

Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009



John Keel, CPA

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Independent Auditors' Reports
Federal Portion of
Statewide Single Audit Report
For the Year Ended August 31, 2009

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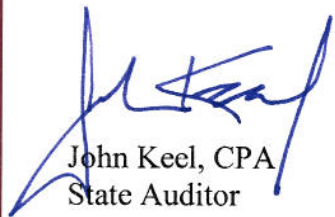
**INDEPENDENT AUDITOR'S REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Comptroller of Public Accounts
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joe Straus, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas

We have audited the 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, 2009, and have issued our report thereon dated February 22, 2010.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken 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 four component units of the State of Texas. Each of those component units has its own independent audit in compliance with OMB Circular A-133.


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State Auditor

February 22, 2010



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Independent Auditors' Report
on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133

The Honorable Rick Perry, Governor,
and Members of the Texas State Legislature
State of Texas:

Compliance

We have audited the compliance of the State of Texas (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended August 31, 2009, except those requirements discussed in the third paragraph of this report. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include operations of four component units of the State which received approximately \$173 million in federal awards which is not included in the schedule of expenditures of federal awards for the year ended August 31, 2009. Our audit, described below, did not include the operations of the four component units of the State because each of those agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We did not audit the State's compliance with requirements governing maintaining contact with borrowers and billing and collection procedures for certain portions of the State in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Affiliated Computer Services, Inc. (ACS), Continental Service Group, Inc. (dba Campus Partners), Panhandle Plains Student Loan Corporation, William & Fudge, Inc., General Revenue Corporation, Educational Loan Servicing, LLC (dba ConServe), Enterprise Recovery Systems, Inc., Todd Bremer & Lawson, Inc., Windham Professionals, Inc., and National Credit Management Servicers. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. The service organizations' compliance with the requirements governing the functions that they perform for the State for the year ended August 31, 2009 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examinations of the service organizations' compliance with such requirements.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.



As described below and in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below nor were we able to satisfy ourselves as to the State’s compliance with those requirements by other auditing procedures. These program’s compliance requirements were:

| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> |
|--------------------------------------|---|-------------------------------|-----------------------|
| Health and Human Services Commission | CFDA 93.667 - Social Services Block Grant | Earmarking | 10-20 |

As identified below and in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to certain of its major Federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major Federal programs. The results of the auditing procedures are described in the accompanying schedule of findings and questioned costs as items:

| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> | |
|---|---|---|------------------------------|-------|
| Adjutant General’s Department | CFDA 12.401 - National Guard Military Operations and Maintenance Projects | Equipment and Real Property Management | 10-02 | |
| Health and Human Services Commission | CFDA 93.558 - Temporary Assistance for Needy Families Supplementary Nutrition Assistance Program Cluster Medicaid Cluster Medicaid Cluster - ARRA | Eligibility | 10-12 | |
| | | Medicaid Cluster | Special Tests and Provisions | 10-13 |
| | | Supplementary Nutrition Assistance Program Cluster | Special Tests and Provisions | 10-14 |
| Texas Department of Housing and Community Affairs | CFDA 14.228 - Community Development Block Grants/ State’s program and Non-Entitlement Grants in Hawaii | Allowable Costs/Cost Principles Special Tests and Provisions | 10-30 | |
| Department of Public Safety | Homeland Security Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-35 | |
| | CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Reporting | 10-41 | |



| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> |
|-------------------------------------|--|---|-----------------------|
| Department of Public Safety | CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Subrecipient Monitoring Special Tests and Provisions | 10-42 |
| Texas Education Agency | CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.048 - Career and Technical Education - Basic Grants to States CFDA 84.287 - Twenty-First Century Community Learning Centers CFDA 84.357 - Reading First State Grants CFDA 84.365 - English Language Acquisition Grants CFDA 84.367 - Improving Teacher Quality State Grants Special Education (IDEA) Cluster Special Education (IDEA) Cluster - ARRA Title I, Part A Cluster Title I, Part A Cluster - ARRA | Subrecipient Monitoring | 10-64 |
| Texas State University - San Marcos | Student Financial Assistance Cluster | Special Tests and Provisions | 10-73 |
| Department of Transportation | Highway Planning and Construction Cluster | Subrecipient Monitoring | 10-84 |
| | | Special Tests and Provisions | 10-85 |
| | Highway Safety Cluster | Subrecipient Monitoring | 10-88 |
| | CFDA 20.106 - Airport Improvement Program CFDA 20.106 - Airport Improvement Program - ARRA | Subrecipient Monitoring Special Tests and Provisions | 10-89 |
| | CFDA 20.509 - Formula Grants for Other than Urbanized Areas CFDA 20.509 - Formula Grants for Other than Urbanized Areas- ARRA | Subrecipient Monitoring | 10-92 |
| University of Houston | Student Financial Assistance Cluster | Special Tests and Provisions | 10-97 |



| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> |
|----------------------------------|--------------------------------------|-------------------------------|-----------------------|
| University of Texas at Arlington | Student Financial Assistance Cluster | Special Tests and Provisions | 10-113 |

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the State did not comply in all material respects, with the requirements referred to above that are applicable to:

- CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544
- Medicaid Cluster
- Medicaid Cluster - ARRA
- Supplementary Nutrition Assistance Program Cluster

In our opinion, except for the noncompliance described in the preceding two paragraphs, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009. The results of our auditing procedures disclosed other instances of noncompliance with those requirements, 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:

| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> | |
|---|---|--|------------------------------|-------|
| Adjutant General's Department | CFDA 12.401 - National Guard Military Operations and Maintenance Projects | Cash Management Program Income | 10-01 | |
| | | Procurement and Suspension and Debarment Allowable Costs/Cost Principles | 10-03 | |
| Department of Agriculture | CFDA 10.558 - Child and Adult Care Food Program | Subrecipient Monitoring | 10-04 | |
| | | Emergency Food Assistance Program Cluster - ARRA | Special Tests and Provisions | 10-05 |
| | | Subrecipient Monitoring | 10-06 | |
| Department of Assistive and Rehabilitative Services | CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States | Eligibility | 10-07 | |
| Department of Family and Protective Services | CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant | Allowable Costs/Cost Principles | 10-08 | |



| Agency/University | Program | Compliance Requirement | Finding Number |
|---|---|---|-----------------------|
| Department of Family and Protective Services | CFDA 93.658 - Foster Care - Title IV-E - ARRA | Special Tests and Provisions | 10-10 |
| Department of Family and Protective Services | CFDA 93.658 - Foster Care - Title IV-E | Eligibility | 10-11 |
| Texas Workforce Commission | CFDA 93.658 - Foster Care - Title IV-E - ARRA | | |
| Health and Human Services Commission | CFDA 93.767 - Children's Health Insurance Program | Eligibility | 10-15 |
| | CFDA 93.558 - Temporary Assistance for Needy Families | Allowable Costs/Cost Principles | 10-17 |
| | CFDA 93.667 - Social Services Block Grant | Period of Availability of Federal Funds | |
| | CFDA 93.767 - Children's Health Insurance Program | | |
| | CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | | |
| | Medicaid Cluster | | |
| | CFDA 93.667 - Social Services Block Grant | Subrecipient Monitoring | 10-19 |
| | Medicaid Cluster | Special Tests and Provisions | 10-21 |
| | CFDA 93.558 - Temporary Assistance for Needy Families | Special Tests and Provisions | 10-23 |
| Health and Human Services Commission | CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children | Allowable Costs/Cost Principles | 10-24 |
| Department of Aging and Disability Services | | | |
| Department of Assistive and Rehabilitative Services | CFDA 84.126 - Rehabilitation Services - Vocational | | |
| Department of State Health Services | Rehabilitation Grants to States | | |
| | CFDA 93.558 - Temporary Assistance for Needy Families | | |
| | CFDA 93.667 - Social Services Block Grant | | |
| | CFDA 93.767 - Children's Health Insurance Program | | |
| | CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse | | |
| | CFDA 97.050- Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | | |



| Agency/University | Program | Compliance Requirement | Finding Number |
|---|---|---|-----------------------|
| Health and Human Services Commission Department of Aging and Disability Services Department of Assistive and Rehabilitative Services Department of State Health Services | Supplementary Nutrition Assistance Program Cluster Medicaid Cluster | (Continued) | 10-24 |
| Health and Human Services Commission Texas Workforce Commission | CFDA 93.558 - Temporary Assistance for Needy Families | Special Tests and Provisions | 10-25 10-26 |
| Health and Human Services Commission Department of Family and Protective Services | CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.667 - Social Services Block Grant CFDA 93.767 - Children's Health Insurance Program Supplementary Nutrition Assistance Program Cluster Medicaid Cluster | Procurement and Suspension and Debarment | 10-27 |
| Texas Department of Housing and Community Affairs | CFDA 14.228 - Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii | Reporting | 10-28 |
| Lamar State College - Port Arthur | Student Financial Assistance Cluster | Special Tests and Provisions | 10-31 |
| Prairie View A&M University | Student Financial Assistance Cluster | Eligibility | 10-33 |
| | | Special Tests and Provisions | 10-34 |
| Department of Public Safety | Homeland Security Cluster | Reporting Cash Management Matching, Level of Effort, Earmarking Procurement and Suspension and Debarment | 10-36 |
| | | Subrecipient Monitoring | 10-37 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|-------------------------------------|---|--|-----------------------|
| Department of Public Safety | CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Activities Allowed or Unallowed Allowable Costs/Cost Principles Cash Management Period of Availability of Federal Funds | 10-38 |
| | | Procurement and Suspension and Debarment | 10-40 |
| Sam Houston State University | Student Financial Assistance Cluster | Eligibility | 10-43 |
| | | Special Tests and Provisions | 10-44 |
| Department of State Health Services | CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children | Special Tests and Provisions | 10-45 10-46 |
| | | | |
| Stephen F. Austin State University | Student Financial Assistance Cluster | Eligibility | 10-48 |
| | | Special Tests and Provisions | 10-49 |
| Tarleton State University | Student Financial Assistance Cluster | Eligibility | 10-50 |
| | | Special Tests and Provisions | 10-51 |
| | Research and Development Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-52 |
| | | Cash Management | 10-53 |
| | | Procurement and Suspension and Debarment | 10-54 |
| Texas A&M University | Student Financial Assistance Cluster | Special Tests and Provisions | 10-55 10-56 |
| | | | |



