research Services prepared and submitted Transparency Act reports for the Experiment Station during fiscal year 2013. Prior to that, the Experiment Station prepared and submitted its Transparency Act reports.

**For fiscal year 2013, the Experiment Station did not ensure that Sponsored Research Services consistently submitted Transparency Act reports within the required time frames.** Specifically, for 2 (40 percent) of 5 reports tested, the Experiment Station submitted the reports 31 and 70 days late. That occurred because of a lack of communication between the contracting group and the Transparency Act reporting group at the Experiment Station regarding the issuance of the subawards, which resulted in late report submission.

Not reporting subawards within the required time frames decreases the reliability and availability of information to the awarding agency and other users of that information.

Corrective Action:

Corrective Action was taken.

Reference No. 2013-129

**Special Tests and Provisions –R3 – Subrecipient Monitoring**

**Research and Development Cluster – ARRA**

**Award years – September 1, 2009 to September 30, 2013; May 15, 2012 to September 30, 2013; and February 1, 2010 to December 31, 2012**

**Award numbers – CFDA 47.082, Trans-NSF Recovery Act Research Support, CMMI-0936599 and CBET-0941313; and CFDA 81.087, Renewable Energy Research and Development, DE-EE0002757**

**Type of finding – Significant Deficiency and Non-Compliance**

The American Recovery and Reinvestment Act (Recovery Act) of 2009 required recipients to (1) agree to maintain records that identify adequately the source and application of Recovery Act awards; (2) separately identify to each subrecipient, and document at the time of subaward and at the disbursement of funds, the federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of Recovery Act funds; and (3) require their subrecipients to include on their schedules of expenditures of federal awards information to specifically identify Recovery Act funding (Title 2, Code of Federal Regulations, Section 176.210).

Initial Year Written:	2013
Status:	Implemented
National Science Foundation U.S. Department of Energy	

**The Texas A&M Engineering Experiment Station (Experiment Station) did not provide the required notifications at the time of disbursement of funds to all four Recovery Act subrecipients to which it made disbursements during fiscal year 2013.** The Experiment Station did not consistently use its process to ensure that it made those notifications. Inadequate identification of Recovery Act information at the time of disbursements may lead to improper reporting of Recovery Act funds in subrecipients' schedules of expenditures of federal awards.

Corrective Action:

Corrective action was taken.

**Texas A&M Forest Service**

Reference No. 2013-130

**Activities Allowed or Unallowed**

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award year – July 1, 2011**

**Award number – 1999DRTXP00000001**

**Type of finding – Significant Deficiency and Non-Compliance**

In accordance with Title 44, Code of Federal Regulations (CFR), Part 206, the FEMA-State Agreement describes the incident and the incident period for which assistance will be made available, and the type and extent of the federal assistance to be made available.

Initial Year Written: 2013  
 Status: Implemented

U.S. Department of Homeland  
 Security – Federal  
 Emergency Management  
 Agency

The FEMA-State Agreement for the major disaster designated as FEMA-1999-DR was based on damage resulting from wildfires that occurred from April 6, 2011, to May 3, 2011. That agreement states that no federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act shall be approved unless the damage or hardship to be alleviated resulted from the major disaster that took place from April 6, 2011, to May 3, 2011. The *Federal Register* Notice Amendment No. 6 of the major disaster declaration designated as FEMA-1999-DR amended the incident period for that disaster to be April 6, 2011, through and including August 29, 2011.

The Texas A&M Forest Service (Forest Service) submits one project worksheet for each major disaster declaration. To determine the eligible costs to include in the project worksheet, the Forest Service worked with the Federal Emergency Management Agency to develop an average rate to apply to the number of acres affected by eligible fire incidents for the disaster.

**However, the Forest Service included unallowable costs on the project worksheet for FEMA-1999-DR.** When it calculated the cost of the disaster, the Forest Service erroneously included 50,868 acres of land that was affected by fire incidents that occurred outside of the incident period of the disaster. That resulted in \$1,600,740 in questioned costs associated with award FEMA-1999-DR.

That error occurred because the Forest Service inadvertently included four fire incidents that occurred before April 6, 2011, when it compiled the data it used in the calculation. The Forest Service also included 23 fire incidents that occurred after August 29, 2011, in the data because it considered August 31, 2011, to be the end date for the FEMA-1999-DR incident period. In addition, the Forest Service has not established a process to review project worksheets prior to submitting them to the federal government to verify that the amount requested on the project worksheets is supported by eligible costs.

A portion of the ineligible costs the Forest Service included on the project worksheet for FEMA-1999-DR may be considered eligible for other Disaster Grants - Public Assistance (Presidentially Declared Disasters) awards.

Corrective Action:

Corrective action was taken.

**TEXAS A&M FOREST SERVICE**

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Reference No. 2013-131

**Cash Management**

**CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay. (Title 31, Code of Federal Regulations (CFR), Section 205.33).

Initial Year Written: 2013  
 Status: Implemented  
  
 U.S. Department of Homeland Security – Federal Emergency Management Agency

Additionally, the state’s financial management systems must include written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the recipient (Title 2, CFR, Section 215.21(b)(5)).

**For both of the two cash receipts tested, the Texas A&M Forest Service (Forest Service) did not minimize the time between its drawdowns of federal funds and disbursement of those funds.** The Forest Service disbursed funds between 8 and 10 business days after it had received the funds. That occurred because the Forest Service does not have controls to minimize the time between its drawdown of federal funds and the disbursement of those funds. For the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program, the Forest Service earned an estimated \$1,327 in interest on advances of federal funds during fiscal year 2013, and it remitted that amount to U.S. Treasury on September 11, 2013.

**Additionally, the Forest Service has not established a process to review project worksheets prior to submission to the federal government.** Each project worksheet includes a list of actual costs the Forest Service incurred and supporting invoices, and it serves as a request to the Federal Emergency Management Agency for federal funds. A lack of review increases the risk that errors in requests for funds could go undetected.

The issues noted above affected the following Disaster Grants – Public Assistance (Presidentially Declared Disasters) program awards:

Disaster Number	Award Number	Disaster Declaration Date
1999	1999DRTXP00000001	July 1, 2011
4029	4029DRTXP00000001	September 9, 2011

Corrective Action:

Corrective action was taken.

**TEXAS A&M FOREST SERVICE**

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Reference No. 2013-132

**Cash Management**

**CFDA 97.046 – Fire Management Assistance Grant**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay (Title 31, Code of Federal Regulations (CFR), Section 205.33).

Initial Year Written: 2013  
 Status: Partially Implemented

U.S. Department of Homeland Security – Federal Emergency Management Agency

Additionally, the state’s financial management systems must include written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the recipient (Title 2, CFR, Section 215.21(b)(5)).

**For 26 (81 percent) of 32 transactions tested, the Texas A&M Forest Service (Forest Service) did not minimize the time between its drawdowns of federal funds and disbursement of those funds.** The Forest Service disbursed funds between 29 and 151 days after it received funds. That occurred because the Forest Service does not have controls to minimize the time between its drawdowns of federal funds and disbursement of those funds. The Forest Service used those funds to pay five federal agencies for fire-related services. The Forest Service’s practice is to pay those agencies after it receives sufficient federal funds to pay the invoices in full, which results in a delay between drawdown and disbursement. For the Fire Management Assistance Grant program, the Forest Service earned an estimated \$17,802 in interest on advances of federal funds during fiscal year 2013, and it remitted that amount to U.S. Treasury in September 2013.

Additionally, the Forest Service does not have a process to review the invoicing package that it uses to support its requests for federal funds. Program staff prepare that package, but no other Forest Service staff review that package prior to submission to ensure that requests for federal funds are adequately supported. Although auditors did not identify compliance errors associated with the invoicing packages, a lack of review increases the risk that errors in the request for funds could go undetected.

The issues noted above affected the following Fire Management Assistance Grant program awards:

<b>Disaster Number</b>	<b>Award Number</b>	<b>Disaster Declaration Date</b>
2867	2867FMTXP00000001	March 11, 2011
2870	2870FMTXP00000001	March 12, 2011
2881	2881FMTXP00000001	April 3, 2011
2882	2882FMTXP00000001	April 5, 2011
2884	2884FMTXP00000001	April 9, 2011
2885	2885FMTXP00000001	April 9, 2011
2886	2886FMTXP00000001	April 9, 2011
2888	2888FMTXP00000001	April 15, 2011
2889	2889FMTXP00000001	April 15, 2011
2891	2891FMTXP00000001	April 15, 2011
2892	2892FMTXP00000001	April 15, 2011
2894	2894FMTXP00000001	April 16, 2011
2896	2896FMTXP00000001	April 17, 2011
2898	2898FMTXP00000001	April 17, 2011
2901	2901FMTXP00000001	April 27, 2011

**TEXAS A&M FOREST SERVICE**

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<u>Disaster Number</u>	<u>Award Number</u>	<u>Disaster Declaration Date</u>
2903	2903FMTXP00000001	April 29, 2011
2904	2904FMTXP00000001	April 30, 2011
2905	2905FMTXP00000001	April 30, 2011
2906	2906FMTXP00000001	May 8, 2011
2908	2908FMTXP00000001	May 9, 2011
2910	2910FMTXP00000001	May 24, 2011
2911	2911FMTXP00000001	May 29, 2011
2912	2912FMTXP00000001	May 29, 2011
2913	2913FMTXP00000001	May 29, 2011
2914	2914FMTXP00000001	June 2, 2011
2916	2916FMTXP00000001	June 3, 2011
2922	2922FMTXP00000001	June 16, 2011
2924	2924FMTXP00000001	June 17, 2011
2925	2925FMTXP00000001	June 18, 2011
2926	2926FMTXP00000001	June 18, 2011
2927	2927FMTXP00000001	June 20, 2011
2928	2928FMTXP00000001	June 20, 2011
2929	2929FMTXP00000001	June 20, 2011
2930	2930FMTXP00000001	June 21, 2011
2931	2931FMTXP00000001	June 21, 2011
2937	2937FMTXP00000001	July 11, 2011
2949	2949FMTXP00000001	August 15, 2011
2952	2952FMTXP00000001	August 30, 2011
2958	2958FMTXP00000001	September 4, 2011
2959	2959FMTXP00000001	September 5, 2011
2960	2960FMTXP00000001	September 5, 2011
2962	2962FMTXP00000001	September 6, 2011
2964	2964FMTXP00000001	September 6, 2011
2965	2965FMTXP00000001	September 6, 2011
2967	2967FMTXP00000001	September 8, 2011
2968	2968FMTXP00000001	September 9, 2011

Recommendations:

The Forest Service should:

- Develop and implement a process to minimize the time between its drawdowns of federal funds and the disbursement of those funds.
- Review invoice packages before submitting them to a federal agency to ensure that requests for federal funds are adequately supported.

Management Response and Corrective Action Plan 2013:

*We agree with the recommendations and have implemented procedures to (1) ensure prompt disbursement of federal funds and (2) require a second review of the invoice packages to verify cost eligibility and accuracy.*

Management Response and Corrective Action Plan 2014:

Written procedures were prepared and implemented to 1) ensure prompt disbursement of federal funds and 2) require a second review of the worksheets to verify cost eligibility and accuracy. However, there were no Fire Management Assistant Grants during the audit period (FY 2014), so the new procedures were not able to be tested.

Implementation Date:      October 2013

Responsible Persons:      Travis Zamzow and Gary Laco

**Texas A&M Health Science Center**

Reference No. 2013-133

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

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Direct Costs (Non-payroll)

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, Code of Federal Regulations (CFR), Section 220, Appendix A, C.2).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Defense  
U.S. Department of Health and  
Human Services

**One (2 percent) of 49 direct cost transactions tested at the Texas A&M Health Science Center (Health Science Center) was unallowable.** The Health Science Center charged an unallowable late payment fee of \$11 to a federal award because it did not include the object code for late payment fees in its list of object codes not allowed on federal awards. Based on the Health Science Center’s federal Research and Development Cluster expenditures for fiscal year 2013, it charged \$745 to that object code during the year; therefore, questioned costs associated with that issue totaled \$745. The award numbers and years associated with this issue are listed below. In addition to the unallowable direct costs charged, the Health Science Center may have charged associated indirect costs, which would also be unallowable.

Corrective Action:

Corrective action was taken.

Payroll Expenditures

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, activity reports must be prepared each academic term, but no less frequently than every six months (Title 2, CFR, Section 220, Appendix A (J)(10)).

**For 5 (8 percent) of 60 payroll transactions tested, the Health Science Center did not have certified time and effort reports.** According to the Health Science Center’s policy, employees must certify their time and effort reports within 45 days after they are released to principal investigators for certification. The outstanding time and effort reports were certified after auditors brought the errors to the Health Science Center’s attention; therefore, there were no questioned costs. However, the time and effort reports were submitted between 34 and 70 days late. A prolonged elapsed time between activity and certification of the activity can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments to that distribution. The Health Science Center notifies employees when their time and effort certifications are late; however, it does not actively monitor outstanding time and effort reports to ensure they are completed. The award number and years associated with this issue are listed below.

Recommendation:

The Health Science Center should monitor its departments to ensure they certify time and effort reports in accordance with its policy.

Management Response and Corrective Action Plan 2013:

*The Texas A&M Health Science Center acknowledges and agrees with the finding. The Texas A&M Health Science Center will 1) retrain department administrators to ensure they are fully aware of their responsibility in the monitoring process; 2) meet with department heads and department administrators regarding time and effort information to be included in new faculty orientation to explain to faculty what their responsibility is with regard to time and effort certifications; and 3) run monthly reports on open time and effort certifications and notify department administrators to contact certifiers for a resolution.*

Management Response and Corrective Action Plan 2014:

*The Health Science Center has trained department administrators and faculty regarding the importance of certifying time & effort documents in a timely manner. The HSC has met with college/component leadership to reiterate the importance of timely certification of time & effort documents. The HSC is running reports available through the time & effort system to notify department administrators of documents needing attention.*

*Implementation Date: January 2015*

*Responsible Persons: Julie Bishop*

Indirect Costs

Indirect costs are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Indirect costs shall be distributed to applicable sponsored agreements on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000, shall be excluded from modified total direct costs (Title 2, CFR, Part 220, Appendix A).

**The Health Science Center charged an incorrect indirect cost rate for 2 (3 percent) of 60 indirect cost charges tested.** Both charges were for the same federal award. The Health Science Center set up the award incorrectly in its financial system. As a result, it charged an indirect cost rate of 46.5 percent of total direct costs, instead of 46.5 percent of modified total direct costs as required by the award agreement. In August 2012, the Health Science Center changed the indirect cost rate for the award in its financial system to 38.24 percent of total direct costs. However, that change did not fully correct the issue. The Health Science Center overcharged \$59 in indirect costs to Catalog of Federal Domestic Assistance (CFDA) 93.262, Award Number 2U54OH007541, and that amount was considered a questioned cost.

**Additionally, for 1 (2 percent) of 60 indirect cost charges tested, the Health Science Center included an unallowable cost in the direct cost base it used to calculate the indirect cost charge.** The unallowable cost was an \$12 late payment fee discussed in the direct (non-payroll) section above. As a result, the Health Science Center overcharged \$5 in indirect costs to CFDA 93.853, Award Number 5R01NS065842-03, and that amount was considered a questioned cost.

Corrective Action:

Corrective action has been taken.

**TEXAS A&M HEALTH SCIENCE CENTER**

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General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The Health Science Center did not have sufficient controls over change management testing and migration for its Time and Effort application.** Specifically, for 2 (67 percent) of 3 changes to the Time and Effort application tested, the Health Science Center did not maintain adequate documentation of its testing or final authorization prior to migrating those changes to the production environment. The Texas A&M University System’s change management policies, which govern the Health Science Center’s change management practices, require that documentation. Additionally, the Health Science Center did not adequately restrict developers’ access to modify code in the production environment for the Time and Effort application.

Insufficient change management procedures or inadequate segregation of duties among developers increases the risk of unauthorized programming changes being made to critical information systems.

The following awards were affected by the issue discussed above in which the Health Science Center charged unallowable late payment fees:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
12.351	Basic Scientific Research – Combating Weapons of Mass Destruction	HDTRA 1-13-1-0003	October 22, 2012 to October 28, 2015	\$ 18
93.113	Environmental Health	7R21ES020055-02	January 25, 2012 to May 31, 2013	33
93.121	Oral Diseases and Disorders Research	7RO1DE019471-04	December 1, 2011 to November 30, 2013	6
93.121	Oral Diseases and Disorders Research	7R01DE00509235	July 1, 2012 to June 30, 2014	166
93.121	Oral Diseases and Disorders Research	7R01DE018486-05	July 1, 2012 to June 30, 2014	53
93.121	Oral Diseases and Disorders Research	1R01DE02212901A1	August 15, 2012 to July 31, 2014	25
93.273	Alcohol Research Programs	7R01AA013440-10	September 1, 2012 to August 31, 2014	12
93.351	Research Infrastructure Programs	2P40OD011050-11	June 15, 2013 to May 31, 2014	18
93.351	Research Infrastructure Programs	7P40OD011050-10	June 1, 2012 to May 31, 2014	138
93.396	Cancer Biology Research	7R01CA134731-03	January 1, 2012 to December 31, 2013	11
93.396	Cancer Biology Research	7R01CA142862-03	June 1, 2012 to May 31, 2014	5
93.837	Cardiovascular Diseases Research	1K08HL11487701	July 1, 2012 to June 30, 2014	55

**TEXAS A&M HEALTH SCIENCE CENTER**

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.837	Cardiovascular Diseases Research	7R01HL090817-04	August 1, 2012 to July 31, 2014	10
93.837	Cardiovascular Diseases Research	7R01HL068838-07	December 1, 2011 to November 30, 2013	6
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	7R01AR044415-13	December 1, 2011 to November 30, 2013	11
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	1R01DK095118-01	May 1, 2012 to April 30, 2014	45
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS065842-03	April 1, 2012 to August 1, 2012	12
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	7R01NS05478006	July 1, 2011 to December 31, 2012	7
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	7R01S07489503	June 3, 2012 to May 31, 2014	27
93.855	Allergy, Immunology and Transplantation Research	12-062	March 1, 2012 to February 28, 2013	(26)
93.855	Allergy, Immunology and Transplantation Research	1R01AI095293-01A1	August 1, 2012 to July 31, 2014	12
93.855	Allergy, Immunology and Transplantation Research	5R01AI090142-02	August 20, 2012 to July 31, 2014	21
93.859	Biomedical Research and Research Training	5R01GM097591-03	August 1, 2012 to July 31, 2014	19
93.866	Aging Research	7R01AG042189-02	September 1, 2012 to May 31, 2014	6
93.867	Vision Research	7R01EY01842005	January 1, 2012 to December 31, 2013	55
		Total		<u>\$745</u>

The following awards were affected by the issue discussed above in which the Health Science Center did not obtain certified time and effort reports in a timely manner:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.855	Allergy, Immunology and Transplantation Research	7R01AI098984-02	March 1, 2013 to June 30, 2014

**TEXAS A&M HEALTH SCIENCE CENTER**

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CFDA No.	CFDA Title	Award Number	Award Year
12.351	Basic Scientific Research – Combating Weapons of Mass Destruction	HDTRA 1-13-1-0003	October 22, 2012 to October 28, 2015
93.837	Cardiovascular Diseases Research	7R01HL102314-03	July 1, 2012 to April 30, 2014
93.121	Oral Diseases and Disorders Research	R22091	December 1, 2011 to November 30, 2013
93.837	Cardiovascular Diseases Research	7R01HL102314-03	July 1, 2012 to April 30, 2014

The following awards were affected by the issue discussed above in which the Health Science Center incorrectly charged indirect costs:

CFDA No.	CFDA Name	Award Number	Award Year	Questioned Cost
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS065842-03	April 1, 2012 to March 31, 2013	\$ 5
93.262	Occupational Safety and Health Program	2U54OH007541 CDC	September 30, 2011 to September 29, 2012	59
			Total	<u>\$ 64</u>

Recommendations:

The Health Science Center should:

- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.
- Restrict access to modify code in the production environment for critical information systems to only those individuals who are authorized to perform such tasks.

Management Response and Corrective Action Plan 2013:

*The Texas A&M Health Science Center and the Texas A&M University System acknowledge and agree with the finding. The Texas A&M University System is adding additional access controls to the source control and build system used by the Time and Effort application. This will restrict the building of production software release to only authorized employees. Additionally, the Texas A&M University System will implement better practices for the retention and management of documentation related to testing and authorization of changes in its production environment. Testing plans and results along with final authorization will be electronically captured and attached to each change item. The Texas A&M University system is also in the process of selecting and implementing a new service desk software application. If this software solution provides superior change management processes over the existing process, it will be adopted as the new change management solution.*

Management Response and Corrective Action Plan 2014:

*In FY 2014, The Texas A&M University System added additional access controls to the source control and build system used by the Time and Effort application. Additionally, the Texas A&M University System also implemented a new change management process to include retention and management of documentation related to testing and*

authorization of changes in its production environment. Testing plans and results along with final authorization are electronically captured and attached to each change item. The FY 2014 audit at Texas A&M Corpus Christi revealed that this documentation was not always captured in advance of the changes. The Texas A&M University System has revised its process documentation to require documentation and authorization of changes to be recorded prior to changes impacting production.

Additionally, Implementation of the new service desk software has begun. Implementation of the complete change management module will begin this calendar year.

Implementation Date: March 2015

Responsible Person: Mark Schulz

Reference No. 2013-134

### Cash Management

#### Research and Development Cluster

#### Research and Development Cluster – ARRA

Award years – See below

Award numbers – See below

Type of finding – Significant Deficiency and Non-Compliance

A state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs (Title 31, Code of Federal Regulations, Section 205.33(a)). To minimize the time between drawdown of federal funds and disbursement, the Texas A&M Health Science Center (Health Science Center) operates on a reimbursement basis under which it bases its drawdowns of federal funds only on expended amounts.

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

**The Health Science Center did not consistently ensure that it drew down the correct amounts of federal funds and, therefore, did not consistently minimize the time between drawdown and disbursement. Specifically:**

- For 1 (4 percent) of 28 drawdowns tested, the Health Science Center based the draw request on a report that it used for the previous draw request. However, because the Health Science Center did not refresh its report query, it based the draw amount on a report that was 12 days old and included expenditures for which it had previously drawn funds. The total amount of the draw was \$465,257. The Health Science Center identified and corrected the error during the subsequent draw one week later. However, for a portion of the time between the draws, the Health Science Center had overdrawn federal funds. The potential interest obligation resulting from the inaccurate draw was less than the threshold for remitting interest to the federal government; therefore, there were no questioned costs.
- For 3 (11 percent) of 28 drawdowns tested, the Health Science Center included invalid expenditures in the draw. Those three draws each contained an award that exceeded its approved budget; therefore, the Health Science Center should not have drawn funds on those awards. For two of those draws, which were associated with the same award, the Health Science Center drew \$7,474 more than the approved budget for the award. For the other draw, the Health Science Center drew \$51,289 more than the approved budget for that award. The Health Science Center subsequently removed the overbudget amount from one award and later received additional funding for the other award; therefore there were no questioned costs.

The Health Science Center's policy requires a multiple-level review and approval of each cash draw. However that review did not identify the errors noted above. Additionally, the Health Science Center has written policies and procedures for its cash draws, but those policies do not address any adjustments that the Health Science Center should make prior to submitting draw requests.

**TEXAS A&M HEALTH SCIENCE CENTER**

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The following awards were affected by the issue discussed above in which the Health Science Center based a draw request on a report that it used for the previous draw request:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	7R01NS05478006	July 1, 2011 to December 31, 2012
93.837	Cardiovascular Diseases Research	7RO1HL068838-07	December 1, 2011 to November 30, 2013
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	7R01AR044415-13	December 1, 2011 to November 30, 2013
93.855	Allergy, Immunology and Transplantation Research	7R03AI09215302	December 1, 2011 to November 30, 2013
93.121	Oral Diseases and Disorders Research	7RO1DE019471-04	December 1, 2011 to November 30, 2013
93.701	Trans-NIH Recovery Act Research Support	7RC2ES018789-03	September 1, 2011 to July 31, 2013
93.113	Environmental Health	7R01ES008263-14	September 1, 2011 to February 28, 2014
93.701	Trans-NIH Recovery Act Research Support	3R01ES008263-14S1	September 1, 2011 to August 31, 2012
93.113	Environmental Health	7R21ES020055-02	January 25, 2012 to May 31, 2013
93.867	Vision Research	7RO1EY01842005	January 1, 2012 to December 31, 2013
93.396	Cancer Biology Research	7R01CA134731-03	January 1, 2012 to December 31, 2013
93.865	Child Health and Human Development Extramural Research	1R21HD06884101A1	January 1, 2013 to December 31, 2013
93.173	Research Related to Deafness and Communication Disorders	7R01DC009014-05	March 1, 2012 to February 28, 2014
93.837	Cardiovascular Diseases Research	5R01HL095786-04	February 1, 2012 to January 31, 2014
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R03NS07114102	February 1, 2012 to January 31, 2014
93.396	Cancer Biology Research	7R01CA096824-09	February 1, 2012 to January 31, 2014
93.173	Research Related to Deafness and Communication Disorders	7R01DC005606-10	April 1, 2012 to March 31, 2014

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS065842-03	April 1, 2012 to August 1, 2012
93.121	Oral Diseases and Disorders Research	7R01DE18885-04	April 1, 2012 to March 31, 2013
93.855	Allergy, Immunology and Transplantation Research	5R21AI095935	March 7, 2012 to February 28, 2014
93.866	Aging Research	7R01AG04136002	April 15, 2012 to March 31, 2014
93.855	Allergy, Immunology and Transplantation Research	7R01AI042345	April 1, 2012 to March 31, 2014
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	1R01DK095118-01	May 1, 2012 to April 30, 2014
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	7R01DK082435-03	May 1, 2012 to April 30, 2014
93.837	Cardiovascular Diseases Research	7K02HL098956-03	June 1, 2012 to May 31, 2014
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5K01DK081661-05	June 1, 2012 to May 31, 2014
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	7R01S07489503	June 3, 2012 to May 31, 2014
93.396	Cancer Biology Research	7R01CA142862-03	June 1, 2012 to May 31, 2014
93.859	Biomedical Research and Research Training	7R01GM08406204	June 1, 2012 to May 31, 2014
93.213	Research and Training in Complementary and Alternative Medicine	7R21AT00625603	December 1, 2011 to September 29, 2013
93.121	Oral Diseases and Disorders Research	7R01DE00509235	July 1, 2012 to June 30, 2014
93.351	Research Infrastructure Programs	7P40OD011050-10	June 1, 2012 to June 14, 2013
93.121	Oral Diseases and Disorders Research	7R01DE018486-05	July 1, 2012 to June 30, 2014
93.855	Allergy, Immunology and Transplantation Research	1R21AI101740-02	July 1, 2012 to June 30, 2014

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.855	Allergy, Immunology and Transplantation Research	7U01AI082226-04	July 1, 2012 to June 30, 2013
93.837	Cardiovascular Diseases Research	7R01HL102314-03	July 1, 2012 to April 30, 2014
93.262	Occupational Safety and Health Program	2T03OH00410-04	July 1, 2012 to June 30, 2013
93.307	Minority Health and Health Disparities Research	7R01MD006228-03	July 4, 2012 to November 30, 2013
93.157	Centers of Excellence	D34HP24458	July 1, 2012 to June 30, 2013
93.837	Cardiovascular Diseases Research	5R21HL115463-02	July 10, 2012 to April 30, 2014
93.121	Oral Diseases and Disorders Research	1R01DE022975-01	July 11, 2012 to June 30, 2014
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	7R01DK062975-06	August 1, 2012 to July 31, 2014
93.866	Aging Research	7R01AG030578-05	August 1, 2012 to July 31, 2014
93.121	Oral Diseases and Disorders Research	7T32DE01838005	July 1, 2012 to June 30, 2014
93.856	Microbiology and Infectious Diseases Research	7R01AI20624-29	September 1, 2012 to August 31, 2014
93.855	Allergy, Immunology and Transplantation Research	1R56AI97372-01	August 1, 2012 to January 31, 2014
93.855	Allergy, Immunology and Transplantation Research	1R01AI095293-01A1	August 3, 2012 to July 31, 2014
93.837	Cardiovascular Diseases Research	1K08HL11487701	July 1, 2012 to June 30, 2014
93.855	Allergy, Immunology and Transplantation Research	7R01AI083646-04	September 1, 2012 to August 31, 2014
93.121	Oral Diseases and Disorders Research	7R03DE021773-02	September 1, 2012 to August 31, 2014
93.866	Aging Research	7R01AG042189-02	September 1, 2012 to May 31, 2014
93.273	Alcohol Research Programs	7R01AA013440-10	September 1, 2012 to August 31, 2014

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R21NS077177-02	September 1, 2012 to July 31, 2014
93.837	Cardiovascular Diseases Research	7R01HL096552-04	August 1, 2012 to July 31, 2014
93.837	Cardiovascular Diseases Research	7R01HL090817-04	August 1, 2012 to July 31, 2014
93.855	Allergy, Immunology and Transplantation Research	5R21AI095788-02	September 13, 2012 to August 31, 2014
93.121	Oral Diseases and Disorders Research	1R01DE02212901A1	August 15, 2012 to July 31, 2014

The following awards were affected by the issue discussed above in the Health Science Center included invalid expenditures in draw requests:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.701	Trans-NIH Recovery Act Research Support	7RC2ES018789-03	September 1, 2011 to August 31, 2012
93.396	Cancer Biology Research	7RO1CA143811-03	January 1, 2012 to December 31, 2013

Recommendations:

The Health Science Center should:

- Adopt documented policies and procedures that outline its drawdown process.
- Strengthen its drawdown review and approval process to help ensure compliance with applicable laws and regulations and consistency in Health Science Center processes.

Management Response and Corrective Action Plan 2013:

*The Texas A&M Health Science Center and Texas A&M System Sponsored Research Services acknowledge and agree with the finding. Texas A&M System Sponsored Research Services (SRS) reviewed the internal Letter of Credit drawdown procedures and documented additional detail to ensure that all SRS accountants complete their drawdown requests accurately and that correct reports are available to the Coordinator and Director during their approval of the requests.*

Management Response and Corrective Action Plan 2014:

*Texas A&M System Sponsored Research Services (SRS) reviewed the internal Letter of Credit drawdown procedures and documented additional detail to ensure that all SRS accountants complete their drawdown requests accurately and that correct reports are available to the Coordinator and Director during their approval of the requests. The drawdown review and approval process was strengthened and all drawdowns were reviewed and approved.*

Implementation Date: January 2015

Responsible Person: Diane Hassel

Reference No. 2013-135

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Award years – November 1, 2011 to July 30, 2012 and September 30, 2011 to November 13, 2012**

**Award numbers – CFDA 93.262, Occupational Safety and Health Program, 12-174-395071 and CFDA 93.061, Innovations in Applied Public Health Research, 1R43DP003339**

**Type of finding – Significant Deficiency and Non-Compliance**

When a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

**The Texas A&M Health Science Center (Health Science Center) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period.** Specifically:

- For 1 (11 percent) of 9 transactions tested that were recorded after the end of the award period of availability, the Health Science Center did not incur the cost within the funding period. The Health Science Center incurred the \$264 cost associated with that transaction 157 days after the end of the funding period. The Health Science Center later reversed the charge to CFDA 93.262 award number 12-174-395071 and refunded the sponsor; therefore, there were no questioned costs associated with that error.
- For an additional transaction tested, the Health Science Center did not liquidate the obligation within 90 days after the end of the funding period. The Health Science Center liquidated the \$1,800 obligation 120 days after the end of the funding period, but it did not request an extension or make the sponsor aware of additional outstanding charges for CFDA 93.061 award number 1R43DP003339.

The Health Science Center's internal policy requires review and approval of all vouchers by Texas A&M System Sponsored Research Services. However, that review did not identify the errors discussed above.

Recommendation:

The Health Science Center should ensure that all costs it charges to federal awards are incurred within the period of availability and liquidated within required time frames.

Management Response and Corrective Action Plan 2013:

*The Texas A&M Health Science Center and Texas A&M Sponsored Research Services acknowledge and agree with the finding. Texas A&M System Sponsored Research Services has implemented a procedure which provides for the close out of federal projects within 90 days of the project termination date. This procedure includes liquidation of all outstanding obligations and the final invoice or financial report submission to the sponsor within 90 days.*

Management Response and Corrective Action Plan 2014:

*Texas A&M System Sponsored Research Services has implemented a procedure which provides for the close out of federal projects within 90 days of the project termination date. This procedure includes liquidation of all outstanding obligations and the final invoice or financial report submission to the sponsor within 90 days. The Health Science*

Center and Texas A&M System Sponsored Research Services will continue to train staff and principal investigators regarding the closeout of federal projects within 90 days of the project termination date.

Implementation Date: January 2015

Responsible Person: Mark Smock

Reference No. 2013-136

**Reporting**

**Research and Development Cluster**

**Award years – January 25, 2012 to May 31, 2013 and January 15, 2013 to July 15, 2014**

**Award numbers – CFDA 93.113, Environmental Health, 7R21ES020055-02 and CFDA 93.853, Extramural Research Programs in the Neurosciences and Neurological Disorders, 7R21NS076426-03**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. A subaward is defined as a legal instrument to provide support for the performance of any portion of the substantive project or program for which a recipient received a grant or cooperative agreement award and that is awarded to an eligible subrecipient (Title 2, Code of Federal Regulations, Chapter 170). The subawards must be reported in the Transparency Act Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the subaward obligation was made.

Initial Year Written:	2013
Status:	Implemented
National Institutes of Health	

**For 2 (50 percent) of 4 subawards tested, the Texas A&M Health Science Center (Health Science Center) did not report the subaward within the required time frame.** During its initial project setup, the Health Science Center did not identify those subawards as subject to the Transparency Act; therefore, the Health Science Center did not initially report those subawards in FSRS as required. As a result, the Health Science Center reported those subawards 171 and 353 days late. Not reporting subawards to FSRS within the required time frame decreases the reliability and availability of information to the awarding agency and other users of that information.

Corrective Action:

Corrective action was taken.

Reference No. 2013-137

**Special Tests and Provisions – R3 – Subrecipient Monitoring**

**Research and Development Cluster – ARRA**

**Award year – September 1, 2011 to July 31, 2013**

**Award number – CFDA 93.701, Trans – NIH Recovery Act Research Support, 7RC2ES018789-03**

**Type of finding – Significant Deficiency and Non-Compliance**

The American Recovery and Reinvestment Act (Recovery Act) of 2009 required recipients to (1) agree to maintain records that identify adequately the source and application of Recovery Act awards; (2) separately identify to each subrecipient, and document at the time of subaward and at the disbursement of funds, the federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of Recovery Act funds; and (3) require their subrecipients to include on their schedules of expenditures of federal awards information to specifically identify Recovery Act funding (Title 2, Code of Federal Regulations, Section 176.210).

Initial Year Written:	2013
Status:	No longer valid
U.S. Department of Health and Human Services	

**For fiscal year 2013, the Texas A&M Health Science Center (Health Science Center) did not provide the required notifications to its one subrecipient of Recovery Act funds when it disbursed funds to that subrecipient.** The award transitioned from the Texas A&M Research Foundation to the Health Science Center in July 2012, but the Health Science Center did not have a process to include the required information on Recovery Act subrecipient disbursements. Inadequate identification of Recovery Act information at the time of disbursements may lead to improper reporting of Recovery Act funds in subrecipients' schedules of expenditures of federal awards.

Corrective Action:

Texas A&M Health Science Center has fully expended all subawards made under Recovery Act Funding; therefore, this finding is no longer valid.

**Texas A&M International University**

Reference No. 11-118

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2009 to June 30, 2010**

**Award numbers – CFDA 84.033 P033A094137, CFDA 84.063 P063P093216, CFDA 84.007 P007A094137, CFDA 84.375 P375A093216, CFDA 84.376 P376S093216, and CFDA 84.032 Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include (1) a qualitative component that consists of grades, work projects completed, or comparable factors that are measurable against a norm; and, (2) a quantitative component that consists of a maximum time frame in which a student must complete his or her educational program (Title 34, CFR, Section 668.16 (e)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average (GPA) of at least a “C” or its equivalent, or has academic standing consistent with the institution’s requirements for graduation (Title 34, CFR, Section 668.34 (b)).

Initial Year Written:	2010
Status:	Implemented
U.S. Department of Education	

University staff perform SAP determinations manually using paper forms. The University asserts that, as a control, administrative staff perform random, periodic reviews of those forms; however, because those reviews are not documented, auditors were unable to verify the existence of this control. **During testing, auditors identified several inconsistencies in staff’s documentation of SAP determinations.** Specifically, auditors noted instances in which:

- The documented cumulative GPA included grades earned from non-institutional courses. According to the University’s SAP policy, the cumulative GPA should include only institutional courses.
- The documented cumulative GPA, course completion rate, and total cumulative hours attempted did not incorporate courses completed in the Fall 2008 and/or Spring 2009 semesters. According to the University’s SAP policy, SAP determinations are made at the end of the academic year.
- The documented total cumulative hours attempted included hours earned from transfer courses not applicable to a student’s degree program. According to the University’s SAP policy, a student’s total cumulative hours attempted are counted only if they apply to the student’s degree program.

Despite these inconsistencies in SAP calculations, based on testing of 40 students, auditors did not identify any students who were ineligible to receive financial assistance for not meeting SAP requirements.

Corrective Action:

Corrective action was taken.

**Texas A&M University**

Reference No. 2013-138

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A125286 and CFDA 84.063, Federal Pell Grant Program, P063P125286**

**Type of finding – Significant Deficiency and Non-Compliance**

Postsecondary Education Scholarships for Veteran’s Dependents

Under the Postsecondary Education Scholarships for Veteran’s Dependents award, also known as the Iraq and Afghanistan Service Grant (IASG), a Pell grant recipient whose parent or guardian died as a result of military service in Iraq or Afghanistan after September 11, 2001, can receive the maximum amount of a Pell award available. The student must be younger than 24 years of age or, if 24 years old or older, enrolled at least part-time in college at the time of the parent’s or guardian’s death. Effective July 1, 2010, if a student meets those criteria but does not meet the needs-based criteria for a Pell grant, then the student would be eligible for a non-need based (IASG) and can receive IASG in an amount equal to the maximum amount of a Pell grant award available (Title 20, United States Code, Chapter 1070h).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

**For 1 (3 percent) of 40 students tested, Texas A&M University (University) did not award the proper amount of IASG in accordance with program requirements.** The University awarded the student \$5,500 in IASG instead of \$5,550 (which was the maximum Pell grant available for the 2012-2013 award year). According to the University, the underaward occurred because of a clerical error. After auditors brought this matter to the University’s attention, the University corrected the error and awarded the student an additional \$50 in aid.