| Agency/University | Program | Compliance Requirement | Finding Number |
|---|--|--|-------------------------|
| Texas A&M University - Commerce | Student Financial Assistance Cluster | Eligibility Special Tests and Provisions | 10-57 |
| Texas A&M University - Kingsville | Research and Development Cluster - ARRA | Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-58 |
| Texas Department of Rural Affairs | CFDA 14.228 - Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii | Procurement and Suspension and Debarment | 10-59 |
| Texas Education Agency | CFDA 84.011 - Migrant Education - State Grant Program | Reporting | 10-60 |
| | | Reporting Special Tests and Provisions | 10-62 |
| Texas Higher Education Coordinating Board | CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender | Reporting | 10-65 |
| | | Special Tests and Provisions | 10-66 10-67 10-68 |
| Texas State University - San Marcos | Student Financial Assistance Cluster | Eligibility Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Special Tests and Provisions | 10-70 |
| | | Reporting | 10-71 |
| | | Special Tests and Provisions | 10-72 10-74 |
| | Research and Development Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-75 |
| | | Procurement and Suspension and Debarment | 10-77 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|------------------------------------|---|---|-----------------------|
| Texas Workforce Commission | CFDA 17.225 - Unemployment Insurance | Special Tests and Provisions | 10-78 10-80 |
| | Employment Services Cluster - ARRA Workforce Investment Act Cluster - ARRA | Subrecipient Monitoring | 10-79 |
| Department of Transportation | Highway Planning and Construction Cluster | Davis-Bacon Act | 10-82 |
| | | Special Tests and Provisions | 10-86 |
| | | Special Tests and Provisions Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-87 |
| | CFDA 20.106 - Airport Improvement Program | Reporting | 10-90 |
| | CFDA 20.509 - Formula Grants for Other than Urbanized Areas | Reporting | 10-91 |
| | CFDA 20.509 - Formula Grants for Other than Urbanized Areas - ARRA | Subrecipient Monitoring Special Tests and Provisions | 10-93 |
| University of Houston | Student Financial Assistance Cluster | Reporting Activities Allowed or Unallowed Cash Management Eligibility Period of Availability of Federal Funds Special Tests and Provisions | 10-94 |
| | | Special Tests and Provisions | 10-95 |
| | | Special Tests and Provisions | 10-96 10-98 |
| University of Houston - Clear Lake | Student Financial Assistance Cluster | Eligibility Special Tests and Provisions | 10-99 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|---|--------------------------------------|--|--------------------------------------|
| University of North Texas | Student Financial Assistance Cluster | Cash Management | 10-100 |
| | | Activities Allowed or Unallowed | |
| | | Period of Availability of Federal Funds | |
| | | Reporting | |
| | | Special Tests and Provisions | |
| | | Eligibility | 10-101 |
| | | Special Tests and Provisions | 10-102 10-103 10-104 10-105 |
| University of North Texas Health Science Center at Fort Worth | Research and Development Cluster | Activities Allowed or Unallowed | 10-106 |
| | | Allowable Costs/Cost Principles | |
| | | Procurement and Suspension and Debarment | 10-107 |
| University of Texas at Arlington | Student Financial Assistance Cluster | Eligibility | 10-108 |
| | | Reporting | 10-109 |
| | | Special Tests and Provisions | 10-110 10-111 10-112 |
| | | | |
| University of Texas at Austin | Student Financial Assistance Cluster | Reporting | 10-114 |
| | | Activities Allowed or Unallowed | |
| | | Cash Management | |
| | | Eligibility | |
| | | Period of Availability of Federal Funds | |
| | | Program Income | |
| | | Special Tests and Provisions | |
| | | Special Tests and Provisions | 10-115 10-116 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|--|---|--|-----------------------|
| University of Texas at Austin | Research and Development Cluster | Cash Management Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds Procurement and Suspension and Debarment | 10-117 |
| | | Equipment and Real Property Management | 10-118 |
| | | Reporting | 10-120 |
| University of Texas Health Science Center at Houston | Student Financial Assistance Cluster | Eligibility | 10-121 |
| | | Special Tests and Provisions | 10-122 |
| University of Texas Health Science Center at San Antonio | Research and Development Cluster | Reporting | 10-123 |
| | Research and Development Cluster – ARRA Research and Development Cluster | Subrecipient Monitoring Special Tests and Provisions | 10-124 |
| University of Texas M. D. Anderson Cancer Center | Research and Development Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-125 |
| | | Cash Management | 10-126 |
| | | Procurement and Suspension and Debarment | 10-127 |
| | | Special Tests and Provisions | 10-128 |
| University of Texas Medical Branch at Galveston | Research and Development Cluster | Cash Management | 10-129 |



| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> |
|---|---|---|-----------------------|
| University of Texas Medical Branch at Galveston | Research and Development Cluster | Equipment and Real Property Management | 10-130 |
| | | Reporting | 10-131 |
| University of Texas - Pan American | Student Financial Assistance Cluster | Eligibility | 10-132 |
| | | Special Tests and Provisions | 10-133 |
| University of Texas at Tyler | Student Financial Assistance Cluster | Eligibility | 10-134 |
| | | Special Tests and Provisions | 10-135 |
| Water Development Board | CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds | Reporting | 10-136 |
| | | Subrecipient Monitoring | 10-137 |

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our 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.

Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Compliance Supplement are performed by the service organizations noted above. Internal control over compliance related to such functions for the year ended August 31, 2009 was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of the service organizations' internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in the State's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.



A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and items listed below to be significant deficiencies, excluding those significant deficiencies we also consider to be material weaknesses:

| Agency/University | Program | Compliance Requirement | Finding Number |
|--|---|--|-----------------------|
| Adjutant General's Department | CFDA 12.401 - National Guard Military Operations and Maintenance Projects | Cash Management Program Income | 10-01 |
| | | Procurement and Suspension and Debarment Allowable Costs/Cost Principles | 10-03 |
| Department of Agriculture | CFDA 10.558 - Child and Adult Care Food Program | Subrecipient Monitoring | 10-04 |
| | | Special Tests and Provisions | 10-05 |
| | | Subrecipient Monitoring | 10-06 |
| Department of Assistive and Rehabilitative Services | CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States | Eligibility | 10-07 |
| Department of Family and Protective Services | CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant | Allowable Costs/Cost Principles | 10-08 |
| | | Matching | 10-09 |
| | | Special Tests and Provisions | 10-10 |
| Department of Family and Protective Services Texas Workforce Commission | CFDA 93.658 - Foster Care - Title IV-E CFDA 93.658 - Foster Care - Title IV-E - ARRA | Eligibility | 10-11 |
| | | Special Tests and Provisions | 10-13 |
| Health and Human Services Commission | Medicaid Cluster | Special Tests and Provisions | 10-13 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|---|---|--|-----------------------|
| Health and Human Services Commission | Supplementary Nutrition Assistance Program Cluster | Special Tests and Provisions | 10-14 10-18 |
| | CFDA 93.767 - Children's Health Insurance Program | Eligibility | 10-15 |
| | CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | Eligibility | 10-16 |
| | CFDA 93.558 - Temporary Assistance for Needy Families | Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-17 |
| | CFDA 93.667 - Social Services Block Grant | | |
| | CFDA 93.767 - Children's Health Insurance Program | | |
| | CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | | |
| | Medicaid Cluster | | |
| | CFDA 93.667 - Social Services Block Grant | Subrecipient Monitoring | 10-19 |
| | CFDA 93.667 - Social Services Block Grant | Earmarking | 10-20 |
| Medicaid Cluster | Special Tests and Provisions | 10-21 | |
| CFDA 93.767 - Children's Health Insurance Program | Allowable Costs/Cost Principles | 10-22 | |
| CFDA 93.558 - Temporary Assistance for Needy Families | Special Tests and Provisions | 10-23 | |
| Health and Human Services Commission | CFDA 93.558 - Temporary Assistance for Needy Families | Special Tests and Provisions | 10-25 10-26 |
| Texas Workforce Commission | | | |
| Health and Human Services Commission | CFDA 93.558 - Temporary Assistance for Needy Families | Procurement and Suspension and Debarment | 10-27 |
| Department of Family and Protective Services | CFDA 93.658 - Foster Care - Title IV-E | | |
| | CFDA 93.667 - Social Services Block Grant | | |



| Agency/University | Program | Compliance Requirement | Finding Number |
|--|--|--|-----------------------|
| Health and Human Services Commission Department of Family and Protective Services | CFDA 93.767 - Children's Health Insurance Program Supplementary Nutrition Assistance Program Cluster Medicaid Cluster | (Continued) | 10-27 |
| Texas Department of Housing and Community Affairs | CFDA 14.228 - Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii CFDA 93.568 - Low-Income Home Energy Assistance | Cash Management Earmarking Reporting Subrecipient Monitoring | 10-29 |
| | CFDA 14.228 - Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii | Allowable Costs/Cost Principles Special Tests and Provisions | 10-30 |
| Lamar State College - Port Arthur | Student Financial Assistance Cluster | Special Tests and Provisions | 10-31 |
| Office of the Attorney General | CFDA 93.563 - Child Support Enforcement CFDA 93.563 - Child Support Enforcement - ARRA | Allowable Costs/Cost Principles Cash Management Matching Period of Availability of Federal Funds Reporting | 10-32 |
| Prairie View A&M University | Student Financial Assistance Cluster | Special Tests and Provisions | 10-34 |
| Department of Public Safety | Homeland Security Cluster | Reporting Cash Management Matching, Level of Effort, Earmarking Procurement and Suspension and Debarment | 10-36 |
| | | Subrecipient Monitoring | 10-37 |
| | CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Procurement and Suspension and Debarment | 10-40 |
| Sam Houston State University | Student Financial Assistance Cluster | Eligibility | 10-43 |
| | | Special Tests and Provisions | 10-44 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|-------------------------------------|--|--|---|
| Department of State Health Services | CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children | Special Tests and Provisions | 10-45 10-46 |
| | | Allowable Costs/Cost Principles Special Tests and Provisions | 10-47 |
| | | Eligibility | 10-48 |
| Stephen F. Austin State University | Student Financial Assistance Cluster | Special Tests and Provisions | 10-49 |
| | | Eligibility | 10-50 |
| Tarleton State University | Student Financial Assistance Cluster | Special Tests and Provisions | 10-51 |
| | | Research and Development Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds |
| | Cash Management | 10-53 | |
| | Procurement and Suspension and Debarment | 10-54 | |
| | Special Tests and Provisions | 10-55 10-56 | |
| Texas A&M University - Commerce | Student Financial Assistance Cluster | Eligibility Special Tests and Provisions | 10-57 |
| Texas A&M University - Kingsville | Research and Development Cluster - ARRA | Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-58 |
| Texas Department of Rural Affairs | CFDA 14.228 - Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii | Procurement and Suspension and Debarment | 10-59 |
| | | Reporting | 10-60 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|---|--|--|-------------------------|
| Texas Education Agency | CFDA 84.011 - Migrant Education - State Grant Program 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 Grants Special Education (IDEA) Cluster | Allowable Costs/Cost Principles | 10-61 |
| | CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.048 - Career and Technical Education - Basic Grants to States CFDA 84.287 - Twenty-First Century Community Learning Centers CFDA 84.357 - Reading First State Grants CFDA 84.365 - English Language Acquisition Grants CFDA 84.367 - Improving Teacher Quality State Grants Special Education (IDEA) Cluster Special Education (IDEA) Cluster - ARRA Title I, Part A Cluster Title I, Part A Cluster - ARRA | Subrecipient Monitoring | 10-64 |
| Texas Higher Education Coordinating Board | CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender | Special Tests and Provisions | 10-66 10-67 10-68 |
| | CFDA 84.048 - Career and Technical Education - Basic Grants to States | Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-69 |
| Texas State University - San Marcos | Student Financial Assistance Cluster | Eligibility Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Special Tests and Provisions | 10-70 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|-------------------------------------|---|--|-----------------------|
| Texas State University - San Marcos | Student Financial Assistance Cluster | Reporting | 10-71 |
| | | Special Tests and Provisions | 10-72 10-74 |
| | Research and Development Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-75 |
| | | Cash Management | 10-76 |
| | | Procurement and Suspension and Debarment | 10-77 |
| | | | |
| Texas Workforce Commission | CFDA 17.225 - Unemployment Insurance | Special Tests and Provisions | 10-78 10-80 |
| Department of Transportation | Highway Planning and Construction Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Special Tests and Provisions | 10-81 |
| | | Davis-Bacon Act | 10-82 |
| | | Reporting | 10-83 |
| | | Special Tests and Provisions | 10-86 |
| | | Special Tests and Provisions Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-87 |
| | Highway Safety Cluster | Subrecipient Monitoring | 10-88 |
| | CFDA 20.106 - Airport Improvement Program CFDA 20.106 – Airport Improvement Program - ARRA | Subrecipient Monitoring Special Tests and Provisions | 10-89 |
| | CFDA 20.106 - Airport Improvement Program | Reporting | 10-90 |



| Agency/University | Program | Compliance Requirement | Finding Number |
|----------------------------------|--|---|--------------------------------------|
| Department of Transportation | CFDA 20.509 - Formula Grants for Other than Urbanized Areas | Reporting | 10-91 |
| | CFDA 20.509 - Formula Grants for Other than Urbanized Areas - ARRA | Subrecipient Monitoring Special Tests and Provisions | 10-93 |
| University of Houston | Student Financial Assistance Cluster | Reporting Activities Allowed or Unallowed Cash Management Eligibility Period of Availability of Federal Funds Special Tests and Provisions | 10-94 |
| | | Special Tests and Provisions | 10-95 10-96 10-98 |
| | | Eligibility Special Tests and Provisions | 10-99 |
| University of North Texas | Student Financial Assistance Cluster | Cash Management Activities Allowed or Unallowed Period of Availability of Federal Funds Reporting Special Tests and Provisions | 10-100 |
| University of North Texas | Research and Development Cluster | Eligibility | 10-101 |
| | | Special Tests and Provisions | 10-102 10-103 10-104 10-105 |
| | | Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-106 |
| | | Procurement and Suspension and Debarment | 10-107 |
| University of Texas at Arlington | Student Financial Assistance Cluster | Eligibility | 10-108 |



| Agency/University | Program | Compliance Requirement | Finding Number | |
|--|--|--|------------------------------|--------|
| University of Texas at Arlington | Student Financial Assistance Cluster | Reporting | 10-109 | |
| | | Special Tests and Provisions | 10-111 10-112 10-113 | |
| | | Reporting Activities Allowed or Unallowed Cash Management Eligibility Period of Availability of Federal Funds Program Income Special Tests and Provisions | 10-114 | |
| University of Texas at Austin | Student Financial Assistance Cluster | Special Tests and Provisions | 10-115 10-116 | |
| | | Cash Management Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds Procurement and Suspension and Debarment | 10-117 | |
| | Equipment and Real Property Management | 10-118 | | |
| | Matching, Level of Effort, Earmarking | 10-119 | | |
| | Reporting | 10-120 | | |
| | University of Texas Health Science Center at Houston | Student Financial Assistance Cluster | Eligibility | 10-121 |
| | | | Special Tests and Provisions | 10-122 |
| University of Texas Health Science Center at San Antonio | Research and Development Cluster | Reporting | 10-123 | |



| Agency/University | Program | Compliance Requirement | Finding Number |
|--|---|--|-----------------------|
| University of Texas Health Science Center at San Antonio | Research and Development Cluster – ARRA Research and Development Cluster | Subrecipient Monitoring Special Tests and Provisions | 10-124 |
| University of Texas M. D. Anderson Cancer Center | Research and Development Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles | 10-125 |
| | | Cash Management | 10-126 |
| | | Procurement and Suspension and Debarment | 10-127 |
| | | Special Tests and Provisions | 10-128 |
| University of Texas Medical Branch at Galveston | Research and Development Cluster | Cash Management | 10-129 |
| | | Equipment and Real Property Management | 10-130 |
| | | Reporting | 10-131 |
| University of Texas at Tyler | Student Financial Assistance Cluster | Eligibility | 10-134 |
| | | Special Tests and Provisions | 10-135 |
| Water Development Board | CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds | Reporting | 10-136 |

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider the items listed below to be material weaknesses:

| Agency/University | Program | Compliance Requirement | Finding Number |
|-------------------------------|---|--|-----------------------|
| Adjutant General’s Department | CFDA 12.401 - National Guard Military Operations and Maintenance Projects | Equipment and Real Property Management | 10-02 |



| Agency/University | Program | Compliance Requirement | Finding Number | |
|--------------------------------------|---|---|--|-------|
| Health and Human Services Commission | CFDA 93.558 - Temporary Assistance for Needy Families Supplementary Nutrition Assistance Program Cluster Medicaid Cluster Medicaid Cluster - ARRA | Eligibility | 10-12 | |
| Prairie View A&M University | Student Financial Assistance Cluster | Eligibility | 10-33 | |
| Department of Public Safety | Homeland Security Cluster | Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds | 10-35 | |
| | | CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Activities Allowed or Unallowed Allowable Costs/Cost Principles Cash Management Period of Availability of Federal Funds | 10-38 |
| | | Matching, Level of Effort, Earmarking | 10-39 | |
| | | Reporting | 10-41 | |
| | | Subrecipient Monitoring Subrecipient Tests and Provision | 10-42 | |
| Texas Education Agency | CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.048 - Career and Technical Education - Basic Grants to States CFDA 84.287 - Twenty-First Century Community Learning Centers CFDA 84.357 - Reading First State Grants CFDA 84.365 - English Language Acquisition Grants | Reporting Special Tests and Provisions | 10-62 | |
| | | Matching, Level of Effort, Earmarking Reporting Subrecipient Monitoring | 10-63 | |



| <u>Agency/University</u> | <u>Program</u> | <u>Compliance Requirement</u> | <u>Finding Number</u> |
|---|--|-------------------------------|-----------------------|
| Texas Education Agency | CFDA 84.367 - Improving Teacher Quality State Grants Special Education (IDEA) Cluster Special Education (IDEA) Cluster – ARRA Title I, Part A Cluster Title I, Part A Cluster - ARRA | (Continued) | 10-63 |
| Texas Higher Education Coordinating Board | 84.032 - Federal Family Education Loans (FFEL) - Lender | Reporting | 10-65 |
| Texas State University - San Marcos | Student Financial Assistance Cluster | Special Tests and Provisions | 10-73 |
| Department of Transportation | Highway Planning and Construction Cluster | Subrecipient Monitoring | 10-84 |
| | | Special Tests and Provisions | 10-85 |
| | | Subrecipient Monitoring | 10-92 |
| University of Houston | Student Financial Assistance Cluster | Subrecipient Monitoring | 10-92 |
| | | Special Tests and Provisions | 10-97 |
| University of Texas - Pan American | Student Financial Assistance Cluster | Eligibility | 10-132 |
| | | Special Tests and Provisions | 10-133 |

The State’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State’s response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governor, the Members of the State Legislature, Legislative Audit Committee, State Auditor, management of State agencies and universities, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 22, 2010