Post-baccalaureate Students Receiving Federal Pell Grants

The federal Pell Grant Program awards grants to help financially needy students meet the cost of their postsecondary education (Title 34, Code of Federal Regulations (CFR), Section 690.1). In selecting students for the federal Pell Grant Program, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may pay a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)(2)).

**Based on a review of the full population of federal student financial assistance recipients, the University awarded \$1,388 in Pell Grant funds to two post-baccalaureate students who were not eligible for that assistance.** The errors occurred because the University did not properly implement its control to identify students who have bachelor’s degrees. The University’s financial aid system relied on self-reported information from the students’ Institutional Student Information Records (ISIRs), which incorrectly indicated that the students had not yet received bachelor’s degrees. The University runs a daily report that identifies all students with bachelor’s degrees and subsequently cancels all Pell assistance for those students. However, it did not run that daily report for a period of time prior to the Summer semester, which allowed those students’ inappropriate Pell awards to go undetected.

After auditors brought this matter to the University’s attention, the University provided evidence that it corrected the above Pell awards; therefore, there were no questioned costs. However, not properly awarding Pell Grant funds could result in the University awarding federal aid to ineligible students.

Corrective Action:

Corrective action was taken.

Reference No. 2013-139

**Special Tests and Provisions – Verification**

(Prior Audit Issues 13-122 and 12-124)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K135286 and CFDA 84.063, Federal Pell Grant Program, P063P125286**

**Type of finding – Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of a student’s eligibility results in a total difference of more than \$25 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution (EFC) based on the student’s new information to determine whether an adjustment to Title IV assistance is required. For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected Student Aid Report (SAR) or valid Institutional Student Information Record (ISIR). The institution must disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2011
Status:	Implemented
U.S. Department of Education	

Texas A&M University (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of the financial student assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (2012-2013 *Application and Verification Guide*, page AVG-84). As a part of quality improvement for the verification process, the University’s policy requires verifying wages, income exclusions, and all of the items required by Title 34, CFR, Section 668.56.

**For 2 (5 percent) of 40 students tested, the University did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required.** Specifically, the University did not accurately verify the students’ AGI amounts. In both cases, the University did not correctly match supporting tax documentation with the ISIR information in the University’s financial aid system.

When auditors brought the errors to management’s attention, the University corrected the AGI amounts and uploaded the changes to the students’ ISIRs. The updated information changed the students’ EFCs, but that did not result in any underawards or overawards of student financial assistance; therefore, there were no questioned costs. Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Corrective Action:

Corrective action was taken.

Reference No. 2013-140

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issue 13-123)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124136; CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award number not applicable; CFDA 84.063, Federal Pell Grant Program, P063P125286; CFDA 84.268, Federal Direct Student Loans, P268K135286; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T135286; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A125286**

**Type of finding – Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Education	

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student’s formal withdrawal, the student’s last recorded date of attendance should be reported as the status change date. In addition, the effective date for a student who has never attended should be the date that the institution certifies the student's “never attended” status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 4 (7 percent) of 60 student status changes tested, the University did not report the change to NSLDS accurately. Specifically:**

- For one student, the University incorrectly reported the student’s enrollment status as withdrawn for the Fall 2012 semester. Although the student enrolled in classes for the Fall semester, the student received all non-passing grades in the Fall and did not provide evidence of attendance during the semester. In addition, the student was a first-time student at the University; therefore, the student’s enrollment status should have been reported as “never attended.”
- For one student who unofficially withdrew during the Fall 2012 semester, the University incorrectly reported the student’s enrollment status as full-time. The student received all non-passing grades in the Fall and did not provide evidence of attendance during the semester. The University reported the effective date of the student's full-time status, when it should have reported the effective date of the student’s withdrawal.
- For two students who unofficially withdrew during the Fall 2012 semester, the University reported incorrect withdrawal dates to the NSLDS. The University reported the last class day of the Fall 2012 semester as the withdrawal date when it should have reported the students’ last recorded date of attendance. One of those students did not provide proof of attendance for the Fall 2012 semester. Auditors determined the last date of attendance for that student was December 14, 2011. The University received evidence that the other student had attended classes through October 29, 2012.

Although the University reported these students’ enrollment statuses incorrectly, it appropriately canceled the students’ federal assistance for the Fall 2012 semester. The errors discussed above occurred because of weaknesses

in University processes. At the end of each semester, the University's Office of Financial Aid verifies changes in student enrollment statuses for students who do not complete the semester to determine whether unofficial withdrawals require a return of funds. However, the University's Registrar does not update NSLDS based on the withdrawal determinations and returns made by the Office of Financial Aid.

The University reported the correct enrollment statuses to the NSLDS for the students discussed above after auditors brought the errors to its attention. However, not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Corrective Action:

Corrective action was taken.

**Texas A&M University – Commerce**

Reference No. 2013-141

**Eligibility**

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124016; CFDA 84.063, Federal Pell Grant Program, P063P130384; CFDA 84.268, Federal Direct Student Loans, P268K130384; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T130384; CFDA 84.033, Federal Work Study Program, P033A124016; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency**

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2013  
Status: Partially Implemented  
U.S. Department of Education

**Texas A&M University - Commerce (University) did not have sufficient change management controls for its student financial aid system, Banner.** For all five system changes that auditors tested, the University did not have sufficient documentation supporting that (1) the changes were properly tested and authorized prior to being migrated to the production environment or (2) the changes were migrated to the production environment by authorized personnel. That increases the risk of unauthorized programming changes being made to critical information systems.

**The University also did not consistently maintain appropriate administrator-level access.** Specifically, one employee who was responsible for making programming changes for Banner had inappropriate access to the Banner production database. After auditors brought this to the University’s attention, the University removed the inappropriate access. Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

University management asserted that it reviews user access at the database level every six months; however, it does not document that review. The University also did not have a process to periodically review user access on application or server user accounts. This is not in compliance with the University’s user account management policy, which requires data owners to review access privileges to information resources at least biannually and for those reviews to be documented.

Although the general control weaknesses described above apply to eligibility and special tests and provisions – verification, auditors identified no compliance issues regarding those compliance requirements.

Recommendations:

The University should:

- Sufficiently document changes to key systems to support testing, authorization, and migration of changes to production by authorized personnel.
- Ensure that user access is appropriate based on job responsibilities.
- Comply with its policy to conduct formal, periodic reviews of user access to its key applications, databases, and servers.
- Comply with its policy to retain documentation of its user access reviews.

Management Response and Corrective Action Plan 2013:

The Center of IT Excellence has implemented a Change Management process in November 2013. Required documentation for each change to production includes the following elements:

- Change Description
- Requestor
- Reason for Change
- Priority and Impact
- Configuration Items
- Start Date/Time
- Finish Date/Time
- Implementation Plan
- Risk Assessment
- Test Plan
- Back-out Plan
- Communication Plan

Each week the CAB, Change Approval Board, meets to discuss and approve/reject the submitted requests for that week. An Emergency change may be submitted if a change is required after the CAB meets for the week. At least one CAB member must approve all emergency changes. Stakeholders of any system that will experience any outage are notified prior to any change occurring. No change will be promoted to production unless testing has first been completed in the UAT environment and stakeholders have signed off on the change.” Service Request SR29451 was created to remove the improper access to production of one staff member.

Management Response and Corrective Action Plan 2014:

Management at A&M-Commerce has improved processes for change management and documentation timelines related to General Controls and Provisions-Verification at the University. The Chief Information Officer (CIO) of the University has charged the Information Security Officer (ISO) with ensuring that change management processes for Texas A&M University-Commerce and Texas A&M University-Texarkana are consistent. The CIO, in collaboration with the ISO, will monitor and review the General Controls for Eligibility and Provisions-Verification the first and third quarters of each calendar year. All findings discovered in the account review process will be addressed by the CIO and ISO, and will additionally be documented in a pre-and post-review assessment summary.

Implementation Date      September 2015

Responsible Person:      Tim Murphy

**Texas Military Department**

Reference No. 13-101

**Cash Management**

**CFDA 12.400 – National Guard Military Construction Projects**

**Award Year – 2007**

**Award Numbers – W912L1-07-2-2001 and W912L1-07-2-2003**

**Type of finding – Significant Deficiency and Non-Compliance**

Drawdowns and Disbursements of Federal Funds

A state must minimize the time between the drawdown of funds from the federal government and their disbursement for federal program purposes. The timing and amount of drawdowns must be as close as is administratively feasible to the state’s actual cash outlays (Title 31, Code of Federal Regulations, Section 205.33(a)). When it uses an advance funding method, the state agrees to minimize the time elapsing between the drawdowns from the U.S. Treasury and their disbursement by the state. This period may not exceed 45 days (National Guard Regulation 5-1, Section 11-5(a)(5)).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Defense	

**For 3 (25 percent) of 12 drawdowns tested that the Adjutant General’s Department (Department) received on an advance basis, the Department did not minimize the time between its drawdowns of federal funds and its disbursement of those funds.** As a result, the Department did not disburse \$1,514,671 within 45 days of its drawdown of those funds from the U.S. Treasury. The Department disbursed one of those drawdowns 51 days after it received those funds, and it had not disbursed the remaining two drawdowns as of August 31, 2012 (277 days after the Department received those funds). The Department asserted that it had not disbursed those funds because they were associated with final payments on construction projects, and the vendors had not yet completed all outstanding work on those projects. However, the Department does not have controls to monitor disbursements of federal funds to ensure that it makes disbursements within 45 days of receiving those funds.

Not minimizing the time between drawdowns of federal funds and the disbursement of those funds increases the risk that the Department could draw down federal funds from the U.S. Treasury in excess of its needs.

Interest Earned

National Guard Regulation (NGR) 5-1, Section 11-5(c)(1), states that the amount of interest due to the United States on funds advanced to a state or of interest due a state shall be determined and paid in accordance with Title 31, United States Code, Section 6503, Intergovernmental Financing, and regulations issued by the U.S. Department of Treasury and the U.S. Department of Defense. Additionally, the State may be accountable for interest earned on advances when it does not minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of those funds (NGR 5-1, Section 11-5(c)(3)).

Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (Title 31, United States Code, Section 6501 et seq.) and the Indian Self-Determination Act (Title 23, United States Code, Section 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses (Title 32, Code of Federal Regulations, Section 33.21(i)).

**For the National Military Construction Projects program, the Department did not calculate or monitor interest it earned on federal funds for which it did not minimize the time between transfer from the U.S. Treasury and disbursement. It also did not remit the interest it earned on those funds.** The Department has not established a process to calculate or monitor interest it earns on advanced federal funds when it does not disburse those funds in a timely manner. In fiscal year 2012, the Department earned a total of \$638 in interest on the advanced federal funds that it did not disburse in a timely manner. Specifically, the Department earned \$17 in interest associated with award W912L1-07-2-2001 and \$621 in interest associated with award W912L1-07-2-2003. As discussed above, grantees can retain interest of up to \$100 per year for administrative expenses; therefore, the Department should have remitted \$538 in earned interest to the U.S. Treasury for fiscal year 2012.

Corrective Action:

Corrective action was taken.

**Texas Southern University**

Reference No. 11-127

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2009 to June 30, 2010**

**Award numbers – CFDA 84.063 P063P092327, CFDA 84.007 P007A094145, CFDA 84.033 P033A094145, CFDA 84.375 P375A09327, CFDA 84.376 P376S092327, CFDA 84.379 P379T102327, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, and CFDA 84.268 Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written:	2010
Status:	Partially Implemented
U.S. Department of Education	

**The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity.** Banner can be configured to enforce any standards specified in the University’s information security policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

Recommendation:

The University should configure Banner to enforce rules regarding password length and complexity.

Management Response and Corrective Action Plan 2010:

*Management agrees with the finding and recommendation. The Office of Information Technology/Enterprise Applications division has taken on a Banner Security Project that is scheduled to begin February, 2011. The first phase of the project will include password length and complexity rule enforcement. Phase I is scheduled for completion by March 31, 2011.*

Management Response and Corrective Action Plan 2011:

*Decision was made not to roll out password length and complexity modification until after fall registration and headcount was complete.*

Management Response and Corrective Action Plan 2012:

*The Office of Information Technology identified Banner password security policy in which to adopt.*

- a. *Created a project plan to roll-out Banner password length complexity.*
- b. *Database Administrator applied rules to a test environment.*
- c. *Banner Configuration Team was assigned to test new security rules in test environment.*
- d. *Analyzed test results.*
- e. *Notified campus of the change in policy.*
- f. *Applied approved rules to the Production environment.*
- g. *Change was applied to the Production environment in October, 2011.*

Management Response and Corrective Action Plan 2013:

19 accounts noted in the finding were expired; however, they were not locked. All of the accounts have been expired and locked as of this date. Additionally, the policy for administering employee accounts has been standardized to ensure accounts are properly expired and locked.

91 other accounts were referenced in the finding. TSU is currently analyzing the groups. Accounts that were no longer active have been expired and locked. The remainders of the accounts represent service accounts tied directly to a process. Expiring the service accounts sited in the finding would have a significant impact on the TSU's business processes. Based on standard industry best practices, a uniformed naming convention will be developed and implemented for the service accounts. A security password with 14 to 15 character complexity will also be applied to the service accounts.

Management Response and Corrective Action Plan 2014:

TSU analyzed the 91 accounts referenced in the previous finding. The remainders of the accounts represent service accounts tied directly to a process. Although expiration of these service accounts sited in the finding would have a significant impact on the TSU's business processes, each of the accounts were analyzed and reduced to 54 accounts; 37 of the original 91 accounts were analyzed, tested and expired and locked.

Based on standard industry best practices, a uniformed naming convention has been developed and will be implemented for the remaining accounts. A policy will be created for these service accounts. Each remaining account will be analyzed, tested and applied to production. The policy will require a security password with 14 to 15 character complexity.

Implementation Date: March 2015

Responsible Person: Kathy Booker

Reference No. 11-128

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2009 to June 30, 2010**

**Award numbers – CFDA 84.063 P063P092327, CFDA 84.007 P007A094145, CFDA 84.033 P033A094145, CFDA 84.375 P375A09327, CFDA 84.376 P376S092327, CFDA 84.379 P379T102327, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, and CFDA 84.268 Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written:	2010
Status:	Partially Implemented
U.S. Department of Education	

**The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity.** Banner can be configured to enforce any standards specified in the University's information security policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

Recommendation:

The University should configure Banner to enforce rules regarding password length and complexity.

Management Response and Corrective Action Plan 2010:

Management agrees with the finding and recommendation. The Office of Information Technology/Enterprise Applications division has taken on a Banner Security Project that is scheduled to begin February, 2011. The first phase of the project will include password length and complexity rule enforcement. Phase I is scheduled for completion by March 31, 2011.

Management Response and Corrective Action Plan 2011:

To avoid impacting fall registration, decision was made not to roll out password length and complexity modification until after September 2011.

Management Response and Corrective Action Plan 2012:

The Office of Information Technology identified Banner password security policy in which to adopt.

- a. Created a project plan to roll-out Banner password length complexity.
- b. Database Administrator applied rules to a test environment.
- c. Banner Configuration Team was assigned to test new security rules in test environment.
- d. Analyzed test results.
- e. Notified campus of the change in policy.
- f. Applied approved rules to the Production environment.
- g. Change was applied to the Production environment in October 2011.

Management Response and Corrective Action Plan 2013:

19 accounts noted in the finding were expired; however, they were not locked. All of the accounts have been expired and locked as of this date. Additionally, the policy for administering employee accounts has been standardized to ensure accounts are properly expired and locked.

91 other accounts were referenced in the finding. TSU is currently analyzing the groups. Accounts that were no longer active have been expired and locked. The remainders of the accounts represent service accounts tied directly to a process. Expiring the service accounts sited in the finding would have a significant impact on the TSU's business processes. Based on standard industry best practices, a uniformed naming convention will be developed and implemented for the service accounts. A security password with 14 to 15 character complexity will also be applied to the service accounts.

Management Response and Corrective Action Plan 2014:

TSU analyzed the 91 accounts referenced in the previous finding. The remainders of the accounts represent service accounts tied directly to a process. Although expiration of these service accounts sited in the finding would have a significant impact on the TSU's business processes, each of the accounts were analyzed and reduced to 54 accounts; 37 of the original 91 accounts were analyzed, tested and expired and locked.

Based on standard industry best practices, a uniformed naming convention has been developed and will be implemented for the remaining accounts. A policy will be created for these service accounts. Each remaining account will be analyzed, tested and applied to production. The policy will require a security password with 14 to 15 character complexity

Implementation Date: March 2015

Responsible Person: Kathy Booker

**Texas State Technical College – Harlingen**

Reference No. 2013-142

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; CFDA 84.268, Federal Direct Student Loans, P268K133162; and CFDA 84.033, Federal Work-Study Program, P033A134149**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll). A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations (CFR), Section 668.2).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, CFR, Sections 673.5 and 668.2).

A federal Pell Grant is calculated by determining a student’s enrollment for the term, and then based on that enrollment status, determining the annual award from a disbursement schedule. The amount of a student’s award for an award year may not exceed his or her scheduled federal Pell Grant award for that award year (Title 34, CFR, Sections 690.63 (b) and (g)). No federal Pell Grant can exceed the difference between the EFC for a student and the COA at the institution in which the student is in attendance (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1070b).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s cost of attendance, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

**For 6 (10 percent) of 60 students tested, Texas State Technical College – Harlingen (College) did not calculate the students’ COA in accordance with its published COA schedule. Specifically:**

- For 5 students, the College did not remove room and board and personal expense charges for terms the students did not attend, which resulted in the students’ COA being overstated. However, the College did not overaward assistance to those students as a result of that error.
- For 1 student, the College increased the student’s COA by \$2,500 in miscellaneous fees to offset a merit-based scholarship the student received, but it did not document its rationale for exercising that professional judgment. However, the College did not overaward assistance to that student as a result of that error.

**In addition, for 2 (3 percent) of 60 students tested, the College overawarded need-based financial assistance and awarded financial assistance in excess of the students' COA. Specifically:**

- Through a manual process, the College awarded one student \$794 in Subsidized Direct Loans. That assistance exceeded the student's need by \$794; therefore, the amount of questioned costs associated with award P268K133162 was \$794. Additionally, that student's total assistance exceeded the student's COA by \$650. The \$650 overaward was associated with Direct Plus Loans, which also means that the student's assistance exceeded the Direct Plus Loan limit.
- The College awarded one student \$1,388 in Pell Grant funds even though the student's COA was only \$1,284. That resulted in a \$104 overaward of Pell Grant funds; therefore, the amount of questioned costs associated with award P063P133162 was \$104. The College awarded Pell Grant funds based on the student's Pell COA, which the College calculates differently from its institutional COA. The methodology the College used to determine Pell COA overstated the student's COA and resulted in the overaward of assistance.

These errors occurred because for the 2012-2013 award year, the College initially packaged student assistance based on full-time enrollment, regardless of students' actual enrollment. In summer 2013, the College redesigned its automated COA process and retroactively adjusted students' COA to reflect their actual enrollment for each term of the 2012-2013 award year. However, the College did not retroactively adjust COA for students whose COA budgets the College had locked following previous manual adjustments. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded financial assistance.

The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal assistance limits. In addition, the College awarded all Direct Loans through manual processes during the 2012-2013 award year. Thirteen staff members at the College have the ability to modify or override eligibility rules. That increases the risk of awards exceeding limits.

Recommendation:

The College should calculate students' COA in accordance with its published COA schedule.

Management Response and Corrective Action Plan 2013:

*The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels. Awards will be adjusted as needed in according to student's actual enrollment at official census date.*

*The Financial Aid Office will implement procedures to ensure that programming and setup of annual COA budgets is verified and correctly calculated. Training will be provided to the Financial Aid staff to be able trouble shoot, report, and/or correct errors in the financial aid management system.*

Management Response and Corrective Action Plan 2014:

*The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels Awards will be adjusted as needed in according to student's actual enrollment at official census date.*

*In order to implement the plan above Financial Aid Office will work closely with IT to implement additional procedures to ensure that programming and setup of annual COA budgets are verified and correctly calculated. This collaboration will allow the Financial Aid Office to test student's records to ensure compliance. As procedures are updated training will be provided to the Financial Aid staff in order to troubleshoot, report, and/or correct errors in the financial aid student information system. Initial Cost of Attendance will be based on full time [36 credit hours (12 per semester)] and use actual enrolled credits after census date. Student's not at least half time status for the term will have the Tuition/Fees and Books components adjusted accordingly.*

*Together with IT we will create an automated process that will reduce the Room/Board, and Personal Expenses budget components in the COA for students that are enrolled less-than half time. With the transition of a new Financial Aid System Analyst these procedures and processes will be closely monitored.*

*Implementation Date: August 2015*

*Responsible Persons: Federico Pena and Javier Nieto*

#### Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

**The College's automated SAP calculation process includes transfer credits as completed hours, but not as attempted hours; therefore, the College does not evaluate transfer hours as part of a student's maximum time frame and the College incorrectly calculates the pace of completion for students with transfer credits.** As a result, for 4 (7 percent) of the 60 students tested, the College did not accurately include transfer hours in the students' SAP calculations. Those students still met the College's SAP requirements and were eligible to receive assistance. However, not including transfer hours as attempted and completed hours in the SAP calculation increases the risk that the College's calculation may not identify students who do not comply with either the maximum credit hour requirement or the pace of completion requirement. As a result, those students could receive financial assistance for which they are not eligible.

#### Corrective Action:

Corrective action was taken.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

Management Response and Corrective Action Plan 2013:

*We agree with the findings related to the general control portion of the audit. During the course of the audit the inappropriate access identified by the auditors was immediately revoked. Going forward the Office of Information Technology (OIT) will periodically produce and distribute reports to executive management detailing employees with access to BAWD and FGLP. We will work with management to ensure related access is appropriate.*

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

Management Response and Corrective Action Plan 2014:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date:      Implemented during audit*

*Responsible Person:      Richard Martin*

Reference No. 2013-143

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.033, Federal Work-Study Program, P033A131419; CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; and CFDA 84.268, Federal Direct Student Loans, P268K133162**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

**For 14 (23 percent) of 60 students tested, Texas State Technical College - Harlingen (College) did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required.** Specifically:

- For 1 student, the College did not accurately verify the number of household members enrolled in post-secondary education.
- For 7 students, the College did not accurately verify that the students received food stamps.
- For 1 student, the College did not accurately verify that the student had paid child support.
- For 6 students, the College did not accurately verify tax-related items on the students’ applications. Auditors identified application errors in AGI, income tax paid, untaxed pensions, and education credits.

According to the College, the errors occurred because of errors in manual processing during verification. Not properly verifying FAFSA information could result in the College overawarding or underawarding student federal financial assistance. Because the U.S. Department of Education’s due dates for ISIR correction had already passed at the time the errors were identified, the College was unable to request updated ISIRs for the affected students. However, the College asserted that the errors resulted in overawards of Pell Grant funds to two students totaling \$1,563 and an underaward of \$38 in Pell Grant funds to one student. The overawards and underaward were associated with award number P063P133162.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

Management Response and Corrective Action Plan 2013:

*We agree with the findings related to the general control portion of the audit. During the course of the audit the inappropriate access identified by the auditors was immediately revoked. Going forward the Office of Information Technology (OIT) will periodically produce and distribute reports to executive management detailing employees with access to BAWD and FGLP. We will work with management to ensure related access is appropriate.*

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

Management Response and Corrective Action Plan 2014:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date:      Implemented during audit*

*Responsible Person:      Richard Martin*

**Texas State Technical College – Waco**

Reference No. 2013-144

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147**

**Type of finding – Material Weakness and Non-Compliance**

Cost of Attendance

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

Initial Year Written: 2013  
Status: Partially Implemented  
  
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 673.5 and 668.2).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

**Texas State Technical College – Waco (College) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual enrollment.** As a result, for 15 (25 percent) of 60 students tested, the College based the students’ COA on full-time enrollment, even though the students attended less than full-time for one or more terms during the award year. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance. Because the College developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were overawarded financial assistance for the 2012-2013 school year.

Additionally, 1 (2 percent) of 60 students tested attended Texas State Technical College – Harlingen in the Fall 2012 term and Texas State Technical College – Waco in the Spring 2013 term. The College does not have a process to adjust COA budgets to reflect enrollment at multiple College campuses within the same award year. As a result, auditors could not determine whether that student’s COA budget was appropriate or whether that student was overawarded financial assistance for the 2012-2013 award year.

Corrective Action:

Corrective action was taken.

### Pell Grants

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

**For 1 (2 percent) of 60 students tested, the Pell Grant award exceeded the amount for which the student was eligible for the award year.** The student was enrolled half-time for the Summer 2013 term but was awarded a full-time Pell Grant for that term. As a result, the College overawarded that student \$925 in Pell Grant assistance. The College's automated controls over Pell awards do not ensure that manually entered awards comply with federal assistance limits. The College reviews a report of all Pell disbursements for each term to ensure that the correct amount of Pell has disbursed based on EFC and enrollment level; however, that control is not always effective. After auditors brought the error to the College's attention, the College corrected the Pell award; therefore, there were no questioned costs.

The automated control issue discussed above also affects Direct Loan awards; however, auditors did not identify any compliance errors related to Direct Loan awards.

### Corrective Action:

Corrective action was taken.

### Federal Supplemental Educational Opportunity Grants

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

**Based on a review of the full population of student financial assistance recipients, the College awarded \$281 in FSEOG assistance to one student who did not also receive a Pell Grant; it did not award FSEOG assistance to all other Pell Grant recipients before awarding FSEOG assistance to that student.** The student had already received the lifetime eligibility amount for Pell Grants and, therefore, was no longer eligible to receive a Pell Grant. When identifying potential students eligible for FSEOG, the College ran a query to find Pell-eligible students, but it did not check for an actual Pell Grant disbursement within the award year. After auditors brought the error to the College's attention, the College returned the FSEOG award; therefore, there were no questioned costs.

### Corrective Action:

Corrective action was taken.

### Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

**The College does not apply its SAP policy consistently, and its SAP policy does not meet all federal requirements. For 1 (2 percent) of 60 students tested, the College did not evaluate the student's SAP status at the end of each term as required by its SAP policy.** The student was enrolled in the Fall 2012 term; however, the College did not calculate the student's SAP for that term. The College could not explain why it excluded that student from its SAP calculation process for that term. Therefore, auditors were unable to determine whether that issue also affected other students who received financial assistance in the 2012-2013 award year. Based on the student's GPA, pace, and maximum hours, the student's academic progress would have been satisfactory for that term; therefore, the student was eligible for financial assistance in the Spring 2013 term.

In addition, the College's SAP policy states that transfer hours that apply toward the completion of a student's program will be counted in attempted credits; however, the policy does not state that transfer hours will be counted in completed credits. **Further, the College's automated SAP calculation process does not include transfer credits as either attempted or completed hours; therefore, the College does not evaluate transfer hours as part of a student's completion rate or maximum time frame.** For 1 (2 percent) of 60 students tested, the total combined institutional and transfer hours exceeded the student's program's maximum time frame; however, because the College did not include the student's transfer hours in its SAP calculation, the College did not place that student on suspension. After auditors brought the error to the College's attention, the College reviewed the student's transfer hours to determine how many hours applied to the student's program. Based on that review, the student was eligible for financial assistance in the 2012-2013 award year.

Additionally, the College's SAP policy states that if a student repeats a course, it will count both course attempts in the maximum credit hours and pace of completion calculation. However, the College's SAP calculation excludes repeated courses from a student's cumulative attempted hours. Auditors did not identify any compliance errors as a result of that issue. However, not including transfer hours and repeated courses as attempted and completed hours in the SAP calculation increases the risk that the College's calculation may not identify students who do not comply with either the maximum credit hour requirement or the pace of completion requirement. As a result, those students could receive financial assistance for which they are not eligible.

The College's SAP policy also states that a student who has reached the maximum time frame for the student's program of study will be placed on suspension. According to the SAP policy, after the maximum time frame has passed, students cannot regain satisfactory progress or financial assistance eligibility unless they submit an appeal detailing the mitigating circumstances. However, the College's SAP process does not follow that policy. For all students who have reached their maximum time frame, the College reviews the students' academic progress and determines whether the students should continue to receive financial assistance. That review includes students who have reached their maximum time frames and may not have complied with another SAP requirement (such as GPA or pace completion requirements). The College does not require those students to submit appeals. The College also does not retain documentation of the rationale it uses to determine whether a student should continue to receive financial assistance. Not requiring students to submit a SAP appeal violates both the College's policy and federal requirements. As a result, students may be receiving financial assistance for which they are not eligible.

**Seven (12 percent) of 60 students tested had reached the maximum time frame for their program and the College had approved them to continue receiving financial assistance without submitting an appeal. Five of those students also did not comply with the GPA requirement, the pace of completion requirement, or both of those requirements.**

Additionally, 281 students had reached the maximum time frame for their program as of the Summer 2013 term. The College approved 256 (91 percent) of those students to continue receiving financial assistance without submitting an appeal. Of those 256 students, 98 (38 percent) also did not comply with the GPA requirement, the pace of completion requirement, or both of those requirements.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

Management Response and Corrective Action Plan 2014:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

Implementation Date:      Implemented during the audit

Responsible Person:      Richard Martin

Reference No. 2013-145

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

**For 8 (13 percent) of 60 applicants tested, Texas State Technical College – Waco (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required.** Specifically, the College did not always accurately verify the applicants’ education credits, income tax paid, or household members. According to the College, that resulted in an overaward of \$150 to one student and underawards totaling \$101 to two students in federal Pell Grant funds associated with award P063P122321.

For the eight students discussed above, the College also did not correct the students' ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education's due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College's assertion. The errors occurred because of manual errors the College made in verification.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

#### Recommendations:

The College should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

#### Management Response and Corrective Action Plan 2013:

##### Verification

*The college has provided additional training to TSTC staff members who made the verification errors. Those staff members were performing verification at the same time they were answering a large volume of phone calls so that caused them to make some errors.*

*In order to speed up the verification process and to assure that verification was performed accurately, we outsourced it to EdFinancial in April 2013. The Edfinancial staff operates in a 100% quality control environment with each new client. Their staff reviews every file, ensuring that every application was verified accurately and that the Colleague system was updated correctly. They review 100% of files until they consistently maintain a standard accuracy rate of 97%. Once reached, Edfinancial continues through the duration of the contract by reviewing 30% of applications. In an effort to check the accuracy of EdFinancial's work, our Assistant Director of Financial Aid and/or her staff will verify a random sample of files.*

#### General IT Controls

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

#### Management Response and Corrective Action Plan 2014:

##### Verification

*TSTC Waco will continue to outsource verification to EdFinancial and will continue to provide additional training to TSTC staff members regarding verification. While no errors were made in verification, we made corrections to some data elements for one student who had a 0 EFC and the changes resulted in the EFC remaining at 0. Although the corrections were made to the student's ISIR and were sent to the CPS from Colleague, a new ISIR was not generated.*

*In order to ensure that this does not happen again, we have developed a management report called SANDI.CAPX.CHECK. The report produces a list of all students who had corrections sent for that day. We will keep each report and check off each student as the new ISIR is received. We have also created a report that will show all students who were selected for verification and who had corrections submitted along with the date that the new ISIRS are received.*

*Implementation Date: January 2015*

*Responsible Persons: Jackie Adler and Sandi Abshier*

##### General Controls

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during the audit*

*Responsible Person: Richard Martin*

**Texas State Technical College – West Texas**

Reference No. 2013-146

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123266; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124150; CFDA 84.268, Federal Direct Student Loans, P268K123266; and CFDA 84.033, Federal Work-Study Program, P033A124150**

**Type of finding – Material Weakness and Non-Compliance**

Cost of Attendance

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

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

**Texas State Technical College – West Texas (College) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual enrollment.** As a result, for 23 (38 percent) of 60 students tested, the College based the students’ COA on full-time enrollment, even though the students attended less than full-time for one or more terms during the award year. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance. Because the College developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were overawarded financial assistance for the 2012-2013 award year.

Corrective Action:

Corrective action was taken.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades, or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

**The College does not apply its SAP policy consistently, and its SAP policy does not meet all federal requirements. For 7 (13 percent) of 56 students tested, the College did not consider the correct SAP status or calculate SAP in compliance with its SAP policy.** Specifically:

- For three students, the College did not calculate SAP for the students' last term of enrollment preceding the 2012-2013 academic year; therefore, the College considered the SAP status for an incorrect term when determining those students' eligibility for assistance. Those students had gaps in enrollment of between 3 and 11 years prior to the 2012-2013 academic year; however, the College could not explain why it did not calculate SAP for those years. As a result, one of those students should have been placed in a different SAP status, which would have made that student ineligible for assistance for at least one term during the year. Therefore, that student's, \$3,465 in Direct Student Loan assistance associated with award number P268K123266 was considered a questioned cost.
- For two students, the College did not calculate SAP for a term in which the students were enrolled only in partnership courses. At the College, students are eligible to receive financial assistance while enrolled in partnership courses at another institution.
- For two students, the College assigned the incorrect SAP status. For one student, the College did not consider the student's transfer hours in its pace component calculations. The College placed the other student on an academic plan in lieu of suspension; however, the College was unable to provide documentation of that plan. As a result, one of those students was ineligible for assistance for at least one term during the year. Therefore, that student's \$1,388 in Pell Grant funds associated with award number P063P123266 and \$3,465 in Direct Student Loan assistance associated with award number P268K123266 were considered questioned costs.

**Additionally, for 41 (73 percent) of the 56 students tested, the SAP components, such as courses attempted or completed and GPA, that auditors calculated did not match the SAP components on which the College relied when it awarded assistance.** The College asserted that it relies on the Texas State Technical College System to run the automated SAP calculation for the College. As a result, College personnel have a limited understanding of the automated SAP calculations in the financial aid system; therefore, the College was unable to provide explanations regarding certain discrepancies identified or provide definitive guidance regarding the data included in the automated calculation. The College also may not be consistently entering courses into its student record system, which would further affect the automated SAP calculations.

In addition, the College's SAP policy states that transfer hours that apply toward the completion of a student's program will be counted in attempted credits; however, it does not state that transfer hours will be counted in completed credits. Further, the College's automated SAP calculation process includes transfer credits as completed hours, but not as attempted hours; therefore, the College does not evaluate transfer hours as part of a student's maximum time frame, and it incorrectly calculates the pace of completion for students with transfer credits. Thirty-seven (66 percent) of 56 students tested had transfer credits.

Not correctly evaluating students' satisfactory academic progress or including all required elements in the policy increases the risk of awarding financial assistance to ineligible students.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Three individuals had inappropriate access based on their job responsibilities to post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to the account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems go undetected.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

*During the course of the audit three individuals were identified with inappropriate access based on their job duties which were immediately revoked. The Director of Administrative Technology conducts and documents an annual review by which each supervisor reviews and approves their employee's user access. In order to further enhance this process the Office of Information Technology (OIT) will revise the account management policy to include formal, periodic reviews of user access. OIT will distribute reports to executive management to ensure related access is appropriate. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

*The number of individuals with access to the default Colleague administrator account has been reduced from eight to three and vendor access has been removed. The role of the Colleague administrator with programming responsibilities will be changed and the administrative duties will be transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We will reassign the review and migrating function to another area within OIT.*

Management Response and Corrective Action Plan 2014:

*Texas State Technical College West Texas has reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during this audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during the audit.*

*Responsible Person: Richard Martin*

Reference No. 2013-147

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124150; CFDA 84.033, Federal Work Study Program, P033A124150; CFDA 84.063, Federal Pell Grant Program, P063P123266; and CFDA 84.268, Federal Direct Student Loans, P268K133266**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income. (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

**For 12 (20 percent) of 60 students tested, Texas State Technical College - West Texas (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required.** According to the College, that resulted in overawards of federal Pell Grant funds totaling \$567 associated with award number P063P123266. Specifically:

- For 6 (43 percent) of the 14 students tested whose households received food stamps, the College did not accurately verify whether the students received food stamps. There was no change in EFC or aid associated with those errors.
- For 2 (29 percent) of the 7 students tested who reported child support paid, the College did not accurately verify the students’ applications to reflect the correct amount paid. For both students, child support paid was overstated. That caused both students’ EFCs to be understated and resulted in overawards of federal Pell Grant funds totaling \$567.
- For 2 (7 percent) of the 30 students tested who reported income tax paid, the College did not accurately verify the students’ application to reflect the correct amount paid. For both students, income tax paid was understated. That caused both students’ EFCs to be overstated, but it did not affect the students’ assistance amounts.
- For the 1 student tested who reported an IRA deduction, the College did not accurately verify the student's application to reflect the deduction. The IRA deduction was understated. That caused the student’s EFC to be understated, but it did not affect the student’s assistance amount.

- For 1 (3 percent) of 40 students tested who were non-tax filers and reported income from work, the College did not accurately verify the student's application to reflect the income. The student's income was overstated. However, that did not change the student's EFC or affect the student's assistance.

For the 12 students discussed above, the College did not correct the students' ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education's due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College's assertion.

According to the College, the errors occurred because of errors in manual processing during verification. In addition, the process the College uses to monitor verification is inadequate to ensure the overall quality of verifications performed. Not properly verifying FAFSA information can result in the College overawarding or underawarding student financial assistance.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Three individuals had inappropriate access based on their job responsibilities to post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to the account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems go undetected.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

*During the course of the audit three individuals were identified with inappropriate access based on their job duties which were immediately revoked. The Director of Administrative Technology conducts and documents an annual review by which each supervisor reviews and approves their employee's user access. In order to further enhance this process the Office of Information Technology (OIT) will revise the account management policy to include formal, periodic reviews of user access. OIT will distribute reports to executive management to ensure related access is appropriate. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

*The number of individuals with access to the default Colleague administrator account has been reduced from eight to three and vendor access has been removed. The role of the Colleague administrator with programming responsibilities will be changed and the administrative duties will be transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We will reassign the review and migrating function to another area within OIT.*

Management Response and Corrective Action Plan 2014:

*Texas State Technical College West Texas has reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during this audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during the audit.*

*Responsible Person: Richard Martin*

**Texas State University**

Reference No. 2013-148

- Special Tests and Provisions – Enrollment Reporting**
- Activities Allowed or Unallowed**
- Cash Management**
- Eligibility**
- Period of Availability of Federal Funds**
- Reporting**
- Special Tests and Provisions – Separate Funds**
- Special Tests and Provisions – Verification**
- Special Tests and Provisions – Disbursements To or On Behalf of Students**
- Special Tests and Provisions – Return of Title IV Funds**
- Special Tests and Provisions – Borrower Transmission and Reconciliation (Direct Loan)**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124122; CFDA 84.033, Federal Work-Study Program, P033A124122; CFDA 84.063, Federal Pell Grant Program, P063P120387; CFDA 84.268, Federal Direct Student Loans, P268K130387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T130387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A12038**

**Type of finding – Significant Deficiency and Non-Compliance**

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

Texas State University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

**The University did not update NSLDS with correct withdrawal dates for four students during the award year.**

That occurred because the University does not have a process to report status changes to NSLDS for students whose withdrawal records are updated after scheduled enrollment reports are submitted for a term. At the end of the Fall 2012 and Spring 2013 terms, the University’s Office of Financial Aid reviewed and verified the entire population of withdrawn students to validate that correct effective withdrawal dates were used to calculate the amount of Title IV assistance to be returned. The University asserted that, of the population of all withdrawn students, it made changes for four students. However, the University did not carry those changes forward and appropriately report them to NSLDS because the Office of Financial Aid made the updates after the University’s registrar had submitted the last scheduled enrollment reports for those terms. Because the changes were not communicated to the registrar, the students were not updated accordingly.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, special tests and provisions - return of title IV funds, and special tests and provisions - borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have adequate segregation of duties in its change management processes.** Specifically, two programmers have access to change application code and migrate it to production environment. This increases the risk of unintended programming changes being made to critical information systems.