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|------------------|
| Office of National Drug Control Policy | | | | | |
| Office of National Drug Control Policy | 07.XXX | G08SW005A | \$ | \$ 3,974 | \$ 3,974 |
| | | G09NT002A | | 7,740 | 7,740 |
| | | G09SSS0010A | | 7,524 | 7,524 |
| | | I4PHNP508 | | 42,411 | 42,411 |
| | | I4PSWP567 | | 9,175 | 9,175 |
| | | I5PHNP508 | | 69,802 | 69,802 |
| | | I5PSWP567 | | 1,013 | 1,013 |
| | | I6PHNP508 | | (5,029) | (5,029) |
| | | I6PSWP567 | | 2,782 | 2,782 |
| | | I7PHNP508 | | 102,307 | 102,307 |
| | | I7PSBP577 | | 144,900 | 144,900 |
| | | I7PSSP701 | | 63,554 | 63,554 |
| | | I7PSWP567 | | 45,573 | 45,573 |
| | | I8PHNTP502 | | 61,320 | 61,320 |
| | | I8PSSP701 | | 130,586 | 130,586 |
| | | I8PSWP567 | | 21,683 | 21,683 |
| | | PHNP506 | | 105,418 | 105,418 |
| | | PSWP562 | | 219,291 | 219,291 |
| | | | | <u>0</u> | <u>1,034,024</u> |
| Total - CFDA 07.XXX | | | | 0 | 1,034,024 |
| Total - Office of National Drug Control Policy | | | | <u>0</u> | <u>1,034,024</u> |
| U.S. Department of Agriculture | | | | | |
| U.S. Department of Agriculture | 10.XXX | 12-25-A-4666 | | 94,056 | 94,056 |
| | | Dog Fighting Investigations | | 52,538 | 52,538 |
| | | TEXAS 796 A16/ 21A244 B63044 100 | | 250,307 | 250,307 |
| | | U4129 | | 65,000 | 65,000 |
| | | | | <u>0</u> | <u>461,901</u> |
| Total - CFDA 10.XXX | | | | 0 | 461,901 |
| Agricultural Research--Basic and Applied Research | 10.001 | | | 6,286 | 6,286 |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | | | 7,704,484 | 7,704,484 |
| Wildlife Services | 10.028 | | | 27,399 | 27,399 |
| Conservation Reserve Program | 10.069 | | | 124,631 | 124,631 |
| Market News | 10.153 | | | 15,694 | 15,694 |
| Federal-State Marketing Improvement Program | 10.156 | | | 16,554 | 16,554 |
| Market Protection and Promotion | 10.163 | | 5,569 | 1,208,238 | 1,213,807 |
| Farmers' Market Promotion Program | 10.168 | | | 10,538 | 10,538 |
| Specialty Crop Block Grant Program | 10.169 | | | 83,410 | 83,410 |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | | 6,518 | 225,582 | 232,100 |
| Grants for Agricultural Research, Special Research Grants | 10.200 | | | 163,349 | 163,349 |
| <i>Pass-Through from Kansas State University</i> | | 455570 | | 182,690 | 182,690 |
| <i>Pass-Through from Louisiana State University</i> | | 434950 | | 11,101 | 11,101 |
| <i>Pass-Through from Southern Regional Aquaculture Center</i> | | 454150 | | 4,041 | 4,041 |
| <i>Pass-Through from Southern Regional Aquaculture Center</i> | | 454190 | | 44,888 | 44,888 |
| <i>Pass-Through from Southern Regional Aquaculture Center</i> | | 454510 | | 449 | 449 |
| <i>Pass-Through from University of Florida</i> | | 420410 | | 2,000 | 2,000 |
| <i>Pass-Through from University of Florida</i> | | 433650 | | 34,946 | 34,946 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| U.S. Department of Agriculture (continued) | | | | | |
| <i>Pass-Through from University of Florida</i> | | 433660 | | 15,000 | 15,000 |
| <i>Pass-Through from University of Florida</i> | | 433720 | | 2,055 | 2,055 |
| <i>Pass-Through from University of Florida</i> | | 433740 | | 4,275 | 4,275 |
| Total - CFDA 10.200 | | | 0 | 464,794 | 464,794 |
| Payments to 1890 Land-Grant Colleges and Tuskegee University | 10.205 | | | 7,720 | 7,720 |
| Grants for Agricultural Research--Competitive Research Grants | 10.206 | | | 49,270 | 49,270 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 430240 | | 10,528 | 10,528 |
| Total - CFDA 10.206 | | | 0 | 59,798 | 59,798 |
| Sustainable Agriculture Research and Education | 10.215 | | | | |
| <i>Pass-Through from Southern Forest Research Partnership</i> | | 435140 | | 12,569 | 12,569 |
| <i>Pass-Through from University of Georgia</i> | | 451240 | | 12,883 | 12,883 |
| <i>Pass-Through from University of Georgia</i> | | RD309-097 4688078 | | 9,860 | 9,860 |
| Total - CFDA 10.215 | | | 0 | 35,312 | 35,312 |
| 1890 Institution Capacity Building Grants | 10.216 | | | 55,035 | 55,035 |
| Higher Education Challenge Grants | 10.217 | | | 51,747 | 51,747 |
| Hispanic Serving Institutions Education Grants | 10.223 | | 32,774 | 209,879 | 242,653 |
| <i>Pass-Through from Houston Community College System</i> | | 2008-02103 | | 17,843 | 17,843 |
| Total - CFDA 10.223 | | | 32,774 | 227,722 | 260,496 |
| Agricultural and Rural Economic Research | 10.250 | | | 1,585 | 1,585 |
| <i>Pass-Through from University of Kentucky</i> | | 449290 | | 1,344 | 1,344 |
| Total - CFDA 10.250 | | | 0 | 2,929 | 2,929 |
| Consumer Data Initiative (CDI) | 10.256 | | | 9,998 | 9,998 |
| Integrated Programs | 10.303 | | | 1,077,251 | 1,077,251 |
| <i>Pass-Through from North Carolina State University</i> | | 420390 | | 32,875 | 32,875 |
| <i>Pass-Through from North Carolina State University</i> | | 434930 | | 6,169 | 6,169 |
| Total - CFDA 10.303 | | | 0 | 1,116,295 | 1,116,295 |
| Homeland Security--Agricultural | 10.304 | | | 324,491 | 324,491 |
| <i>Pass-Through from University of Florida</i> | | 440490 | | 36,186 | 36,186 |
| Total - CFDA 10.304 | | | 0 | 360,677 | 360,677 |
| Specialty Crop Research Initiative | 10.309 | | | | |
| <i>Pass-Through from Washington State University</i> | | 437620 | | 3,899 | 3,899 |
| Interest Assistance Program | 10.437 | | | 2,382 | 2,382 |
| Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers | 10.443 | | | 148,438 | 148,438 |
| Rural Community Development Initiative | 10.446 | | 15,000 | 5,546 | 20,546 |
| Commodity Partnerships for Small Agricultural Risk Management Education Sessions | 10.459 | | | 14,327 | 14,327 |
| Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | 10.475 | | | 4,655,094 | 4,655,094 |
| Food Safety Cooperative Agreements | 10.479 | | | 397 | 397 |
| Cooperative Extension Service | 10.500 | | | 33,948,388 | 33,948,388 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|-------------|
| U.S. Department of Agriculture (continued) | | | | | |
| <i>Pass-Through from Auburn University</i> | | 455140 | | 108,828 | 108,828 |
| <i>Pass-Through from Auburn University</i> | | 458940 | | 4,991 | 4,991 |
| <i>Pass-Through from Fort Sam Houston</i> | | 618900 | | 172,189 | 172,189 |
| <i>Pass-Through from National 4-H Council</i> | | 2005-45201-03332, Amendment 1 | | 14,194 | 14,194 |
| <i>Pass-Through from National 4-H Council</i> | | 2005-45201-03332, Amendment 2 | | 20,741 | 20,741 |
| <i>Pass-Through from National 4-H Council</i> | | 455530 | | 944 | 944 |
| <i>Pass-Through from National 4-H Council</i> | | 455560 | | 24,989 | 24,989 |
| <i>Pass-Through from North Dakota State University</i> | | 449240 | | 10,805 | 10,805 |
| <i>Pass-Through from University of Florida</i> | | 434110 | | 1,912 | 1,912 |
| <i>Pass-Through from University of Florida</i> | | 434150 | | 15,814 | 15,814 |
| <i>Pass-Through from University of Florida</i> | | 440510 | | 12,494 | 12,494 |
| <i>Pass-Through from University of Georgia</i> | | 432140 | | 740 | 740 |
| <i>Pass-Through from University of Georgia</i> | | 450340 | | (946) | (946) |
| <i>Pass-Through from University of Georgia</i> | | 451230 | | 4,513 | 4,513 |
| <i>Pass-Through from University of Minnesota</i> | | 422005 | | 13,557 | 13,557 |
| <i>Pass-Through from University of Minnesota</i> | | 422006 | | 3,623 | 3,623 |
| <i>Pass-Through from University of Minnesota</i> | | 422007 | | 38,354 | 38,354 |
| <i>Pass-Through from University of Minnesota</i> | | 422008 | | 9,740 | 9,740 |
| <i>Pass-Through from University of Minnesota</i> | | 422009 | | 2,099 | 2,099 |
| <i>Pass-Through from University of Minnesota</i> | | 422010 | | 12,629 | 12,629 |
| <i>Pass-Through from University of Minnesota</i> | | 422011 | | 4,777 | 4,777 |
| <i>Pass-Through from University of Nebraska</i> | | 457180 | | 10,077 | 10,077 |
| Total - CFDA 10.500 | | | 0 | 34,435,452 | 34,435,452 |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | 126,977,215 | 670,446,352 | 797,423,567 |
| Child and Adult Care Food Program | 10.558 | | 264,227,587 | 1,705,132 | 265,932,719 |
| State Administrative Expenses for Child Nutrition | 10.560 | | 6,231,634 | 11,244,386 | 17,476,020 |
| Commodity Supplemental Food Program | 10.565 | | 4,482,186 | 8 | 4,482,194 |
| WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | | 197,396 | 543,635 | 741,031 |
| Senior Farmers Market Nutrition Program | 10.576 | | 8,515 | 4,991 | 13,506 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | | 43,805 | | 43,805 |
| ARRA - Child Nutrition Discretionary Grants Limited Availability | | | 398,999 | 7,488 | 406,487 |
| Total - CFDA 10.579 | | | 442,804 | 7,488 | 450,292 |
| Fresh Fruit and Vegetable Program | 10.582 | | 1,429,369 | | 1,429,369 |
| Emerging Markets Program | 10.603 | | | 3,473 | 3,473 |
| <i>Pass-Through from Southern United States Trade Association</i> | | E04MX4NA95 | | 111,641 | 111,641 |
| <i>Pass-Through from Southern United States Trade Association</i> | | E06MXERT03 | | | |
| Total - CFDA 10.603 | | | 0 | 115,114 | 115,114 |
| Forestry Research | 10.652 | | | 77,210 | 77,210 |
| Cooperative Forestry Assistance | 10.664 | | | 6,752,143 | 6,752,143 |
| Forest Legacy Program | 10.676 | | | 900,931 | 900,931 |
| Forest Land Enhancement Program | 10.677 | | | 578 | 578 |
| Forest Stewardship Program | 10.678 | | | 52 | 52 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|---------------------|---------------------|
| U.S. Department of Agriculture (continued) | | | | | |
| Forest Health Protection | 10.680 | | | 759,463 | 759,463 |
| Rural Business Enterprise Grants | 10.769 | | | 31,588 | 31,588 |
| Rural Cooperative Development Grants | 10.771 | | | 190,350 | 190,350 |
| 1890 Land Grant Institutions Rural Entrepreneurial Outreach Program | 10.856 | | | 69,211 | 69,211 |
| Soil and Water Conservation <i>Pass-Through from National Fish and Wildlife Foundation</i> | 10.902 | 449003 | | 122,508 | 122,508 |
| Watershed Protection and Flood Prevention | 10.904 | | | 124,005 | 124,005 |
| Plant Materials for Conservation | 10.905 | | | 6,225 | 6,225 |
| Environmental Quality Incentives Program <i>Pass-Through from National Fish and Wildlife Foundation</i> | 10.912 | 454970 | | 1,209,668 17,351 | 1,209,668 17,351 |
| Total - CFDA 10.912 | | | 0 | 1,227,019 | 1,227,019 |
| Wildlife Habitat Incentive Program | 10.914 | | | (103) | (103) |
| Grassland Reserve Program | 10.920 | | | 19,429 | 19,429 |
| Technical Agricultural Assistance <i>Pass-Through from Utah State University</i> | 10.960 | 427730 | | 103,137 14,780 | 103,137 14,780 |
| Total - CFDA 10.960 | | | 0 | 117,917 | 117,917 |
| Scientific Cooperation and Research | 10.961 | | | 115,550 | 115,550 |
| Total - U.S. Department of Agriculture | | | 404,056,567 | 746,123,461 | 1,150,180,028 |
| U.S. Department of Commerce | | | | | |
| Census Bureau Data Products | 11.001 | | | 20,089 | 20,089 |
| Economic Development--Technical Assistance | 11.303 | | | 82,570 | 82,570 |
| Trade Adjustment Assistance for Firms | 11.313 | | | 1,152,493 | 1,152,493 |
| Coastal Zone Management Administration Awards | 11.419 | | 1,518,215 | 557,227 | 2,075,442 |
| Coastal Zone Management Estuarine Research Reserves | 11.420 | | | 1,861,507 | 1,861,507 |
| Climate and Atmospheric Research | 11.431 | | 16,580 | 45,807 | 62,387 |
| Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes | 11.432 | | | 372,444 | 372,444 |
| Regional Fishery Management Councils | 11.441 | | | (306,073) | (306,073) |
| Unallied Management Projects | 11.454 | | | 1,125,905 | 1,125,905 |
| Congressionally Identified Awards and Projects | 11.469 | | | 15,000 | 15,000 |
| Center for Sponsored Coastal Ocean Research--Coastal Ocean Program <i>Pass-Through from Woods Hole Oceanographic Institute</i> | 11.478 | A100489 | 39,148 | 504,246 2,071 | 543,394 2,071 |
| Total - CFDA 11.478 | | | 39,148 | 506,317 | 545,465 |
| Public Telecommunications Facilities Planning and Construction | 11.550 | | | 954,786 | 954,786 |
| Public Safety Interoperable Communications Grant Program | 11.555 | | 1,139,193 | 1,861,842 | 3,001,035 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|------------|
| U.S. Department of Commerce (continued) | | | | | |
| Manufacturing Extension Partnership | 11.611 | | | 1,136,890 | 1,136,890 |
| Advanced Technology Program | 11.612 | | | | |
| <i>Pass-Through from Molecular Imprints, Inc.</i> | | 70NANB4H3012 | | 11,680 | 11,680 |
| <i>Pass-Through from University of Nebraska</i> | | 25 63310134/211147 E02003 300 | | 17,878 | 17,878 |
| Total - CFDA 11.612 | | | 0 | 29,558 | 29,558 |
| Technology Innovation Program (TIP) | 11.616 | | 3,557 | 162,524 | 166,081 |
| Minority Business Enterprise Centers | 11.800 | | | 260,773 | 260,773 |
| Total - U.S. Department of Commerce | | | 2,716,693 | 9,839,659 | 12,556,352 |
| U.S. Department of Defense | | | | | |
| U.S. Department of Defense | 12.XXX | 4400041000 | | 11,466 | 11,466 |
| | | 449005 | | 1,376,780 | 1,376,780 |
| | | 580008 | 223,191 | | 223,191 |
| | | FA8901-07-M- 0089/PET | 50,603 | 7,328 | 57,931 |
| | | FA8901-08-C-003 | 743 | 215,469 | 216,212 |
| | | IPA 903 | | 14,535 | 14,535 |
| | | IPA 904 | | 14,464 | 14,464 |
| | | NOO189-08-P-T056 | | 35,000 | 35,000 |
| | | W81K00-06-P-0525 | | 32,269 | 32,269 |
| | | WM9113M-05-C-1087 | | 1,630,465 | 1,630,465 |
| | | WOLF - BAMC | | 189,517 | 189,517 |
| | | YOUNG- MCCAUGHAN/IPAA | | 14,483 | 14,483 |
| <i>Pass-Through from Em-Assist, Inc.</i> | | 09-MP-01 | | 12,500 | 12,500 |
| <i>Pass-Through from Kansas Families and Schools Together</i> | | G72182 | | 3,530 | 3,530 |
| Total - CFDA 12.XXX | | | 274,537 | 3,557,806 | 3,832,343 |
| Procurement Technical Assistance For Business Firms | 12.002 | | 5,726 | 814,107 | 819,833 |
| Flood Control Projects | 12.106 | | | 242,528 | 242,528 |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | | | 3,942,252 | 3,942,252 |
| State Memorandum of Agreement Program for the Reimbursement of Technical Services | 12.113 | | | 660,136 | 660,136 |
| Collaborative Research and Development | 12.114 | | | 26,061 | 26,061 |
| Basic and Applied Scientific Research | 12.300 | | | 308,960 | 308,960 |
| <i>Pass-Through from Consortium for Oceanographic Research</i> | | NA07SEC4690001 | | 15,000 | 15,000 |
| Total - CFDA 12.300 | | | 0 | 323,960 | 323,960 |
| Basic Scientific Research - Combating Weapons of Mass Destruction | 12.351 | | 235,876 | 525,112 | 760,988 |
| <i>Pass-Through from Foundation for Applied Molecular Evolution</i> | | Letter dtd. 09/11/08 | | 12,422 | 12,422 |
| Total - CFDA 12.351 | | | 235,876 | 537,534 | 773,410 |
| Military Construction, National Guard | 12.400 | | | 43,189,387 | 43,189,387 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | 08-S567-0011-02-C2 | | 11,424 | 11,424 |
| Total - CFDA 12.400 | | | 0 | 43,200,811 | 43,200,811 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|---------------------|
| U.S. Department of Defense (continued) | | | | | |
| National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | | | 56,921,494 | 56,921,494 |
| National Guard Civilian Youth Opportunities | 12.404 | | | 2,051,833 | 2,051,833 |
| Military Medical Research and Development <i>Pass-Through from DePaul University</i> | 12.420 | 500607SG048 | | 1,629,532 25,298 | 1,629,532 25,298 |
| Total - CFDA 12.420 | | | 0 | 1,654,830 | 1,654,830 |
| Basic Scientific Research | 12.431 | | | 2,944,961 | 2,944,961 |
| <i>Pass-Through from Academy of Applied Science</i> | | W911NF-04-1-0001 | | 19,968 | 19,968 |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | 5710002240 | | 179,172 | 179,172 |
| <i>Pass-Through from SRI International</i> | | 71-000106, MOD 2 | | 26,184 | 26,184 |
| <i>Pass-Through from University of California - Davis</i> | | 08-000678-1-UTA | | 88,452 | 88,452 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 2007-00748-02 | | 198,571 | 198,571 |
| <i>Pass-Through from University of Michigan</i> | | 3000659267 | | 19,072 | 19,072 |
| <i>Pass-Through from University of South Carolina</i> | | 07-1410; PO# 72634- 13060-FA35 | | 138,028 | 138,028 |
| <i>Pass-Through from University of Washington</i> | | 548547 | | 142,975 | 142,975 |
| Total - CFDA 12.431 | | | 0 | 3,757,383 | 3,757,383 |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | | 73,966 | 550,341 | 624,307 |
| Air Force Defense Research Sciences Program <i>Pass-Through from Em-Assist, Inc.</i> | 12.800 | 07C-01 | | 70,753 2,500 | 70,753 2,500 |
| Total - CFDA 12.800 | | | 0 | 73,253 | 73,253 |
| Mathematical Sciences Grants Program | 12.901 | | | 37,127 | 37,127 |
| Research and Technology Development | 12.910 | | | 69,070 | 69,070 |
| Total - U.S. Department of Defense | | | 590,105 | 118,420,526 | 119,010,631 |
| U.S. Department of Housing and Urban Development | | | | | |
| U.S. Department of Housing and Urban Development | 14.XXX | 7751021000 | | 95,642 | 95,642 |
| | | CHTEX 249 (D) | | 269,758 | 269,758 |
| | | CH-TEX-250D-300630 | | 93,330 | 93,330 |
| | | SA-265-1000 | | 48,802 | 48,802 |
| <i>Pass-Through from City of Houston</i> | | FC62153 06-0501 | | 61,458 | 61,458 |
| Total - CFDA 14.XXX | | | 0 | 568,990 | 568,990 |
| Community Development Block Grants/Technical Assistance Program | 14.227 | | | | |
| <i>Pass-Through from City of Arlington</i> | | Prime#B-05-MC48-0008 | | 861 | 861 |
| Emergency Shelter Grants Program | 14.231 | | 4,987,421 | 46,466 | 5,033,887 |
| Home Investment Partnerships Program | 14.239 | | 36,275,933 | 3,170,368 | 39,446,301 |
| Housing Opportunities for Persons with AIDS | 14.241 | | 2,625,705 | 47,189 | 2,672,894 |
| Rural Housing and Economic Development | 14.250 | | 636 | | 636 |
| Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants | 14.251 | | | 28,430 | 28,430 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| U.S. Department of Housing and Urban Development (continued) | | | | | |
| ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded) | 14.257 | | | 9,333 | 9,333 |
| Hispanic-Serving Institutions Assisting Communities | 14.514 | | 249,829 | 473,472 | 723,301 |
| Early Doctoral Student Research Grants | 14.517 | | | (12,000) | (12,000) |
| Historically Black Colleges and Universities Program | 14.520 | | | 194,007 | 194,007 |
| Public and Indian Housing | 14.850 | | | | |
| <i>Pass-Through from Lubbock Housing Authority</i> | | 211150 B59094 300 | | 41,208 | 41,208 |
| <i>Pass-Through from Lubbock Housing Authority</i> | | 211150 B59129 300 | | 673 | 673 |
| <i>Pass-Through from Lubbock Housing Authority</i> | | MOD 3/211354 B59129 300 | | 15,867 | 15,867 |
| Total - CFDA 14.850 | | | 0 | 57,748 | 57,748 |
| Demolition and Revitalization of Severely Distressed Public Housing | 14.866 | | | | |
| <i>Pass-Through from Housing Authority of the City of Beaumont</i> | | 08-0010-426047 | | 4,095 | 4,095 |
| Section 8 Housing Choice Vouchers | 14.871 | | | 6,399,706 | 6,399,706 |
| Resident Opportunity and Supportive Services - Elderly and Persons with Disabilities | 14.876 | | | | |
| <i>Pass-Through from University of California - San Francisco</i> | | NIS-C-OPC-23201-UCSF | | (1) | (1) |
| Healthy Homes Demonstration Grants | 14.901 | | | 26,940 | 26,940 |
| Total - U.S. Department of Housing and Urban Development | | | 44,139,524 | 11,015,604 | 55,155,128 |
| U.S. Department of the Interior | | | | | |
| U.S. Department of the Interior | 15.XXX | | | | |
| | | 1448-20181-04-G912 | | 55,574 | 55,574 |
| | | 201814G908 | | 4,577 | 4,577 |
| | | 48-05-HB-14907 | | 368,529 | 368,529 |
| | | J124080007 | | 12,835 | 12,835 |
| | | J760009003 | | 1,463 | 1,463 |
| | | M05AX12377 | | 121,458 | 121,458 |
| Total - CFDA 15.XXX | | | 0 | 564,436 | 564,436 |
| Cultural Resource Management | 15.224 | | | 91 | 91 |
| Recreation Resource Management | 15.225 | | 25,000 | 74,653 | 99,653 |
| National Fire Plan - Wildland Urban Interface Community Fire Assistance | 15.228 | | | 39,949 | 39,949 |
| Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | 15.250 | | | 1,433,791 | 1,433,791 |
| Abandoned Mine Land Reclamation (AMLR) Program | 15.252 | | | 1,467,185 | 1,467,185 |
| Minerals Management Service (MMS) Environmental Studies Program (ESP) | 15.423 | | 218,822 | 404,196 | 623,018 |
| Marine Minerals Activities | 15.424 | | | 66,255 | 66,255 |
| Offshore Research Technology Center (OTRC) Texas Engineering Experiment Station (TEES) | 15.425 | | | 40,736 | 40,736 |
| Coastal Impact Assistance Program (CIAP) | 15.426 | | 885,457 | 567,820 | 1,453,277 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| U.S. Department of the Interior (continued) | | | | | |
| Fish and Wildlife Coordination Act | 15.517 | | | | |
| <i>Pass-Through from Coastal Bend Bays and Estuaries Program</i> | | 827 | | 5,800 | 5,800 |
| Coastal Wetlands Planning, Protection and Restoration Act | 15.614 | | 398,637 | 447,025 | 845,662 |
| Cooperative Endangered Species Conservation Fund | 15.615 | | | 692 | 692 |
| Clean Vessel Act | 15.616 | | 227,104 | (701) | 226,403 |
| Sportfishing and Boating Safety Act | 15.622 | | 211,185 | | 211,185 |
| Hunter Education and Safety Program | 15.626 | | | 1,204 | 1,204 |
| Coastal Program | 15.630 | | | 1,137,989 | 1,137,989 |
| Landowner Incentive Program | 15.633 | | 80,743 | 405,787 | 486,530 |
| State Wildlife Grants | 15.634 | | | 3,535,117 | 3,535,117 |
| Service Training and Technical Assistance (Generic Training) | 15.649 | | | 50,000 | 50,000 |
| Research Grants (Generic) | 15.650 | | | 18,624 | 18,624 |
| Migratory Bird Monitoring, Assessment and Conservation | 15.655 | | | 150,000 | 150,000 |
| Assistance to State Water Resources Research Institutes | 15.805 | | | 4,265 | 4,265 |
| <i>Pass-Through from Texas Water Resources Institute</i> | | 570464 | | 4,613 | 4,613 |
| Total - CFDA 15.805 | | | 0 | 8,878 | 8,878 |
| Earthquake Hazards Reduction Program | 15.807 | | | 95,096 | 95,096 |
| U.S. Geological Survey--Research and Data Collection | 15.808 | | | 53,744 | 53,744 |
| <i>Pass-Through from Houston Advanced Research Center</i> | | CSWGCIN NBII HARC | | 129 | 129 |
| Total - CFDA 15.808 | | | 0 | 53,873 | 53,873 |
| Historic Preservation Fund Grants-In-Aid | 15.904 | | 154,121 | 4,192,515 | 4,346,636 |
| National Historic Landmark | 15.912 | | | 11,000 | 11,000 |
| <i>Pass-Through from City of Nacogdoches</i> | | 48-08-AP-4139 | | 37,860 | 37,860 |
| Total - CFDA 15.912 | | | 0 | 48,860 | 48,860 |
| Outdoor Recreation--Acquisition, Development and Planning | 15.916 | | 1,989,594 | 1,693,231 | 3,682,825 |
| Rivers, Trails and Conservation Assistance | 15.921 | | | 36,902 | 36,902 |
| Save America's Treasures | 15.929 | | 15,213 | 78,331 | 93,544 |
| Total - U.S. Department of the Interior | | | 4,205,876 | 16,618,335 | 20,824,211 |
| U.S. Department of Justice | | | | | |
| U.S. Department of Justice | 16.XXX | TXQNGCD13 | | 177,730 | 177,730 |
| | | 2006DDBX0589 | | (848) | (848) |
| | | Forensic Crime Lab | | (23,134) | (23,134) |
| | | Census - D823 | | | |
| <i>Pass-Through from ITT Corporation</i> | | D800 | | 17,042 | 17,042 |
| <i>Pass-Through from New Mexico Institute of Mining and Technology</i> | | ILEA - NMIMT FY06-07 | | 563,171 | 563,171 |
| Total - CFDA 16.XXX | | | 0 | 733,961 | 733,961 |
| Prisoner Reentry Initiative Demonstration (Offender Reentry) | 16.202 | | | 371,450 | 371,450 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|------------|
| U.S. Department of Justice (continued) | | | | | |
| Services for Trafficking Victims | 16.320 | | | | |
| <i>Pass-Through from Refugee Services of Texas</i> | | UTA08-649 | 1,470 | 14,400 | 15,870 |
| <i>Pass-Through from Refugee Services of Texas</i> | | UTA09-000679 | | 1 | 1 |
| Total - CFDA 16.320 | | | 1,470 | 14,401 | 15,871 |
| Juvenile Accountability Block Grants | 16.523 | | 2,036,497 | 164,765 | 2,201,262 |
| Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | 16.525 | | 38,103 | 54,296 | 92,399 |
| Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities | 16.529 | | | 1 | 1 |
| Juvenile Justice and Delinquency Prevention--Allocation to States | 16.540 | | 4,099,015 | 678,219 | 4,777,234 |
| Part E - Developing, Testing and Demonstrating Promising New Programs | 16.541 | | | 350,654 | 350,654 |
| Missing Children's Assistance | 16.543 | | | 338,968 | 338,968 |
| Title V--Delinquency Prevention Program | 16.548 | | 84,922 | | 84,922 |
| National Criminal History Improvement Program (NCHIP) | 16.554 | | | 870,246 | 870,246 |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | | | 3,753 | 3,753 |
| <i>Pass-Through from University of Arkansas</i> | | D797 | | 1,324 | 1,324 |
| Total - CFDA 16.560 | | | 0 | 5,077 | 5,077 |
| Crime Victim Assistance | 16.575 | | 19,516,564 | 1,327,655 | 20,844,219 |
| Crime Victim Compensation | 16.576 | | | 13,500,000 | 13,500,000 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | | | 1,483,276 | 1,483,276 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | | 337,584 | 1,610,777 | 1,948,361 |
| Crime Victim Assistance/Discretionary Grants | 16.582 | | | | |
| <i>Pass-Through from Catholic Charities USA</i> | | UTA08-383 | | 21,762 | 21,762 |
| Drug Court Discretionary Grant Program | 16.585 | | | 168,860 | 168,860 |
| Violence Against Women Formula Grants | 16.588 | | 6,107,618 | 508,104 | 6,615,722 |
| <i>Pass-Through from Tarrant County</i> | | WF-06-V30-15136-09 | | 36,589 | 36,589 |
| Total - CFDA 16.588 | | | 6,107,618 | 544,693 | 6,652,311 |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders | 16.590 | | | 192,952 | 192,952 |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | | 925,082 | | 925,082 |
| State Criminal Alien Assistance Program | 16.606 | | | 18,074,866 | 18,074,866 |
| Bulletproof Vest Partnership Program | 16.607 | | | 126,466 | 126,466 |
| Community Prosecution and Project Safe Neighborhoods | 16.609 | | 100,751 | 482,805 | 583,556 |
| Public Safety Partnership and Community Policing Grants | 16.710 | | | 52,319 | 52,319 |
| Enforcing Underage Drinking Laws Program | 16.727 | | 107,792 | 100,297 | 208,089 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|---------------|
| U.S. Department of Justice (continued) | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | 12,112,994 | 3,164,863 | 15,277,857 |
| Statewide Automated Victim Information Notification (SAVIN) Program | 16.740 | | | 227,654 | 227,654 |
| Forensic DNA Backlog Reduction Program | 16.741 | | | 3,045,879 | 3,045,879 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | | 1,117,661 | 121,000 | 1,238,661 |
| Anti-Gang Initiative | 16.744 | | | 522,137 | 522,137 |
| Capital Case Litigation | 16.746 | | | 17,471 | 17,471 |
| Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review) | 16.748 | | | 1,956,591 | 1,956,591 |
| ARRA - Recovery Act - State Victim Compensation Formula Grant Program | 16.802 | | | 7,737,186 | 7,737,186 |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To States And Territories | 16.803 | | | 145,314 | 145,314 |
| Total - U.S. Department of Justice | | | 46,586,053 | 58,206,861 | 104,792,914 |
| U.S. Department of Labor | | | | | |
| U.S. Department of Labor | 17.XXX | 5012009 | | 135,283 | 135,283 |
| <i>Pass-Through from North Central Texas College</i> | | GN0001470 | | (307) | (307) |
| <i>Pass-Through from Texas Southmost College</i> | | 2407SDF001 | | 552,292 | 552,292 |
| <i>Pass-Through from Wired Skills Development Project</i> | | 2308SDF000 | | 125,616 | 125,616 |
| Total - CFDA 17.XXX | | | 0 | 812,884 | 812,884 |
| Labor Force Statistics | 17.002 | | | 3,712,245 | 3,712,245 |
| Compensation and Working Conditions | 17.005 | | | 253,699 | 253,699 |
| Unemployment Insurance | 17.225 | | 327,989 | 4,329,134,374 | 4,329,462,363 |
| ARRA - Unemployment Insurance | | | | 722,411,262 | 722,411,262 |
| Total - CFDA 17.225 | | | 327,989 | 5,051,545,636 | 5,051,873,625 |
| Senior Community Service Employment Program | 17.235 | | 6,164,743 | 3,221 | 6,167,964 |
| ARRA - Senior Community Service Employment Program | | | 13,442 | | 13,442 |
| Total - CFDA 17.235 | | | 6,178,185 | 3,221 | 6,181,406 |
| Trade Adjustment Assistance | 17.245 | | 8,490,395 | 383,526 | 8,873,921 |
| WIA Pilots, Demonstrations, and Research Projects | 17.261 | | 29,865 | | 29,865 |
| Work Incentive Grants | 17.266 | | 652,678 | (6,814) | 645,864 |
| Incentive Grants - WIA Section 503 | 17.267 | | | 1,984 | 1,984 |
| Community Based Job Training Grants | 17.269 | | | 671,171 | 671,171 |
| Work Opportunity Tax Credit Program (WOTC) | 17.271 | | 4,570 | 1,096,188 | 1,100,758 |
| Temporary Labor Certification for Foreign Workers | 17.273 | | 18,171 | 714,250 | 732,421 |
| Occupational Safety and Health--Susan Harwood Training Grants | 17.502 | | 42,444 | 396,689 | 439,133 |
| Consultation Agreements | 17.504 | | | 2,369,785 | 2,369,785 |