**Additionally, the University did not consistently maintain adequate documentation of changes made to key information systems.** Specifically, the University did not always maintain adequate evidence of authorization or approval of changes for its student financial aid system, Banner, or its accounting system, SAP. In addition, for Banner, the University did not always maintain documentation of its testing of changes or evidence of who moved the changes from the test environment into the production environment.

The University has change management procedures for its accounting system, SAP; however, its procedures for Banner have not been fully implemented. The University also does not maintain a formal change log for the Banner system. Without sufficient change management procedures, changes to the production system can be made without being adequately tested or documented. That increases the risk of unauthorized or improperly tested changes being implemented.

Corrective Action:

This finding was reissued as current year reference number 2014-125.

**Texas Tech University**

Reference No. 2013-149

**Eligibility**

(Prior Audit Issues 13-128, 12-134, and 11-134)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124151; CFDA 84.063, Federal Pell Grant Program, P063P122328; CFDA 84.268, Federal Direct Student Loans, P268K132328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132328; CFDA 84.033, Federal Work Study Program, P033A124151; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written:	2010
Status:	Implemented
U.S. Department of Education	

**For 6 (10 percent) of 60 students tested, Texas Tech University (University) incorrectly calculated the students’ COA. Specifically:**

- For four students, the University did not consistently apply loan fees when determining the students’ COA. The University manually adds loan fees to the COA for students who are awarded PLUS loans and manually removes the loan fees if students do not accept the award. The University did not add loan fees to the COA for one student who received a PLUS loan and incorrectly included loan fees in the COA for three students who did not receive PLUS loans. In addition, for one of those four students, the University made a manual error when adjusting the student’s books and supplies allowance.
- For two students, the University made manual errors when adjusting COA. The University incorrectly adjusted the transportation allowance for one student and incorrectly adjusted the books and supplies allowance for the other student.

There were no overawards for those six students; therefore, there were no questioned costs. However, inaccurately applying student COA budgets could result in an overaward or underaward of student financial assistance.

Pell Grant Awards

In selecting students for the federal Pell Grant Program, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, Code of Federal Regulations (CFR), Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

An otherwise eligible student who has a baccalaureate degree and is enrolled in a post-baccalaureate program is eligible to receive a federal Pell Grant for the period of time necessary to complete the program if (1) the post-baccalaureate program consists of courses that are required by a state for the student to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary or secondary school in that state; (2) the post-baccalaureate program does not lead to a graduate degree; (3) the institution offering the post-baccalaureate program does not also offer a baccalaureate degree in education; (4) the student is enrolled as at

least a half-time student; and (5) the student is pursuing an initial teacher certification or licensing credential within a state (Title 34, CFR, Section 690.6(c)). In addition, an institution must treat a student who receives a federal Pell Grant under Title 34, CFR, Section 690.6(c), as an undergraduate student enrolled in an undergraduate program for Title IV purposes. (Title 34, CFR, Section 690.6(d)).

**Based on a review of the entire population of Title IV assistance recipients, the University awarded Pell Grants to two ineligible students. The University disbursed \$1,163 in Pell Grant funds to an ineligible graduate student and \$1,041 in Pell Grant funds to an ineligible post-baccalaureate student.** Those awards were the result of manual errors. Both students were initially classified as baccalaureate students, and the University initially packaged their assistance correctly. However, both students transitioned to different classifications during the assistance year that made them ineligible for Pell Grant awards. The University runs a report to identify students whose classification changes due to matriculation after it initially awards assistance. However, its review of that report is a manual process and, depending on when the University runs that report, that process may not identify all students whose assistance must be adjusted. When auditors brought the errors to the University’s attention, the University corrected the errors, adjusted the students’ awards, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Direct Subsidized Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

**Based on a review of the entire population of Title IV aid recipients, the University awarded \$1,750 in subsidized direct loans to an ineligible graduate student.** The student was initially classified as a second-degree-seeking student in the Fall semester and was admitted into graduate school for the Spring semester. The University awarded assistance to that student in the Fall semester and did not adjust that assistance based on the student’s admission to graduate school. The University runs a report to identify students whose classification changes due to matriculation after it initially awards assistance. However, its review of that report is a manual process and, depending on when the University runs that report, that process may not identify all students whose assistance must be adjusted. When auditors brought the error to the University’s attention, the University corrected the error, adjusted the student’s award, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Reference No. 2013-150

**Special Tests and Provisions – Verification**

(Prior Audit Issues 13-129, 12-136, 11-136, and 09-72)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award number – CFDA 84.063, Federal Pell Grant Program, P063P122328**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume

Initial Year Written:	2008
Status:	Partially Implemented
U.S. Department of Education	

76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

**For 10 (17 percent) of 60 applications tested, Texas Tech University (University) did not accurately verify all required items on the FAFSA, which resulted in the University overawarding and underawarding Pell grants associated with award P063P122328.** Specifically:

- For one student, the University obtained a parent income tax return for the incorrect year. Based on information the University provided, that error resulted in an underaward of \$1,800 in Pell grant assistance.
- For four students, the University did not accurately verify the household size. Based on information the University provided, those errors resulted in an underaward of \$400 in Pell grant assistance for one student and overawards of \$500 and \$300 in Pell grant assistance for two students. The fourth student received only a direct unsubsidized loan; therefore, there was no underaward or overaward for that student.
- For one student, the University did not accurately verify education credits. Based on information the University provided, the error resulted in an underaward of \$100 in Pell grant assistance.
- For two students, the University did not accurately verify the amount of U.S. income taxes paid by the parent or student. Based on information the University provided, those errors resulted in a \$100 overaward in Pell grant assistance for one student and an underaward of \$600 in Pell grant assistance for one student.
- For one student, the University did not accurately verify the AGI or amount of U.S. income taxes the student paid. Based on information the University provided, that error resulted in an underaward of \$250 in Pell Grant assistance.
- For one student, the University did not accurately verify the amount of U.S. income taxes the student paid or the education credits. Based on information the University provided, the errors resulted in an underaward of \$700 in Pell Grant assistance.

The errors discussed above occurred because of manual errors the University made in verification. When auditors brought the errors to the University's attention, the University requested updated ISIRs and adjusted the students' awards; therefore, there were no questioned costs.

Corrective Action:

This finding was reissued as current year reference number 2014-128.

Reference No. 2013-151

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

(Prior Audit Issues 13-131, 12-137, 11-138, and 09-74)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant, P063P122328 and CFDA 84.268, Federal Direct Student Loans, P268K132328**

**Type of finding –Significant Deficiency and Non-Compliance**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student 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 assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, CFR, Section 668.22(a)).

Initial Year Written:	2008
Status:	Implemented
U.S. Department of Education	

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of more than 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (Title 34, CFR, Section 668.22(e)(2)). Otherwise, the percentage earned by the student is equal to the percentage (60 percent or less) of the payment period or period of enrollment that was completed as of the student’s withdrawal date (Title 34, CFR, Section 668.22(e)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, CFR, Section 668.22(j)(2)).

The institution must return those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, CFR, Section 668.21(b)).

**For 2 (67 percent) of 3 students tested who never began attendance [or 2 (3 percent) of 60 total students tested], Texas Tech University (University) did not correctly perform return calculations when required.** Based on its policy, the University completes a return of Title IV calculation for each withdrawn student, regardless of the effective date of withdrawal, to determine whether a return is required. For the two students identified, the University determined that the students never attended during a term, and therefore should have returned 100 percent of Title IV funds; however, it did not complete a return of Title IV calculation for either student and did not return any Title IV funds for those students. After auditors brought those errors to its attention, the University corrected the errors and returned the Title IV funds. By not initially calculating a return for those students, the University returned the funds after the required time frame. The funds were returned 53 days and 228 days, respectively, after determining that the students never attended.

The University’s manual process for performing return calculations increases the risk of errors and the risk that the University will not return the correct amount of unearned funds to the U.S. Department of Education.

Corrective Action:

Corrective action was taken.

Reference No. 2013-152

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issues 13-132, 12-138, 11-139, and 09-75)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124151; CFDA 84.063, Federal Pell Grant Program, P063P122328; CFDA 84.268, Federal Direct Student Loans, P268K132328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132328; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Section 685.309(b) and 682.610(c)).

Initial Year Written:	2008
Status:	Partially Implemented
U.S. Department of Education	

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 1).

Graduated Students

The *NSLDS Enrollment Reporting Guide* states that the effective date to be reported for graduated students is the date the students completed the course requirements (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 17 (28 percent) of 60 student status changes tested, the University did not report the correct effective date for students who graduated in Fall 2012.** Those errors occurred because of a manual error the University made when entering the last day of the Fall 2012 term in its financial aid system. The University input December 11, 2012, as the last day, rather than the actual last day of the Fall 2012 term, which was December 12, 2012. Because the University used the last day of the Fall 2012 term from its financial aid system to report graduation dates to NSLDS, the University did not report accurate dates for when the students completed the course requirements. The University potentially reported graduation dates for all Fall 2012 undergraduates and graduates incorrectly.

Enrollment Status Changes

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student’s formal withdrawal, the student’s last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix B).

According to the University’s unofficial withdrawal process, at the end of each term, the University runs a report to identify students who have all non-passing grades for the term and requests evidence of their last date of academic activity. For students who do not provide evidence of their last date of academic activity, the University directly reports the students as withdrawn as of the last day of the prior term to NSLDS. For students who do provide documentation of their last date of academic activity, the University uses the information to perform a return of Title IV financial assistance calculation; however, it does not report those students as withdrawn to NSLDS.

**For 6 (10 percent) of 60 student status changes tested, the University incorrectly reported the student's enrollment status change to NSLDS. All six students received all non-passing grades for a term. Specifically:**

- For three students who provided evidence of their last date of academic activity, the University did not report the students as withdrawn. While the University performed return of Title IV assistance calculations for students who provided evidence of their last date of academic activity, the University did not report that group of students as withdrawn to NSLDS during the Fall 2012 and Spring 2013 terms. The University did not begin reporting students as withdrawn based on their last date of academic activity until the first session of the Summer 2013 term. The University was unable to quantify the number of students who unofficially withdrew in Fall 2012 or Spring 2013 who it did not report as withdrawn.
- For two students who provided evidence of their last date of academic activity, the University incorrectly reported the students' withdrawal dates. For one student whose last date of academic activity was October 29, 2012, the University incorrectly reported the student as withdrawn as of December 11, 2012, due to a manual error. The second student had a last date of academic activity of October 28, 2012 and was then suspended on December 20, 2012. The University incorrectly reported that student's suspension date rather than that student's last recorded date of attendance.
- One student received all non-passing grades in the Spring 2013 term and did not provide evidence of the last date of academic activity. The University used the last day of the Fall 2012 term from its financial aid system to determine the student's withdrawal date. Due to a manual error the University made when entering the last day of the Fall 2012 term in its financial aid system, the University incorrectly reported that student's withdrawal date as December 11, 2012, rather than the actual last day of the Fall 2012 term, which was December 12, 2012. According to information the University provided, the University incorrectly reported December 11, 2012, as the withdrawal date for 111 students who received all non-passing grades in the Spring 2013 term and did not provide evidence of their last date of academic activity.

Additionally, for 2 (3 percent) of 60 students tested, the University incorrectly reported the students as withdrawn. One student attended the first session of the Summer 2013 term and was then dropped from the second session of the Summer 2013 term on July 9, 2013, because of non-payment. The University incorrectly reported that student as withdrawn as of May 18, 2013. The second student graduated in Fall 2012; however, the University reported that student as withdrawn as of December 11, 2012. The University was unable to determine the cause of those errors.

Not reporting student status changes and effective dates accurately to NSLDS could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Corrective Action:

This finding was reissued as current year reference number 2014-129.

**Texas Tech University Health Sciences Center**

Reference No. 2013-153

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A125175; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P123367; CFDA 84.268, Federal Direct Student Loans, P268K133367; CFDA 93.264 Nurse Faculty Loan Program (NFLP), E0AHP18874; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22265**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

An aid administrator may use professional judgment on a case-by-case basis only to adjust a student’s COA or the data used to calculate the student’s EFC. That adjustment is valid only at the institution that makes the adjustment. The reason for the adjustment must be documented in the student’s file, and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole class of students (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

**For 9 (15 percent) of 60 students tested, the Texas Tech University Health Sciences Center (Health Sciences Center) inconsistently or incorrectly calculated COA. Specifically:**

- For 1 of the 9 students, the Health Sciences Center did not update the student's COA when the student’s residency changed during the aid year. The student was a non-resident in Fall 2012 and gained residency before Spring 2013. The Health Sciences Center assigned the student the non-resident status COA budget for the entire aid year (the COA budget for students with non-resident status is higher than the COA budget for students with resident status).
- For 3 of the 9 students, the Health Sciences Center did not update the students’ individual COA budgets after it updated the COA budgets in its financial aid system. The three students were initially assigned nursing-traditional COA budgets. The Health Sciences Center subsequently updated the COA budget for the nursing-traditional program on May 10, 2012, prior to the students’ first term during the aid year, but that change was not applied to all students who had received the original budget. Of the population of 80 nursing-traditional students, 75 did not receive the COA budget update made on May 10, 2012.
- For 5 of the 9 students, the Health Sciences Center changed the students’ individual COA budgets to resolve unmet need that became negative. The Health Sciences Center was notified that the students received additional scholarships after federal assistance had been awarded, which caused the students unmet need to become negative. Rather than adjust the students’ other awards, the Health Sciences Center increased one or more of the components within the students’ individual COAs based on professional judgment. However, the reason for applying the

professional judgment was not documented. For two of those students, total assistance disbursed exceeded the student's COA. One student was overawarded \$376 in Direct Loan funds associated with award P268K133367. One student was overawarded \$220 in Direct Loan and Pell assistance associated with awards P063P123367 and P268K133367.

The errors discussed above occurred because (1) the Health Sciences Center does not have documented policies and procedures to determine a student's COA and (2) the Health Sciences Center's COA process depends heavily on manual processes and adjustments. The Health Sciences Center assigns students COA budgets based on their expected enrollment hours. However, there is no specific guidance outlining the expected enrollment hours per program.

Incorrectly or inconsistently calculating COA increases the risk that students may be overawarded or underawarded assistance, or they may not be awarded assistance consistently when compared to other students with a similar enrollment status.

#### Satisfactory Academic Progress

Institutions must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive Title IV assistance (Title 34, CFR, Section 668.34(a)). The SAP policy must include certain minimum requirements for evaluating a student's SAP. A student is eligible to receive Title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that meet the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive Title IV, HEA program assistance after the second year, if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34(a)).

The Health Sciences Center's SAP policy includes all minimum federal requirements for an institution's SAP policy. According to the Health Sciences Center's SAP policy, the Office of Student Financial Aid evaluates a student's SAP before each payment period. Prior to each payment period, the Health Sciences Center runs a report from Banner and then manually reviews the report to determine whether students have met certain SAP requirements.

**However, for the 2012-2013 award year, the Health Sciences Center did not have a process to determine whether students met the SAP policy requirement that students may not attempt more than 150 percent of the published hours required to complete their degree program.** Not correctly identifying a student's SAP status increases the risk that the University could award Title IV assistance to students who are not eligible for that assistance. No SAP compliance errors were identified in audit testing.

#### Corrective Action:

Corrective action was taken.

Reference No. 2013-154

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123367 and CFDA 84.268, Federal Direct Student Loans, P268K133367**

**Type of finding – Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

**For 2 (5 percent) of 40 students tested, the Texas Tech University Health Sciences Center (Health Sciences Center) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required.** Specifically:

- For one student, the Health Sciences Center incorrectly identified the number of household members enrolled at least half-time in college. Based on the information the Health Sciences Center provided, that resulted in a \$2,000 overaward of a Pell Grant. After auditors brought this matter to the Health Sciences Center’s attention, the Health Sciences Center provided evidence that it corrected the overaward; therefore, there were no questioned costs associated with that error.
- For one student, the Health Sciences Center incorrectly identified that the student did not receive Supplemental Nutrition Assistance Program (SNAP) benefits when the supporting documentation indicated that the student had received SNAP benefits. After auditors brought this matter to the Health Sciences Center’s attention, the Health Sciences Center requested an updated ISIR for the student. Based on the information the Health Sciences Center provided, the error did not result in a change to the student’s EFC or awards.

Not properly verifying FAFSA information could result in the Health Sciences Center overawarding or underawarding federal student financial assistance.

Corrective Action:

Corrective action was taken.

**Texas Woman's University**

Reference No. 12-141

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2010 to June 30, 1011**

**Award numbers – CFDA 84.268 P268K112330, CFDA 84.038 Award Number Not Applicable, CFDA 84.379 P379T112330, CFDA 84.063 P063P102330, CFDA 84.007 P007A104153, CFDA 84.033 P033A104153, CFDA 84.375 P375A102330, CFDA 84.376 P376S102330, CFDA 93.364 E4CHP14958-02-00, CFDA 93.925 T08HP18611-01-00, and CFDA 93.407 TOAHP18334-01-00**

**Type of finding – Significant Deficiency and Non-Compliance**

Disbursement Notification Letters

If an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan, or Teacher Education Assistance for College and Higher Education (TEACH) Grant program funds, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the anticipated date and amount of the disbursement; (2) the student's right or parent's right to cancel all or a portion of that loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan or TEACH Grant proceeds returned to the Secretary of the U.S. Department of Education; and (3) the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written:	2011
Status:	Implemented
U.S. Department of Education	
U.S. Department of Health and Human Services	

**For 4 (7 percent) of 57 students tested who received Direct Loans, Perkins Loans, and TEACH Grants, Texas Woman's University (University) did not send disbursement notifications for Perkins Loan or TEACH Grant disbursements.** The University asserts that it did not send disbursement notifications for Perkins Loans or TEACH Grants during the 2010-2011 award year due to a miscommunication between the Office of Student Financial Aid and the programmers responsible for the automated disbursement notification process. A total of 64 students received Perkins Loans and a total of 51 students received TEACH grants during the 2010-2011 award year.

**For 3 (5.3 percent) of 57 students tested, the University did not retain documentation that it sent disbursement notifications to recipients of Direct Loans.** The University asserts that a programming error in the automated disbursement notification process caused the University's financial assistance application to send incorrect disbursement notifications for all disbursements on May 28, 2010, and June 2, 2010. Specifically, the system sent duplicate copies of prior disbursement notifications, instead of notifications for the disbursements that occurred on those dates. The University asserts that it attempted to correct this issue by manually sending the correct disbursement notifications; however, it did not retain documentation of those notifications. The University disbursed Direct Loans to 404 students on these two dates.

Not receiving disbursement notifications promptly could impair students' and parents' ability to cancel their loans.

Corrective Action:

Corrective action was taken.

**Department of Transportation**

Reference No. 2013-155

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

**Real Property Acquisition and Relocation Assistance**

(Prior Audit Issue 13-133)

**Highway Planning and Construction Cluster**

**Highway Planning and Construction Cluster – ARRA**

**Award years – Multiple**

**Award numbers – Multiple**

**Type of finding – Significant Deficiency**

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2012  
Status: Implemented

U.S. Department of  
Transportation – Federal  
Highway Administration

SiteManager Application

The Department of Transportation (Department) uses *Daily Work Reports* to document the day-to-day operations of construction on site. The Department's SiteManager application is the system of record for those reports, which the Department uses to calculate and generate monthly pay estimates to contractors. According to the Department's *Estimate Manual*, someone other than the inspector should review *Daily Work Reports* for accuracy and authorize those reports.

**During fiscal year 2013, the Department did not have an edit check in SiteManager that required someone other than the inspector to review and authorize *Daily Work Reports*.** The Department asserted that it added that edit check to SiteManager in May 2013. However, SiteManager did not record the authorizer's user ID until the Department implemented an additional change to SiteManager in September 2013. Therefore, for fiscal year 2013, auditors were unable to verify whether someone other than the inspector reviewed and authorized *Daily Work Reports*. A lack of segregation in duties for the *Daily Work Report* approval process could result in inaccurate monthly estimates and inaccurate payments to contractors.

Right of Way Information System

The Department uses its Right of Way Information System (ROWIS) as the system of record for right of way transactions across the state. **However, the Department did not appropriately restrict access to ROWIS.** Specifically, one programmer had access to both authorize transactions within ROWIS and submit approved transactions to the accounting system for payment. In general, programmers should not have access to approve transactions or submit them for payment. Allowing programmers inappropriate access increases the risk of unauthorized or fraudulent transactions. However, in fiscal year 2013, the programmer did not approve any transactions within ROWIS or submit any transactions to the accounting system for payment.

The issues discussed above affected all awards for the Highway Planning and Construction Cluster on the State's Schedule of Expenditures of Federal Awards.

Corrective Action:

Corrective action was taken.

Reference No. 2013-156

**Davis-Bacon Act**

(Prior Audit Issues 13-134, 12-142, 11-142, and 10-82)

**Highway Planning and Construction Cluster**  
**Highway Planning and Construction Cluster – ARRA**  
**Award years – 2009, 2010, 2011, and 2012**

**Award numbers – HP 2009 (919), IM 0204 (280), STP 2010(558)ES (ARRA), STP 2013(089), HP 2009(753), STP 2012(064), and STP 2009(485)ES (ARRA)**

**Type of finding – Significant Deficiency and Non-Compliance**

When required by the Davis-Bacon Act, the U.S. Department of Labor's government wide implementation of the Davis-Bacon Act, the American Recovery and Reinvestment Act, or federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (Title 40, United States Code, Sections 3141-3142).

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of  
Transportation – Federal  
Highway Administration

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and U.S. Department of Labor regulations (Title 29, Code of Regulations (CFR), Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). That includes a requirement for the contractor or subcontractor to submit to the non-federal entity on a weekly basis, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (Title 29, CFR, Sections 5.5 and 5.6). That reporting can be done using Optional Form WH-347, which includes the required statement of compliance (U.S. Office of Management and Budget No. 1215-0149).

**For 7 (12 percent) of 60 projects tested, the Department of Transportation (Department) did not ensure that contractors submitted all certified payrolls for fiscal year 2013.** Specifically, for those 7 projects the Department could not provide 42 certified payrolls for the period tested. The total federal amount expended on those 7 projects, including payroll and non-payroll costs, was \$198,234,854.

The Department did not have a standardized process for tracking certified payrolls that contractors submitted. Each area office within each Department district office determined its own method for ensuring that contractors submitted certified payrolls. Not having a standardized process increases the risk that the Department may not identify the contractors that have not submitted weekly certified payrolls. When the Department does not collect certified payrolls from its contractors, it cannot ensure that contractor and subcontractor employees are properly classified and being paid prevailing wage rates in accordance with the Davis-Bacon Act.

Corrective Action:

This finding was reissued as current year reference number 2014-132.

Reference No. 2013-157

**Period of Availability of Federal Funds**

(Prior Audit Issues 13-135, 12-143, 11-143, and 10-81)

**Highway Planning and Construction Cluster**  
**Highway Planning and Construction Cluster – ARRA**  
**Award years – Multiple**  
**Award numbers – Multiple**  
**Type of finding – Significant Deficiency**

Agencies shall maintain internal control over federal programs that provides reasonable assurance that agencies are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written:	2009
Status:	No longer valid
U.S. Department of Transportation – Federal Highway Administration	

The Department of Transportation (Department) uses the Federal Project Authorization and Agreement (FPAA) system to process and track project approvals from the Federal Highway Administration. The FPAA system details when federal funds are authorized, which is the starting point for the period of availability of federal funds. The Department must obtain approval from the Federal Highway Administration prior to starting construction work on a project and expending federal funds (Title 23, Code of Federal Regulations, Section 630.106).

**The Department did not appropriately restrict access to the FPAA system. Specifically, two programmers had access to make code changes and then migrate those code changes into the production environment for the FPAA system.** In general, programmers should not have access to migrate code changes that they make to the production environment. Allowing programmers inappropriate access increases the risk of unauthorized changes and does not allow for adequate segregation of duties.

In fiscal year 2013, the Department did not make any changes to the FPAA system.

The issue discussed above affected all awards for the Highway Planning and Construction Cluster on the State's Schedule of Expenditures of Federal Awards.

Corrective Action:

As of July 2014, the Federal Aid Funding Obligation System (FAFOS) replaced the FPAA system; therefore, this finding is no longer valid.

Reference No. 2013-158

**Procurement and Suspension and Debarment  
Subrecipient Monitoring  
Special Tests and Provisions – R3 – Subrecipient Monitoring**  
(Prior Audit Issues 13-136, 12-144, 11-144, 10-84, and 09-80)

**Highway Planning and Construction Cluster  
Highway Planning and Construction Cluster – ARRA  
Award years – See below  
Award numbers – See below  
Type of finding – Significant Deficiency and Non-Compliance**

The Department of Transportation (Department) is required by U.S. Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor the provisions of contracts or grant agreements. Additionally, the Department is responsible for the construction of all federal aid projects, and it is not relieved of such responsibility by authorizing performance of the work by a local public agency or other federal agency. State transportation departments are responsible for ensuring that such projects receive adequate supervision and inspection to ensure that projects are completed in conformance with approved plans and specifications (Title 23, Code of Federal Regulations (CFR), Section 635.105(a)).

Initial Year Written:	2008
Status:	Partially Implemented
U.S. Department of Transportation – Federal Highway Administration	

Pre-award Monitoring

At the time of the award, pass-through entities must identify to subrecipients the applicable compliance requirements and the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, the federal award name and number, the name of the federal awarding agency, and whether the award is for research and development (OMB Circular A-133, Section .400(d)).

Additionally, federal rules require that, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from federal contracts. That verification may be accomplished by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Covered transactions include all nonprocurement transactions irrespective of award amount (Title 2, CFR, Section 1200).

For American Recovery and Reinvestment Act (Recovery Act) subawards, the Department must identify to subrecipients the requirement to register in the Central Contractor Registration (CCR) system, including obtaining a Data Universal Numbering System (DUNS) number, and maintain the currency of that information (Section 1512(h) of Recovery Act and Title 2, CFR, Section 176.50(c)). The Department also must separately identify to each subrecipient and document at the time of disbursement of funds, the federal award number, the CFDA number, and the amount of Recovery Act funds (Title 2, CFR, Section 176.210).

Beginning October 1, 2010, an agency may not make a non-Recovery Act award to an entity until it has obtained a DUNS number for that entity (Title 2, CFR, Sections 25.105 and 25.205).

**The Department did not consistently include all required elements in its subaward agreements and did not consistently obtain subrecipient DUNS numbers or assess subrecipient compliance with CCR system requirements.** Specifically:

- For 9 (15 percent) of 58 subaward agreements tested, the agreements did not contain all required elements, including the CFDA title and number, award name and number, name of awarding federal agency, or whether the award was for research and development. The Department has subaward agreement templates that identify federal award information and applicable compliance requirements; however, it did not consistently use the current templates when it made new subawards.
- For 4 (7 percent) of 58 subaward agreements tested, the Department could not provide documentation that it verified that the subrecipients were not suspended or debarred from participation in federal contracts. Additionally, for all 58 subaward agreements tested, the Department did not ensure that the subrecipients'

principals were not suspended or debarred from participation in federal contracts and did not pass that requirement on to its subrecipients as required. The suspension and debarment clause in the Department's subaward agreement templates did not cover principals of subrecipients as required.

- For all 6 Recovery Act subaward agreements tested, the Department did not assess subrecipient compliance with CCR system requirements. The Department did not have a process to verify subrecipient registration with the CCR system prior to making a subaward with Recovery Act funds.
- For 3 (50 percent) of 6 Recovery Act projects tested, the Department did not separately identify to each subrecipient, and document at the time of disbursement of funds, the federal award number, the CFDA number, and the amount of Recovery Act funds. Those errors occurred because the Department's automated process to notify subrecipients does not make those notifications after the project completion date recorded in the Department's system.
- The Department did not obtain a DUNS number from its subrecipients prior to issuing the subaward for 24 (83 percent) of 29 subaward agreements tested for which that requirement applied. The Department has not established a process to obtain a DUNS number from each subrecipient prior to making a non-Recovery Act subaward.

Inadequate identification of federal awards to subrecipients could lead to inaccurate reporting of federal funding on a subrecipient's schedule of expenditures of federal awards. Not verifying that subrecipients or their principals are not suspended or debarred from federal contracts increases the risk that the Department could enter into awards with ineligible parties. Not obtaining DUNS numbers or not verifying that subrecipients are registered with the CCR system prior to making a subaward could lead to inaccurate federal reporting.

#### During-the-award Monitoring

Federal aid contracts shall be awarded only on the basis of the lowest responsive bid submitted by a bidder meeting the criteria of responsibility as may have been established by the state transportation department in accordance with Title 23, CFR, Section 635.110. Award shall be within the time established by the state transportation department and subject to the prior concurrence of the U.S. Department of Transportation's division administrator (Title 23, CFR, Section 635.114).

The Department did not consistently conduct sufficient during-the-award monitoring of its subrecipients. **Specifically, for 1 (2 percent) of 44 projects tested that were subject to procurement requirements, the Department was unable to provide evidence that it approved the subrecipient's procurement policies and contractor selection.** The project was a pass-through, toll-financed project for which the agreement did not require the Department to provide formal letters of concurrence on the subrecipient's contractor selection. By not providing a formal letter of concurrence, the Department is unable to ensure that the federal-aid contract was awarded to the lowest responsive, responsible bidder.

#### Audits and Sanctions

The Department must ensure that each subrecipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department within nine months of the end of the subrecipient's fiscal year end (OMB Circular A-133, Sections 320 and 400). In addition, the Department must issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and follow up to ensure that the subrecipient takes timely and appropriate corrective action on all audit findings (OMB Circular A-133, Section 400). In cases of continued inability or unwillingness of a subrecipient to obtain the required audits, the Department shall take appropriate action using sanctions (OMB Circular A-133, Section 225).

**The Department did not consistently obtain the required subrecipient Single Audit reports or follow up on identified audit findings to issue a management decision.** Specifically:

- For 4 (7 percent) of 58 subawards tested for which the subrecipient was required to obtain a Single Audit, the Department did not provide a Single Audit report or a certification from the subrecipient that an audit was not required. Three of those subawards were with the same subrecipient.

**TRANSPORTATION, DEPARTMENT OF**

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- For 3 (75 percent) of 4 subawards tested with Single Audit findings, the Department did not issue a management decision and ensure that the subrecipient took appropriate and timely corrective action on audit findings. All three of those subawards were with the same subrecipient.

When the Department does not ensure that required audits are performed and does not follow up on deficiencies noted in Single Audit reports, the Department increases the risk that deficiencies could go unaddressed.

The issues discussed above affected the following awards:

<b>Award Number</b>	<b>Award Year</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Award Number</b>	<b>Award Year</b>
50-13XF0004	2012	PTF 1102(055)	2011	STP 2010(368)MM	2010
50-13XF0009	2012	PTF 2008(311)	2008	STP 2010(840)MM	2010
CBI 2009(328)	2008	PTF 2008(413)	2008	STP 2011(223)TE	2012
CM 2007(555)	2007	PTF 2008(460)	2008	STP 2011(233)TE	2011
CM 2009(240)	2008	PTF 2008(533)	2013	STP 2011(381)MM	2010
CM 2009(242)	2008	PTF 2012(125)	2012	STP 2011(390)MM	2010
CM 2009(243)	2009	STP 1102(192)SRS	2012	STP 2011(446)MM	2010
CM 2009(336)	2008	STP 1102(200)MM	2011	STP 2011(612)SRS	2012
CM 2011(288)	2010	STP 1102(261)MM	2011	STP 2011(694)SRS	2012
CM 2012(132)	2011	STP 2002(124)TE	2008	STP 2011(925)SRS	2012
DMO 2004(424)ES (ARRA)	2012	STP 2002(125)TE	2010	STP 2011(929)SRS	2011
DMO 2007(208)	2012	STP 2002(128)ESTE (ARRA)	2010	STP 2012(244)SRS	2011
HP 1102(121)	2012	STP 2002(184)ESTE (ARRA)	2009	STP 2012(249)SRS	2011
HP 2006(867)	2006	STP 2003(559)ES (ARRA)	2009	STP 2012(286)SRS	2011
HP 2007(914)	2007	STP 2005(145)MM	2009	STP 2012(436)	2012
HP 2010(626)	2010	STP 2007(895)MM	2010	STP 97(253)ESTE (ARRA)	2010
HP 2011(783)	2011	STP 2008(560)MM	2010	STP2008(470)MM	2008
NH 2012(599)	2012	STP 2008(880)SRS	2008		
PL 0011(48)	2012	STP 2008(893)MM	2008		
PLD 1102(120)	2011	STP 2009(501)ES	2010		

Corrective Action:

This finding was reissued as current year reference number 2014-137.

Reference No. 2013-159

**Reporting**

(Prior Audit Issues 13-137 and 12-145)

**Highway Planning and Construction Cluster**

**Award years – 2010 and 2011**

**Award numbers – STP 2011(226)TE, DMO 2012(224), STP 2011(229)TE, PTF 2010(544), STP 2012(249)SRS, and STP 2011(674)SRS**

**Type of finding – Significant Deficiency and Non-Compliance**

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards of \$25,000 or more. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations, Chapter 170).

Initial Year Written: 2011  
Status: Partially Implemented

U.S. Department of  
Transportation – Federal  
Highway Administration

**For 6 (21 percent) of the 29 subawards subject to Transparency Act reporting requirements tested, the Department of Transportation (Department) did not submit the required reports.** Those errors occurred because the Department’s process to identify subawards that are subject to Transparency Act reporting requirements was not sufficient to identify the subawards. Not submitting all required Transparency Act reports decreases the reliability and availability of information for the awarding agency and other users of that information.

Corrective Action:

This finding was reissued as current year reference number 2014-136.

Reference No. 2013-160

**Special Tests and Provisions – Project Extensions**

**Highway Planning and Construction Cluster – ARRA**

**Award year – 2009**

**Award numbers – STP 2009(104)ES and DMO 2007(383)ESTE**

**Type of finding – Significant Deficiency and Non-Compliance**

Approval from the Federal Highway Administration (FHWA) is required for project extensions affecting project costs or the amount of liquidated damages, except for projects administered by the state department of transportation as identified by Title 23, United States Code, Section 106(c), which allow the state department of transportation to assume the responsibilities for design, plans, specifications, estimates, contract awards, and inspection of progress (Title 23, Code of Federal Regulations, Section 635.121).

Initial Year Written: 2013  
Status: Implemented

U.S. Department of  
Transportation – Federal  
Highway Administration

The Department of Transportation (Department) uses change orders within SiteManager, its construction administration system, to obtain FHWA approval for a project extension. **However, for 2 (14 percent) of 14 major change orders tested, the Department was not able to provide documentation that it had obtained approval from the FHWA for the project extension that affected project costs or the amount of liquidated damages assessed.** Coordination with FHWA is essential for the review and approval of major change orders because the changes may affect the scope of work, project schedule, or project eligibility for federal aid.

Corrective Action:

Corrective action was taken.

**TRANSPORTATION, DEPARTMENT OF**

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Reference No. 2013-161

**Special Tests and Provisions – Quality Assurance Program**  
(Prior Audit Issues 13-138, 12-146, 11-146, 10-87, and 09-81)

**Highway Planning and Construction Cluster**  
**Highway Planning and Construction Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Each state transportation department must develop a quality assurance program that will assure that the materials and workmanship incorporated into each federal-aid highway construction project on the National Highway System conform with the requirements of the approved plans and specifications, including approved changes. The program must meet the criteria in Title 23, Code of Federal Regulations (CFR), Section 637.207, and be approved by the U.S. Department of Transportation’s Federal Highway Administration (FHWA) (Title 23, CFR, Section 637.205). Sampling and testing must be performed by qualified laboratories, and qualified sampling and testing personnel must be used in the acceptance decision (Title 23, CFR, Section 637.209).

Initial Year Written: 2008  
Status: Partially Implemented

U.S. Department of  
Transportation - Federal  
Highway Administration

**The Department of Transportation (Department) did not always comply with its approved quality assurance program. Specifically:**

- For 2 (1 percent) of 235 quality assurance samples reviewed, for 2 (3 percent) of 60 projects tested, the Department did not comply with the testing requirements for each type of material as specified in the Department’s *Guide Schedule for Sampling Testing*. Not performing required quality assurance tests increases the risk that the Department may not detect project deficiencies that could affect safety and increase costs.
- For 30 (13 percent) of 226 quality assurance samples tested, auditors could not determine whether the tests were performed by an individual who was certified to perform those tests.

The Department uses SiteManager as its system of record for quality assurance testing on its highway construction projects. However, SiteManager does not have edits checks to prevent testers from reviewing and approving their own tests. Specifically:

- For 14 (6 percent) of the 223 quality assurance samples reviewed, the tester and reviewer recorded in SiteManager were the same individual.
- For 17 (8 percent) of the 223 quality assurance samples reviewed, the Department did not document the name of the individual who was the tester in SiteManager. As a result, auditors were unable to determine (1) whether the sample tests were conducted, reviewed, and approved by the same individual and (2) whether the individual who conducted the test was a certified tester.

SiteManager does not have edit checks to ensure that (1) only certified testers are able to enter and sign off on test records and (2) a tester does not also sign off as the reviewer on the same quality assurance sample. Not segregating testing and reviewing responsibilities and having potentially unqualified personnel perform sample testing increases the risk that the Department may not detect project deficiencies that could affect safety and increase costs.

The issues discussed above affected the following awards:

Award Number	Award Year	Award Number	Award Year
STP 2012(390)MM	2012	STP 2009(485)ES (ARRA)	2009
NH 2013(043)	2012	STP 2009(531)ES (ARRA)	2010
BR 2004(709)	2011	BR 2008(107)	2008
STP 2011(798)	2011	BR 2002 (923)	2009
BR 2010(983)	2010	STP 1102(412)	2011
BR 1102(517)	2010	STP 2013(018)	2012

**TRANSPORTATION, DEPARTMENT OF**

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<u>Award Number</u>	<u>Award Year</u>	<u>Award Number</u>	<u>Award Year</u>
STP 2009(880)MM	2009	BR 2011(019)	2012
NH 2012(197)	2011	STP 2012(035)	2011
IM 0355(150)	2012	STP 1102(408)	2011
NH 2012(351)	2012	STP 2010(089)ESTE (ARRA)	2009
STP 2010(897)MM	2010	STP 2012(060)	2011
STP 2012(064)	2011	CM 2005(79)	2010

Corrective Action:

This finding was reissued as current year reference number 2014-138.

Reference No. 2013-162

**Special Tests and Provisions – Utilities**

**Highway Planning and Construction Cluster**

**Award year – 2011**

**Award number – NH 2011(937)**

**Type of finding – Significant Deficiency and Non-Compliance**

Utility agreements, permits, and supporting documentation define the conditions and provisions for accomplishing and reimbursing utility companies for utility relocation work that was required due to a federal aid highway program funded project. The utility agreement shall specify the terms and amounts of any contribution or repayments made or to be made by the utility and shall be supported by plans, specifications when required, and itemized cost estimates of the work agreed upon. The utility agreement must be approved by the Federal Highway Administration (FHWA) prior to the utility incurring any costs or conducting any work that would be eligible for reimbursement (Title 23, Code of Federal Regulations, Section 645.113).

Initial Year Written: 2013  
 Status: Partially Implemented

U.S. Department of  
 Transportation - Federal  
 Highway Administration

**For 1 (2 percent) of 41 utility relocations tested, the Department of Transportation (Department) was unable to provide evidence of a utility agreement or support for the utility relocation work performed on the construction project.** As a result, auditors were unable to determine (1) whether the Department coordinated with the appropriate utilities prior to FHWA construction authorization, (2) whether the costs associated with the utility relocation work were allowable, (3) and whether the utility relocation work was performed in accordance with an approved agreement. Therefore, auditors considered that \$13,700 utility relocation to be a questioned cost. The Department asserted that a utility agreement existed, but it was unable to locate that agreement in its district office that supervised the utility work. By not properly maintaining utility agreements the Department may not adequately monitor utility relocation work to ensure compliance with federal requirements.

Corrective Action:

This finding was reissued as current year reference number 2014-135.

Reference No. 13-141

**Eligibility**

**Subrecipient Monitoring**

(Prior Audit Issues 12-149 and 10-92)

**CFDA 20.509 – Formula Grants for Other Than Urbanized Areas**

**CFDA 20.509 – Formula Grants for Other Than Urbanized Areas – ARRA**

**Award years – 2009 and 2010**

**Award numbers – TX-18-X032, TX-18-X033, TX-86-X001, TX-86-X002, and TX-86-X003**

**Type of finding – Significant Deficiency and Non-Compliance**

The Department of Transportation (Department) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of contracts or grant agreements. The Department monitors 38 rural transit districts and several intercity bus providers to ensure that they comply with the requirements for the Formula Grants for Other Than Urbanized Areas program. Monitoring is accomplished through public transportation coordinators located within the Department’s 25 district offices, who oversee various federal programs within their jurisdictions. The Department is required to certify the eligibility of applicants and project activities, ensure compliance with federal requirements by all subrecipients, and monitor local project activity (Federal Transit Administration Circular C\_9040.1f, page II-3).

Initial Year Written:	2009
Status:	Implemented
U.S. Department of Transportation - Federal Transit Administration	

During-the-award Monitoring

The Department is required to conduct on-site quarterly visits to review agency financial records that support requests for payment (Title 43, Texas Administrative Code, Section 31.48(c)(3)). Additionally, the Department’s grant’s management manual requires that on-site visits be documented using a PTN-126 form. During fiscal year 2012, the Department did not consistently conduct during-the-award monitoring for all subrecipients. Specifically:

- For 1 (3 percent) of 30 of subrecipients tested, the Department did not conduct required quarterly onsite visits. This error occurred because management in the Department’s Public Transportation Division incorrectly determined that quarterly onsite visits were not necessary for that for-profit subrecipient. As a result, the Department did not monitor that subrecipient for compliance with allowable costs requirements through onsite visits. However, the Department provided evidence that it reviewed that subrecipient’s invoices prior to payment.
- For 1 (11 percent) of 9 of subrecipients tested that were subject to the requirements of the Davis-Bacon Act, the Department could not provide evidence that it monitored the subrecipients’ compliance with the requirements of the Davis-Bacon Act. The Department asserted that the coordinator responsible for monitoring that subrecipient was unaware of procedures for monitoring compliance with Davis-Bacon Act requirements.
- For 1 (3 percent) of 30 of subrecipients tested, the Department did not monitor supporting documentation to ensure that subrecipients’ activities occurred within the period of availability established in the project grant agreement. The Department’s review of the subrecipient’s reimbursement request did not detect that the subrecipient submitted expenditures after the end of the period of availability established by the project grant agreement. However, those expenditures were for allowable activities that occurred within the period of availability for the federal award as a whole.
- For 3 (20 percent) of 15 subrecipients tested that were subject to procurement requirements, the Department could not provide evidence that it monitored the subrecipients’ compliance with procurement requirements using its procurement checklist, which it requires for procurements exceeding \$25,000. For one of those projects, the Department asserted that the coordinator responsible for monitoring the subrecipient was unaware of the requirement. For the remaining two projects, the Department was unable to provide evidence that it monitored the projects using the required checklist.

When the Department does not consistently monitor its subrecipients, it is not able to ensure the most efficient use of federal transportation funds to develop, maintain, and improve transportation systems in non-urbanized areas.

Corrective Action:

Corrective action was taken.

Reference No. 13-142

**Reporting**

(Prior Audit Issues 12-148 and 10-91)

**CFDA 20.509 – Formula Grants for Other Than Urbanized Areas**

**Award years – 2008, 2009, 2010, 2011, and 2012**

**Award numbers – TX-18-X031, TX-18-X032, TX-18-X033, TX-18-X034, and TX-18-X035**

**Type of finding – Significant Deficiency and Non-Compliance**

SF-425 Reports

A grantee must submit a federal financial report for each active/executed grant (Federal Transit Administration Circular 5010.1D, page III-2(3)(a)(b)). The SF-425 report is used to report expenditures under federal awards, as well as cash status. Reporting instructions for the SF-425 report specify that the recipient's share of expenditures must be based on actual cash disbursements or outlays, including payments to subrecipients and contractors.

Initial Year Written:	2009
Status:	Implemented
U.S. Department of Transportation - Federal Transit Administration	

For all three SF-425 reports tested for which matching requirements were applicable, the Department reported non-federal share amounts that were not supported by its accounting records. The Department determined the non-federal share of expenditures by multiplying its federal outlays by the required matching percentage. According to the Department, these errors occurred because the Federal Transit Administration directed the Department to provide the required match, and not the actual match, on its SF-425 reports. However, that practice resulted in the Department reporting amounts that were not based on actual cash disbursements or outlays as required.

Inaccurate reporting on financial reports decreases the reliability of information provided to funding agencies and other stakeholders.

Corrective Action:

Corrective action was taken.

**University of Houston**

Reference No. 2013-163

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Reporting**

**Special Tests and Provisions – Separate Funds**

**Special Tests and Provisions – Verification**

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124166; CFDA 84.033, Federal Work-Study Program, P033A124166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P122333; CFDA 84.268, Federal Direct Student Loans, P268K132333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132333**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance Budgets

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

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations, Section 668.2).

The University of Houston (University) established different COA budgets for students based on class level (undergraduate or graduate); degree program; in-state or out-of-state residency; living status (on campus, off campus, or at home); and enrollment (full-time, half-time, three-quarter-time, or less-than-half-time). It is the University’s policy to budget students for both the Fall and Spring semesters prior to the start of the Fall semester. At the census date of each semester, the University updates each student’s budget based on actual enrollment

**For 13 (22 percent) of 60 students tested, the University incorrectly calculated student COA budgets. Specifically:**

- For 9 students who were enrolled less-than-half-time for one semester, the University’s COA calculation erroneously included a room and board budget component. According to the University, it uses a formula in its financial aid system to calculate COA budget components. The formula verifies enrollment status when determining which budgets to apply; however, for all less-than-half-time students, the formula did not consider enrollment, therefore, those students were erroneously given a room and board component. That error resulted in the students who were tested having overstated budgets ranging from \$1,500 to \$3,550. Those students were not overawarded financial assistance; however, incorrect COA calculations could result in an overaward.

- For 4 students, the University did not update the students' COA at the census date to reflect actual enrollment. Those students' budgets reflected anticipated enrollment, which resulted in the students having overstated budgets ranging from \$3,025 to \$9,337. The University does not consistently apply its process for updating COAs for students who are anticipated to attend both Fall and Spring semesters full-time but actually attend either semester less than full-time. That error resulted in one student receiving a \$517 overaward associated with CFDA 84.268, Federal Direct Student Loans, P268K132333.

#### Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - verification, and special tests and provisions - disbursements to or on behalf of students, auditors identified no compliance issues regarding those compliance requirements.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft.** Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

#### Corrective Action:

Corrective action was taken.

Reference No. 2013-164

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

(Prior Audit Issues 13-146, 12-152, 11-153, 10-97, and 09-86)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124166; CFDA 84.033, Federal Work-Study Program, P033A124166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P122333; CFDA 84.268, Federal Direct Student Loans, P268K132333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132333**

**Type of finding – Significant Deficiency and Non-Compliance**

Return of Title IV Funds

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

Initial Year Written:	2008
Status:	Implemented
U.S. Department of Education	

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, CFR, Section 668.22(j)(2)).

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed directly to a student. For funds that were disbursed directly to the student, the institution must notify the lender or the Secretary of the U.S. Department of Education that the student did not begin attendance so that the Secretary can issue a final demand letter (Title 34, CFR, Section 668.21). The institution must return those Title IV funds as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, CFR, Section 668.21(b)).

**For 1 (2 percent) of 60 students tested, the University of Houston (University) did not correctly perform return calculations, as required.** The University calculated that the student earned more than 60 percent of that student’s financial assistance funds and, therefore, was not required to return any assistance. However, auditors determined that the student earned 40.5 percent of that student’s financial assistance funds and, therefore, should have returned Title IV assistance. The error resulted in a questioned cost of \$2,594 associated with CFDA 84.268, Federal Direct Student Loans, P268K132333.

**Additionally, for 1 (2 percent) of 60 students tested, the University did not determine the withdrawal dates within the required 30-day time frame.** The University’s determination date was 56 days after the end of the Fall term.

When the University does not identify unofficial withdrawals within the required time frame, that increases the risk that it will not return unearned funds to the U.S. Department of Education in a timely manner.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft.** Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 2013-165

**Special Tests and Provisions – Enrollment Reporting**

(Prior Audit Issues 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124166; CFDA 84.033, Federal Work-Study Program, P033A124166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Federal Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P122333; CFDA 84.268, Federal Direct Student Loans, P268K132333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132333**

**Type of finding – Significant Deficiency and Non-Compliance**

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2006
Status:	Partially Implemented
U.S. Department of Education	

After grades are posted each term, the University of Houston (University) runs a query to identify students that had no passing grades during the term to identify students that may be considered unofficial withdrawals. The University sends a Proof of Course Completion Form (PCCF) to the students identified in the query for the students to provide evidence of attendance during the term. Students who do not return the form within the required time frame are

considered to be unofficially withdrawn students who never attended during the term, and 100 percent of the student financial assistance funds awarded to them should be returned. For students who have withdrawn, the University uses the National Student Loan Data System (NSLDS) Web site to report students' enrollment status and effective date.

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student's formal withdrawal, the student's last recorded date of attendance should be reported as the status change date. Even if the University cannot determine the exact date of withdrawal, the University is still required to report the student as withdrawn (Title 34, Code of Federal Regulations, Sections 685.309 (b) and 682.610 (c)). In addition, the effective date for a student who has never attended should be the date that the institution certifies the student's "never attended" status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 4 (7 percent) of 60 student status changes tested, the University did not report the enrollment change to NSLDS accurately.** Specifically:

- For one student who unofficially withdrew in the Spring 2013 term, the University incorrectly reported the student's enrollment status as half-time. The student received all non-passing grades in the Spring term and did not provide evidence of attendance during that term. The University reported the effective date of the student's half-time status, but it should have reported the effective date of the student's withdrawal.
- For three students who unofficially withdrew in the Fall 2012 term and subsequently did not attend in Spring 2013, the University reported incorrect withdrawal dates to NSLDS. All three students earned all non-passing grades in the Fall term and did not provide evidence of attendance during that term. The University incorrectly reported the final day of the Fall term as the withdrawal date for those students.

For each student described above, when the University determined that the student did not attend during a term, it appropriately returned the student's federal assistance for the Fall 2012 or Spring 2013 terms, as required, but it did not correctly report or update the student's enrollment status to NSLDS.

Not reporting student status changes accurately and within the required time frame could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft.** Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2014-140.

Reference No. 2013-166

**Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)**

(Prior Audit Issues 13-148, 12-154, and 11-155)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award number –CFDA 84.268, Federal Direct Student Loans, P268K132333**

**Type of finding – Significant Deficiency and Non-Compliance**

Borrower Data Transmission

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 30 days of disbursement (*Office of Management and Budget No. 1845-0021*). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of cash summary, cash detail, and (optional at the request of the school) loan detail records. The institution is required to reconcile those files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 303; and *Direct Loans School Guide*, Chapter 6, Reconciliation).

Initial Year Written:	2010
Status:	Implemented
U.S. Department of Education	

When the University of Houston (University) is scheduled to disburse a Direct Loan, the disbursement is automatically processed in the University’s financial aid system (PeopleSoft) and automatically reported to the COD System. However, in some cases, a student may have a hold in PeopleSoft that would prevent a loan from automatically disbursing. The University may review the student’s account and manually override the hold in PeopleSoft to disburse the funds. When that occurs, the disbursement is not automatically reported to the COD System and the University must manually report the disbursement to the COD System. The University has a monthly reconciliation process to identify any unreported disbursements and report them to the COD System.

**For 4 (2 percent) of 197 disbursements tested, the University did not report to the COD System correctly or in a timely manner.** Those 4 disbursements were associated with 3 of 60 students tested. Specifically:

- For three disbursements to two students, the University incorrectly reported either a disbursement date or disbursement amount. Additionally, it reported two of those disbursements more than 30 days after disbursement.
- For the fourth disbursement, the University reported the disbursement to the COD System more than 30 days after the disbursement. However, the disbursement date and amount it reported to the COD System were correct.

All affected disbursements described above had holds in the University’s financial aid system that prevented the disbursements from being included in the automated reporting process to the COD System. The University’s monthly reconciliation process identified the unreported disbursements and the University manually reported them to the COD System. However, the University incorrectly reported information due to manual errors or did not always perform the reconciliation process in a timely manner to enable it to report the disbursements within the required time frame.

As a result of the errors described above, the U.S. Department of Education did not receive timely or accurate Direct Loan disbursement data for some disbursements during the award year. The University has corrected the errors and reported the correct dates and amounts to the COD System.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft.** Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

**University of Houston – Downtown**

Reference No. 11-158

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2009 through June 30, 2010**

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A094118, CFDA 84.033 P033A094118, CFDA 84.063 P063P20092306, CFDA 84.375 P375A20092306, and CFDA 84.376 P376S20092306**

**Type of finding – Significant Deficiency**

Cost of Attendance

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

Initial Year Written: 2010  
Status: Partially Implemented

U.S. Department of Education

**The University of Houston – Downtown's (University) written COA budget does not detail adjustments necessary to determine tuition and fees for part-time students in the Fall and Spring semesters.** Furthermore, the University was not able to provide documentation of how it calculated adjustments it made in PowerFAIDS to part-time students’ tuition and fees during packaging of student financial assistance. According to University personnel, the part-time budget adjustments within PowerFAIDS were based on tuition and fees from the 2008-2009 award year because information on 2009-2010 tuition and fees was not available at the time the University programmed PowerFAIDS. Because support for tuition and fees adjustments was not available and the written budget did not provide sufficient detail for part-time students, University personnel cannot be assured that PowerFAIDS budget adjustments for part-time students accurately reflect tuition and fees normally assessed part-time students.

Corrective Action:

This finding was reissued as current year reference number 2014-144.

<b>University of Houston – Victoria</b>
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Reference No. 2013-167

**Special Tests and Provisions – Verification****Student Financial Assistance Cluster**

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123632; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124901; and CFDA 84.268, Federal Direct Student Loans, P268K133632

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

**For 10 (17 percent) of 60 applicants tested, the University of Houston - Victoria (University) did not retain supporting documentation for some of the information required to be verified or did not accurately verify certain required items on the FAFSA. Specifically:**

- For three applicants, the University did not accurately verify the applicants' AGI or education credit; therefore, it did not subsequently update its records and request updated ISIRs as required. Based on the information the University provided, that resulted in a \$125 overaward of a Federal Pell Grant for one applicant and a \$900 Federal Pell Grant overaward for another applicant (both overawards were associated with award number P063P123632). After auditors brought those issues to the University's attention, the University provided evidence that it corrected the overawards; therefore, there are no questioned costs associated with those errors.
- For seven applicants, the University could not provide supporting documentation for some of the information it was required to verify; therefore, auditors could not determine whether the FAFSA amounts the applicants reported were correct. For those applicants, the University did not retain support for one or more of the following amounts: AGI, Supplemental Nutrition Assistance Program benefits, child support paid, IRA deductions, and education credits.

The above errors occurred because of manual errors the University made in verification. Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Recommendations:

The University should:

- Develop and implement controls to accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Retain supporting documentation for all required verification items.

Management Response and Corrective Action Plan 2013:

*Manual review and entry of data for the verification process allows for human error so we have modified our procedures by dividing the verification process into steps that will ensure each student selected for verification is reviewed by two financial aid specialists. One specialist will complete the verification process. The other specialist will review all verifications processed for accuracy. In addition, the corrected Institutional Student Information Records (ISIRs) that were reprocessed will be reviewed to ensure all verification components were updated accurately.*

*The two specialists have attended and continue to attend Verification webinars to keep up-to-date with the regulations and required verification components. In addition, the support staff has been educated on the importance of scanning and retaining all pages (front and back side) of the verification documentation. Only full-time staff will be allowed to review scanned documents for record retention in order to comply with record keeping and electronic storage requirements.*

Management Response and Corrective Action Plan 2014:

*Manual review and entry of data for the verification process allows for human error so we will continue our procedure by dividing the verification process into steps that will ensure each student selected for verification is reviewed by two financial aid specialists. One specialist will complete the verification process. The other specialist will review all verifications processed for accuracy. In addition, the corrected Institutional Student Information Records (ISIRs) that were reprocessed will be reviewed to ensure all verification components were updated accurately.*

*In 2013-14, we had two separate forms required for submission students selected for a V4 verification review. In 2014-15, the V4 Verification Worksheet form was revised to include all components required for review which will help insure that the verification process is accurate.*

*Implementation Date: December 2014*

*Responsible Person: Carolyn Mallory*

**University of North Texas**

Reference No. 2013-168

**Special Tests and Provisions – Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122293; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124085; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132293; CFDA 84.033, Federal Work-Study Program, P033A124085; CFDA 84.268, Federal Direct Student Loans, P268K132293; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

**For 5 (8 percent) of 60 students tested, the University of North Texas (University) did not submit corrections for changes in education credit amounts to the U.S. Department of Education as required; however, the University accurately verified all required information.** As a result, the University underawarded 3 of those 5 students a total of \$1,225 in federal Pell Grants associated with award number P063P122293. Those errors occurred because of a batch processing error in the University’s financial aid system, which caused the University not to report any changes in education credit amounts. The University asserted that the batch processing error affected an additional 528 students.

Not submitting required corrections to the U.S. Department of Education could result in the University overawarding or underawarding student federal financial assistance.

Corrective Action:

This finding was reissued as current year reference number 2014-147.

Reference No. 2013-169

**Special Tests and Provisions – Enrollment Reporting**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122293; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124085; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132293; CFDA 84.268, Federal Direct Student Loans, P268K132293; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

The University of North Texas (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

Additionally, for unofficial withdrawals, the institution should report the effective withdrawal date as the last recorded date of attendance, which is the last date of participation in an academically-related activity, or in the absence of evidence of such activity, the midpoint of the term (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

**For 13 (22 percent) of 60 students tested, the University did not accurately report the students’ enrollment status to NSLDS.** Specifically:

- Four of those students unofficially withdrew during the Fall semester, but the University reported to NSLDS that those students were enrolled full or half-time for the entire semester.
- For nine of those students, the University correctly reported them as withdrawn, but it did not report the correct effective dates of the status changes to NSLDS. The University reported the effective withdrawal dates as either the first or last day of the semester, instead of the last recorded date of attendance or the midpoint of the semester.

All 13 students unofficially withdrew from the University in the Fall semester and did not return for the Spring semester. The errors occurred because the University does not have a formal process to ensure that it properly reports to NSLDS status changes and effective dates of withdrawal for unofficially withdrawn students who do not return the following semester. After the University became aware of those errors, it reported the correct status changes and effective dates to NSLDS. However, not reporting student status changes and effective dates accurately to NSLDS could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Corrective Action:

Corrective action was taken.

Reference No. 13-151

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

**Research and Development Cluster**

**Award years – October 1, 2007 to September 30, 2012 and October 1, 2008 to September 30, 2013**

**Award numbers – CFDA 84.217, TRIO\_McNair Post-Baccalaureate Achievement, P217A070021 and CFDA 47.076, Education and Human Resources, 0833706**

**Type of finding – Significant Deficiency and Non-Compliance**

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, Code of Federal Regulations, Section 220, Appendix A, C.2).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Education National Science Foundation	

**One (1 percent) of 70 direct cost transactions tested at the University of North Texas (University) was unallowable.** The University reimbursed \$19 in gratuity charges as part of a travel reimbursement. When the University reviewed and approved that travel reimbursement request, it charged the total amount of the travel expenses, including the gratuity, to the federal award. However, the gratuity portion of the expenses should have been charged to an institutional account. At the time of the audit, the University transferred the cost of the gratuity to an institutional account and reduced a subsequent federal reimbursement request by the amount of the gratuity.

**For 1 (1 percent) of 70 direct cost transactions tested, the University incorrectly calculated the amount of the federal expenditure.** The University miscalculated a partial month’s salary payment, resulting in an underpayment to an employee of \$32. At the time the University incurred that expenditure, its payroll office manually calculated the partial payment amount with no separate review of that process. After auditors identified this error, the University corrected the error and paid the employee the correct amount.

Without proper review and approval, there is a risk that the University could charge unallowable and incorrect expenditures to federal grants.

Corrective Action:

Corrective action was taken.

Reference No. 13-152

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award years – June 1, 2012 to May 31, 2016; August 15, 2011 to January 14, 2013; September 1, 2011 to August 31, 2012; and September 18, 2008 to November 18, 2014**

**Award numbers – CFDA 47.074, Biological Sciences, IOS-1146758; CFDA 12.300, Basic and Applied Scientific Research, HQ0034-11-C-0039; CFDA 12.431, Basic Scientific Research, W911NF-11-1-0402; and CFDA 12.800, Air Force Defense Research Sciences Program, FA8650-08-C-5226 (P00002)**

**Type of finding – Significant Deficiency and Non-Compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (Title 2, Code of Federal Regulations, Section 180.300). Covered transactions include procurement

Initial Year Written:	2012
Status:	Implemented
National Science Foundation U.S. Department of Defense	

contracts for goods and services that are expected to equal or exceed \$25,000 and all nonprocurement transactions (that is, subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.210 through 180.220 and 180.970).

**The University of North Texas (University) did not ensure that vendors associated with 4 (40 percent) of 10 procurements tested that exceeded \$25,000 were not suspended or debarred.** For limited competition procurements, the University's process is to verify that vendors are not suspended or debarred by checking the EPLS. However, for those four limited competition procurements, the University did not maintain evidence that it verified that the vendors were not suspended or debarred. Auditors reviewed the EPLS and verified that the vendors were not suspended or debarred.

Not verifying vendors' suspension and debarment status could result in contracting with vendors that are not eligible to receive federal funds.

Corrective Action:

Corrective action was taken.

**University of Texas at Arlington**

Reference No. 2013-170

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Reporting**

**Special Tests and Provisions – Separate Funds**

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

**Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)**

(Prior Audit Issues 13-154 and 12-156)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.268, Federal Direct Student Loans, P268K132335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work-Study Program, P033A124172; CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written:	2011
Status:	Partially Implemented
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2, 673.5, and 685.301).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s cost of attendance, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

Institutions are allowed to use professional judgment to adjust COA on a case-by-case basis to allow for special circumstances (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). However, such adjustments must be documented in the student’s file.

The University of Texas at Arlington (University) establishes different COA budgets for students based on class level (undergraduate or graduate), degree program, in-state or out-of-state residency, living status (on campus, off campus, or at home), and term enrollment (full-time, half-time, or three-quarter time). Prior to an award year, the University requests that students submit their anticipated enrollment to the financial aid office if they plan to enroll less than full-time. The University's student budgets default to full-time enrollment if the student does not respond to a request for anticipated enrollment. The University's default to full-time results in a failure to adjust the budget for actual anticipated enrollment; therefore, by not adjusting a student's COA budget for actual enrollment, the University increases the risk of awarding assistance in excess of the student's financial need or COA budget.

Auditors calculated student COA budgets based on both the University's process and based on the students' actual enrollment. For 2 (3 percent) of the 60 students tested, the COA budgets based on actual enrollment were less than the COA budgets based on the University's process and, as a result, the University overawarded assistance to those students. Specifically, for 1 student, total assistance disbursements exceeded the student's COA budgets based on actual enrollment, which resulted in an overaward of \$85. The other student received need-based assistance disbursements that exceeded the student's calculated need by \$398. The University budgeted both of those students as full-time; however, the students' actual enrollment was less than full-time for one or more terms during the award year. For the terms in which those students did not attend full-time, the students still had COA budgets and assistance awards based on full-time enrollment. After auditors brought the issues to the University's attention, the University adjusted the student awards; therefore, there were no questioned costs.

**In addition, for 7 (12 percent) of 60 students tested, the University incorrectly calculated student COA budgets.** Specifically:

- For three students, the University used the incorrect budget to calculate COA. Those students required manual adjustments to their budgets and, in making those adjustments, the University used incorrect budgets. The budgets were understated by amounts ranging from \$150 to \$2,288.
- For three students, the University inconsistently adjusted COA budget components. The students were initially budgeted at anticipated full-time enrollment but were enrolled less than full-time. The University adjusted the student's budget amount for books to reflect actual enrollment, but it did not adjust the tuition and fees component. Therefore, the students' tuition and fees components were overstated by amounts ranging from \$1,316 to \$1,418. According to the University, it adjusted its automated system's settings so that the amount for books would reflect actual enrollment; however, it did not apply that adjustment to tuition and fees.
- One student's COA calculation included an amount for books that was higher than the budget amount. The University asserted the amount for books was based on professional judgment; however, it did not include support for the professional judgment in the student's file, as required.

None of the seven students discussed above was overawarded assistance; however, incorrect COA calculations could result in underawards or overawards of financial assistance.

#### Federal Pell Grant and Federal Supplemental Educational Opportunity Grant Awards

In selecting students for the federal Pell Grant Program, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

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

**The University disbursed \$8,919 in Pell Grants to 4 post-baccalaureate students who had previously obtained an undergraduate degree. One of those students also received an FSEOG award of \$500.** According to the University, those errors occurred because the University's financial aid system packages student assistance based on annual enrollment, and it does not automatically identify students whose enrollment levels change in an academic

year. The University packaged those students' assistance prior to when the students earned their first baccalaureate degrees, but the students received Pell Grant disbursements after becoming post-baccalaureates. The University did not have a control to identify Pell Grant and FSEOG recipients who had previously earned a baccalaureate degree. After auditors brought this issue to its attention, the University provided evidence that it corrected the errors; therefore, there were no questioned costs.

#### Federal Direct Student Loans

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods/periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are only eligible for Unsubsidized Direct Loans or Direct PLUS loans.

**The University disbursed a total of \$4,474 in subsidized Direct Loans to two graduate students after July 1, 2012.** According to the University, those errors occurred because the University's financial aid system packages student assistance based on annual enrollment, and it does not automatically identify students whose enrollment levels change in an academic year. The University packaged those students' assistance when the students were undergraduates, but the students received the subsidized Direct Loans after becoming graduate students. After auditors brought this issue to its attention, the University provided evidence that it corrected the errors; therefore, there were no questioned costs.

#### Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee's job duties changed. After auditors brought this matter to the University's attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

#### Corrective Action:

This finding was reissued as current year reference number 2014-148.

Reference No. 2013-171

**Special Tests and Provisions – Verification**

(Prior Audit Issues 13-155 and 12-158)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work Study Program, P033A124172; CFDA 84.268, Federal Direct Student Loans, P268K132335; and CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00**

**Type of finding – Significant Deficiency and Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register* Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2011
Status:	Partially Implemented
U.S. Department of Education	

**For 2 (3 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required. Specifically:**

- For 1 student, the University did not accurately verify the number of household members enrolled in college or the amount of educational credits.
- For 1 student, the University did not accurately verify the amount of income earned by the student. At the time of verification, the University did not obtain a W-2 from the student to properly verify the amount of income that the student listed on the verification worksheet.

According to the University, these errors were due to manual errors made during the verification process. When auditors brought the errors to its attention, the University obtained missing documentation, corrected the information, and requested updated ISIRs. The updated information did not result in a change to the students’ EFCs or award amounts; therefore, there were no questioned costs. However, not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee’s job duties changed. After auditors brought this matter to the University’s attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Corrective Action:

This finding was reissued as current year reference number 2014-149.

Reference No. 2013-172

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

(Prior Audit Issues 13-156, 12-160, and 10-112)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work Study Program, P033A124172; CFDA 84.268, Federal Direct Student Loans, P268K132335; and CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00**

**Type of finding – Material Weakness and Material Non-Compliance**

Return of Title IV Calculations

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

Initial Year Written:	2009
Status:	Partially Implemented
U.S. Department of Education	

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 for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

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

**The University of Texas at Arlington (University) has not established adequate controls to ensure that it correctly calculates return amounts. For 10 (24 percent) of 42 students tested who required a return, the University did not correctly calculate the number of days the students attended and, therefore, did not correctly calculate the amount of Title IV assistance to be returned.** The students were enrolled through a partnership program that had sessions with varying beginning and ending dates and varying lengths. Because of that, the University manually calculated the number of days attended and total number of days in these sessions; however, it

incorrectly performed that calculation for those 10 students. Those students received a total of \$58,192 in federal financial assistance for the sessions in question. As a result of the incorrect calculations, 6 students earned a total of \$244 less in assistance than the University initially calculated and 4 students earned a total of \$2,971 more in assistance than the University initially calculated.

After the auditors brought the errors to the University's attention, the University worked to adjust the grants and loans associated with those students, taking into consideration the change in the return calculation and the amount of assistance the University needed to return or award to the students. Based on the results of the adjustments the University calculated, the University completed an over adjustment of \$256.

By manually entering some student information into the return of Title IV calculator in its financial aid system, instead of relying on automated controls in that system, the University increases the risk of errors in return calculations and the risk that it will not return the correct amount of Title IV assistance to the U.S. Department of Education.

#### Unofficial Withdrawals

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV funds that were credited to the student's account at the institution (Title 34, CFR, 668.21(a)). The Secretary of the U.S. Department of Education considers that a student has not begun attendance in a payment period or period of enrollment if the institution is unable to document the student's attendance at any class during the payment period or period of enrollment (Title 34, CFR, 668.21(c)).

If a student did not begin the official withdraw process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the institution becomes aware that the student ceased attendance (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). If a student is determined to have withdrawn from an institution, the student is no longer considered to be enrolled and in attendance. Therefore, the student is no longer eligible for an in-school status or in-school deferment, and the institution must report the student as withdrawn (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

After grades are posted each semester, the University runs a query to identify students that had all non-passing grades during the semester and sends the students a request for proof that they attended during the semester. Students who return proof that they attended are given a withdrawal date, and the University determines whether a return of Title IV funds is required. However, if a student does not return proof of attendance, the University does not consider the student to be withdrawn and never attended for the purpose of returning Title IV assistance.

**For 6 (33 percent) of 18 students tested who never attended, the University did not return all Title IV funds or notify the Secretary of the U.S. Department of Education.** All six students received all non-passing grades and did not provide evidence of attendance for the semester; however, the University did not return any unearned Title IV assistance. The University did not return a total of \$18,417 in Direct Loans and Pell Grants. After auditors brought the errors to the University's attention, the University returned the amount of unearned aid; therefore, there were no questioned costs.

Those errors occurred because the University's process to ensure that it completes returns for students with all non-passing grades did not identify those students; therefore, it did not determine whether a return of Title IV funds was required. Because the University did not consider those students to be unofficially withdrawn, it did not report them as withdrawn to the Secretary of the U.S. Department of Education for enrollment reporting purposes.

For one additional student tested who never attended, the student was able to provide evidence of attendance; therefore, the University was not required to return any Title IV funds for that student. However, the University did not determine that the student had earned all of the student's Title IV funds until auditors brought this matter to its attention.

#### Timeliness of Returns

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, CFR, Section 668.22(j)(2)). In addition, returns of Title IV funds must be initiated to the U.S. Department of Education

as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, CFR, Sections 668.22(j)).

**For 3 (7 percent) of 42 students tested for whom the University was required to return funds, it did not return those funds within 45 days of determining those students' withdrawal dates.** The University took between 128 and 265 days after determining the students had withdrawn to return the funds.

**For 13 (72 percent) of 18 students tested who never attended during a semester, the University did not determine the students' withdrawal dates within 30 days of the end of the semester.** The University took between 40 and 216 days after determining the students had never attended to return the funds. For 10 of those 13 students, the University did not have evidence of returns until after auditors brought this matter to its attention.

The University's process for identifying students who have unofficially withdrawn does not ensure that it makes withdrawal determinations and completes the returns within the required time frames. Late identification of withdrawals increases the risk that the University will not return unearned funds to the U.S. Department of Education in a timely manner.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee's job duties changed. After auditors brought this matter to the University's attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

#### Corrective Action:

This finding was reissued as current year reference number 2014-151.

Reference No. 2013-173

**Special Tests and Provisions – Enrollment Reporting**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.268, Federal Direct Student Loans, P268K132335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work-Study Program, P033A124172; CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

The University of Texas at Arlington (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a formal withdrawal, the last recorded date of attendance should be reported as the status change date. In addition, the effective date for a student who has never attended should be the date that the institution certifies the student’s “never attended” status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 7 (12 percent) of 60 student status changes tested, the University did not report the change to NSLDS accurately.** Specifically:

- For two students who did not successfully obtain credit for any of their courses and, therefore, unofficially withdrew during the Fall 2012 semester, the University incorrectly reported the students’ enrollment status as half-time and less than half-time, respectively. The University had evidence that those students had attended class through September 20, 2012, and October 8, 2012.
- For one student who officially withdrew from the University during the Spring 2013 semester, the University reported an incorrect withdrawal date to NSLDS. The student withdrew on January 16, 2013, but the University reported the date of withdrawal as January 30, 2013. That error was caused by a technical error in the University’s enrollment management system that reported the census date as the date of withdrawal, rather than the actual withdrawal date.
- For four students who unofficially withdrew from the University during the Fall 2012 or Summer 2012 semesters, the University reported incorrect withdrawal dates to the NSLDS. The University reported the last class day of the semester as the withdrawal dates when it should have reported the students’ last recorded dates of attendance. Three of the students received all non-passing grades and did not provide evidence of attendance during the semester. For the remaining student, the University received evidence that the student had attended classes through November 5, 2012.

The errors related to unofficially withdrawn students occurred because the process for determining student enrollment status is inconsistent between the University's Office of Financial Aid and the University's Office of Records and Registration. At the end of each semester, the Office of Financial Aid verifies changes in student enrollment statuses for students who do not complete the semester for eligibility purposes, and all funds for those students are returned. However, the Office of Records and Registration does not update NSLDS based on determinations that the Office of Financial Aid makes.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties.** Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee's job duties changed. After auditors brought this matter to the University's attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Corrective Action:

This finding was reissued as current year reference number 2014-152.

**University of Texas at Austin**

Reference No. 2013-174

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122336; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124173; CFDA 84.033, Federal Work Study Program, P033A124173; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; and CFDA 84.268, Federal Direct Student Loans, P268K132336**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance

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

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

An aid administrator may use professional judgment on a case-by-case basis only to adjust a student’s COA or the data used to calculate the student’s EFC. That adjustment is valid only at the institution that makes the adjustment. The reason for the adjustment must be documented in the student’s file, and it must relate to the special circumstances that differentiate the student and not to conditions that exist for a whole class of students (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

The University of Texas at Austin (University) established different COA budgets for students based on class level (undergraduate, graduate, law); degree program; and the number of hours enrolled.

**For 5 (8 percent) of 60 students tested, the University inconsistently or incorrectly calculated the students’ COA. Specifically:**

- For 1 student, the University based the COA on full-time enrollment when the student was enrolled in 9 hours. The University asserted that occurred due to human error.
- For 2 students, the University assigned the incorrect COA. One student changed his major after the University assigned the COA, but the University did not appropriately adjust his COA to reflect the change. The other student was a double major, and the University assigned his COA using the incorrect degree program according to its policy.
- For 1 student, the University increased one of the COA components based on professional judgment, but it did not document its rationale for applying professional judgment.
- For 1 student, the University assigned the COA based on the incorrect number of enrolled hours.

The University did not make overawards or underawards to the five students discussed above; however, incorrectly or inconsistently calculating COA increases the risk of an underaward or overaward of student financial assistance.

**Additionally, for 1 (2 percent) of 60 students tested, the University overawarded the student \$1,961 in need-based assistance associated with award number P268K132336.** According to the University, it did not reduce the student's subsidized loan amount when the student received a non-federal award after the University had packaged that student's assistance. After auditors brought the issue to the University's attention, it corrected the amount of need-based aid; therefore, there were no questioned costs.