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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 |
|---|--------|---|--|--------------------------------------|--------------------------------------|
| U.S. Department of Labor (continued) | | | | | |
| Mine Health and Safety Grants | 17.600 | | | 414,893 | 414,893 |
| Transition Assistance Program | 17.807 | | | 296,845 | 296,845 |
| Total - U.S. Department of Labor | | | 15,744,297 | 5,062,666,202 | 5,078,410,499 |
| U. S. Department of State | | | | | |
| Professional and Cultural Exchange Programs - Citizen Exchanges | 19.415 | | | | |
| <i>Pass-Through from Higher Education for Development</i> | | HNE-A-00-97-00059-00 | | 4,838 | 4,838 |
| Academic Exchange Programs - English Language Programs | 19.421 | | | | |
| <i>Pass-Through from International Research Exchanges</i> | | S-ECAA-E-07-CA-023 | | 19,654 | 19,654 |
| Total - U. S. Department of State | | | 0 | 24,492 | 24,492 |
| U.S. Department of Transportation | | | | | |
| U.S. Department of Transportation | 20.XXX | DDEEHBC-05X-00159 HSTS0208HSLR057 OR 09-162 UTA08-520 S.080033 UTA08-519 | | 35,917 43,305 44,242 67,136 | 35,917 43,305 44,242 67,136 |
| Total - CFDA 20.XXX | | | 0 | 190,600 | 190,600 |
| Airport Improvement Program | 20.106 | | 71,384,983 | 3,310,301 | 74,695,284 |
| ARRA - Airport Improvement Program | | | 1,019,157 | | 1,019,157 |
| Total - CFDA 20.106 | | | 72,404,140 | 3,310,301 | 75,714,441 |
| Highway Research and Development Program | 20.200 | | | | |
| <i>Pass-Through from Capital Area Metropolitan Planning Organization</i> | | UTA08-635 | | 34,985 | 34,985 |
| Highway Training and Education | 20.215 | | | 67,493 | 67,493 |
| National Motor Carrier Safety | 20.218 | | | 9,469,521 | 9,469,521 |
| Performance and Registration Information Systems | 20.231 | | | 51,675 | 51,675 |
| Commercial Driver License State Programs | 20.232 | | | 120,225 | 120,225 |
| Border Enforcement Grants | 20.233 | | | 15,637,518 | 15,637,518 |
| Commercial Vehicle Information Systems and Networks | 20.237 | | | 176,492 | 176,492 |
| Fuel Tax Evasion-Intergovernmental Enforcement Effort | 20.240 | | | 10,000 | 10,000 |
| Federal Transit--Metropolitan Planning Grants | 20.505 | | 6,058,439 | | 6,058,439 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | | 29,126,103 | 1,187,896 | 30,313,999 |
| ARRA - Formula Grants for Other Than Urbanized Areas | | | 3,117,873 | | 3,117,873 |
| Total - CFDA 20.509 | | | 32,243,976 | 1,187,896 | 33,431,872 |
| Public Transportation Research | 20.514 | | | 11,885 | 11,885 |
| State Planning and Research | 20.515 | | 1,060,483 | 406,803 | 1,467,286 |
| National Highway Transportation Safety Administration Discretionary Safety Grants | 20.614 | | | 162,215 | 162,215 |
| Pipeline Safety Program Base Grants | 20.700 | | | 2,109,331 | 2,109,331 |