#### Federal Direct Student Loans

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) loans.

**The University awarded one graduate student a total of \$4,146 in Subsidized Direct Loans associated with award number P268K132336 for the Fall 2012 and Spring 2013 semesters for which the student was not eligible.** The University asserted that the student was a continuing student who received his baccalaureate in Spring 2012, but the registrar's office did not update its records to reflect that the student was a graduate student until the Fall 2012. At the time the University packaged and awarded that student's assistance, the Office of Student Financial Services checked the registrar's office's records which still showed the student as an undergraduate. Not properly updating student records to reflect a change in classification could result in the University awarding federal assistance to an ineligible student.

After auditors brought the issue to the University's attention, it corrected the amount of need-based aid; therefore, there were no questioned costs.

#### Federal Supplemental Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG to federal Pell Grant recipients who have the lowest EFC first. If an institution has FSEOG funds remaining after giving FSEOG awards to all Pell Grant recipients, the institution can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Pell Grants (Title 34, CFR, Section 676.10). The FSEOG annual limit per student is \$4,000.

**Based on a review of the full population of federal student financial assistance recipients, the University awarded a total of \$2,111 to 2 FSEOG recipients in excess of the annual limits. Those overawards were associated with award number P007A124173.** The University asserted that this was due to human error resulting from a counselor manually increasing the FSEOG amount due to increased student need. That resulted in one student being overawarded \$1,536, and another student being overawarded \$575. After auditors brought the issue to the University's attention, it corrected the amount of need-based aid; therefore, there were no questioned costs.

#### Corrective Action:

Corrective action was taken.

Reference No. 2013-175

**Special Tests and Provisions – Verification**

(Prior Audit Issue 13-158)

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122336; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124173; and CFDA 84.268, Federal Direct Student Loans, P268K132336**

**Type of finding – Non-Compliance**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Education	

The University of Texas at Austin (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of the financial student assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (2012-2013 *Application and Verification Guide*, page AVG-84). As a part of quality improvement for the verification process, the University’s policy requires verifying key elements identified by the Department of Education along with net assets, tax forms and wages.

**For 3 (8 percent) of 40 students tested, the University did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required.** Specifically:

- For one student, the University did not accurately verify the number of household members in postsecondary educational institutions. As a result the University did not request an updated ISIR for the student at the time of verification. That resulted in a Pell underaward of \$1,600 associated with award P063P122336.
- For two students, the University did not accurately verify tax deferred pensions. In both cases, the University did not report tax deferred pensions that the students reported on the verification forms. Those errors resulted in a Pell overaward of \$300 associated with award P063P122336.

According to University personnel, those errors were due to manual errors made during the verification process.

After auditors brought the errors to the University’s attention, the University provided evidence that it submitted corrections to the U.S. Department of Education and adjusted the awards to eliminate the underaward and overaward; therefore, there are no questioned costs associated with the errors. However, not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Corrective Action:

Corrective action was taken.

Reference No. 2013-176

**Equipment and Real Property Management**

(Prior Audit Issues 13-161 and 12-170)

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A recipient’s equipment records for equipment acquired with federal funds and federally owned equipment shall be maintained accurately and include all of the following: a description of the equipment; manufacturer’s serial number, model number, federal stock number, national stock number, or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment; unit acquisition cost; and ultimate disposition data for the equipment.

Initial Year Written: 2011  
Status: Partially Implemented

Los Alamos National  
Laboratory  
National Science Foundation  
U.S. Department of Energy  
U.S. Department of Defense

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment (Title 2, Code of Federal Regulations, Section 215.34 (f)).

The University of Texas at Austin’s (University) *Handbook of Business Procedures* requires that an inventory tag with a bar code be affixed to new equipment items that are capitalized (items with a unit cost of \$5,000 or more) or controlled (certain items with a unit cost of \$500 to \$4,999.99).

**The University did not always maintain adequate property records for or adequately safeguard its equipment items.** For 8 (13 percent) of 63 equipment items tested, the University’s property records were inaccurate or the University did not adequately safeguard the equipment by affixing inventory tags to the items in accordance with its policy. Specifically:

- For two items, the University’s property records did not accurately reflect the items’ current locations. The property records for one of those items also did not accurately reflect the transfer of that item to another higher education institution.
- For two items, the University’s property records did not contain a condition code. For two items, the University’s property records did not contain the correct inventory tag numbers. The property records for one of those items also did not accurately reflect the item’s current location.
- For two items, the University had not affixed an inventory tag or had not affixed a permanent inventory tag.

In addition, 1 (2 percent) of the 63 equipment items auditors attempted to test was a supercomputer that the University had recorded in its property records with a single inventory tag number and descriptions of multiple components of that supercomputer. When auditors observed that supercomputer, it did not have an inventory tag affixed to it and some of the components of that supercomputer were missing. The University asserted that it had transferred the missing components, but it did not complete the required transfer paperwork. The University also asserted that the inventory tag for that supercomputer had been affixed to one of the components that it had transferred.

The errors above occurred as a result of weaknesses in the University’s inventory and record-keeping processes. Not properly maintaining property records and tagging equipment items increases the risk that assets may be lost or stolen.

**UNIVERSITY OF TEXAS AT AUSTIN**

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The issues above affected the following awards:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.000	Department of Defense	F49620-93-I-0307	May 1, 1993 to May 31, 1998
47.041	Engineering Grants	ECCS-0925217	June 3, 2009 to August 31, 2013
47.041	Engineering Grants	CMMI - 1031106	September 1, 2010 to August 31, 2013
47.078	Polar Programs	OPP-9319379	July 1, 1994 to January 31, 2001
47.080	Office of Cyberinfrastructure	OCI-0622780	October 1, 2006 to September 30, 2013
81.000	Los Alamos National Lab	79506-001-10	July 9, 2010 to September 30, 2014
81.049	Office of Science Financial Assistance Program	DE-FG05-88ER53267	January 1, 1988 to April 30, 1994
81.049	Office of Science Financial Assistance Program	DE - FG05-91ER12119	April 1, 1991 to May 31, 1995
81.089	Fossil Energy Research and Development	DE-FE0005917, Mod. 001	October 1, 2010 to December 31, 2013

Corrective Action:

This finding was reissued as current year reference number 2014-155.

Reference No. 2013-177

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – July 25, 2012 to July 24, 2016; September 1, 2009 to August 31, 2014; May 1, 2010 to April 30, 2015; July 21, 2011 to July 20, 2014; June 15, 2012 to September 14, 2013; September 30, 2009 to August 31, 2012; August 1, 2009 to July 31, 2014; April 15, 2012 to March 31, 2014; October 1, 2012 to December 31, 2013; July 21, 2011 to July 20, 2014; and September 5, 2012 to March 4, 2014**

**Award numbers – CFDA 43.001, Science, NNX12AL65G; CFDA 12.431, Basic Scientific Research, W911NF-09-1-0434; CFDA 12.800, Air Force Defense Research Sciences Program, FA9550-10-1-0182; CFDA 12.300, Basic and Applied Scientific Research, N00024-07-D-6200 and N00012-12-1-1058; CFDA 93.701, Trans-NIH Recovery Act Research Support, 1 P30 MH089900-02; CFDA 47.049, Mathematical and Physical Sciences, DMR-0423914 pass-through from Case Western Reserve University; CFDA 47.050, Geosciences, EAR-1053446; and CFDA 43.009, Cross Agency Support, NNX12AQ99G**

**Type of finding – Significant Deficiency and Non-Compliance**

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended, debarred, or otherwise excluded from federal contracts. Covered transactions include procurement contracts for goods and services that are expected to equal \$25,000 or more and all nonprocurement transactions (that is, subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.210 through 180.220 and 180.970).

Initial Year Written:	2013
Status:	No longer valid
National Aeronautics and Space Administration	
U.S. Department of Defense	
U.S. Department of Health and Human Services	
National Science Foundation	

**The University of Texas at Austin (University) did not always verify that its vendors’ principals were not suspended or debarred or otherwise excluded from participating in federal contracts.** Specifically, for 10 (67 percent) of 15 covered transactions tested, the University did not verify whether any of the vendor’s principals were suspended or debarred. The University had a process to verify whether the vendors themselves were suspended or debarred from federal contracts, but it did not have a consistent process to verify whether the vendors’ principals were suspended or debarred. Not verifying that its vendors’ principals are not suspended or debarred from federal contracts increases the risk that the University could enter into procurements with ineligible vendors.

Corrective Action:

Auditors are not required to report audit findings based solely on the tests for suspended and debarred “Principals” pursuant to Part 3 I, “Procurement and Suspension and Debarment,” steps 6 and 7, of the March 2013 Supplement; therefore, this finding is no longer valid.

**University of Texas at El Paso**

Reference No. 13-164

**Eligibility**

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

(Prior Audit Issues 11-171 and 11-170)

**Student Financial Assistance Cluster**

**Award year – July 1, 2011 to June 30, 2012**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112338; CFDA 84.268, Federal Direct Student Loans, P268K122338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122338; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114176; CFDA 84.033, Federal Work-Study Program, P033A114176; CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22396-01-00; CFDA 93.264, Nurse Faculty Loan Program, E01HP112947-02-00; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Satisfactory Academic Progress

A student is eligible to receive Title IV Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory academic progress that meet the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should specify the grade point average (GPA) that a student must achieve at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm. The SAP policy also should specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the program’s maximum time frame (Title 34, CFR, Section 668.34).

Initial Year Written:	2010
Status:	Partially Implemented
U.S. Department of Education U.S. Department of Health and Human Services	

The University of Texas at El Paso’s (University) policy requires that a student must maintain at least a 2.00 GPA if pursuing an undergraduate degree and a 3.00 GPA if pursuing a graduate degree. Additionally, students receiving financial aid cannot attempt more than 150 percent of the published length of the eligible degree program as measured by credit hours. A student also must make “measurable progress,” which is determined by the cumulative completion of at least 75 percent of all attempted hours toward the student’s eligible degree plan in an academic year.

**For 1 (2 percent) of 45 students for whom the University was required to review compliance with its SAP policy, the University did not evaluate whether the student was making satisfactory academic progress to receive financial assistance.** As a result, the University awarded that student \$15,917 in Direct Loans, associated with award P268K122338, when the student was not eligible to receive that assistance. That occurred because the University dismissed the student on financial aid probation from the University following the Spring 2011 term. When the student enrolled in Spring 2012, the University did not review the student’s SAP status prior to awarding financial assistance.

After auditors brought this matter to its attention, the University provided evidence that it had corrected those awards.

Corrective Action:

Corrective action was taken.

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s COA minus the EFC (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same

academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, CFR, Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

**For 3 (5 percent) of 60 students tested, the University incorrectly calculated COA because it incorrectly classified the students in its financial assistance system, Banner.** For two of those students, the University incorrectly assigned the students an in-state COA budget when the students indicated that they were not Texas residents. For the remaining student, the University incorrectly calculated COA because it classified the student as an undergraduate student when the student was a graduate student. Those errors resulted from manual COA adjustments to students’ status that the University made in its financial aid system. The three students were not overawarded assistance; however, calculating incorrect COA amounts increases the risk that students could be awarded assistance in excess of their financial need.

Corrective Action:

Corrective action was taken.

Other Compliance Requirement

Although the general control weakness described below affects all student financial assistance awards administered by the University and applies to special tests and provisions – disbursements to or on behalf of students, auditors identified no compliance issues regarding that compliance requirement.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University has not implemented adequate logical access controls to its Banner student financial assistance application and associated database, its operating system, and its network.** This increases the risk of unauthorized system access and could result in compromise or loss of data.

Additionally, **the University did not have sufficient segregation of duties in its change management processes.** Specifically, one programmer had access to change application code and migrate it to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendation:

The University should strengthen logical access controls to prevent unauthorized system access and better safeguard critical data.

Management Response and Corrective Action Plan 2012:

*Password standards have been developed and approved by the Chief Information Security Officer. The deployment of those standards will begin after the 1st of the year to allow for timely notification to all customers.*

Management Response and Corrective Action Plan 2013:

*A password standard has been configured and deployed in the production environment. A Banner Password Standard policy has been published and approved by our Chief Information Security Officer.*

Management Response and Corrective Action Plan 2014:

*UTEP has accepted the risk for not having the passwords expire yearly. Compensating controls have been put in place to prevent weak passwords and track accesses to UTEP systems. Passwords are run through a decryption process looking for weak passwords. Any passwords that are found to be weak are reset and the user must choose a new password.*

*UTEP also monitors activity on system looking for suspicious activity. An example of this is logins from foreign locations. If an account shows possibility of being used by an unauthorized user, the account is disabled and password reset. The user must then contact the information security office to have their account reactivated.*

*Password settings for the DBA's have been updated and adjustments to the administrative accounts on the Banner Database server have been made. These settings are currently being run through the change management process and will start in the DEV environment and will work their way testing along the way to ensure there are no issues.*

*Implementation Date: In progress*

*Responsible Person: Luis Hernandez*

Reference No. 2013-178

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

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Material Non-Compliance**

Payroll Distributions

The distribution of salaries and wages, whether treated as direct or facilities and administrative costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached (Title 2, Code of Federal Regulations (CFR) Section 220, Appendix A (J)(10)(b)). For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, reports will be prepared no less frequently than monthly and coincide with one or more pay periods (Title 2, CFR, Section 220, Appendix A (J)(10)(c)).

The University of Texas at El Paso (University) requires timesheets for hourly employees and effort certifications for salaried employees. The University completes effort certifications twice each year for the periods of September 1 through February 28 and March 1 through August 31. The University’s process is to begin the certification process 45 days after the certification period ends.

Initial Year Written:	2013
Status:	Partially Implemented
Environmental Protection Agency	
National Aeronautics and Space Administration	
National Science Foundation	
U.S. Department of Commerce	
U.S. Department of Defense	
U.S. Department of Education	
U.S. Department of Health and Human Services	
U.S. Agency for International Development	

**The University was unable to provide documentation to support its payroll distribution for 30 (48 percent) of 62 payroll transactions tested. Specifically:**

- The University did not require salaried students to complete effort certifications. As a result, auditors could not verify whether the salaried students associated with 18 (29 percent) of 62 payroll transactions committed effort to the awards from which they were paid. The payroll transactions tested for those 18 salaried students totaled \$22,467. Payroll transactions for other salaried students also were potentially affected by that issue.
- The University was not able to provide adequate documentation to support employees’ payroll distributions for 12 (19 percent) of 62 payroll transactions tested. Effort certifications, timesheets, payroll documents, and appointment information the University provided for employees associated with those 12 transactions did not support the payroll distributions for those transactions. As a result, auditors were unable to verify whether those 12 payroll transactions, which totaled \$10,297, represented actual payroll costs. The University subsequently provided effort certifications for an employee associated with one of those 12 transactions; therefore, there were no questioned costs associated with that \$2,095 transaction. However, the certification for that transaction was not completed in a timely manner. The University did not begin the certification process for the period covering that transaction (March 1, 2013, through August 31, 2013) until November 15, 2013, which was 76 days after the certification period ended.

Corrective Action:

Corrective action was taken.

Indirect Costs

Indirect costs are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Indirect costs shall be distributed to applicable sponsored agreements on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000, shall be excluded from modified total direct costs (Title 2, CFR, Part 220, Appendix A, G.2).

**For 1 (2 percent) of 60 indirect cost charges tested, the University charged an incorrect indirect cost rate.** The University set up a federal award incorrectly in its financial system. As a result, it overcharged \$3,916 in indirect costs to that award. The University corrected that error and transferred the indirect charges to an institutional account; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not maintain adequate user access controls over its Effort Certification & Reporting Technology (ECRT) application.** Specifically, the University had a generic ECRT user account with high-level system administrator access that was no longer necessary. The University removed access for that account during the audit. The existence of unnecessary generic accounts with high-level system administrator access increases the risk of inappropriate and unauthorized changes to applications.

In addition, the University did not maintain evidence that it conducted formal, periodic reviews of access to ECRT to determine the appropriateness of users' access based on their job responsibilities. That increases the risk of inappropriate access.

The following awards were affected by the issue discussed above involving the University's inability to provide documentation to support payroll distributions:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>	<u>Questioned Cost</u>
11.611	Manufacturing Extension Partnership	26-2403-18-62, pass-through from the University of Texas at Arlington	September 1, 2012 to August 31, 2013	\$ 0
12.431	Basic Scientific Research	W911NF-07-2-0027, pass through from Stanford University	April 1, 2013 to December 31, 2013	1,530
12.630	Basic, Applied, and Advanced Research in Science and Engineering	W911NF-11-1-0129	April 11, 2011 to April 10, 2014	837
12.800	Air Force Defense Research Sciences Program	FA9550-12-1-0475, pass-through from Iowa State University	September 30, 2012 to September 29, 2013	2,000
12.800	Air Force Defense Research Sciences Program	FA9550-12-1-0457	September 30, 2012 to November 29, 2015	443

**UNIVERSITY OF TEXAS AT EL PASO**

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
43.002	Aeronautics	NNX09AV09A	October 1, 2009 to September 30, 2014	2,106
47.041	Engineering Grants	HRD-0734825	August 1, 2010 to August 31, 2013	5
47.049	Mathematical and Physical Sciences	0518-G-KB563, pass-through from the University of California Los Angeles	September 1, 2010 to August 31, 2014	1,222
47.049	Mathematical and Physical Sciences	DMR-1205302	June 1, 2012 to May 31, 2017	693
47.049	Mathematical and Physical Sciences	CHE-1110967	July 1, 2011 to June 30, 2014	363
47.050	Geosciences	EAR-0847499	March 1, 2009 to May 31, 2014	1,575
47.050	Geosciences	EAR-1009695-003	May 1, 2011 to April 30, 2015	1,593
47.050	Geosciences	EAR-1113703	September 1, 2011 to August 31, 2014	1,866
47.070	Computer and Information Science and Engineering	IIS-0829683	April 17, 2009 to August 31, 2014	1,297
47.076	Education and Human Resources	HRD-0734825	September 1, 2007 to August 31, 2013	4,570
47.076	Education and Human Resources	HRD-1242122	September 1, 2012 to August 31, 2017	1,917
47.082	Trans-NSF Recovery Act Research Support	ARC-0909502	September 1, 2009 to August 31, 2013	107
66.000	Environmental Protection Agency	Contract 582-13-30518, pass-through from Texas Commission on Environmental Quality	September 1, 2012 to August 31, 2013	388
66.202	Congressionally Mandated Projects	EM-83486101-01	September 1, 2010 to May 31, 2013	1,825
84.367	Improving Teacher Quality State Grants	S367B110038, pass-through from Texas Higher Education Coordinating Board	February 1, 2012 to April 30, 2014	16
93.307	Minority Health and Health Disparities Research	5P20MD002287-05	July 1, 2011 to June 30, 2014	1,200
93.837	Cardiovascular Diseases Research	1SC2HL107235-01	August 1, 2010 to December 31, 2013	125
93.855	Allergy, Immunology and Transplantation Research	5R01AI095667-02	July 1, 2011 to June 30, 2014	1,833
93.859	Biomedical Research and Research Training	2R25GM069621-09	April 1, 2012 to March 31, 2014	1,833

**UNIVERSITY OF TEXAS AT EL PASO**

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>	<b>Questioned Cost</b>
93.859	Biomedical Research and Research Training	5R25GM049011-13	September 1, 2009 to June 30, 2014	4
98.001	USAID Foreign Assistance for Programs Overseas	AID-497-A-12-00008	March 18, 2012 to March 31, 2015	1,321
			Total	<u>\$ 30,669</u>

The following award was affected by the issue discussed above in which the University incorrectly charged indirect costs:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
47.076	Education and Human Resources	DUE-0926721	September 1, 2009 to August 31, 2013

**Recommendations:**

The University should document its periodic user access reviews and related corrective actions, including the removal of unused user accounts.

**Management Response and Corrective Action Plan 2013:**

*Processes for periodic review and update of ECRT access and roles will be documented and include removal of unused user accesses.*

**Management Response and Corrective Action Plan 2014:**

*ECRT access roles were reviewed and all unnecessary individuals were removed from the various environments (test/stage/production). As of November 2013, access is now restricted to appropriate staff, and are reviewed and updated (if needed) on a quarterly basis. This process of review and update is also part of ORSP's quarterly compliance reporting. Copies of quarterly review access schedule are on file.*

*Implementation Date: Completed*

*Responsible Person: Manuela D. Dokie*

Reference No. 2013-179

**Cash Management**

**Research and Development Cluster**

**Award years – August 23, 2010 to November 22, 2012 and December 5, 2011 to October 31, 2013**

**Award numbers – CFDA 12.351, Basic Scientific Research – Combating Weapons of Mass Destruction, HDTRA1-10-1-0096 and CFDA 43.001, Science, NNX09AV17A pass-through from United Negro College Fund Special Programs Corporation**

**Type of finding – Significant Deficiency and Non-Compliance**

Recipients shall maintain advances of federal funds in interest-bearing accounts unless: (1) The recipient receives less than \$120,000 in federal awards per year, (2) the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$250 per year on federal cash balances, or (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources (Title 2, Code of Federal Regulations (CFR), Section 215.22 (k)). For those entities for which the Cash Management Improvement Act (CMIA) and its implementing regulations do not apply, interest earned on federal advances deposited in interest-bearing accounts shall be remitted annually to the U.S. Department of Health and Human Services. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense. State universities and hospitals shall comply with CMIA, as it pertains to interest (Title 2, CFR, Section 215.22(l)). In addition, Title 31, CFR, Section 205, which implements the CMIA, requires state interest liability to accrue if federal funds are received by a state prior to the day the state pays out the funds for federal assistance program purposes. State interest liability accrues from the day federal funds are credited to a state account to the day the state pays out the federal funds for federal assistance program purposes (Title 31, CFR, Section 205.15).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Defense National Aeronautics and Space Administration	

**The University of Texas at El Paso (University) did not maintain advances of federal funds in interest-bearing accounts.** The University has not established a process to maintain advances of federal funds in interest-bearing accounts. The University identified 41 awards that potentially received advances of federal funds according to its records. Auditors reviewed 11 of those awards and determined that 2 of them required advances of funds to be maintained in interest-bearing accounts. The University received federal funds in advance of expenditures for both of those awards, but it did not maintain the funds in interest-bearing accounts. If the University does not maintain advances in interest-bearing accounts, it cannot earn or remit to the federal government interest exceeding \$250 per year on funds it received in advance of expenditures. Other federal awards also were potentially affected by this issue.

Recommendation:

The University should:

- Maintain advances of federal funds in interest-bearing accounts.
- Develop and implement procedures to calculate and remit interest payments to the federal government when federal funds are credited to its accounts before it uses those funds.

Management Response and Corrective Action Plan 2013:

- UTEP will ensure that all federal advance funds are maintained in an interest bearing account unless in accordance with 2 CFR, Section 215.22 (k.2) “the best reasonable available interest bearing account would not be expected to earn interest in excess of \$250 per year on federal cash balance”.
- UTEP will develop and implement procedures to comply with CMIA 31 CFR 205.15 and 2 CFR Section 215.22, where the process will be applied for the next required reimbursement date of 09/30/2014.

Management Response and Corrective Action Plan 2014:

The University’s General Accounting Office will create a separate account to manage the interest generated from all federal fund advances subject to interest bearing terms and will develop processes to be compliant. Process was

*developed and is currently being followed. Process – Research administrators and C&G Accountants identify and communicate interest bearing federal prepaid awards to General Accounting. Such identified projects/accounts will be tracked and log for special handling. Accrued interest is kept in the separate account and then disbursed to the principle account. Account owners are advised on a quarterly basis how much interest income is available to be spent toward objectives of the principle account. On an annual basis, earned interest income is reviewed and balances in excess of \$250 will be sent to DHHS.*

*Implementation Date: Completed*

*Responsible Person: Manuela D. Dokie*

Reference No. 2013-180

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Award years – August 23, 2010 to November 22, 2012; December 1, 2008 to November 30, 2012; and September 15, 2007 to August 31, 2012**

**Award numbers – CFDA 12.351, Basic Scientific Research-Combatting Weapons of Mass Destruction, HDTRA1-10-1-0096; CFDA 47.070, Computer and Information Science and Engineering, CNS-0837556; and CFDA 47.078, Polar Programs, ARC-0732885**

**Type of finding – Significant Deficiency and Non-Compliance**

When a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71).

Initial Year Written:	2013
Status:	Implemented
National Science Foundation U.S. Department of Defense	

**The University of Texas at El Paso (University) did not always liquidate its obligations within the required time frame.** For 9 (75 percent) of the 12 transactions tested that the University recorded after the end of the award period of availability, the University did not liquidate the obligations within 90 days after the end of the funding period or request an extension from the sponsor. The University liquidated the obligations associated with those 9 transactions, which totaled \$52,995, between 95 and 257 days after the end of the funding period. The University does not have a sufficient process to follow up on outstanding invoices or to request an award close-out extension from the sponsor to ensure that it liquidates funds within required time frames. Without that process, the University could spend federal funds improperly, which could affect its ability to obtain future research and development funding.

Corrective Action:

Corrective action was taken.

Reference No. 2013-181

**Reporting**

**Research and Development Cluster**

**Award years – April 2, 2012 to April 1, 2016; March 1, 2013 to February 29, 2016; August 15, 2012 to July 31, 2017; June 1, 2012 to May 31, 2017; and March 18, 2012 to March 31, 2015**

**Award numbers – CFDA 17.268, H-1B Job Training Grant, HG-22730-12-60-A-4; CFDA 12.800, Air Force Defense Research Sciences Program, FA9550-13-1-00081; CFDA 47.076, Education and Human Resources, HRD-1202008; CFDA 47.076, Education and Human Resources, DMR-1205302; and CFDA 98.001, USAID Foreign Assistance for Programs Overseas, AID-497-A-12-00008**

**Type of finding – Significant Deficiency and Non-Compliance**

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, Code of Federal Regulations (CFR), Sections 215.51 and 215.52). The U.S. Department of Labor requires recipients to submit the Financial Status Report ETA-9130 to report financial activity. The Department of Labor provides specific instructions for completing the ETA-9130, including definitions and requirements of key reporting elements.

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Labor  
U.S. Department of Defense  
National Science Foundation  
Agency for International  
Development

**The University of Texas at El Paso (University) did not ensure that 1 (2 percent) of 60 financial reports was accurate and complete.** Specifically, for CFDA 17.268 award HG-22730-12-60-A-4, the University:

- Reported federal expenses for the award on the cash basis instead of the accrual basis. As a result, the University understated the federal share of expenditures on the report by \$16,227.
- Did not report \$35,747 in indirect costs in total administrative expenditures.
- Did not report the total recipient share required for the full period of the award. The University reported only the \$891,661 recipient share required for two years of the four-year grant. The total recipient share required for the award was \$1,995,940, resulting in a \$1,104,079 understatement of the total recipient share required.

Because the reporting elements discussed above are used to calculate other elements in the report, the University also incorrectly reported the total federal obligations, unobligated balance of federal funds, and remaining recipient share to be provided. The University did not identify those errors due to a manual error in its financial report review process. Inaccurate and incomplete information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor awards.

Corrective Action:

Corrective action was taken.

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding their first-tier subawards that exceed \$25,000. The prime recipient is required to report subaward information through the Federal Funding Accountability and Transparency Subaward Reporting System by the end of the month following the month in which the subaward was signed (Title 2, CFR, Chapter 170).

**The University did not always ensure that Transparency Act reports were supported by applicable accounting or performance records, or that they were submitted in a timely manner.** Specifically:

- For 6 (67 percent) of 9 reports tested, the University did not report some of the data elements included in the reports accurately. For five of those reports, the University did not report the obligation date accurately. For two

of those five reports, the errors occurred because the University reported the dates that the University signed the subawards, rather than the dates on which the University and the subrecipient both signed the subawards. For three of those five reports, those errors occurred because the University reported the beginning date of the subawards, rather than the dates the subaward agreements were signed. As a result, the University reported obligation dates for those five subawards ranging from 14 to 81 days before both parties signed the subawards. For one of those reports, the University overstated the subaward amount by \$440,730. The amount of the subaward was \$48,968; however, the University reported \$489,698 due to a manual error.

- For 7 (78 percent) of 9 reports tested, the University submitted the reports between 1 and 10 months late because it fell behind in submitting subaward information for Transparency Act reporting.

Not reporting subawards within the required time frames decreases the reliability and availability of information to the awarding agency and other users of that information.

Recommendations:

The University should submit Transparency Act reports that are accurate and supported by applicable accounting or performance records, and submit those reports in a timely manner.

Management Response and Corrective Action Plan 2013:

*UTEP developed processes and dedicated support staff to sustain FFATA reporting as of June 2013. Effort is continuing to improve on the timeliness of FFATA reporting and elimination of manual input to mitigate risks of error.*

Management Response and Corrective Action Plan 2014:

*The office of Sponsored Projects went into the FSRS.gov, identified and fixed the typos in the FFATA section of FSRS.gov. ORSP AVP held training session on how to review agency award notifications for FFATA reporting. Further, we added specifically trained support staff for the subcontracting enterprise (pre-award and post-award) to manage subcontracts regarding tracking of subcontracts, post award monitoring, and compliance with FFATA reporting in a timely manner.*

*Implementation Date: July 2015*

*Responsible Person: Manuela D. Dokie*

**University of Texas Health Science Center at Houston**

Reference No. 13-165

**Activities Allowed or Unallowed**

**Allowable Costs/Cost Principles**

(Prior Audit Issue 11-172)

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency**

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, activity reports must be prepared each academic term, but no less frequently than every six months (Title 2, Code of Federal Regulations, Section 220, Appendix A (J)(10)).

Initial Year Written: 2010  
 Status: Implemented

U.S. Department of Health and Human Services  
 U.S. Department of Defense  
 U.S. Department of Education

**The University of Texas Health Science Center at Houston (Health Science Center) did not complete in a timely manner certifications of after-the-fact time and effort reports for 8 (18 percent) of 45 payroll transactions tested.** According to Health Science Center policy, certification is considered timely if it occurs within 30 calendar days after the time and effort reports are made available to department personnel for certification. Department personnel certified the 8 time and effort reports between 3 and 89 days after certification was due. The Health Science Center has a process to notify department academic and administrative leadership or department deans if certifications are not completed in a timely manner. However, because those notifications are sent after the 30-day period has expired, the process is not adequate to ensure that department personnel submit certifications in a timely manner.

A prolonged elapsed time between activity and certification of the activity can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments to that distribution.

The following awards were affected by the issue noted above:

CFDA No.	CFDA Title	Award Number	Award Year
84.305	Education Research, Development and Dissemination	R305A090212-10	March 1, 2010 to February 28, 2013
12.420	Military Medical Research and Development	W81XWH-11-1-0240	September 1, 2011 to August 31, 2012
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5R01DK035566-26	July 1, 2011 to June 30, 2012
93.855	Allergy, Immunology and Transplantation Research	5P01A1077774-01	August 1, 2011 to July 31, 2012
93.728	ARRA – Strategic Health IT Advanced Research Projects (SHARP)	90TR0004-01	April 1, 2011 to March 31, 2012
93.701	Trans-NIH Recovery Act Research Support	1RC4HD67977-01	September 1, 2011 to August 31, 2012
93.701	Trans-NIH Recovery Act Research Support	U01NS062835	September 1, 2011 to August 31, 2012

**UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON**

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.701	Trans-NIH Recovery Act Research Support	5R01EY0118352-02	August 1, 2010 to July 31, 2012

Corrective Action:

Corrective action was taken.

Reference No. 13-167

**Reporting**

**Research and Development Cluster**  
**Research and Development Cluster – ARRA**  
**Award years – Multiple**  
**Award numbers – Multiple**  
**Type of finding – Significant Deficiency**

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal funds in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written:	2012
Status:	Implemented
Federal Agencies that Provide R&D Awards	

**The University of Texas Health Science Center at Houston (Health Science Center) does not have sufficient controls to ensure that the American Recovery and Reinvestment Act (Recovery Act) Section 1512 reports and Federal Funding Accountability and Transparency Act (FFATA) reports it submits to the federal government are complete and accurate.** The Health Science Center did not document its review of the expenditure reports it used to report Recovery Act and FFATA information. Performing and documenting that review is important to help ensure the completeness and accuracy of the reports the Health Science Center submits.

Auditors did not identify any errors in a sample of 14 Recovery Act Section 1512 reports tested or in a sample of 7 FFATA reports tested that the Health Science Center submitted during fiscal year 2012. However, the lack of a review increases the risk that information intended for the federal government and the public could be incomplete or inaccurate.

Corrective Action:

Corrective action was taken.

**University of Texas Health Science Center at San Antonio**

Reference No. 2013-182

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

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Indirect costs are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Indirect costs shall be distributed to applicable sponsored agreements on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000, shall be excluded from modified total direct costs (Title 2, Code of Federal Regulations, Part 220, Appendix A, G.2).

Initial Year Written: 2013  
 Status: Implemented

National Aeronautics and  
 Space Administration  
 National Science Foundation  
 U.S. Department of Defense  
 U.S. Department of Health and  
 Human Services

**For 1 (2 percent) of 60 indirect cost transactions tested, the University of Texas Health Science Center at San Antonio (Health Science Center) charged an incorrect indirect cost rate.** The Health Science Center set up a federal award incorrectly in its financial system. As a result, it overcharged \$251 in indirect costs to that award. The Health Science Center corrected the error and transferred the indirect charges to an institutional account; therefore, there were no questioned costs.

**Additionally, the Health Science Center incorrectly included capital equipment and other capital expenditures in the modified total direct cost base it used to calculate indirect cost charges.** During fiscal year 2013, the modified total direct cost table in the Health Science Center’s financial system did not exclude the object codes for capital equipment and other capital expenditures from the indirect cost calculations. As a result, the Health Science Center incorrectly charged \$197,890 in indirect costs to 34 federal awards. The Health Science Center subsequently revised its indirect cost table and removed the incorrect charges from all awards affected; therefore, there were no questioned costs.

The issues discussed above affected the following awards:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.420	Military Medical Research and Development	W81XWH-08-2-0110	September 1, 2008 to August 31, 2015
43.003	Exploration	NNX12AC32G	April 1, 2012 to March 31, 2015
47.074	Biological Sciences	IOS-1147467	August 15, 2011 to October 31, 2013
93.113	Environmental Health	1 R01 ES022057-01	August 23, 2012 to April 30, 2017
93.213	Research and Training in Complementary and Alternative Medicine	5 K99 AT006704-02	August 1, 2011 to April 30, 2013
93.213	Research and Training in Complementary and Alternative Medicine	1 R01 AT006885-01A1	January 1, 2013 to December 31, 2017

**UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO**

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.242	Mental Health Research Grants	2 R01 MH076929-06A1	September 12, 2012 to July 31, 2017
93.242	Mental Health Research Grants	5 R01 MH090067-03	July 1, 2010 to June 30, 2015
93.279	Drug Abuse and Addiction Research Programs	5 R01 DA005018-24	February 1, 2010 to January 31, 2015
93.279	Drug Abuse and Addiction Research Programs	1 R01 DA032701-01A1	March 1, 2013 to November 30, 2017
93.389	National Center for Research Resources	8R24OD010933-03	March 1, 2010 to February 28, 2014
93.389	National Center for Research Resources	8 KL2 TR000118-05	May 19, 2008 to April 30, 2014
93.394	Cancer Detection and Diagnosis Research	ISG 5 U01 CA86402-13	July 1, 2010 to June 30, 2015
93.395	Cancer Treatment Research	7 R01 CA069065-15	October 1, 2011 to May 31, 2014
93.397	Cancer Centers Support Grants	7U54 CA113001-08	March 1, 2012 to February 28, 2015
93.397	Cancer Centers Support Grants	1 P20 CA165589-01A1	September 14, 2012 to August 31, 2016
93.837	Cardiovascular Diseases Research	5 R01 HL102310-03	July 1, 2010 to June 30, 2014
93.837	Cardiovascular Diseases Research	5 R01 HL085742-04	March 18, 2008 to February 28, 2014
93.837	Cardiovascular Diseases Research	1 R01 HL115858-01	July 16, 2012 to April 30, 2016
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	2 R56 DK069930-06	September 1, 2012 to June 30, 2013
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5 R01 DK079195-04	August 15, 2008 to February 28, 2014
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	1 R01 DK096119-01	July 1, 2012 to June 30, 2016
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5 R01 DK087460-03	June 1, 2010 to May 31, 2014
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5 R01 DK079996-03	July 1, 2010 to June 30, 2015

**UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO**

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 R01 NS050627-05	April 14, 2006 to March 31, 2013
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 R01 NS043394-11	June 1, 2011 to May 31, 2015
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	7 R01 NS050356-07	August 1, 2012 to November 30, 2016
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 R01 NS062811-03	February 1, 2010 to January 31, 2015
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	1 R01 NS082746-01A1	June 1, 2013 to April 30, 2018
93.855	Allergy, Immunology and Transplantation Research	5 R01 AI083387-03	June 1, 2010 to May 31, 2015
93.855	Allergy, Immunology and Transplantation Research	5 R01 AI078972-04	January 23, 2009 to December 31, 2013
93.855	Allergy, Immunology and Transplantation Research	ISG 5 U19 AI070412-07	August 1, 2011 to July 31, 2016
93.859	Biomedical Research and Research Training	5 R01 GM047291-20	February 1, 2009 to July 31, 2013
93.866	Aging Research	ISG 5 P30 AG013319-18	September 1, 2011 to June 30, 2015
93.866	Aging Research	5 P30AG013319-18	September 1, 2011 to June 30, 2015

Corrective Action:

Corrective action was taken.

Reference No. 2013-183

**Equipment and Real Property Management**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

A recipient’s equipment records for equipment acquired with federal funds and federally owned equipment should be maintained accurately and include all of the following: a description of the equipment; manufacturer’s serial number or other identification number; the source of the equipment, including the award number, whether title vests in the recipient or in the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment; unit acquisition cost; and ultimate disposition data for the equipment.

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Defense National Institutes of Health	

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment (Title 2, Code of Federal Regulations, Section 215.34(f)).

The University of Texas Health Science Center at San Antonio’s (Health Science Center) *Handbook of Operating Procedures* (Handbook) states that all new equipment costing \$5,000 or more and items defined by the Texas Comptroller of Public Accounts as “controlled” items and costing \$500 or more will be tagged with an inventory number and placed on the official property records. The Handbook also states that the Health Science Center will take a physical inventory of its assets annually. During the annual inventory, the Health Science Center provides all departments with a list of property to compare to the physical inventory, and the departments are required to report any exceptions to the Health Science Center’s Property Control Department.

**The Health Science Center did not maintain accurate and complete property records for 11 (17 percent) of 65 equipment items tested. Specifically:**

- For four items, the Health Science Center did not correctly record the serial numbers in its property records.
- For two items, the Health Science Center did not correctly record the current location in its property records. The department responsible for one of those items moved the item in May 2013, but it did not notify the Property Control Department of the location change. The Health Science Center was initially unable to locate the other item because the item’s actual location differed from the location listed in the property records; however, it subsequently located that item.
- For two items, the Health Science Center did not record accurate descriptions of the items in its property records.
- For one item, the inventory tag number affixed to the item did not match the tag number assigned to that item in the Health Science Center’s property records.
- For one item, the Health Science Center did not record a serial number in its property records. In addition, the Health Science Center did not correctly record the item’s location in its property records. The department responsible for that item moved the item in May 2013, but it did not notify the Property Control Department of the location change.
- For one item, the Health Science Center did not correctly record the serial number, and it did not record an accurate description of the item in its property records.

In addition, the Health Science Center did not affix an inventory tag number to 1 (2 percent) of 65 equipment items.

The errors discussed above occurred as a result of weaknesses in the Health Science Center’s record keeping and annual inventory processes. As noted above, departments moved two of the items in May 2013, but they did not notify the Property Control Department of the location changes. The departments also did not report the other errors discussed above to the Property Control Department when they performed the annual inventory in fiscal year 2013.

**UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO**

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Not maintaining complete and accurate property records and not tagging equipment items could result in non-traceable, missing, lost, or stolen equipment.

The issues above affected the following awards:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.000	Not applicable	HR0011-07-C-0027	January 15, 2007 to September 30, 2011
93.866	Aging Research	U01 AG022307	April 15, 2004 to August 31, 2009
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	19057/00025154	April 1, 2006 to March 31, 2012
93.121	Oral Diseases and Disorders Research	R01DE11381	October 1, 1994 to September 30, 1999
93.121	Oral Diseases and Disorders Research	5 R01 DE11005-04	July 1, 1996 to June 30, 2002
93.121	Oral Diseases and Disorders Research	R21 DE15590	September 28, 2004 to June 30, 2007
93.393	Cancer Cause and Prevention Research	R01 CA138627	September 2, 2010 to June 30, 2015
93.371	Biomedical Technology	1S10RR15883-01	March 1, 2001 to February 28, 2002
93.242	Mental Health Research Grants	R01 MH074457	September 1, 2010 to March 31, 2015
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	R01 DK077639	October 1, 2006 to August 31, 2011
93.859	Biomedical Research and Research Training	R01 GM55372	January 1, 2002 to December 31, 2006

Corrective Action:

Corrective action was taken.

**University of Texas M.D. Anderson Cancer Center**

Reference No. 2013-184  
**Cash Management**  
(Prior Audit Issue 13-169)

**Research and Development Cluster**  
**Award year – September 4, 1998 to June 30, 2013**  
**Award number – CFDA 93.397, Cancer Centers Support Grants, 5 P30 CA016672**  
**Type of finding – Material Weakness and Material Non-Compliance**

A state must minimize the time between its drawdowns of federal funds and the disbursement of those funds for federal program purposes. The timing and amount of the funds transfer must be as close as is administratively feasible to a state’s actual cash outlays (Title 31, Code of Federal Regulations, Section 205.33(a)).

Initial Year Written:	2012
Status:	Implemented
National Institutes of Health	

To minimize the time elapsing between drawdown and disbursement of federal funds, the University of Texas M.D. Anderson Cancer Center (Cancer Center) operates on a reimbursement basis under which its drawdowns should be based only on expended amounts. However, during fiscal year 2013, the Cancer Center:

- **Did not have adequate controls to ensure that its drawdowns of federal funds were based only on paid amounts.**
- **Executed federal cash draws based, in part, on unpaid expenditures.**
- **Did not provide adequate documentation at the individual award level to support the amounts of federal funds that it drew down.**

Because of those issues, auditors were unable to determine whether the Cancer Center drew down the appropriate amounts of federal funds for fiscal year 2013. As a result, auditors also were unable to determine whether any questioned costs were associated with those issues. Those issues affected the Cancer Center’s drawdowns for all of its National Institutes of Health awards. The Cancer Center receives a large number of awards from the National Institutes of Health, but because auditors were unable to identify the specific awards affected by those issues, auditors have associated this finding with one of the Cancer Center’s largest awards.

The weaknesses in controls and supporting documentation are related to the Cancer Center’s implementation of a new accounting system in September 2012. In January 2013, the Cancer Center determined that the automated process it had been using to determine drawdown amounts erroneously included deferred payments (obligations that the Cancer Center had not yet paid). The Cancer Center’s subsequent attempt to correct that automated process and to determine drawdown amounts through a manual process also resulted in additional adjustments that it needed to make in its drawdown amounts.

The Cancer Center stopped drawing down federal funds from May 2013 through July 2013, while it worked on a solution for the error in its new accounting system. The Cancer Center asserted that, when it resumed drawing down federal funds in August 2013, the error had been corrected. The Cancer Center also asserted that, because it did not draw down federal funds in each month of the year, its total drawdowns during fiscal year 2013 did not exceed total expended amounts.

Corrective Action:

Corrective action was taken.

Reference No. 2013-185

**Reporting**

(Prior Audit Issue 13-171)

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Non-Compliance**

Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that equal or exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations (CFR), Chapter 170).

Initial Year Written: 2012  
Status: Partially Implemented

National Aeronautics and  
Space Administration  
National Institutes of Health

**For all 10 subawards tested that were subject to Transparency Act reporting, the University of Texas M.D. Anderson Cancer Center (Cancer Center) did not submit the required Transparency Act reports. During fiscal year 2013, the Cancer Center did not report any of its subawards as required by the Transparency Act, and it did not have a process to do so.** Not submitting required Transparency Act reports decreases the reliability and availability of information provided to the awarding agency and other users of that information.

Federal Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, CFR, Sections 215.51 and 215.52). Recipients use the Federal Financial Report SF-425 or the Request for Advance or Reimbursement SF-270 to report financial activity. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425 and SF-270, including definitions and requirements of key reporting elements.

**The Cancer Center did not ensure that its financial reports included all activity in the reporting period, were supported by applicable accounting records, and were presented fairly in accordance with program requirements.** Specifically, 6 (10 percent) of the 60 financial reports tested did not accurately reflect the federal expenditures and unobligated balances and/or the indirect expense due to omissions and data entry errors. The Cancer Center reviewed those financial reports prior to submission; however that review did not detect those data entry errors or omitted transactions. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor its awards.

American Recovery and Reinvestment Act Reporting

Section 1512 of the American Recovery and Reinvestment Act (Recovery Act) requires that recipients submit quarterly reports to the federal government. Information required to be submitted includes (1) the amount of Recovery Act funds received, (2) the amount of Recovery Act funds received that were expended, (3) a detailed list of all projects or activities for which Recovery Act funds were expended, (4) an estimate of the number of jobs created or retained, and (5) detailed information on any subcontracts or subgrants awarded by the recipient (Recovery Act, Section 1512(c)).

**The Cancer Center did not always ensure that its Recovery Act reports were complete and accurate.** Specifically, 1 (11 percent) of 9 Recovery Act reports tested did not include all expenditures for those awards. The Cancer Center charged federal expenditures to this award after it submitted its final Recovery Act report and did not revise or resubmit that report to include all subsequent expenditures. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor its awards.

**UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER**

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The following awards were affected by the Transparency Act reporting issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
43.003	Exploration	NNX13AF05G	January 23, 2013 to January 22, 2014
93.395	Cancer Treatment Research	5 R01 CA168484 02	September 26, 2011 to July 31, 2016
93.855	Allergy, Immunology and Transplantation Research	5 R03 AI092252 02	January 1, 2011 to December 31, 2012
93.394	Cancer Detection and Diagnosis Research	5 R01 CA159042 03	March 1, 2011 to February 29, 2016
93.395	Cancer Treatment Research	R01 CA155446 02	September 19, 2011 to August 31, 2016
93.395	Cancer Treatment Research	5 P01 CA148600 02	September 22, 2011 to August 31, 2016
93.394	Cancer Detection and Diagnosis Research	5R01CA163587-02	September 4, 2012 to July 31, 2017
93.172	Human Genome Research	5 R01 HG005859 03	September 1, 2011 to May 31, 2016
93.361	Nursing Research	5 R01NR014195-02	September 27, 2012 to June 30, 2017

The following awards were affected by the financial reporting issue discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.395	Cancer Treatment Research	5 P01 CA124787 05	September 18, 2008 to August 31, 2013
93.396	Cancer Biology Research	5 P01 CA130821 05	September 10, 2008 to August 31, 2014
93.397	Cancer Center Support Grants	5U54 CA153505 03	September 1, 2012 to August 31, 2015
93.397	Cancer Center Support Grants	5 P50 CA093459 08	July 27, 2012 to July 26, 2013
93.395	Cancer Treatment Research	5 P01 CA049639 23	February 12, 1997 to June 30, 2015
93.397	Cancer Center Support Grants	5 P50 CA142509 03	September 22, 2010 to August 31, 2015

The following award was affected by the Recovery Act reporting issue discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.397	Cancer Center Support Grants	5 P50 CA091846 10	September 15, 2009 to August 31, 2012

Corrective Action:

This finding was reissued as current year reference number 2014-161.

Reference No. 2013-186

**Subrecipient Monitoring**

(Prior Audit Issue 13-172)

**Research and Development Cluster**

**Award years – September 30, 1999 to August 31, 2015; August 15, 2007 to June 30, 2012; April 8, 2008 to February 28, 2013; May 1, 2010 to February 28, 2015; September 10, 2008 to August 31, 2013; and September 22, 2010 to August 31, 2015**

**Award numbers – CFDA 93.399, Cancer Control, 5 P50 CA083639 12; CFDA 93.865, Child Health and Human Development Extramural Research, 5 R01 HD056315 05; CFDA 93.396, Cancer Biology Research, 5 R01 CA123219 05; CFDA 93.393, Cancer Cause and Prevention Research, 5 R01 CA149462 03; CFDA 93.395, Cancer Treatment Research, 5 P01 CA128913 04; and CFDA 93.397, Cancer Centers Support Grants, 1 P50 CA142509 01**

**Type of finding – Significant Deficiency and Non-Compliance**

Preaward Requirements

Beginning October 1, 2010, an agency may not make an award to an entity until it has obtained a valid Data Universal Numbering System (DUNS) number for that entity (Title 2, Code of Federal Regulations, Sections 25.105 and 25.205).

Initial Year Written:	2012
Status:	Partially Implemented

National Institutes of Health
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**For 1 (4 percent) of 28 non-American Recovery and Reinvestment Act subawards tested that were awarded after October 1, 2010, the University of Texas M.D. Anderson Cancer Center (Cancer Center) did not obtain a DUNS number prior to making the subaward.**

The Cancer Center uses a preaward process to document subrecipient information, including a subrecipient’s DUNS number. However, the Cancer Center did not consistently apply that process. Not obtaining a DUNS number prior to award could lead to improper reporting of federal funding on the Cancer Center’s Federal Funding Accountability and Transparency Act reports.

During-the-award Monitoring

As a pass-through entity, the Cancer Center is required by U.S. Office of Management and Budget Circular A-133, Subpart D, Section 400(d), to monitor the activities of subrecipients to ensure that federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**For 5 (17 percent) of 29 subawards tested, the Cancer Center did not consistently monitor subrecipient activities during the subaward periods to provide reasonable assurance that the subrecipients administered the subawards in compliance with federal requirements.** Specifically, for those subawards the Cancer Center reviewed and approved subrecipient invoices prior to payment; however, the subrecipient invoices did not contain sufficient detail for the Cancer Center to determine whether the expenditures were for allowable activities and costs and whether the expenditures complied with other federal and award requirements. For example, one subrecipient invoice included a \$10,820 line item labeled “Expense” with no explanation of the type of expenses included. Two subrecipient invoices included travel line items, but the budgets for those two subawards did not include travel.

Insufficient during-the-award monitoring increases the risk the Cancer Center would not detect subrecipients’ noncompliance with federal requirements.

Corrective Action:

This finding was reissued as current year reference number 2014-162.

**University of Texas Medical Branch at Galveston**

Reference No. 13-174

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

**Research and Development Cluster**

**Award years – September 13, 2010 to December 30, 2012 and September 4, 2003 to February 28, 2014**

**Award numbers – CFDA 93.855, Allergy, Immunology and Transplantation Research, 2R44AI055225-03 and  
5U54AI057156-09**

**Type of finding – Significant Deficiency and Non-Compliance**

Direct Costs

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, Code of Federal Regulations (CFR), Section 220, Appendix A, C.2).

Initial Year Written: 2012  
Status: Implemented

U.S. Department of Health and  
Human Services

**One (2 percent) of 65 direct cost transactions tested at the University of Texas Medical Branch at Galveston (Medical Branch) was unallowable.** The Medical Branch reimbursed \$11 in gratuity charges as part of a travel reimbursement. The gratuity charge was misidentified as a food expense during the travel reimbursement process. After auditors identified this issue, the Medical Branch removed the cost of the gratuity from the federal account and reduced a subsequent federal reimbursement request by the amount of the gratuity.

Internal Service Charges

The costs of services provided by specialized service facilities operated by an institution are allowable if the costs of such services are charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that (1) does not discriminate against federally-supported activities of the institution, including usage by the institution for internal purposes, and (2) is designed to recover only the aggregate costs of the services. Service rates shall be adjusted at least biennially and shall take into consideration over/underapplied costs of the previous period(s) (Title 2, CFR, Section 220 Appendix A, J.47). Working capital reserves are generally considered excessive when they exceed 60 days of cash expenses for normal operations incurred for the period, exclusive of depreciation, capital costs, and debt principal costs (Office of Management and Budget Circular A-133 Compliance Supplement, Part 3, Section B).

**The Medical Branch did not always ensure that the costs of the services its service centers provided were designed to recover only the aggregate costs of the services.** For 2 (10 percent) of 20 service centers tested, working capital reserves exceeded 60 days of cash expenses. During fiscal year 2012, those two service centers had 767 and 839 days' worth of cash expenses in working capital reserves. The Medical Branch could not provide evidence of a consistent process for reviewing and adjusting service centers' rates or reviewing service centers' working capital reserves. Maintaining excessive working capital reserves increases the risk that federal awards are not charged an equitable rate and that service centers recover more than the aggregate costs of the services.

Corrective Action:

Corrective action was taken.

Reference No. 13-175

**Equipment and Real Property Management**

**Research and Development Cluster**

**Award years – Unknown**

**Award numbers – Unknown**

**Type of finding – Significant Deficiency and Non-Compliance**

A recipient’s property management standards for equipment acquired with federal funds and federally-owned equipment shall include all of the following: a description of the equipment; manufacturer’s serial number or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment, unit acquisition cost; and ultimate disposition data for the equipment.

Initial Year Written: 2012  
Status: Partially Implemented

Federal Agencies that Provide  
R&D Awards

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the federal government, the recipient shall promptly notify the federal awarding agency (Title 2, Code of Federal Regulations, Section 215.34 (f)).

**The University of Texas Medical Branch at Galveston (Medical Branch) did not always maintain adequate property records or adequately safeguard its equipment.** For 2 (3 percent) of 60 equipment items tested, the Medical Branch’s property records did not contain information on the ultimate disposition of the items. Specifically:

- For one item, the property records indicated that the item was in service; however, the Medical Branch had sold that item. The Medical Branch provided disposal documentation for that item after auditors identified this issue.
- For one item, the property records indicated that the item was in service, but the Medical Branch asserted that it had sold that item. However, the Medical Branch could not provide documentation showing that the item had been sold or the location of the item, and the item is now considered missing. There were no questioned costs associated with that item because the federal award the Medical Branch used to purchase that item was complete; as a result, the Medical Branch had ownership of that item.

At the time the Medical Branch disposed of those items, its process for the disposal of auctioned assets was to remove the asset tag from the item and send it to asset management accounting for entry into the asset management system. However, that process was not always effective in ensuring that the Medical Branch adequately documented the disposal of equipment in its property records.

Without properly maintaining property records with ultimate disposition data, the Medical Branch cannot ensure that it adequately safeguards equipment, which increases the risk that assets may be unidentified, lost, or stolen.

Corrective Action:

This finding was reissued as current year reference number 2014-163.

Reference No. 2013-187

**Equipment and Real Property Management**

**CFDA 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Award year – September 13, 2008**

**Award number – 1791DRTXP00000001**

**Type of finding – Significant Deficiency and Non-Compliance**

When a recipient of a federal award acquires equipment using federal funds and the recipient no longer needs the equipment, the equipment may be used for other activities. For equipment with a current per unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original federal awarding agency or its successor. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the federal awarding agency. The federal awarding agency shall issue instructions to the recipient no later than 120 calendar days after the recipient’s request (Title 2, Code of Federal Regulations, Section 215.34(g)).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Homeland  
Security – Federal  
Emergency Management  
Agency

**The University of Texas Medical Branch at Galveston (Medical Branch) improperly transferred an asset valued at more than \$5,000 that it purchased with Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds to an outside entity.** The Medical Branch did not notify the awarding agency of the disposition or compensate the awarding agency for its share of the value of the asset. The Medical Branch originally acquired the asset to replace research equipment damaged during Hurricane Ike. It transferred the asset to another institution when the principal investigator responsible for that asset left the Medical Branch for that other institution, but it did not seek reimbursement for the value of the asset. The fair market value of the asset could not be determined; however, the Medical Branch purchased the asset in June 2011 for \$10,757 and transferred the asset in August 2013.

The Medical Branch transferred the asset discussed above to the other institution along with several other assets it purchased with federal Research and Development Cluster awards. The disposition form the Medical Branch used included the required internal approvals for the assets purchased with federal Research and Development Cluster awards, but it did not include approval for assets purchased with other awards, such as Disaster Grants – Public Assistance (Presidentially Declared Disasters) funds.

Corrective Action:

This finding was reissued as current year reference number 2014-165.

**University of Texas at San Antonio**

Reference No. 2013-188

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Reporting**

**Special Tests and Provisions – Separate Funds**

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

**Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Cost of Attendance Budgets

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

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

The University of Texas at San Antonio (University) establishes COA budgets prior to the start of the each award year. Staff manually enter the budgets into the University’s financial aid system and then the University’s compliance team performs a quality control review to ensure that the budgets were entered accurately. After a student is assigned a budget group, the system will load the proper budget components stored for that student’s assigned budget group.

**For 8 (1 percent) of the University’s 818 COA budget combinations, the University entered the budgets into its financial aid system incorrectly.** Those errors occurred because the University made changes to some of the budget line items, but it did not update the applicable COA budgets in its financial aid system. The University did not detect those errors during its quality control review process. As a result of those errors, the University assigned 13 students incorrect budgets. The differences between the correct budgets and the incorrect budgets ranged from \$105 to \$2,171. None of the students affected by the incorrect budgets was overawarded assistance. However, not applying correct COA budgets could result in an overaward or underaward of student financial assistance.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have sufficient change management controls in place for its student financial aid system, Banner.** For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-189

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

The University of Texas at San Antonio (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of the financial student assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (2012-2013 *Application and Verification Guide*, page AVG-84).

**The University did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required.** Specifically:

- For 1 (2 percent) of 60 students tested, the University did not correct the student's application to reflect the correct adjusted gross income. That resulted in a \$50 Pell Grant underaward for that student.
- For 1 (2 percent) of 60 students tested, the University did not ensure that the number of household members reported on the student's application was adequately supported. There was no effect on federal assistance awarded to this student.

Both errors resulted from manual errors that occurred during the verification process. Although the University has an established quality control review process, that process did not identify the errors. Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have sufficient change management controls in place for its student financial aid system, Banner.** For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-190

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Timeliness of Returns and Withdrawal Date Determinations

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, Code of Federal Regulations (CFR), Section 668.22(j)(2)). In addition, returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, CFR, Section 668.22(j)).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

Within 30 days of the date that an institution determines that a student has withdrawn, it must send a notice to the student if that student owes a grant overpayment as a result of the student's withdrawal from the institution in order to recover the overpayment (Title 34, CFR, Section 668.22(h)(4)(ii)).

A student who owes an overpayment under this section remains eligible for Title IV assistance through and beyond the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment if the student (1) repays the overpayment in full to the institution, (2) enters into a repayment agreement with the institution in accordance with repayment arrangements satisfactory to the institution, or (3) signs a repayment agreement with the Secretary of the U.S. Department of Education (Title 34, CFR, Section 668.22(h)(4)(i)). If the student does not meet those requirements or fails to meet the terms of the repayment agreement with the institution or with the Secretary of the U.S. Department of Education, that student is not eligible for Title IV assistance (Title 34, CFR, Section 668.22(h)(4)(iv)).

An institution must refer to the Secretary of the U.S. Department of Education, in accordance with procedures required by the Secretary of the U.S. Department of Education, an overpayment of Title IV, Higher Education Act grant funds owed by a student as a result of the student's withdrawal from the institution if (1) the student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary of the U.S. Department of Education within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment, (2) at any time the student fails to meet the terms of the student's repayment agreement with the institution, or (3) the student chooses to enter into a repayment agreement with the Secretary of the U.S. Department of Education (Title 34, CFR, Section 668.22(h)(4)(iv)).

**The University of Texas at San Antonio (University) did not always determine student withdrawal dates in a timely manner or make the required returns of federal financial assistance within the required time frames.** Specifically:

- For 1 (4 percent) of 25 students tested for whom the University was required to return funds, it did not return those funds within 45 days of determining the student's withdrawal date. The University returned the required funds 47 calendar days after it determined that the student withdrew.
- For 2 (22 percent) of 9 students tested who unofficially withdrew, the University did not determine the students' withdrawal dates within 30 days of the end of the semester. For those two students, the University determined their Fall term withdrawal dates 36 calendar days after the end of that term.
- For 1 student who had a grant overpayment, the University did not return funds within 45 days or notify the student that the student was required to return \$36 in Pell Grant funds associated with award P063P123294. The University also did not report a grant overpayment to the U.S. Department of Education within 30 days as required.

The errors occurred because the University did not complete manual processing of Title IV returns in time to meet requirements. Not determining withdrawal dates in a timely manner or making returns after the required time frame reduces the information available to the U.S. Department of Education for its program management.

#### Unofficial Withdrawals Query

**The University's query to identify students who unofficially withdrew during the 2012-2013 award year incorrectly excluded some students who may have unofficially withdrawn during that year.** That occurred because the query included students who only received grades of "F" or "IN" (incomplete); as a result, the query excluded students with combinations of grades that could indicate that they unofficially withdrew. For example, the University's query did not identify students who dropped some courses and received "Fs" in other courses.

Based on information the University provided, the University did not initially determine whether it needed to return funds for 570 students who may have unofficially withdrawn during the 2012-2013 award year. After auditors brought that issue to the University's attention, the University reviewed those additional students to determine whether it was required to return Title IV funds. The University asserted that its review resulted in the return of \$181,659 for 269 of those students.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have sufficient change management controls in place for its student financial aid system, Banner.** For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-191

**Special Tests and Provisions – Enrollment Reporting**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable**

**Type of finding – Significant Deficiency and Non-Compliance**

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS 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, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2013
Status:	Partially Implemented
U.S. Department of Education	

The University of Texas at San Antonio (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.8).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student's formal withdrawal, the student's last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix B).

**For 2 (3 percent) of 60 students tested, the University did not accurately report the effective dates of the students' withdrawal to NSLDS.** The University identified both students as unofficial withdrawals for Fall 2012, and it identified a last date of attendance for both students; however, the University reported the final day of the Fall

2012 term as the effective date of the change. That occurred because the University does not have a process to (1) retrieve the last date of attendance it determines when it makes a return of Title IV funds calculation and (2) use that date when it reports students who unofficially withdraw to NSC.

Additionally, automated controls are not operating effectively to help ensure that enrollment files and degree verifications the University submits to NSC are complete. For example, when the University uploaded one enrollment file to NSC, NSC did not receive information for 56 students because of conflicting information in one data field. That occurred because the University does not have an established process to review all student records rejected by NSC to ensure that status changes are reported to NSLDS, as required. Those 56 students could have received Title IV assistance that would have required the University to update NSLDS with the students' enrollment status.

Inaccurate or incomplete submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University did not have sufficient change management controls in place for its student financial aid system, Banner.** For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

#### Corrective Action:

This finding was reissued as current year reference number 2014-168.

**University of Texas Southwestern Medical Center**

Reference No. 2013-192

**Period of Availability of Federal Funds**

**Research and Development Cluster**

**Research and Development Cluster – ARRA**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Material Weakness and Non-Compliance**

When a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR Section 215.71(b)).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Health and Human Services	

**For 24 (40 percent) of 60 transactions tested that were recorded after the end of the award period of availability, the University of Texas Southwestern Medical Center (Medical Center) did not incur costs within the period of availability or did not liquidate its obligations within the required time period. Specifically:**

- For two transactions, the Medical Center did not incur the costs within the funding period. One of those transactions was a monthly payment for telecommunication rental equipment for a month after the funding period for the award had ended. During fiscal year 2013, the Medical Center charged \$2,484 in unallowable telecommunication rental equipment costs to award N01MH090003. The other transaction was an \$11,400 charge for medical and lab supplies to CFDA 93.847, award 1R01DK091680-01A1.
- The Medical Center charged one transaction to an incorrect federal award. The expenditure was for another award with the same subcontractor. After auditors brought that error to the Medical Center’s attention, the Medical Center transferred the cost to the correct award; therefore, there were no questioned costs.
- For three transactions, the Medical Center incorrectly charged indirect costs. All three transactions were corrections for mistakes the Medical Center made. The Medical Center has a quarterly review process; however, it did not conduct that review in a timely manner to ensure that it could identify and resolve errors promptly. The Medical Center corrected those transactions; however, it made the corrections between 162 and 519 days after the end of the award funding period.
- For 18 transactions, the Medical Center liquidated its obligations more than 90 calendar days after the end of the funding period. The Medical Center liquidated those transactions, which totaled \$757,337, between 114 and 496 days after the end of the funding period. Although the Medical Center was aware of the outstanding obligations, it did not have a procedure to notify the sponsor of the outstanding obligations or request an award close-out extension from the sponsor.

The Medical Center had a process to review and approve invoices; however, that process was not sufficient to ensure that the Medical Center charges expenditures to the correct awards. Additionally, the Medical Center does not have an adequate process to ensure that it liquidates obligations within 90 days after the end of an award’s funding period.

The following awards were affected by the issues discussed above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.000	Not Applicable	N01MH090003	September 29, 1999 to March 31, 2011
93.000	Not Applicable	BRCSC04086	September 13, 2004 to June 30, 2012
93.394	Cancer Detection and Diagnosis Research	U01CA086402	February 1, 2011 to June 30, 2012

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<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.701	Trans-NIH Recovery Act Research Support	5RC1HD06415902	January 15, 2009 to August 31, 2012
93.701	Trans-NIH Recovery Act Research Support	3R01HL08574903S1	July 15, 2009 to May 31, 2012
93.701	Trans-NIH Recovery Act Research Support	5R01DA01667207	August 1, 2009 to July 31, 2011
93.701	Trans-NIH Recovery Act Research Support	3R01NS04951705S1	September 15, 2009 to February 29, 2012
93.839	Blood Diseases and Resources Research	5 R01HL095647 04	March 28, 2011 to July 31, 2012
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5U01DK082916-04	June 1, 2011 to May 31, 2012
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	1R01DK091680-01A1	April 1, 2012 to November 30, 2012
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R21NS06755302	September 22, 2009 to August 31, 2011
93.865	Child Health and Human Development Extramural Research	5U01HD04265205	July 1, 2003 to June 30, 2012
93.866	Aging Research	3R01AG01747909S1	September 1, 2006 to June 30, 2012

Corrective Action:

Corrective action was taken.

Reference No. 2013-193

**Reporting**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, Code of Federal Regulations (CFR), Chapter 170).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Defense  
U.S. Department of Health and Human Services

Recipients of awards subject to the Transparency Act must report all required elements established in the U.S. Office of Management and Budget’s *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting*, including the subaward date, subawardee Dun and Bradstreet Data Universal Numbering System (DUNS) number, amount of subaward, subaward obligation or action date, date of report submission, and subaward number. The subaward obligation date is defined as the date the subaward agreement is signed. Additionally, the amount of the subaward is the net dollar amount of federal funds awarded to the subawardee including modifications (U.S. Office of Management and Budget’s *Open Government Directive - Federal Spending Transparency and Subaward and Compensation Data Reporting, August 27, 2010, Appendix C*).

**For all 13 Transparency Act reports tested, the University of Texas Southwestern Medical Center (Medical Center) did not accurately report key data elements and/or did not submit the reports within the required time frame. Specifically:**

- For 4 of those reports, the Medical Center did not submit the reports within the required time frame due to staffing changes. The Medical Center submitted those reports between 168 and 452 days late.
- For 9 of those reports, the Medical Center did not accurately report key data elements related to the awards. The Medical Center did not report amendments or modifications made to the subawards; therefore, the reported subaward obligation amounts were inaccurate. As a result of not reporting subaward modifications, the Medical Center also did not update its reports within the required time frame.

Additionally, for 11 (85 percent) of the 13 Transparency Act reports tested, the Medical Center reported an incorrect obligation date. For 10 of those reports, the Medical Center reported the obligation date as the first date of the subaward period, instead of the date the subaward was signed. For the remaining report, the Medical Center reported an incorrect obligation date for an unknown reason.

Those issues occurred because the Medical Center did not have sufficient controls to ensure that its Transparency Act reports were accurate and that it submitted those reports in a timely manner. Not submitting accurate Transparency Act reports in a timely manner decreases the reliability and availability of information to the awarding agency and the public.

Corrective Action:

Corrective action was taken.

Financial Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award (Title 2, CFR, Sections 215.51 and 215.52). Recipients use the Federal

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Financial Report SF-425 or the Request for Advance or Reimbursement SF-270 to report financial activity. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425 and SF-270, including definitions and requirements of key reporting elements. For National Institutes of Health awards, grantees must submit quarterly reports no later than 30 days after the end of each reporting period and must submit final financial status reports within 90 days of the end of the grant support.

**The Medical Center did not always submit final financial reports within the required time frame.** For 1 (2 percent) of 60 financial reports tested, the Medical Center did not submit a final financial status report. The Medical Center asserted that it delayed submitting that final financial status report to make adjustments to final amounts as a result of its transition to a new accounting system. Although the Medical Center has a process to identify due dates for final financial status reports, it does not have a process to ensure that it submits those reports within the required time frame. By not submitting final financial status reports in a timely manner, the Medical Center risks suspension or termination of award funding or other enforcement actions from awarding entities.

The following awards were affected by the Transparency Act reporting issues noted above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
12.300	Basic and Applied Scientific Research	N000141110203	June 1, 2011 to May 31, 2014
93.000	Not applicable	HHSF223201110109A	September 15, 2011 to September 14, 2014
93.213	Research and Training in Complementary and Alternative Medicine	5R01AT00688903	July 1, 2011 to June 30, 2014
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	7R01EB004582-06	August 1, 2011 to March 31, 2015
93.350	National Center for Advancing Translational Sciences	2UL1TR000451-06	June 1, 2012 to July 23, 2014
93.397	Cancer Centers Support Grants	5U54CA16330803	September 23, 2011 to May 31, 2014
93.837	Cardiovascular Diseases Research	5R01HL09678203	January 1, 2011 to August 31, 2013
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5R34DK094115-02	September 30, 2011 to August 31, 2013
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R21NS07275402	September 1, 2011 to May 31, 2014
93.855	Allergy, Immunology and Transplantation Research	1R01AI103947-01	January 1, 2012 to December 31, 2017
93.865	Child Health and Human Development Extramural Research	5P01HD01114933	December 1, 2010 to January 31, 2014
93.866	Aging Research	5R01AG017479-11	July 1, 2012 to June 30, 2014

The following award was affected by the financial reporting issue noted above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.173	Research Related to Deafness and Communication Disorders	5R01DC00610109S1	July 1, 2008 to June 30, 2013

Recommendations:

The Medical Center should submit all required financial reports to awarding entities within the required time frames or request extensions from those awarding entities.

Management Response and Corrective Action Plan 2013:

*The Medical Center has justified and secured appropriate and sufficient system technology access for those involved in submitting Transparency Act reports. Further, the Medical Center has provided the necessary orientation and training to those involved. The root-cause reasons for limited system access have been addressed and the Medical Center will monitor procedural breakdowns for swift attention, moving forward.*

*Additionally, the Medical Center will review and sufficiently strengthen its financial reporting database to assure that all reports are included, that such reports are submitted in a timely manner, and continuously implement changes to the processes, as necessary, to help ensure compliance in these areas.*

Management Response and Corrective Action 2014:

*UT Southwestern has fulfilled, completed and implemented the prior management response/corrective action plan. UT Southwestern has put effort toward financial reporting operations, including reviewing process initiatives; UT Southwestern has reviewed/strengthened the financial database; and UT Southwestern continuously reviews processes for possible improvement.*

*In addressing the effectiveness of the fully implemented corrective action plan for the reporting portion of #2013-193, SAO did not complete re-testing of this finding after being unable to secure samples after the April 2014 implementation date. Subsequently, UT Southwestern conducted our own tests, with a sample size of 50 financial reports out of 74 total possible reports, a sample size that is greater than normal audit standards. On three separate tests, UT Southwestern showed 100% on time for financial reporting. This was independently verified by Federal Sponsors (ex: NIH eRA Commons) that show UT Southwestern to be 100% compliant with timely reporting requirements. It should be noted that the sponsors of the entire population of 50 samples show the reports to be fully on-time, in accordance to the original or modified submission due dates. In addition, independent verification from DOD and DOE show UT Southwestern to be 100% on time. This shows significant realization and strength of the effectiveness of the fully implemented corrective action plan. UT Southwestern provided all the information above to SAO in January 2015.*

*UT Southwestern Sponsored Programs recently undertook and completed a comprehensive reorganization of the department, addressing key people, processes, policies, procedures, training, and compliance functions. This reorganization has strengthened overall controls and increased the level of fiscal compliance and monitoring activities across sponsored programs activities, particularly those activities related to timeliness and accuracy of financial reporting. This reorganization and implementation was previously reported to SAO with an April 2014 implementation date. That reorganization was fulfilled, completed and implemented per the corrective action plan. Upon the hire of a new Assistant Vice President of Sponsored Programs on April 2, 2014, all financial reporting pre-existing issues and opportunities for improvement were identified. An additional process improvement initiative, focusing on financial reporting, will be launched with an anticipated completion date of August 2015. Included in the process improvements are a review of policies and guidance that continue to support and assure the timely submission of financial reports.*

*Implementation Date:* August 2015

*Responsible Person:* David Ngo

Reference No. 2013-194

**Subrecipient Monitoring**

**Research and Development Cluster**

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

When acting as a pass-through entity, the University of Texas Southwestern Medical Center (Medical Center) is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. At the time of the subaward, the pass-through entity must identify to the subrecipient the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, whether the award is research and development, the name of the federal awarding agency, and applicable compliance requirements (OMB Circular A-133, Section .400 (d)).

Initial Year Written:	2013
Status:	Implemented
National Institutes of Health	

**For 8 (27 percent) of 30 subaward agreements tested, the Medical Center did not identify the CFDA title to the subrecipients at the time of the award.** For one of those subaward agreements, the Medical Center did not complete the CFDA title field in the template it used to prepare the agreements. The Medical Center awarded the remaining seven subaward agreements prior to fiscal year 2011, when the Medical Center implemented a new subaward template that included a field for the CFDA title. Inadequate identification of federal awards to subrecipients could lead to improper reporting of federal funding on a subrecipient's schedule of expenditures of federal awards.

The following awards were affected by the subrecipient monitoring issues noted above:

<b>CFDA No.</b>	<b>CFDA Title</b>	<b>Award Number</b>	<b>Award Year</b>
93.273	Alcohol Research Programs	5R01AA01520105	September 1, 2012 to August 31, 2013
93.865	Child Health and Human Development Extramural Research	5R01HD05297305	May 1, 2013 to April 30, 2014
93.397	Cancer Centers Support Grants	5P50CA07090715	June 27, 2011 to April 30, 2012
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	5R01DK08187205	September 1, 2009 to August 31, 2013
93.279	Drug Abuse and Addiction Research Programs	5U10DA02002409	September 1, 2012 to August 31, 2013
93.855	Allergy, Immunology and Transplantation Research	5R01AI07770604	September 1, 2010 to August 31, 2013
93.855	Allergy, Immunology and Transplantation Research	5R01AI05306710	January 1, 2008 to December 31, 2012

Corrective Action:

Corrective action was taken.

**Water Development Board**

Reference No. 2013-195

**Allowable Costs/Cost Principles**

**CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds**

**CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds - ARRA**

**Award years – October 1, 2008 to August 31, 2014; June 6, 2011 to August 31, 2015; and September 5, 2012 to August 31, 2016**

**Award numbers – 2W-96692401 (ARRA), CS-48000211, and CS-48000212**

**CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds**

**CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds - ARRA**

**Award years – February 1, 2009 to August 31, 2014; January 1, 2008 to December 31, 2014; September 1, 2008 to August 31, 2014; September 1, 2010 to August 31, 2015; September 1, 2011 to August 31, 2016; and September 1, 2012 to August 31, 2016**

**Award numbers – 2F-96692301 (ARRA), FS-99679511, FS-99679512, FS-99679514, FS-99679515, and FS-99679516**

**Type of finding – Significant Deficiency**

Entities shall maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2013  
Status: Implemented

U.S. Environmental Protection Agency

**The Water Development Board (Board) did not maintain adequate user access controls over its Labor Distribution system.** Specifically, one employee had access rights as a high-level system administrator and as a system programmer, and that employee also had the ability to move programming changes into the production environment of the Labor Distribution system. A lack of segregation of duties in system access and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-196

**Subrecipient Monitoring**

**CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds**

**Award year – September 5, 2012 to August 31, 2016**

**Award number – CS-48000212**

**Type of finding -- Significant Deficiency and Non-Compliance**

The Water Development Board (Board) is required by Office of Management and Budget (OMB) Circular A-133, Section 400(d), to identify to the subrecipient, at the time of the subaward, the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, whether the award is research and development, name of federal awarding agency, and applicable compliance requirements.