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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 |
|--|-------------|---|---|---------------------|--------------|
| U.S. Department of Transportation (continued) | | | | | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | | 159,658 | 809,668 | 969,326 |
| State Damage Prevention Program Grants | 20.720 | | | 54,097 | 54,097 |
| U.S. Merchant Marine Academy | 20.807 | | | 215,357 | 215,357 |
| Total - U.S. Department of Transportation | | | 111,926,696 | 34,026,062 | 145,952,758 |
| U.S. Department of the Treasury | | | | | |
| U.S. Department of the Treasury | 21.XXX | PL110-289:95X1350 | 153,262 | 456 | 153,718 |
| Low Income Taxpayer Clinics | 21.008 | | | 58,468 | 58,468 |
| Total - U.S. Department of the Treasury | | | 153,262 | 58,924 | 212,186 |
| Office of Personnel Management | | | | | |
| Intergovernmental Personnel Act (IPA) Mobility Program | 27.011 | | | 443,735 | 443,735 |
| Total - Office of Personnel Management | | | 0 | 443,735 | 443,735 |
| General Services Administration | | | | | |
| Donation of Federal Surplus Personal Property | 39.003 | | 11,645,156 | 465,823 | 12,110,979 |
| Election Reform Payments | 39.011 | | 226,949 | 675,672 | 902,621 |
| Total - General Services Administration | | | 11,872,105 | 1,141,495 | 13,013,600 |
| National Aeronautics and Space Administration | | | | | |
| National Aeronautics and Space Administration | 43.XXX | | | | |
| <i>Pass-Through from California Space Grant Consortium</i> | | DFRC SAA TASK 1-17 | | 4,423 | 4,423 |
| <i>Pass-Through from L3 Services, Inc.</i> | | 2008-SC-4-0136 | | 200,037 | 200,037 |
| <i>Pass-Through from Science Applications International Corporation</i> | | 44001156327 | | 3,906 | 3,906 |
| <i>Pass-Through from Science Applications International Corporation</i> | | 4400158928 | | 14,924 | 14,924 |
| <i>Pass-Through from Spellman College</i> | | NCC8-227 | | 22,036 | 22,036 |
| <i>Pass-Through from The Boeing Company</i> | | 6H08651 | | 10,069 | 10,069 |
| <i>Pass-Through from The Boeing Company</i> | | 6H08651 (PC-8H10238) | | 13,157 | 13,157 |
| <i>Pass-Through from The Boeing Company</i> | | PO# 5H07325 | | (285) | (285) |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | 08-1195-426055 | | 8,211 | 8,211 |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | NASA/UNCFSP | | 1,592 | 1,592 |
| Total - CFDA 43.XXX | | | 0 | 278,070 | 278,070 |
| Aerospace Education Services Program | 43.001 | | | 289,565 | 289,565 |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | NNG06GC58A | | (7) | (7) |
| Total - CFDA 43.001 | | | 0 | 289,558 | 289,558 |
| Technology Transfer | 43.002 | | | 47,780 | 47,780 |
| Total - National Aeronautics and Space Administration | | | 0 | 615,408 | 615,408 |
| Institute of Museum and Library Services | | | | | |
| Institute of Museum and Library Services | 45.XXX | | | | |
| <i>Pass-Through from Emory University</i> | | 5-26045-G1 | | 224,000 | 224,000 |