Initial Year Written: 2013  
Status: Implemented

U.S. Environmental Protection Agency

**For 1 (13 percent) of 8 subrecipients tested, the Board communicated an incorrect CFDA title and number to the subrecipient at the time of the subaward commitment.** The Board provided documentation that it correctly identified the project in its internal documentation, but it could not provide evidence that it communicated the correct CFDA title and number to the subrecipient. Inadequate identification of federal awards could lead to improper reporting of federal funding on a subrecipient’s schedule of expenditures of federal awards.

Corrective Action:

Corrective action was taken.



**John Keel, CPA**  
**State Auditor**

State of Texas Financial Portion of the  
**Statewide Single Audit Report**  
**for the Year Ended**  
**August 31, 2014**

February 2015  
Report No. 15-555



State of Texas Financial Portion of the  
**Statewide Single Audit Report for the  
Year Ended August 31, 2014**

SAO Report No. 15-555  
February 2015

## Overall Conclusion

In our audit opinion dated February 20, 2015, 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, 2014. The Office of the Comptroller of Public Accounts published our audit opinion as part of the Comprehensive Annual Financial Report for fiscal year 2014, which it intends to post on its Web site at <http://www.window.state.tx.us/finances/pubs/cafr/>.

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. The State successfully contends with significant complexities in preparing its basic financial statements. Compiling financial information and ensuring its accuracy for more than 200 state agencies and higher education institutions is a major undertaking.

The fiscal year 2014 consolidated financial statements convey the use of approximately \$127.1 billion during the fiscal year, an increase of \$5.7 billion or 4.7 percent since the prior fiscal year.<sup>1</sup> The State's assets on August 31, 2014, totaled \$260.3 billion, an increase of \$21.8 billion or 9.1 percent since the prior fiscal year. The State's cash and cash equivalents increased by \$2.7 billion, total capital assets increased by \$5.0 billion, noncurrent unrestricted investments increased \$7.6 billion, and noncurrent restricted investments increased \$4.3 billion since the prior fiscal year.

On August 31, 2014, the Economic Stabilization Fund (Fund) balance was \$6.7 billion. The Fund is reported in the General Fund on the governmental fund

### Basic Financial Statements

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

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

<sup>1</sup> The \$127.1 billion in annual expenditures exceeded the \$99.7 billion appropriated for fiscal year 2014 primarily because:

- Certain expenditures (such as higher education institutions' expenditures of funds held outside of the State Treasury) are included in the Comprehensive Annual Financial Report but are not included in the General Appropriations Act.
- The Comprehensive Annual Financial Report presents actual expenditures of federal funds, while the General Appropriations Act presents estimated amounts for federal funds.
- The Comprehensive Annual Financial Report is presented on an accrual basis, while the General Appropriations Act is presented primarily on a cash basis.

financial statements and in Governmental Activities on the government-wide financial statements.

Auditing financial statements is not limited to reviewing the numbers in those statements. Conducting this audit also requires the State Auditor's Office to obtain a sufficient understanding of the agencies and higher education institutions and their operating environments—including obtaining an understanding of the internal controls over systems and processes that the agencies and higher education institutions use to record their financial activities—to assess the risk of material misstatement of the financial statements. Through that effort, auditors identified specific weaknesses that five agencies should correct to improve the reliability of their financial information. Those weaknesses are discussed in Chapter 2-A through Chapter 2-D of this report.

The State Auditor's Office also audited the State's Schedule of Expenditures of Federal Awards (SEFA) in relation to the Comprehensive Annual Financial Report for fiscal year 2014. The Office of the Comptroller of Public Accounts prepares the SEFA by using SEFA data from all state agencies and higher education institutions that made federal expenditures during the fiscal year. The State Auditor's Office and KPMG LLP (KPMG) audited the processes for preparing SEFA information at 16 agencies and 16 higher education institutions. That audit work included following up on SEFA findings identified in audits of prior fiscal years at three agencies and eight higher education institutions. Auditors identified errors related to the SEFA information at 4 agencies and 13 higher education institutions. Those errors are discussed in Chapter 2-E of this report.

To avoid duplication of effort, the State Auditor's Office relies on KPMG's testing of the internal controls over certain systems and processes. While testing the State's compliance with federal requirements, KPMG identified a material weakness in the managed care program at the Health and Human Services Commission that was caused by inadequate segregation of duties and the use of a manual calculation process for payments to managed care organizations. The managed care program is material to the State's financial statements, and payments to managed care providers for fiscal year 2014 totaled approximately \$14.8 billion. The material weakness KPMG identified was related to both financial processes and federal compliance. For more information, see finding 2014-012 in *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014*, by KPMG.

The State Auditor's Office conducts this audit so that the State can comply with federal legislation (the Single Audit Act Amendments of 1996); state statute (Texas Government Code, Section 403.013(c)); and grant requirements to obtain an opinion regarding the fair presentation of its basic financial statements and a report on internal controls related to those statements. The results of this audit are used primarily by companies that review the State's fiscal integrity to rate state-issued bonds, the Legislature, and federal agencies that award grants.

## **Summary of Management's Responses**

The agencies and higher education institutions generally agreed with the recommendations in this report.

## **Summary of Information Technology Review**

Auditors reviewed the significant accounting and information systems at the agencies and higher education institutions audited. Specifically, auditors identified systems that compiled and contained data used to prepare the Comprehensive Annual Financial Report and then reviewed basic data protection controls such as security, access, application control, and data recovery.

## **Summary of Objective, Scope, and Methodology**

The audit objective was to determine whether the State's basic financial statements present fairly, in all material respects, the consolidated balances and activities for the State of Texas for the fiscal year ended August 31, 2014.

The Statewide Single Audit is an annual audit for the State of Texas. It is conducted so that the State complies with (1) the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133 and (2) state statute requiring that an audited Comprehensive Annual Financial Report be provided to the Governor (Texas Government Code, Section 403.013(c)).

The scope of the financial portion of the Statewide Single Audit included an audit of the State's basic financial statements and a review of significant controls over financial reporting and compliance with applicable requirements.

The scope of the federal compliance portion of the Statewide Single Audit included an audit of the State's SEFA, a review of compliance for each major program, and a review of significant controls over federal compliance. The State Auditor's Office contracted with KPMG to provide an opinion on compliance for each major program and internal control over compliance. The State Auditor's Office provided an opinion on the State's SEFA. Information on the federal compliance portion of the Statewide Single Audit is included in a separate report entitled *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014*, by KPMG.

The audit methodology consisted of collecting information, identifying risk, conducting data analyses, performing selected audit tests and other procedures, and analyzing and evaluating results against established criteria.

Auditors assessed the reliability of the State's data by (1) performing electronic tests of required data elements, (2) reviewing existing information about data and the systems that produced the data, and (3) interviewing agency and higher

education institution officials knowledgeable about data. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

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# **Independent Auditor's Report**

*State of Texas Financial Portion of the  
Statewide Single Audit Report for the  
Year Ended August 31, 2014*

## **Summary of Auditor's Results**

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### **Financial Statements**

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

### **Federal Awards**

A finding regarding the Schedule of Expenditures of Federal Awards for fiscal year 2014 was included in Chapter 2-E of this report. All other fiscal year 2014 federal award information was issued in a separate report (see *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014*, by KPMG LLP).



## 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*

The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Comptroller of Public Accounts  
The Honorable Dan Patrick, Lieutenant Governor  
The Honorable Joe Straus III, Speaker of the House of Representatives  
and  
Members of the Texas 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, each major fund, and the aggregate discretely presented component unit and remaining fund information of the State of Texas as of and for the year ended August 31, 2014, and the related notes to the consolidated financial statements, which collectively comprise the State of Texas's basic financial statements, and have issued our report thereon dated February 20, 2015. Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation, the Texas Lottery Commission, and the University of Texas System as described in our report on the State of Texas'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

### 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) to determine the 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 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 the 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies.

Summary of Findings	
Agency or Higher Education Institution	Finding Numbers
Office of the Comptroller of Public Accounts	15-555-01
Health and Human Services Commission and Department of Aging and Disability Services	15-555-02
Department of Motor Vehicles	15-555-03
Texas Education Agency	15-555-04
Multiple agencies and higher education institutions	15-555-05

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State’s consolidated financial statements are free of 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 determination of financial statement amounts. 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 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 Employees Retirement System’s Fiscal Year 2014 Financial Statements* (State Auditor’s Office Report No. 15-008, November 2014).
- *A Report on the Audit of the Teacher Retirement System’s Fiscal Year 2014 Financial Statements* (State Auditor’s Office Report No. 15-010, November 2014).

- *A Report on the Audit of the Department of Housing and Community Affairs' Fiscal Year 2014 Financial Statements* (State Auditor's Office Report No. 15-014, December 2014).
- *A Report on the Audit of the Permanent School Fund's Fiscal Year 2014 Financial Statements* (State Auditor's Office Report No. 15-016, January 2015).

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.

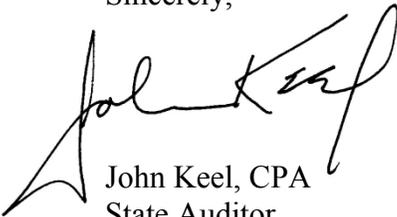
### **State's Responses to Findings**

The State's responses to the findings identified in our audit are included 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 consolidated financial statements and, accordingly, we express no opinion on them.

### **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,

A handwritten signature in black ink, appearing to read "John Keel". The signature is fluid and cursive, with a large initial "J" and "K".

John Keel, CPA  
State Auditor

February 20, 2015

# **Schedule of Findings and Responses**

*State of Texas Financial Portion of the  
Statewide Single Audit Report for the  
Year Ended August 31, 2014*

## **Financial Statement Findings**

---

This chapter identifies the significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Chapter 2-A

### **The Office of the Comptroller of Public Accounts Should Strengthen Its Financial Statement and Schedule Preparation and Review Process**

#### **Issue 1**

#### **The Office of the Comptroller of Public Accounts Should Strengthen Its Preparation and Review of the State's Comprehensive Annual Financial Report and Schedule of Expenditures of Federal Awards**

Reference No. 15-555-01

#### **Type of finding: Significant Deficiency**

The Office of the Comptroller of Public Accounts (Comptroller's Office) did not (1) adequately prepare and (2) consistently perform a thorough review of the information that it used to compile the State's financial data. The Comptroller's Office used that data to prepare the State's fiscal year 2014 Comprehensive Annual Financial Report (CAFR) and Schedule of Expenditures of Federal Awards (SEFA). Because of significant weaknesses in its review process, the Comptroller's Office did not detect numerous errors that it made when it prepared the fiscal year 2014 CAFR and SEFA. The CAFR and SEFA are among the State's most important financial documents and are critical in allowing the State to demonstrate its financial position.

The Comptroller's Office also did not completely document its implementation of Governmental Accounting Standards Board (GASB) pronouncements that became effective for fiscal year 2014.

#### **Preparation and Review of Statements and Schedules**

The Comptroller's Office is responsible for compiling the State's financial information to prepare and issue the State's CAFR and SEFA. Auditors identified numerous errors in adjustments, note disclosures, schedules, and financial statements that the Comptroller's Office did not detect during its preparation and review of those items. The SEFA that the Comptroller's Office originally prepared also contained many errors, including the omission of necessary adjustments, incorrect names for certain Catalog of Federal Domestic Assistance programs, and inaccurate amounts in the note disclosures.

Additionally, the Comptroller's Office did not (1) consistently document its decisions regarding the adjustments, note disclosures, schedules, and financial statements or (2) retain supporting documentation for those items.

The Comptroller's Office corrected all significant errors that auditors brought to its attention before it finalized the CAFR and the SEFA. Adequate preparation and review of the CAFR and the SEFA is critical to helping ensure that the State's financial statements, note disclosures, and schedules are complete, accurate, and comply with financial reporting standards.

#### **Implementation of GASB Pronouncements**

The Comptroller's Office is responsible for ensuring that it prepares the State's CAFR in accordance with generally accepted accounting principles as prescribed or modified in GASB pronouncements. The Comptroller's Office had documentation to show that its *Reporting Requirements for Fiscal 2014 Annual Financial Reports of State Agencies and Universities* included all GASB pronouncements effective for fiscal year 2014. However, it did not have complete documentation to show that it had implemented all of the GASB pronouncements that became effective for fiscal year 2014 when it prepared the State's CAFR for fiscal year 2014. After performing additional audit work, however, auditors were able to determine that the Comptroller's Office had implemented those GASB pronouncements.

It is important for the Comptroller's Office to maintain evidence of its implementation of GASB pronouncements so that it can demonstrate its compliance with accounting principles.

#### **Recommendations**

The Comptroller's Office should:

- Improve its preparation and review of the information that it uses to compile the State's financial data and prepare the CAFR and SEFA to help ensure that the information in those documents is complete, accurate, and complies with financial reporting standards.
- Strengthen its review of the adjustments, note disclosures, schedules, and financial statements.
- Prepare and maintain complete documentation regarding its implementation of GASB pronouncements, including documentation showing how the State's CAFR complies with those pronouncements.

## Management's Response

*The Texas Comptroller of Public Accounts (Comptroller's office) will continue to strengthen its processes and procedures for the preparation, documentation and review of the information used to compile the state's financial statements. The Comptroller's office has endeavored to work closely with SAO auditors to provide timely, accurate and consistent information throughout the audit engagement. The compilation of the Comprehensive Annual Financial Report and Schedule of Expenditures of Federal Awards is a complex process requiring the substantial effort of not only Comptroller staff but also many other state government financial personnel. The breadth and complexity of the state's finances is significant and the Comptroller's office remains committed to maintaining staff that possess extensive knowledge of the state's financial position and understanding of generally accepted accounting principles. The Comptroller's office remains committed to constant improvement to maintain Texas' status as a national leader in quality financial reporting.*

*Person Responsible for Implementing Corrective Action:*

*Supervisor of the Financial Reporting Section*

*Target Implementation Date:*

*September 30, 2015*

Chapter 2-B

## **The Health and Human Services Commission and the Department of Aging and Disability Services Should Improve Controls Over Information Technology**

### **Issue 1**

#### **The Health and Human Services Commission and the Department of Aging and Disability Services Should Improve Their Management and Monitoring of Certain Information Technology**

Reference No. 15-555-02  
(Prior Audit Issues 14-555-03)

#### **Type of finding: Significant Deficiency**

Auditors identified significant weaknesses in controls over the information technology that the Health and Human Services Commission (Commission) and the Department of Aging and Disability Services (Department) use to process payments for the Home and Community Based Services Program (Program). The Commission and Department did not implement recommendations to improve information technology controls that the State Auditor's Office made in its audit report for fiscal year 2013. Specifically, the Commission and Department did not monitor user access, did not deactivate

user accounts when employment ended, did not modify or remove inappropriate access, and did not update their unsupported servers. To protect the integrity of their information, the Commission and the Department should improve their management and monitoring of the information technology that the Program uses.

The Department is the owner of the Program's data and the Commission is responsible for administering components of the information technology that the Program uses, including user access.

#### **User Access**

Weaknesses in user access to the information technology the Program uses continued to exist in fiscal year 2014. Periodic review of user access is important in identifying possible unauthorized access. Not having a strong user access review process increases the risk of unauthorized or undetected access to, modification of, disclosure of, or destruction of data.

Auditors identified the following issues:

- A total of 182 user accounts were associated with individuals whose employment had been terminated. The majority of those terminations occurred in fiscal years 2014 and 2013; however, 84 of them occurred during fiscal years 2005 through 2012.
- A total of 32 user accounts allowed inappropriate access based on the job duties of the associated employees.
- A total of 70 user accounts were associated with users for whom the Commission and Department were unable to verify the employment status.

Title 1, Texas Administrative Code, Section 202.25(3) (B), requires a user's access authorization to be modified or removed when the user's employment or job responsibilities within a state agency change. In addition, the Commission's policies and procedures require all accounts to be disabled immediately upon termination or completion of a contract period and require account access to be reviewed at least every 12 months for appropriateness.

#### **Unsupported Servers**

Three servers that the Program uses are no longer supported by the vendor. The Commission has not installed security patches on one of those servers for more than two years. The Department has not installed security patches on one of those servers for more than nine years, and it has not installed security patches on another server for more than four years. Not patching servers increases the risk that data could be compromised.

## Passwords

The password configurations for one database the Program uses to process payments do not meet the minimum requirements in the Commission's policies and procedures, the Texas Administrative Code, or industry best practices for length, complexity, and periodic changing. Passwords that are not sufficiently lengthy or complex or are not required to be changed periodically increase the risk of unauthorized access.

Auditors identified additional information technology issues. Due to the sensitivity of those issues, auditors communicated them to Commission and Department management separately in writing.

## Recommendations

The Commission and the Department should:

- Develop and implement a process for reviewing user access to information technology that the Program uses.
- Disable employees' and contractors' access promptly upon termination of employment or services.
- Ensure that user access privileges align with job duties, and promptly modify user access when job duties change.
- Ensure that servers the Program uses are supported by the vendor and that security patches are up to date.
- Ensure that password controls for the database the Program uses comply with Commission policies and procedures and Texas Administrative Code requirements.

## Management's Response

### Bullets 1 - 3

#### *HHSC Response*

*Upon implementation of the Access Compliance Review project in June 2015, annual system and application user lists will be provided to business owners for review and appropriate action.*

*The Health and Human Services Commission (HHSC) will, in the interim, provide the Department of Aging and Disability Services (DADS) business owners with monthly user lists for review and appropriate action. Upon notification from a DADS supervisor or business owner, HHSC will promptly add, modify, or terminate access for users.*

### *DADS Response*

*DADS will, in accordance with (a) HHS Enterprise Information Security Policy, (b) HHS Circular C-021, (c) HHS Enterprise Information Security Standards and Guidelines, and (d) DADS IT Standard Operating Procedure No. 1517 - Requesting Access to Local Area Network and/or Mainframe, develop and implement a user review process for managing access to information technology resources. Specifically, the DADS Information Resources Manager will coordinate with HHSC and DADS executives, supervisors, and system owners to:*

- 1. Obtain monthly user access lists from HHSC and distribute the lists to applicable business owners who will verify, for each employee and contractor on the list, whether access is valid and appropriate and whether access privileges align with job duties.*
- 2. Coordinate the prompt submission of Form 4743 to disable employee and contractor access promptly upon termination of employment or completion of contracted services, or modify employee and contractor access to align with current job duties when those duties have changed. DADS and HHSC will also monitor the CAPPS Termination List to further identify and reconcile access terminations for separated staff.*

*In addition, DADS will send all supervisors a reminder regarding the steps that are required to appropriately disable or modify system access when an employee terminates or changes positions and when contractor's services are complete.*

### *Bullets 4 and 5*

#### *HHSC and DADS Response*

*DADS submitted a Request for Solution to Data Center Services (DCS) to evaluate the feasibility of transforming the servers to current technology. Once the DCS cost estimate is received, DADS will conduct a cost benefit analysis to determine if expending resources to upgrade the servers is appropriate, given that plans are underway to retire the CARE application that resides on the servers. In the event DADS determines it is feasible to transform the servers, DADS will coordinate with HHSC to request vendor support for the servers and application of up to date software security patches.*

*To ensure that password controls for CARE databases comply with rules and regulations, DADS IT will coordinate with HHSC to implement controls to ensure the ARCTIC Logical Partition (LPAR) Database Administrator passwords meet the required security guidelines.*

***Estimated Completion Date:***

<i>Beginning March 2015 and monthly thereafter</i>	<i>HHSC provides user lists to DADS</i>
<i>Beginning April 2015 and monthly thereafter</i>	<i>DADS provides feedback to HHSC Provisioning. Based on feedback user access is terminated or modified, as appropriate</i>
<i>February 28, 2015</i>	<i>Cost benefit analysis of solution completed based on DCS estimates</i>
<i>March 6, 2015</i>	<i>Decision on whether to remediate unsupported servers, take alternate action, or accept risk</i>
<i>April 1, 2015</i>	<i>If applicable, DADS will coordinate with HHSC to request that DCS take action to support servers and update security patches</i>
<i>June 30, 2015</i>	<i>Access Compliance Review project implemented</i>
<i>August 31, 2015</i>	<i>Begin enforcing database password controls and implement periodic reviews (Arctic LPAR)</i>

***Title of Responsible Persons:***

- *Access Management Director, Enterprise and Customer Support Services, HHSC*
- *Director of Information Technology, DADS*
- *Sourcing Management Services Director, IT Infrastructure and Operations, HHSC*
- *Director, IT Infrastructure and Operations, HHSC*

Chapter 2-C

**The Department of Motor Vehicles Should Improve Controls Over Certain Information Technology**

**Issue 1**

**The Department of Motor Vehicles Should Improve Its Processes for Approving Changes to Tables in the Registration and Titling System**

Reference No. 15-555-03

**Type of finding: Significant Deficiency**

The Department did not adequately identify, review, and approve changes to the registration fee tables in the Registration and Titling System. The

Department did not require that changes to those tables follow its change management process. Therefore, the Department did not review or approve table changes before implementing them in production, and it did not document table changes in its change management system.

Auditors identified four registration fees that the Department coded to the incorrect accounting fund in the registration fee tables in the Registration and Titling System. That caused the Department to incorrectly deposit \$224,076 in fiscal year 2014 registration fee revenue into the State Highway Fund instead of into the General Revenue Fund in the Uniform Statewide Accounting System.

Title 1, Texas Administrative Code, Section 202.20(5), requires changes to data to be made only in an authorized manner to ensure data integrity. Approval and review of table changes is important to ensure the integrity of the information that the Department uses to (1) calculate the counties' share and the State's share of registration fee revenue and (2) determine the appropriate fund into which it will deposit the State's share.

### **Recommendation**

The Department should develop and implement a process for reviewing, approving, and documenting changes to the registration fee tables in the Registration and Titling System.

### **Management's Response**

*Management concurs with the recommendation. The Accounting Operations Section is implementing a standard structure request form to document, review and approve changes to the Registration and Titling System (RTS) tables and any financial translation tables associated with RTS revenue. This form will serve as an internal mechanism to ensure (1) the tables changes are adequately evaluated and substantiated by statutes and (2) the changes are completed in all the applicable systems interfaced with RTS. The new Accounting Operations Section form will be used to supplement the existing IT Change Management process when RTS table changes are requested.*

*Persons Responsible: Chief Financial Officer, Accounting Director, and Chief Information Officer*

*Implementation Date: This structure request form and its related process will be completed and instituted by February 28, 2015.*

## The Texas Education Agency Should Strengthen Access Controls to Certain Information Technology

### Issue 1

#### The Texas Education Agency Should Strengthen Access Controls for Its Database Servers

Reference No. 15-555-04  
(Prior Audit Issues 14-555-05 and 13-555-01)

#### Type of finding: Significant Deficiency

The Texas Education Agency (Agency) should strengthen access controls for its database servers. The Agency did not fully implement recommendations to improve access controls that the State Auditor's Office initially made in its audit report for fiscal year 2012. Specifically, the Agency did not monitor user access, did not deactivate user accounts when employment ended, and did not change passwords for database server accounts.

Title 1, Texas Administrative Code, Section 202.20(1), requires agencies to protect information resources against unauthorized access, disclosure, modification, or destruction, whether accidental or deliberate, as well as to assure the availability, integrity, utility, authenticity, and confidentiality of information. Periodic review of user access is important in identifying possible unauthorized access. Not having a strong user access review process increases the risk of unauthorized or undetected access to, modification of, disclosure of, or destruction of data.

#### Recommendations

The Agency should:

- Routinely monitor user access to its database and servers to protect information resources.
- Immediately deactivate user accounts when the employment of personnel ends.
- Immediately change passwords for database and server accounts that the Agency does not deactivate when personnel responsible for those accounts leave the Agency.

#### Management's Response

*Recommendation 1: In July 2014, the ITS/SEDS Division developed a process to compare USERIDs against a master file of all valid employees and contractors. The process includes the identification of IDs that do not match the master, the review of the non-matched IDs by various management levels,*

*the disablement of the IDs for 30 days, and then the deletion of the IDs. Currently we are in the management review step. Accounts identified as no longer needed are in the process of being disabled/deleted. The process is ongoing, as we determine the steps, and supporting automation, that will cause the least impact to users and production systems. Once the initial cycle is complete, the review will be conducted on a regular basis (semiannually or quarterly). This review is intended to complement the recently implemented off-boarding process. Full implementation is expected by 08/31/15.*

***Recommendation 2:*** *In August of 2014 TEA implemented the TEA HelpDesk application. This is our internal ticketing system where access requests are received, processed and archived. Automating this process allows appropriate staff to receive Off Boarding forms in a timely fashion and ensure access is disabled when the employment of personnel ends. Full implementation was 8/15/2014.*

***Recommendation 3:*** *TEA is working diligently to remediate this finding. TEA piloted a new process to change application passwords and the process was not successful. TEA has determined that many legacy applications have the passwords hardcoded in the application which means that password resets require code changes and full life-cycle testing which took over 3 months in the pilot. TEA is currently researching alternative options to accomplish this recommendation that are more efficient and more feasible. TEA will work toward full implementation of the recommendation by 08/31/15.*

## Agencies and Higher Education Institutions Should Strengthen Their Review of Their Schedules of Expenditures of Federal Awards

Reference No. 15-555-05

(Prior Audit Issues 14-555-07, 13-555-02, 12-555-05, 11-555-17, 10-555-26, and 09-555-19)

### Type of finding: Significant Deficiency

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

Each state entity that expends federal awards is required to prepare a Schedule of Expenditures of Federal Awards (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 [Office of Management and Budget (OMB) Circular A-133, Section .105].

Federal financial assistance includes any assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance [OMB Circular A-133, Section .105].

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

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their fiscal year 2014 Schedules of Expenditures of Federal Awards (SEFAs) (see text box for additional information). Therefore, the SEFAs those agencies and higher education institutions submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

The 4 agencies and 13 higher education institutions discussed below reported \$7.4 billion in federal expenditures, or 14 percent of the total federal expenditures the State of Texas reported for fiscal year 2014. The errors listed below were not material to the fiscal year 2014 SEFA for the State of Texas or to the fiscal year 2014 Comprehensive Annual Financial Report for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

#### Department of Assistive and Rehabilitative Services

The Department of Assistive and Rehabilitative Services (DARS) incorrectly included \$23,052,953 in direct expenditures for 7 Catalog of Federal Domestic Assistance (CFDA) programs and \$4,737,237 in pass-through expenditures for 3 CFDA on its SEFA. DARS also overstated federal revenue by the same amount in the notes to its SEFA.

#### Recommendation

DARS should strengthen its review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.

## Management's Response

*DARS agrees with the recommendation and has reviewed the current processes and methodologies used in the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and identified a strategy for improvement, will update written procedures, and train the appropriate staff so that the newly adopted procedures and quality reviews are adequate and in compliance with both state and federal reporting requirements. Implementation of these changes is underway and expected to be finalized by May 31, 2015.*

## Department of Public Safety

On its SEFA, the Department of Public Safety (DPS):

- Incorrectly reported expenditures in the notes to the SEFA. Specifically, it incorrectly excluded \$1,590,968 in expenditures that were approved in fiscal year 2014 and, therefore, should have been reported in fiscal year 2014. In addition, DPS overstated by \$1,047,889 the amount of deobligations it made in fiscal year 2014 related to expenditures that it incurred in prior years.
- Incorrectly overstated expenditures for one CFDA on its SEFA. Specifically, it (1) did not reduce expenditures reported by \$1,417,825 when expenditures were disallowed in the year and (2) incorrectly excluded \$650,656 in expenditures associated with projects that were approved or amended in the year. As a result, expenditures were overstated by \$767,170 for one CFDA and federal revenue was overstated by the same amount in the notes to the SEFA.
- Incorrectly included an adjustment of negative \$68,236 in expenditures for 2 CFDAs; that resulted in an understatement.
- Incorrectly classified \$6,465 in pass-through expenditures for 1 CFDA as direct expenditures.
- Did not include all required information in the notes to its SEFA related to non-monetary assistance. Specifically, DPS did not report (1) the \$3,777 original acquisition cost of federal surplus personal property and (2) the state agency that passed through that property to DPS.

## **Recommendations**

DPS should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

## **Management's Response**

*The Department agrees with the recommendations. In FY2014, the Department developed and implemented a new automated SEFA report.*

*The Department will:*

- *Seek guidance from the Comptroller's office & FEMA to develop a new business process for the new Compliance reporting rules relating to FEMA Project Worksheets.*
- *Document the new SEFA process to include the preparation and review steps for its SEFA and the related notes.*

### **Implementation Date:**

*June 2015*

### **Responsible Persons:**

*Deputy Assistant Director, Grants and Accounting*

*Manager, Financial Reporting*

## **General Land Office**

The General Land Office (GLO) incorrectly classified \$21,745,813 in pass-through expenditures as direct expenditures for one CFDA on its SEFA.

## **Recommendation**

GLO should strengthen its review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.

## Management's Response

*Management agrees with the recommendation that the GLO should strengthen its review process to help ensure the SEFA is prepared correctly and submitted to the Comptroller's Office completely and accurately. The Financial Reporting Director has enhanced the process to ensure prior year reversals of accruals are appropriately classified between direct expenditures and pass-through expenditures.*

## Prairie View A&M University

On its SEFA, Prairie View A&M University (Prairie View A&M):

- Incorrectly excluded expenditures for 3 Student Financial Assistance CFDAs. Specifically, it incorrectly excluded \$43,711 in expenditures for 2 CFDAs and incorrectly excluded a negative adjustment of \$25,134 for 1 CFDA. As a result, Prairie View A&M (1) understated expenditures on its SEFA by \$18,577 for 3 CFDAs; (2) understated federal revenue by \$43,711 in the notes to its SEFA; and (3) overstated new loans processed by \$25,134 in the notes to its SEFA.
- Did not include in the notes to its SEFA a required note regarding depository libraries for government publications.

## Recommendations

Prairie View A&M should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

## Management's Response

*Prairie View A&M University management agrees with your findings and recommendations as it pertains to the review of the SEFA.*

*Financial Administration management will implement the following:*

- *Processes to strengthen its SEFA preparation and review process to help ensure the SEFA is prepared correctly and that the SEFA is submitted to the Comptroller's Office in a complete and accurate manner.*

- *Processes to ensure the SEFA includes all required information in the notes.*

*Implementation Date: November 1, 2015*

*Responsible Person: Associate Vice President for Financial Administration*

### **Sam Houston State University**

On its SEFA, Sam Houston State University (SHSU):

- Incorrectly reported expenditures for 5 CFDA's in the Student Financial Assistance cluster of federal programs because it incorrectly included prior year expenditures and incorrectly excluded current year expenditures. As a result, SHSU (1) incorrectly excluded \$2,320,135 in expenditures from its SEFA; (2) incorrectly excluded \$850,366 in new loans processed from the notes to its SEFA; (3) did not report \$36,703 in administrative costs in the notes to its SEFA; and (4) overstated federal revenue by \$1,469,769 in the notes to its SEFA.
- Did not include in the notes to its SEFA a required note regarding depository libraries for government publications.

### **Recommendations**

SHSU should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

### **Management's Response**

*SHSU agrees with the recommendations and already established new accounting processes to ensure the SEFA is complete and accurate when submitted to the Comptroller's Office. This includes proper revenue and expense recognition processes along with the note preparation needed for depository libraries.*

*Responsible Person: Associate Vice President/Controller*

## **Stephen F. Austin State University**

On its SEFA, Stephen F. Austin State University (SFASU):

- Reported expenditures for 3 CFDA's using revenue instead of expenditures; that resulted in an overstatement of \$12,015. In addition, it incorrectly excluded a net \$12,015 from the notes to its SEFA.
- Incorrectly classified \$15,046 in expenditures among 2 CFDA's.
- Understated federal revenue by \$114,791 and incorrectly included a reconciling item for the same amount in the notes to its SEFA.
- Did not include in the notes to its SEFA a required note regarding depository libraries for government publications.

## **Recommendations**

SFASU should:

- Use expenditure data to report expenditures for all CFDA's on its SEFA.
- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

## **Management's Response**

*Management Response: The university will clarify its procedures with the oversight agency and strengthen internal procedures to ensure completeness and accuracy in the Statement of Expenditures of Federal Awards (SEFA) preparation process.*

*Responsible Party: Vice President for Finance and Administration*

*Implementation Date: November 15, 2015 in conjunction with the preparation of the August 31, 2015 SEFA.*

## Texas A&M University

On its SEFA, Texas A&M University (TAMU):

- Incorrectly excluded \$404,789 for 7 CFDA's and incorrectly reported those expenditures as a reconciling item in the notes to its SEFA.
- Overstated federal revenue by \$27,580 in the notes to its SEFA and incorrectly reported the related expenditures as a reconciling item in the notes to the SEFA.
- Did not identify \$159,172 in expenditures for 1 CFDA as American Recovery and Reinvestment Act expenditures on its SEFA.

## Recommendations

TAMU should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Correctly identify awards that are part of the American Recovery and Reinvestment Act on its SEFA.

## Management's Response

*Texas A&M University concurs with the audit recommendation to strengthen the preparation and review of the Schedule of Expenditures of Federal Awards (SEFA). Management is committed to improving the SEFA review process so that the SEFA is complete and accurately stated.*

*We will ensure the internal procedures for SEFA preparation include additional review steps by appropriate institutional personnel to correctly identify amounts which should be reported on the SEFA. For example, although ARRA grant funds were identified in the University's accounting system and the applicable CFDA number reported was defined as ARRA grant funds according to the CFDA (Catalog of Federal Domestic Assistance) federal website, TAMU will review that the attribute field for ARRA expenditures is entered in the State Comptroller's web application for the SEFA.*

*Responsible Persons: Director of Research Reporting  
Assoc VP & Controller for Finance and Administration*

*Implementation Date: September 30, 2015*

## Texas Department of Transportation

On its SEFA, the Texas Department of Transportation (TxDOT):

- Incorrectly classified \$1,430,337 in expenditures between 2 CFDA's.
- Incorrectly included \$44,495 in prior year expenditures for 2 CFDA's. As a result, it also overstated federal revenue by \$44,495 in the notes to its SEFA.

## Recommendation

TxDOT should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.

## Management's Response

*Management concurs with the recommendation. While we realize it is important to strengthen the SEFA preparation and review process, it is also important to highlight that the exceptions noted (\$1.43 million and \$44,495) represent .0425% and .00132% respectively of the approximate \$3.36 billion reported on the subject schedule. The Finance Division of TxDOT will edit its SEFA procedures to include accessing the federal government's Catalog of Federal Domestic Assistance before SEFA submittal to ensure validity of CFDA numbers in addition to its existing procedures of validating against the Comptroller's database. The Department will also continue to work and coordinate with subrecipient agencies to ensure accurate pass-through reporting per Comptroller reporting requirements to ensure accurate accruals from the receiving agencies.*

*Implementation Date: August 2015*

*Responsible Person: Accounting Section Director*

## Texas Tech University

On its SEFA, Texas Tech University (Texas Tech):

- Incorrectly classified \$238,385 in expenditures related to 2 CFDA's as part of the Research and Development cluster of federal programs.
- Did not report the \$1,479,590 ending balance for Perkins loans from prior years in the notes to its SEFA.

- Incorrectly reported \$9,752 as a reconciling item related to the Early Retirement Reinsurance Program; it should have reported that as an “other” reconciling item in the notes to its SEFA.

### **Recommendations**

Texas Tech should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller’s Office is complete and accurate.
- Improve its process for identifying awards that are part of the Research and Development cluster of federal programs.
- Prepare and include all required information in the notes to its SEFA.

### **Management’s Response**

*The Office of Research Accounting (ORA) is responsible for the annual preparation and submission of the SEFA. The errors reported on the fiscal year 2014 notes were due to data entry errors. ORA will implement a review process for the SEFA to ensure expenditures are accurately reported and classified and that SEFA notes are accurate and complete.*

*The Office of Research Services (ORS) is responsible for the classification of awards reported in the SEFA. ORS will review all current awards to ensure the R&D classification is correct. Going forward, ORS will implement a review process to ensure the R&D classification is supported prior to establishment in the accounting system.*

#### Implementation Date

*September 2015*

#### Responsible Persons

*Managing Director, ORA (SEFA Review)*

*Senior Associate Vice President for Research, ORS (R&D Classification)*

## The University of Texas at Arlington

On its SEFA, the University of Texas at Arlington (UT-Arlington):

- Did not certify its SEFA to the Comptroller's Office by November 1, 2014, as required by the Comptroller's Office's reporting requirements. UT-Arlington certified its SEFA on November 26, 2014.
- Did not provide adequate supporting documentation for (1) a net \$2,032,453 in direct expenditures for 25 CFDA's and (2) a net \$1,279,738 in pass-through expenditures for 23 CFDA's. As a result, auditors could not determine whether UT-Arlington's SEFA was accurate.
- Did not provide adequate supporting documentation for a net \$3,172,034 that it reported as reconciling items in the notes to its SEFA. As a result, auditors could not verify whether federal revenue and federal expenditures on UT-Arlington's SEFA reconciled.
- Incorrectly reported expenditures for 6 CFDA's in the Student Financial Assistance cluster of federal programs because it incorrectly included prior year expenditures and incorrectly excluded current year expenditures. As a result, UT-Arlington (1) incorrectly excluded \$1,387,072 in expenditures; (2) incorrectly included \$843,589 in expenditures; (3) incorrectly excluded a net \$546,493 in new loans processed from the notes to its SEFA; and (4) overstated federal revenue by a net of \$3,010 in the notes to its SEFA.
- Did not report in the notes to its SEFA (1) the \$1,587,136 ending balance for loans from prior years for the Federal Perkins loan program and (2) the \$343,944 ending balance for loans from prior years for the Nursing Faculty Loan Program.
- Did not identify \$163,379 in expenditures as American Recovery and Reinvestment Act expenditures on its SEFA.
- Did not include in the notes to its SEFA a required note regarding depository libraries for government publications.

## Recommendations

UT-Arlington should:

- Certify its SEFA in a timely manner in accordance with the Comptroller's Office's requirements.
- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.

- Maintain adequate supporting documentation for all expenditures it reports on its SEFA.
- Prepare and include all required information in the notes to its SEFA.
- Correctly identify awards that are part of the American Recovery and Reinvestment Act on its SEFA.