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|---|--------|---|--|--------------|------------|
| Institute of Museum and Library Services (continued) | | | | | |
| Promotion of the Arts--Grants to Organizations and Individuals | 45.024 | | | 250,015 | 250,015 |
| ARRA - Promotion of the Arts--Grants to Organizations and Individuals | | | | 12,647 | 12,647 |
| Total - CFDA 45.024 | | | 0 | 262,662 | 262,662 |
| Promotion of the Arts--Partnership Agreements | 45.025 | | | 1,038,423 | 1,038,423 |
| Promotion of the Humanities--Federal/State Partnership | 45.129 | | | 3,295 | 3,295 |
| <i>Pass-Through from Humanities Texas</i> | | 2007-3354 | | (500) | (500) |
| <i>Pass-Through from Humanities Texas</i> | | 2008-3501 | | (466) | (466) |
| <i>Pass-Through from Humanities Texas</i> | | 2009 3708/ 211373 B53474 300 | | 750 | 750 |
| <i>Pass-Through from Humanities Texas</i> | | 2009-3777 | | 1,420 | 1,420 |
| <i>Pass-Through from Humanities Texas</i> | | 8000000822 | | 112 | 112 |
| <i>Pass-Through from Humanities Texas</i> | | 8000001021 | | 750 | 750 |
| <i>Pass-Through from Humanities Texas</i> | | 8000001109 | 5,200 | 4,187 | 9,387 |
| <i>Pass-Through from Humanities Texas</i> | | B740 | | 651 | 651 |
| Total - CFDA 45.129 | | | 5,200 | 10,199 | 15,399 |
| Promotion of the Humanities--Division of Preservation and Access | 45.149 | | | 129,304 | 129,304 |
| Promotion of the Humanities--Fellowships and Stipends | 45.160 | | | 40,457 | 40,457 |
| Promotion of the Humanities--Teaching and Learning Resources and Curriculum Development | 45.162 | | | 7,014 | 7,014 |
| Promotion of the Humanities--Professional Development | 45.163 | | | 20,322 | 20,322 |
| Promotion of the Humanities--Public Programs | 45.164 | | | 76,242 | 76,242 |
| Promotion of the Humanities--We the People | 45.168 | | | 10,779 | 10,779 |
| <i>Pass-Through from Humanities Texas</i> | | 2007 3443 / 211260 B53183 300 | | 5,665 | 5,665 |
| <i>Pass-Through from Humanities Texas</i> | | 2008-3616 | | 1,500 | 1,500 |
| <i>Pass-Through from Humanities Texas</i> | | 8000001114 | | 2,511 | 2,511 |
| <i>Pass-Through from Texas Committee for the Humanities</i> | | 2008-3623 | | 1,159 | 1,159 |
| <i>Pass-Through from Texas Committee for the Humanities</i> | | 2009-3699 | | 2,700 | 2,700 |
| Total - CFDA 45.168 | | | 0 | 24,314 | 24,314 |
| Promotion of the Humanities--Office of Digital Humanities | 45.169 | | | 57,748 | 57,748 |
| Museums for America | 45.301 | | | 13,523 | 13,523 |
| Conservation Project Support | 45.303 | | | 1,860 | 1,860 |
| Grants to States | 45.310 | | | 11,136,733 | 11,136,733 |
| National Leadership Grants | 45.312 | | 22,207 | 188,730 | 210,937 |
| Laura Bush 21st Century Librarian Program | 45.313 | | | 826,569 | 826,569 |
| Total - Institute of Museum and Library Services | | | 27,407 | 14,058,100 | 14,085,507 |
| National Science Foundation | | | | | |
| Engineering Grants | 47.041 | | | 199,337 | 199,337 |
| <i>Pass-Through from San Jacinto College District</i> | | NSF0649713 | | 45,405 | 45,405 |
| Total - CFDA 47.041 | | | 0 | 244,742 | 244,742 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|-----------------------------|-----------------------------|
| National Science Foundation (continued) | | | | | |
| Mathematical and Physical Sciences | 47.049 | | | 278,651 | 278,651 |
| <i>Pass-Through from Institute for Advanced Study</i> | | 8000000650 | | 7,326 | 7,326 |
| <i>Pass-Through from University of Notre Dame</i> | | PHY-0715396 | | 146,380 | 146,380 |
| Total - CFDA 47.049 | | | 0 | 432,357 | 432,357 |
| Geosciences | 47.050 | | | 205,564 | 205,564 |
| <i>Pass-Through from Essea Associate</i> | | GEO-0631389/9055-001-45 | | 6,167 | 6,167 |
| <i>Pass-Through from Institute for Global Environmental Strategies, Inc.</i> | | 429010 | 10,000 | | 10,000 |
| <i>Pass-Through from Virginia Polytechnic Institute</i> | | 477065-19837 | | 219,463 | 219,463 |
| Total - CFDA 47.050 | | | 10,000 | 431,194 | 441,194 |
| Computer and Information Science and Engineering | 47.070 | | | 649,981 | 649,981 |
| Biological Sciences | 47.074 | | | 293,876 | 293,876 |
| Social, Behavioral, and Economic Sciences | 47.075 | | | 45,903 | 45,903 |
| Education and Human Resources | 47.076 | | 83,696 | 3,937,769 | 4,021,465 |
| <i>Pass-Through from Center for Occupational Research and Development</i> | | 3 | | 93,943 | 93,943 |
| <i>Pass-Through from Collin County Community College</i> | | DUE-0402356 | | 8,341 | 8,341 |
| <i>Pass-Through from Harrisburg University of Science and Technology</i> | | 0618431 SSI 2007 | | 2,489 | 2,489 |
| <i>Pass-Through from Harrisburg University of Science and Technology</i> | | 0717407 SSI 2008 | | 2,302 | 2,302 |
| <i>Pass-Through from Mathematical Association of America</i> | | PRIME DUE 0817071 / 211359 B53471 100 | | 15,128 | 15,128 |
| <i>Pass-Through from New Mexico State University</i> | | Q01143 | | 22,139 | 22,139 |
| <i>Pass-Through from Rice University</i> | | HRD-9817555-006 | | 372,600 | 372,600 |
| <i>Pass-Through from Tennessee Technological University</i> | | P0002450 | | 1,983 | 1,983 |
| Total - CFDA 47.076 | | | 83,696 | 4,456,694 | 4,540,390 |
| International Science and Engineering (OISE) | 47.079 | | | 23,991 | 23,991 |
| Office of Cyberinfrastructure | 47.080 | | | 341,959 | 341,959 |
| ARRA - Trans-NSF Recovery Act Research Support | 47.082 | | | 24,869 | 24,869 |
| Total - National Science Foundation | | | 93,696 | 6,945,566 | 7,039,262 |
| Small Business Administration | | | | | |
| Small Business Administration | 59.XXX | HQ-07-B-0002 HQ-08-B-0014 SBAHQ-08-I-0054 | | 39,092 71,718 114,650 | 39,092 71,718 114,650 |
| Total - CFDA 59.XXX | | | 0 | 225,460 | 225,460 |
| Small Business Development Centers | 59.037 | | 1,251,505 | 3,800,575 | 5,052,080 |
| <i>Pass-Through from Dallas County Community College</i> | | 425340 | 18,534 | | 18,534 |
| <i>Pass-Through from Dallas County Community College</i> | | CONTR NO.900975_VA549-P-0027 CM0800435 | | 15,051 | 15,051 |
| Total - CFDA 59.037 | | | 1,270,039 | 3,815,626 | 5,085,665 |
| Veterans Business Development | 59.044 | | | 158,416 | 158,416 |
| Total - Small Business Administration | | | 1,270,039 | 4,199,502 | 5,469,541 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| U.S. Department of Veterans Affairs | | | | | |
| U.S. Department of Veterans Affairs | 64.XXX | MELBY/IPAA/PATEL V257P0111/WIATRO WSKI | | 15,728 | 15,728 |
| | | V671P4083 | | 85,758 | 85,758 |
| | | VA-REDDICK- V671P3991 | | 5,511 | 5,511 |
| | | WAGNER/IPAA/TAN WIATROWSKI- V671P4092 | | 88,001 | 88,001 |
| | | | | 9,768 | 9,768 |
| | | | | (51) | (51) |
| Total - CFDA 64.XXX | | | 0 | 204,715 | 204,715 |
| Grants to States for Construction of State Home Facilities | 64.005 | | | (39,147) | (39,147) |
| ARRA - Grants to States for Construction of State Home Facilities | | | | 439,288 | 439,288 |
| Total - CFDA 64.005 | | | 0 | 400,141 | 400,141 |
| Veterans State Nursing Home Care | 64.015 | | | 22,813,354 | 22,813,354 |
| Veterans State Hospital Care | 64.016 | | | 95,824 | 95,824 |
| Burial Expenses Allowance for Veterans | 64.101 | | | 204,300 | 204,300 |
| Veterans Compensation for Service-Connected Disability | 64.109 | | | 57,778 | 57,778 |
| All-Volunteer Force Educational Assistance | 64.124 | | | 1,050,828 | 1,050,828 |
| Vocational and Educational Counseling for Service members and Veterans | 64.125 | | | 10,080 | 10,080 |
| State Cemetery Grants | 64.203 | | | 4,008,542 | 4,008,542 |
| Total - U.S. Department of Veterans Affairs | | | 0 | 28,845,562 | 28,845,562 |
| Environmental Protection Agency | | | | | |
| Environmental Protection Agency | 66.XXX | C-48000105,06,07 OT0202NALX | 23,868,305 | 543,131 | 24,411,436 |
| | | | | 607 | 607 |
| Total - CFDA 66.XXX | | | 23,868,305 | 543,738 | 24,412,043 |
| Air Pollution Control Program Support | 66.001 | | | 449,244 | 449,244 |
| State Indoor Radon Grants | 66.032 | | | 66,661 | 66,661 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | | 240,086 | 2,963,809 | 3,203,895 |
| <i>Pass-Through from National Environmental Education and Training Foundation</i> | | XA83311501 | | 7,541 | 7,541 |
| <i>Pass-Through from South Central Area Health Education Center</i> | | MILLER-AHEC/EPA | | 11,239 | 11,239 |
| Total - CFDA 66.034 | | | 240,086 | 2,982,589 | 3,222,675 |
| Internships, Training and Workshops for the Office of Air and Radiation | 66.037 | | | 74,014 | 74,014 |
| National Clean Diesel Funding Assistance Program | 66.039 | | | 414,416 | 414,416 |
| State Clean Diesel Grant Program | 66.040 | | | 177,192 | 177,192 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|-----------------------|-----------------------|
| Environmental Protection Agency (continued) | | | | | |
| Congressionally Mandated Projects | 66.202 | | | 275,543 | 275,543 |
| <i>Pass-Through from Houston Advanced Research Center</i> | | 20-23016-UT0707 | | 1,470 | 1,470 |
| Total - CFDA 66.202 | | | 0 | 277,013 | 277,013 |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | | 325,260 | 3,644,643 | 3,969,903 |
| State Underground Water Source Protection | 66.433 | | | 660,960 | 660,960 |
| Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act | 66.436 | | | 59,041 | 59,041 |
| Water Quality Management Planning | 66.454 | | 488,209 | 35,578 | 523,787 |
| National Estuary Program | 66.456 | | 359,458 | 96,659 | 456,117 |
| Capitalization Grants for Clean Water State Revolving Funds ARRA - Capitalization Grants for Clean Water State Revolving Funds | 66.458 | | 13,610,214 | 5,130,465 579,101 | 18,740,679 579,101 |
| Total - CFDA 66.458 | | | 13,610,214 | 5,709,566 | 19,319,780 |
| Nonpoint Source Implementation Grants | 66.460 | | 1,630,967 | 3,946,642 | 5,577,609 |
| Regional Wetland Program Development Grants | 66.461 | | | (59) | (59) |
| Wastewater Operator Training Grant Program | 66.467 | | | 10,764 | 10,764 |
| Capitalization Grants for Drinking Water State Revolving Funds ARRA - Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | | 56,352,382 | 11,910,119 447,112 | 68,262,501 447,112 |
| Total - CFDA 66.468 | | | 56,352,382 | 12,357,231 | 68,709,613 |
| State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs | 66.471 | | | 2,226,162 | 2,226,162 |
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | | 87,222 | 407,074 | 494,296 |
| Water Protection Grants to the States | 66.474 | | | 398,879 | 398,879 |
| Gulf of Mexico Program | 66.475 | | | 78,334 | 78,334 |
| Assessment and Watershed Protection Program Grants | 66.480 | | | 75,024 | 75,024 |
| Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study | 66.513 | | | 8,109 | 8,109 |
| Science To Achieve Results (STAR) Fellowship Program | 66.514 | | | 38,597 | 38,597 |
| Environmental Protection Consolidated Grants for the Insular Areas - Program Support | 66.600 | | | 19,595 | 19,595 |
| Environmental Justice Small Grant Program <i>Pass-Through from City of Alton</i> | 66.604 | CA-09-345 | | 7,500 | 7,500 |
| Performance Partnership Grants | 66.605 | | 917,417 | 28,223,537 | 29,140,954 |
| Surveys, Studies, and Investigations and Special Purpose <i>Pass-Through from Water Environment Research</i> | 66.606 | 427009 | | 225,000 33,409 | 225,000 33,409 |