### **Management's Response**

*Recommendation:*

*UT Arlington should certify its SEFA in a timely manner in accordance with the Comptroller's Office's requirements.*

*Response:*

*UT Arlington SEFA certification was delayed due to our year-end closing and Annual Financial Report (AFR) being delayed. We do not anticipate the same delays when closing FY 2015, therefore, plan to certify in a timely manner.*

*Responsible for Implementing Corrective Actions:*

*Associate Vice President for Business Affairs*

*All corrective actions will be implemented by June 30, 2015*

*Recommendation:*

*UT Arlington should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.*

*Response:*

*UT Arlington management and staff are very concerned about the audit findings listed and will be working to prepare a business process guide and checklist related to requirements for preparing the SEFA.*

*Responsible for Implementing Corrective Actions:*

*Associate Vice President for Business Affairs*

*All corrective actions will be implemented by June 30, 2015*

*Recommendation:*

*UT Arlington should maintain adequate supporting documentation for all expenditures it reports on its SEFA.*

*Response:*

*UT Arlington management and staff are very concerned about the audit findings listed and will be working to prepare a business process guide and checklist related to requirements for preparing the SEFA.*

*Responsible for Implementing Corrective Actions:  
Associate Vice President for Business Affairs  
All corrective actions will be implemented by June 30, 2015*

*Recommendation:  
UT Arlington should maintain adequate supporting documentation for all expenditures it reports on its SEFA.*

*Response:  
UT Arlington management and staff are very concerned about the audit findings listed and will be working to prepare a business process guide and checklist related to requirements for preparing the SEFA.*

*Responsible for Implementing Corrective Actions:  
Associate Vice President for Business Affairs  
All corrective actions will be implemented by June 30, 2015*

*Recommendation:  
UT Arlington should prepare and include all required information in the notes to its SEFA.*

*Response:  
UT Arlington management and staff are very concerned about the audit findings listed and will be working to prepare a business process guide and checklist related to requirements for preparing the SEFA.*

*Responsible for Implementing Corrective Actions:  
Associate Vice President for Business Affairs  
All corrective actions will be implemented by June 30, 2015*

*Recommendation:  
UT Arlington should correctly identify awards that are part of the American Recovery and Reinvestment Act on its SEFA.*

*Response:  
UT Arlington management and staff are very concerned about the audit findings listed and will be working to prepare a business process guide and checklist related to requirements for preparing the SEFA. This should ensure American Recovery and Reinvestment Act funds are properly identified in the notes to its SEFA.*

*Responsible for Implementing Corrective Actions:  
Associate Vice President for Business Affairs  
All corrective actions will be implemented by June 30, 2015*

*Recommendation:  
UT Arlington should prepare and include all required information in the notes to its SEFA.*

*Response:*

*UT Arlington management and staff are very concerned about the audit findings listed and will be working to prepare a business process guide and checklist related to requirements for preparing the SEFA. This should ensure all required information is included in the notes to its SEFA.*

*Responsible for Implementing Corrective Actions:*

*Associate Vice President for Business Affairs*

*All corrective actions will be implemented by June 30, 2015*

**The University of Texas at Austin**

On its SEFA, the University of Texas at Austin (UT-Austin):

- Incorrectly classified \$444,225 in administrative cost recoveries as new loans processed in the notes to its SEFA. As a result, it understated federal revenue by that same amount in the notes to its SEFA.
- Incorrectly classified \$189,931 as a reconciling item for federal grants to the Texas A&M Research Foundation in the notes to its SEFA. It should have reported that amount as a reconciling item for federal grants from the Texas A&M Research Foundation.
- Incorrectly classified \$14,289 in expenditures related to 1 CFDA as part of the Research and Development cluster of federal programs.
- Did not include all required information in the note to its SEFA related to non-monetary assistance received for two CFDAs. Specifically, it did not report the federal agency that provided the assistance or the state agency that passed through the assistance.
- Did not include in the notes to its SEFA a required note regarding depository libraries for government publications.

**Recommendations**

UT-Austin should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

- Improve its process for identifying awards that are part of the Research and Development cluster of federal programs.

### **Management's Response**

*The University concurs with the finding.*

*Management is committed to improving review processes to ensure the SEFA submission is accurate. In FY 2014, staff turnover in leadership positions required staff new to SEFA to oversee the process and develop documentation. In preparation for FY 2015, the Offices of Accounting & Financial Management and Sponsored Projects have enhanced documentation procedures to specifically address all SEFA issues identified by SAO and ensure the integrity of the SEFA.*

*Implementation Date: August 2015*

*Responsible Persons: Assistant Director, Office of Sponsored Projects, Finance Manager, Office of Accounting & Financial Management*

### **The University of Texas at Dallas**

On its SEFA, the University of Texas at Dallas (UT-Dallas):

- Did not report the \$837,023 ending balance for Perkins loans from prior years in the notes to its SEFA.
- Did not include in the notes to its SEFA a required note regarding depository libraries for government publications.

### **Recommendations**

UT-Dallas should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

### **Management's Response**

*Management agrees. In preparing the FY 2014 SEFA, accounting staff inadvertently left two footnotes off the schedule. Upon being notified, the*

*notes were corrected immediately and now appropriately disclose the prior year ending balance for Perkins loans and document that the UT Dallas library is a depository for government publications. A final review process has been established in order to mitigate the risk of this oversight in future years. The Associate Vice President and Controller is responsible for ensuring these items are included.*

### **The University of Texas at El Paso**

On its SEFA, the University of Texas at El Paso (UTEP):

- Did not certify its SEFA to the Comptroller's Office by November 1, 2014, as required by the Comptroller's Office's reporting requirements. UTEP certified its SEFA on November 13, 2014.
- Did not provide adequate supporting documentation for \$6,820,792 in pass-through expenditures for 30 CFDA's. As a result, auditors could not determine whether UTEP appropriately classified those expenditures as pass-through to state entities or pass-through to non-state entities.
- Incorrectly included \$29,007 in expenditures for 2 Student Financial Assistance CFDA's and incorrectly excluded \$509 in expenditures for 1 Student Financial Assistance CFDA. As a result, it overstated federal revenue by \$28,497 in the notes to its SEFA.
- Incorrectly classified \$3,052,843 in expenditures related to 10 CFDA's as part of the Research and Development cluster of federal programs.

### **Recommendations**

UTEP should:

- Certify its SEFA in a timely manner in accordance with the Comptroller's Office's requirements.
- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Maintain adequate supporting documentation for all expenditures it reports on its SEFA.
- Improve its process for identifying awards that are part of the Research and Development cluster of federal programs.

## Management's Response

*Related to the Certification of the SEFA, the University went through a General Ledger system conversion to PeopleSoft in May 2014 and was not able to close the Fiscal Year timely. Consequently, many processes were delayed, including the ability to certify the SEFA. We believe we will be able to close our Fiscal Year timely this year and will be able to certify on time.*

*For the recommendations related to the SEFA preparation and maintenance of documentation, the conversion resulted in difficulties in gathering support data. These issues have been resolved and we will be able to provide adequate supporting documentation for review this Fiscal Year.*

*Responsible Party: Associate Vice President for Business Affairs/Comptroller*

*Related to the process improvement for identifying R&D Cluster awards we will review the classification on a monthly basis to ensure appropriate/correct coding is on file.*

*Responsible Party: Assistant Vice President for Research and Compliance Services*

## The University of Texas - Pan American

On its SEFA, the University of Texas - Pan American (UT-Pan American):

- Incorrectly recorded prior year Student Financial Assistance cluster adjustments of \$685,345 as a reconciling item in the notes to its SEFA.
- Incorrectly excluded \$8,010 in expenditures for 1 CFDA.
- Overstated federal revenue by \$677,335 as a result of the two issues noted above.

## Recommendations

UT-Pan American should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.

## Management's Response

*Management concurs with the Auditor's findings and recommendations. Responsible Person: Associate Comptroller and Implementation Date: March 31, 2015.*

- *UT Pan American should have reported \$685,345 prior year Student Financial Assistance cluster adjustment in the SFFA Note 2 - Reconciliation as a reduction of FY 2014 Operating Funds revenue. UT Pan American will modify its reporting methodology to ensure that any SEFA expenditure or revenue adjustments are reported correctly and not as a reconciling item.*
- *UT Pan American will modify its end of year procedures to ensure that once UT Pan American has certified the SEFA Federal Pass-through revenue and expenditure activity with other state agencies, all accrual transactions are posted to ensure that reconciled revenue and expenditure amounts are correct.*

## The University of Texas at San Antonio

On its SEFA, the University of Texas at San Antonio (UTSA):

- Incorrectly classified \$491,903 in expenditures among 6 CFDA's.
- Incorrectly included \$222,013 in expenditures for one Student Financial Assistance CFDA. That occurred because UTSA incorrectly included expenditures from a prior fiscal year. As a result, UTSA also overstated federal revenue by \$222,013 in the notes to its SEFA.
- Incorrectly classified \$95,102 in pass-through expenditures as direct expenditures for 2 CFDA's.

## Recommendation

UTSA should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.

## Management's Response

*Management agrees with the recommendation to enhance the SEFA preparation and review process. During fiscal year 2014, UTSA converted to a new financial reporting system, and the preparation of the SEFA for that*

*year was a manual process. The CFDA and pass-through misclassifications were due to data entry errors. Management will explore options for an automated report and will also implement additional review controls over the SEFA data. Management will also implement additional review controls to ensure that Student Financial Assistance amounts are included in the SEFA for the correct year.*

*Point of contact - Assistant Vice President of Financial Affairs & Controller*

*Timeline for corrected action - October 31, 2015*

### **The University of Texas Health Science Center at Houston**

On its SEFA, the University of Texas Health Science Center at Houston (UTHSC-Houston):

- Incorrectly excluded \$443,168 in expenditures for 4 CFDAs. As a result, it understated federal revenue by \$443,168 in the notes to its SEFA.
- Did not correctly identify American Recovery and Reinvestment Act (ARRA) expenditures in its SEFA. Specifically, it did not identify \$140,249 in expenditures for 2 CFDAs as ARRA, and it incorrectly identified \$15,280 in expenditures for 1 CFDA as ARRA.
- Incorrectly classified \$20,270 in expenditures among 5 CFDAs.

### **Recommendations**

UTHSC-Houston should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Correctly identify ARRA awards on its SEFA.

### **Management's Response**

*The University concurs with the recommendations. The \$443,168 incorrectly excluded was comprised solely of Program Income. Program Income will be included on the SEFA and the 2014 report has been corrected. The University will correctly identify ARRA awards on the SEFA.*

*Responsible Party: Associate Vice President, Sponsored Projects Administration*

*Date Due: February 28, 2015*

### **The University of Texas Health Science Center at San Antonio**

On its SEFA, the University of Texas Health Science Center at San Antonio (UTHSC-San Antonio):

- Incorrectly included \$639,644 in pass-through expenditures to the Texas A&M Research Foundation. It should have reported those expenditures as a reconciling item in the notes to its SEFA.
- Incorrectly included \$10,085 in expenditures for 7 CFDA's and incorrectly excluded \$3,251 in expenditures for 7 CFDA's due to incorrect classification of pass-through expenditures to state agencies.
- Incorrectly classified \$2,990 in expenditures related to 1 CFDA as part of the Research and Development cluster of federal programs.

### **Recommendations**

UTHSC-San Antonio should:

- Strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly and that the SEFA it submits to the Comptroller's Office is complete and accurate.
- Prepare and include all required information in the notes to its SEFA.
- Improve its process for identifying awards that are part of the Research and Development cluster of federal programs.

### **Management's Response**

*We concur with the findings of the 2014 SAO SEFA audit. We have updated our procedures to exclude federal expenditures passed through to Texas A&M Research Foundation from the SEFA report, but to include them in the SEFA notes per the Comptroller's instructions. We have modified our procedures to examine all pass-through expenditures and accruals, and to resolve any discrepancies during the fiscal year. We have also updated our quality controls to better identify whether individual awards should be assigned to the research cluster of federal programs.*

## ***Federal Award Findings and Questioned Costs***

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A finding regarding the Schedule of Expenditures of Federal Awards for fiscal year 2014 was included in Chapter 2-E of this report. All other fiscal year 2014 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, 2014*, by KPMG LLP.

# Summary Schedule of Prior Audit Findings

*State of Texas Financial Portion of the  
Statewide Single Audit Report for the  
Year Ended August 31, 2014*

## **Summary Schedule of Prior Audit Findings**

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Federal regulations (Office of Management and Budget Circular A-133) state that “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditees report the corrective actions they have taken for the findings reported in:

*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008* (State Auditor’s Office Report No. 09-555, April 2009).

*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009* (State Auditor’s Office Report No. 10-555, March 2010).

*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010* (State Auditor’s Office Report No. 11-555, February 2011).

*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011* (State Auditor’s Office Report No. 12-555, February 2012).

*A Report on the Audits of the Fiscal Year 2012 Financial Statements of the Department of Transportation, the Central Texas Turnpike System, and the Texas Mobility Fund* (State Auditor’s Office Report No. 13-016, January 2013).

*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012* (State Auditor’s Office Report No. 13-555, February 2013).

*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013* (State Auditor’s Office Report No. 14-555, February 2014).

The Summary Schedule of Prior Audit Findings (for the year ended August 31, 2014) has been prepared to address these responsibilities.

## The Department of Transportation Should Improve Certain Financial Reporting and Information Technology Controls

### Issue 1

#### The Department of Transportation Should Improve Its Financial Reporting Controls for Bridges

Reference No. 14-555-01  
(Prior Audit Issues 2012-1, 11-555-01, and 10-555-01)

#### Type of finding: Material Weakness

##### Material Weakness in Internal Control

A material weakness is a deficiency, or 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.

Source: Section 265, *Codification of Statements on Auditing Standards*, American Institute of Certified Public Accountants, January 2013.

The State Auditor's Office initially reported in March 2010 that the Department of Transportation (Department) does not have a process that enables it to ensure that it has an accurate, comprehensive inventory of bridges.<sup>2</sup> Audit testing for fiscal year 2013 indicated that the Department still has not resolved that issue. Not having such a process prevents the Department from ensuring that it accurately reports the dollar amount associated with bridges in its annual financial report.

Because it does not have a process to ensure that it has an accurate, comprehensive inventory of completed bridges, the Department has had to make adjustments or restatements in its annual financial reports that have totaled \$1.85 billion from fiscal year 2009 through fiscal year 2013.

#### Department Activities Related to Bridges in Fiscal Year 2013

For its 2013 annual financial report, the Department had to make \$88.9 million in adjustments because it did not have an accurate, comprehensive inventory of bridges. That amount was less than similar adjustments the Department has had to make in prior fiscal years; however, without an adequate process to ensure the accuracy of its inventory of bridges, the Department still cannot ensure that its annual financial report is accurate.

The Department requires all of its 25 district offices to annually certify the accuracy of their individual lists of bridges each fiscal year. In addition, for fiscal year 2013, the Department created a new report that included lists of bridge projects in each district. The Department made those reports available to all district offices. However, the Department did not require the district offices to use those reports in their annual certifications or submit their reviews of those reports to the Department along with necessary corrections.

In fiscal year 2013, the Department also completed an informal reconciliation of the reports discussed above to its bridge database. However, that

<sup>2</sup> See *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009* (State Auditor's Office Report No. 10-555, March 2010).

reconciliation did not ensure that the information in the bridge database was accurate because:

- The reconciliation included only bridges placed into service in fiscal years 2012 and 2013.
- The Department did not have documented policies and procedures for that reconciliation.
- The Department did not retain supporting documentation for that reconciliation.
- The Department did not review that reconciliation.

**Bridge Database**

The Department's bridge database includes bridges considered complete that have been identified by either (1) the Department's district and area offices or (2) the Department's Finance Division through its review of non-traditional and pass-through toll agreements or its year-end identification of bridges for the annual financial report.

Source: The Department of Transportation.

**Corrective Action and Management's Responses**

*Corrective action was taken.*

**Issue 2**

**The Department of Transportation Should Strengthen Its Management of Access to the Right of Way Information System**

Reference No. 14-555-02  
(Prior Audit Issues 2012-2)

**Type of finding: Significant Deficiency**

One programmer at the Department had access to Right of Way Information System (ROWIS) production data and could authorize transactions within ROWIS, approve them, and submit them to the accounting system for payment. While that programmer did not approve any transactions within ROWIS or submit any transactions to the accounting system for payment during fiscal year 2013, that programmer should not have access to production data.

Title 1, Texas Administrative Code, Section 202.20(8), requires agencies to ensure adequate controls and separation of duties for tasks that are susceptible to fraudulent or other unauthorized activity. Allowing programmers access to production data increases the risk that unauthorized changes could be made without detection.

**Corrective Action and Management's Responses**

*Corrective action was taken.*

## **The Health and Human Services Commission and the Department of Aging and Disability Services Should Improve Controls Over Information Technology**

### **Issue 1**

#### **The Health and Human Services Commission and the Department of Aging and Disability Services Should Improve Their Management and Monitoring of Certain Information Technology**

Reference No. 14-555-03

#### **Type of finding: Significant Deficiency**

Auditors identified significant weaknesses in controls over the information technology that the Health and Human Services Commission (Commission) and the Department of Aging and Disability Services (Department) use to process payments for the Home and Community Based Services Program (Program). To protect the integrity of their information, the Commission and the Department should improve their management and monitoring of the information technology the Program uses. While the Department is the owner of the Program's data, the Commission is responsible for administering components of the information technology that the Program uses, including user access.

#### **User Access**

User access to the information technology the Program uses was not appropriate. Periodic review of user access is important in identifying possible unauthorized access. Not having a strong user access review process increases the risk of unauthorized or undetected access to, modification of, disclosure of, or destruction of data.

Auditors identified the following issues:

- A total of 167 user accounts were associated with individuals whose employment had been terminated. The majority of those terminations occurred in fiscal years 2013 and 2012; however, 57 of them occurred during fiscal years 2002 through 2011.
- A total of 68 user accounts allowed inappropriate access based on the job duties of the associated employees.
- A total of 24 user accounts were accounts that the Department was unable to associate with current employees or contractors.
- A total of 23 user accounts were accounts for which each user's associated agency was misidentified in the Commission's documentation.

Title 1, Texas Administrative Code, Section 202.25(3)(B), requires a user's access authorization to be modified or removed when the user's employment

or job responsibilities within a state agency change. In addition, the Commission's policies and procedures require all accounts to be disabled immediately upon termination or completion of a contract period and require account access to be reviewed at least every 12 months for appropriateness.

### **Servers**

Two servers that the Program uses are no longer supported by the vendor. One server had not received software security patches in more than three years, and the other server had not received software security patches in more than eight years. When server software is not patched, that increases the risk that data could be compromised.

### **Passwords**

The password configurations for one database the Program uses to process payments do not meet the minimum requirements in the Commission's policies and procedures, the Texas Administrative Code, or industry best practices for length, complexity, and periodic changing. Passwords that are not sufficiently lengthy or complex or are not required to be changed periodically increase the risk of unauthorized access.

### **Change Management**

The Department was unable to provide sufficient evidence for auditors to verify its assertion that only five employees could migrate code to the production environment for the application the Program uses. Auditors tested all nine application changes the Department made during fiscal year 2013 and determined there was an appropriate segregation of duties. However, when the names of the individuals who can migrate code to the production environment are not documented, there is a risk of unauthorized changes being made to applications without detection.

Auditors identified additional information technology issues. Due to the sensitivity of those issues, auditors communicated them to Commission and Department management separately in writing.

### **Corrective Action and Management's Responses**

*See current year finding 15-555-02.*

## **The Department of Motor Vehicles Should Improve Access Controls to Certain Information Technology**

### **Issue 1**

#### **The Department of Motor Vehicles Should Improve Its Management of Access to the Registration and Titling System**

Reference No. 14-555-04

#### **Type of finding: Significant Deficiency**

The Department of Motor Vehicles (Department) did not adequately manage and monitor user access to the Registration and Titling System and its related servers and database. Auditors identified 115 active user accounts that were associated with individuals who no longer needed access due to a change in job duties or employment.

Title 1, Texas Administrative Code, Section 202.25(3)(B), requires a user's access authorization to be modified or removed when the user's employment or job responsibilities within a state agency change. Periodic review of user access is important in identifying possible unauthorized access. Not having a strong user access review process increases the risk of unauthorized or undetected access to, modification of, disclosure of, or destruction of data.

#### **Corrective Action and Management's Responses**

*Corrective action was taken.*

## **The Texas Education Agency Should Strengthen Access Controls to Certain Information Technology**

### **Issue 1**

#### **The Texas Education Agency Should Strengthen Access Controls for Its Database Servers**

Reference No. 14-555-05  
(Prior Audit Issue 13-555-01)

#### **Type of finding: Significant Deficiency**

The Texas Education Agency (Agency) should strengthen access controls for its database servers. The Agency did not fully implement recommendations to improve access controls over its information technology systems as the State Auditor's Office recommended in the previous year. Specifically, the Agency did not monitor user access, did not deactivate user accounts when employment ended, and did not change passwords for database server accounts.

Title 1, Texas Administrative Code, Section 202.20(1), requires agencies to protect information resources against unauthorized access, disclosure, modification, or destruction, whether accidental or deliberate, as well as to assure the availability, integrity, utility, authenticity, and confidentiality of information. Periodic review of user access is important in identifying possible unauthorized access. Not having a strong user access review process increases the risk of unauthorized or undetected access to, modification of, disclosure of, or destruction of data.

### **Corrective Action and Management's Responses**

*See current year finding 15-555-04.*

Chapter 4-E

## **The Parks and Wildlife Department Should Improve Its Reconciliations of Financial Data**

### **Issue 1**

#### **The Parks and Wildlife Department Should Improve Its Reconciliation of Its Internal Accounting System to the Uniform Statewide Accounting System**

Reference No. 14-555-06  
(Prior Audit Issue 13-555-02)

#### **Type of finding: Significant Deficiency**

The Parks and Wildlife Department (Department) uses information from its internal accounting system and from the Uniform Statewide Accounting System (USAS) to prepare its Schedule of Expenditures of Federal Awards (SEFA) and the notes to its SEFA. While the Department reconciled the information in its internal accounting system with information in USAS, it did not make all necessary entries in USAS before fiscal year 2013 was closed.

The Comptroller of Public Accounts' *Reporting Requirements for Fiscal 2013 Annual Financial Reports of State Agencies and Universities* requires each state agency to ensure and certify that its financial data correctly reflects its financial position as of August 31, 2013, as recorded in USAS and the agency's internal accounting system.

### **Corrective Action and Management's Responses**

*Corrective action was taken.*

## Agencies and Higher Education Institutions Should Strengthen Their Review of Their Schedules of Expenditures of Federal Awards

Reference No. 14-555-07

(Prior Audit Issues 13-555-02, 12-555-05, 11-555-17, 10-555-26, and 09-555-19)

### Type of finding: Significant Deficiency

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

Each agency that expends federal awards is required to prepare a Schedule of Expenditures of Federal Awards (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 agency'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 [Office of Management and Budget (OMB) Circular A-133, Section .105].

Federal financial assistance includes any assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance [OMB Circular A-133, Section .105].

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

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their fiscal year 2013 Schedules of Expenditures of Federal Awards (SEFAs) (see text box for additional information). Therefore, the SEFAs those agencies and higher education institutions submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

The 3 agencies and 8 higher education institutions discussed below reported \$3.1 billion in federal expenditures, or 6 percent of the total federal expenditures the State of Texas reported for fiscal year 2013. The errors listed below were not material to the fiscal year 2013 SEFA for the State of Texas or to the fiscal year 2013 *Comprehensive Annual Financial Report* for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

### Department of Public Safety

On its SEFA, the Department of Public Safety (DPS):

- Reported \$2,776,718 using revenue instead of expenditures for 6 Catalog of Federal Domestic Assistance (CFDA) programs on its SEFA.
- Incorrectly classified \$3,616,427 in direct expenditures as pass-through expenditures for 3 CFDA on its SEFA.
- Incorrectly included \$699,764 in expenditures for 4 CFDA and incorrectly excluded \$22,799 in expenditures from its SEFA because it inappropriately included adjustments for prior periods.
- Incorrectly classified \$155,994 in pass-through expenditures as direct expenditures for 4 CFDA on its SEFA.
- Incorrectly classified \$126,197 in pass-through expenditures for one CFDA. DPS should not have included those expenditures on its SEFA because it made those expenditures with state funds.

- Incorrectly classified \$85,912 in expenditures among 8 CFDA's on its SEFA.
- Incorrectly included \$2,168 in expenditures for one CFDA on its SEFA.
- Could not provide adequate supporting documentation for (1) an adjustment to reduce expenditures for 1 CFDA by \$12,322 and (2) a reconciling item that it reported in the reconciliation note to its SEFA.
- Did not include all required information in the note to its SEFA related to non-monetary assistance. DPS did not report the original acquisition cost of \$14,180, the applicable CFDA number, and the federal agency that provided the funds.

**Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

**General Land Office**

The General Land Office (GLO) incorrectly classified \$80,346,489 in direct expenditures as pass-through expenditures for one CFDA on its SEFA.

**Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

**Texas A&M AgriLife Extension Service**

On its SEFA, the Texas AgriLife Extension Service (Extension):

- Reported \$3,972,207 using revenues instead of expenditures for 14 CFDA's on its SEFA. That occurred because the Extension used revenue instead of expenditures to confirm pass-throughs from other state agencies.
- Incorrectly classified \$15,143 in expenditures between two CFDA's on its SEFA.

**Corrective Action and Management's Responses**

*Corrective action was taken.*

### **Midwestern State University**

On its SEFA, Midwestern State University (MSU):

- Incorrectly reported expenditures for four CFDA's in the Student Financial Assistance cluster of federal programs using award year instead of fiscal year. As a result, MSU incorrectly excluded a net \$7,500 in expenditures from its SEFA and from the notes to its SEFA and overstated federal revenue by \$40,909 in the notes to its SEFA.
- Overstated the ending balance of direct loans from prior years by \$27,903,749 in the notes to its SEFA.
- Did not include in its SEFA a required note regarding depository libraries for government publications.

### **Corrective Action and Management's Responses**

*Corrective action was taken.*

### **Texas Tech University**

On its SEFA, Texas Tech University (TTU):

- Reported \$63,158,963 using revenues instead of expenditures for 133 (98 percent) of 136 CFDA's on its SEFA.
- For one CFDA that TTU reported using expenditures, TTU (1) incorrectly excluded \$155,912 in expenditures from its SEFA, (2) incorrectly excluded \$155,912 in expenditures from the notes to its SEFA, and (3) understated federal revenue by \$92,803 in the notes to its SEFA.
- Understated its balance of federal Perkins loans from prior years by \$768,425 in the notes to its SEFA.
- Did not disclose that it outsourced its processing of federal Perkins loans to a service organization in the notes to its SEFA.

### **Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

### **The University of Texas at Arlington**

On its SEFA, the University of Texas at Arlington (UT-Arlington):

- Incorrectly reported expenditures for six CFDA's in the Student Financial Assistance cluster of federal programs. That occurred primarily because UT-Arlington inappropriately included prior fiscal year expenditures. As a result, UT-Arlington incorrectly included \$86,365,226 in expenditures on its SEFA. In addition, it (1) incorrectly excluded \$282,626 in expenditures from its SEFA, (2) incorrectly included \$64,856,949 in expenditures in the notes to its SEFA, (3) incorrectly excluded \$173,251 in expenditures from the notes to its SEFA, and (4) overstated federal revenue by \$21,545,123 in the notes to its SEFA.
- Incorrectly included \$18,038 in expenditures for 4 CFDA's on its SEFA. That occurred because UT-Arlington used revenue instead of expenditures to confirm pass-throughs to other state agencies.
- Incorrectly classified \$18,138 in expenditures between two CFDA's on its SEFA.
- Incorrectly included a \$146,686 reconciling item in the reconciliation note to its SEFA. That occurred because UT-Arlington overstated its federal revenue by \$146,686.

### **Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

### **The University of Texas at Austin**

On its SEFA, the University of Texas at Austin (UT-Austin):

- Incorrectly reported expenditures for six CFDA's in the Student Financial Assistance cluster of federal programs. That occurred because UT-Austin inappropriately included prior fiscal year expenditures. As a result, UT-Austin incorrectly included \$22,845,615 in expenditures on its SEFA and overstated federal revenue by \$22,845,615 in the notes to its SEFA.
- Incorrectly classified \$1,374,131 of direct expenditures as pass-through expenditures for 2 CFDA's on its SEFA.
- Incorrectly classified \$740,968 in expenditures among 7 CFDA programs on its SEFA.
- Incorrectly classified \$238,042 in expenditures related to 8 CFDA's as part of the Research and Development cluster of federal programs.

- Incorrectly moved expenditures among CFDA's during its pass-through confirmation process; as a result, it excluded \$59,418 in expenditures and federal revenue from its SEFA and from the notes to its SEFA.
- Incorrectly classified \$1,901 in administrative expenditure recoveries as expenditures for new federal Perkins loans issued in the notes to its SEFA.
- Did not include all required information in the note to its SEFA related to non-monetary assistance. Specifically, UT-Austin did not report \$840 in assistance, the applicable CFDA number, or the federal agency that provided the funds.

### **Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

#### **The University of Texas at El Paso**

On its SEFA, the University of Texas at El Paso (UTEP):

- Incorrectly reported expenditures for four CFDA's in the Student Financial Assistance cluster of federal programs. That occurred primarily because UTEP inappropriately included prior fiscal year expenditures. As a result, UTEP incorrectly included \$21,550,985 in expenditures on its SEFA. In addition, it (1) incorrectly excluded \$235,014 in expenditures from its SEFA, (2) incorrectly excluded \$235,014 in expenditures from the notes to its SEFA, and (3) overstated federal revenue by \$21,550,985 in the notes to its SEFA.
- Incorrectly classified \$5,028,276 in pass-through expenditures as direct expenditures for 29 CFDA's on its SEFA.
- Incorrectly classified \$1,602,290 in expenditures related to 16 CFDA's as part of the Research and Development cluster of federal programs.
- Did not identify \$8,900 in expenditures as American Recovery and Reinvestment Act expenditures on its SEFA.
- Incorrectly included \$2,211 in pass-through expenditures to the Texas A&M Research Foundation on its SEFA. Additionally, UTEP incorrectly excluded the \$2,211 in pass-through expenditures from the notes to its SEFA.

## **Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

### **The University of Texas - Pan American**

On its SEFA, the University of Texas – Pan American (UT-Pan American):

- Incorrectly reported expenditures for four CFDA's in the Student Financial Assistance cluster of federal programs. That occurred primarily because UT-Pan American inappropriately included prior fiscal year expenditures. As a result, UT-Pan American incorrectly included \$21,570,074 in expenditures on its SEFA. In addition, it incorrectly excluded \$420,343 in expenditures from its SEFA and overstated federal revenue by \$21,149,731 in the notes to its SEFA.
- Overstated the ending balance of direct loans from prior years by \$54,223,140 in the notes to its SEFA.

## **Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

### **The University of Texas at San Antonio**

On its SEFA, the University of Texas at San Antonio (UT-San Antonio) incorrectly reported expenditures for two CFDA's in the Student Financial Assistance cluster of federal programs. That occurred because UT-San Antonio inappropriately included prior fiscal year expenditures. As a result, UT-San Antonio incorrectly included \$23,122,759 in expenditures on its SEFA and overstated federal revenue by \$23,122,759 in the notes to its SEFA.

## **Corrective Action and Management's Responses**

*See current year finding 15-555-05.*

### **The University of Texas Southwestern Medical Center**

On its SEFA, the University of Texas Southwestern Medical Center (UTSWMC) incorrectly reported expenditures for five CFDA's in the Student Financial Assistance cluster of federal programs. That occurred primarily because UTSWMC inappropriately reported expenditures for the federal award year and not the fiscal year. As a result, UTSWMC (1) incorrectly excluded \$349,955 in expenditures from its SEFA, (2) incorrectly included

\$9,612 in expenditures on its SEFA, (3) incorrectly excluded \$408,289 from the notes to its SEFA, (4) incorrectly included \$58,334 in the notes to its SEFA, and (5) overstated federal revenue by \$67,947 in the notes to its SEFA.

**Corrective Action and Management's Responses**

*Corrective action was taken.*

# Appendices

Appendix 1

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

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### **Objective**

The audit objective was to determine whether the State's basic financial statements present fairly, in all material respects, the consolidated balances and activities for the State of Texas for the fiscal year ended August 31, 2014.

The Statewide Single Audit is an annual audit for the State of Texas. It is conducted so that the State complies with (1) the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133 and (2) state statute requiring that an audited Comprehensive Annual Financial Report be provided to the Governor (Texas Government Code, Section 403.013(c)).

### **Scope**

The scope of the financial portion of the Statewide Single Audit included an audit of the State's basic financial statements and a review of significant controls over financial reporting and compliance with applicable requirements. The opinion on the basic financial statements, published in the Comprehensive Annual Financial Report for the fiscal year ended August 31, 2014, was dated February 20, 2015.

The scope of the federal compliance portion of the Statewide Single Audit included an audit of the State's Schedule of Expenditures of Federal Awards (SEFA), a review of compliance for each major program, and a review of significant controls over federal compliance. The State Auditor's Office contracted with KPMG LLP (KPMG) to provide an opinion on compliance for each major program and internal control over compliance. The State Auditor's Office provided an opinion on the State's SEFA. Information on the federal compliance portion of the Statewide Single Audit is included in a separate report entitled *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014*, by KPMG.

### **Methodology**

The audit methodology consisted of collecting information, identifying risk, conducting data analyses, performing selected audit tests and other procedures, and analyzing and evaluating the results against established criteria.

Auditors assessed the reliability of the State's data by (1) performing electronic tests of required data elements, (2) reviewing existing information about data and the systems that produced the data, and (3) interviewing

agency and higher education institution officials knowledgeable about data. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

Information collected and reviewed included the following:

- Agency and higher education institution policies and procedures.
- Agency and higher education institution systems documentation.
- Agency and higher education institution accounting data.
- Agency and higher education institution year-end accounting adjustments.
- Agency and higher education institution fiscal year 2014 annual financial reports.
- Agency and higher education institution fiscal year 2014 SEFA submissions to the Office of the Comptroller of Public Accounts.

Information systems reviewed included the following:

- Agency and higher education institution internal accounting systems.
- Uniform Statewide Accounting System (USAS).

Procedures and tests conducted included the following:

- Evaluating automated systems controls.
- Performing analytical tests of account balances.
- Comparing agency and higher education institution accounting practices with Office of the Comptroller of Public Accounts' reporting requirements.

Criteria used included the following:

- Texas statutes.
- Texas Administrative Code.
- General Appropriations Act (83rd Legislature).
- The Office of the Comptroller of Public Accounts' policies and procedures.
- The Office of the Comptroller of Public Accounts' *Reporting Requirements for Fiscal 2014 Annual Financial Reports of State Agencies and Universities*.

- Agency and higher education institution policies.
- U.S. Office of Management and Budget Circular A-133.
- Generally accepted accounting principles as established by existing authoritative literature including, but not limited to, literature published by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

### **Project Information**

Audit fieldwork was conducted from June 2014 through February 2015. We conducted this audit in accordance with 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

- Brianna C. Lehman, CPA (Project Manager)
- Robert Pagenkopf, CFE (Assistant Project Manager)
- Jennifer Ranea Robinson, CPA (Assistant Project Manager)
- Robert H. (Rob) Bollinger, CPA, CFE
- Robert Burg, CPA, CFE
- Katherine Curtsinger
- Hillary Eckford, CIA
- George D. Eure, CPA
- Lauren Godfrey, CIA, CGAP
- Rachel Lynne Goldman, CPA
- Michael Goodwin
- Arnton W. Gray
- Justin H. Griffin, CISA
- Joyce Inman, CGFM

- Kyle Ketry
- Robert G. Kiker, CGAP
- Eric Ladejo, MPA
- Nicole McClusky-Erskine
- Bianca Pineda
- Jeannette Quiñonez, CPA
- Fabienne Robin, MBA
- Lilia C. Srubar, CPA
- Kelli Starbird
- Philip Stringer, CPA
- Sarah Vela
- Jessica Volkmann
- Emily Warren
- Julia Youssefnia, CPA
- Brenda Zamarripa, CGAP
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Angelica M. Ramirez, CPA (Audit Manager)

## ***Agencies and Higher Education Institutions Audited***

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Financial accounts were audited at the following agencies:

- Department of Aging and Disability Services.
- Department of Motor Vehicles.
- Health and Human Services Commission.
- Office of the Comptroller of Public Accounts.
- Parks and Wildlife Department (follow-up on prior year finding only).
- Texas Education Agency.
- Texas Workforce Commission.

Schedules of expenditures of federal awards at the following agencies and higher education institutions were audited by either the State Auditor's Office or KPMG LLP:

- Department of Aging and Disability Services.
- Department of Agriculture.
- Department of Assistive and Rehabilitative Services.
- Department of Family and Protective Services.
- Department of Housing and Community Affairs.
- Department of Public Safety.
- Department of State Health Services.
- Department of Transportation.
- General Land Office.
- Health and Human Services Commission.
- Higher Education Coordinating Board.
- Office of the Attorney General.
- Prairie View A&M University.
- Midwestern State University.

- Sam Houston State University.
- Stephen F. Austin State University.
- Texas A&M AgriLife Extension Service.
- Texas A&M University.
- Texas A&M University at Galveston.
- Texas Education Agency.
- Texas Tech University.
- Texas Workforce Commission.
- The University of Texas at Arlington.
- The University of Texas at Austin.
- The University of Texas at Dallas.
- The University of Texas at El Paso.
- The University of Texas at San Antonio.
- The University of Texas – Pan American.
- The University of Texas Health Science Center at Houston.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas Southwestern Medical Center.
- Water Development Board.

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair  
The Honorable Joe Straus III, Speaker of the House, Joint Chair  
The Honorable Jane Nelson, Senate Finance Committee  
The Honorable Robert Nichols, Member, Texas Senate  
The Honorable John Otto, House Appropriations Committee  
The Honorable Dennis Bonnen, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Boards, Commissions, Chancellors, Executive Directors, and Presidents of the Following Agencies and Higher Education Institutions**

Department of Aging and Disability Services  
Department of Agriculture  
Department of Assistive and Rehabilitative Services  
Department of Family and Protective Services  
Department of Housing and Community Affairs  
Department of Motor Vehicles  
Department of Public Safety  
Department of State Health Services  
Department of Transportation  
General Land Office  
Health and Human Services Commission  
Higher Education Coordinating Board  
Midwestern State University  
Office of the Attorney General  
Office of the Comptroller of Public Accounts  
Parks and Wildlife Department  
Prairie View A&M University  
Sam Houston State University  
Stephen F. Austin State University  
Texas A&M AgriLife Extension Service  
Texas A&M University  
Texas A&M University at Galveston  
Texas Education Agency  
Texas Tech University  
Texas Workforce Commission  
The University of Texas at Arlington  
The University of Texas at Austin  
The University of Texas at Dallas  
The University of Texas at El Paso  
The University of Texas Health Science Center at Houston  
The University of Texas Health Science Center at San Antonio  
The University of Texas - Pan American  
The University of Texas at San Antonio  
The University of Texas Southwestern Medical Center  
Water Development Board



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