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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 |
|---|--------|---|--|--------------|-------------|
| Environmental Protection Agency (continued) | | | | | |
| <i>Pass-Through from Water Environment Research</i> | | 427010 | | 17,871 | 17,871 |
| <i>Pass-Through from Water Environment Research</i> | | 427011 | | 40,475 | 40,475 |
| <i>Pass-Through from Water Environment Research</i> | | 427160 | | 130,958 | 130,958 |
| Total - CFDA 66.606 | | | 0 | 447,713 | 447,713 |
| Environmental Information Exchange Network Grant Program and Related Assistance | 66.608 | | | 421,076 | 421,076 |
| Consolidated Pesticide Enforcement Cooperative Agreements | 66.700 | | | 891,979 | 891,979 |
| Toxic Substances Compliance Monitoring Cooperative Agreements | 66.701 | | | 142,494 | 142,494 |
| TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | | | 279,922 | 279,922 |
| Pollution Prevention Grants Program | 66.708 | | | 185,940 | 185,940 |
| Pesticide Environmental Stewardship Regional Grants | 66.714 | | | 14,170 | 14,170 |
| Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies | 66.716 | | | 63,492 | 63,492 |
| Source Reduction Assistance | 66.717 | | | 16,084 | 16,084 |
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | | | 769,569 | 769,569 |
| <i>Pass-Through from Oregon Department of Environmental Quality</i> | | 018-09 OREGON DEQ | | 78,433 | 78,433 |
| Total - CFDA 66.802 | | | 0 | 848,002 | 848,002 |
| Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | | | 2,331,681 | 2,331,681 |
| Superfund State and Indian Tribe Core Program Cooperative Agreements | 66.809 | | | 172,768 | 172,768 |
| State and Tribal Response Program Grants | 66.817 | | | 334,322 | 334,322 |
| International Financial Assistance Projects Sponsored by the Office of International Affairs | 66.931 | | 2,450 | 20,252 | 22,702 |
| Total - Environmental Protection Agency | | | 97,881,970 | 69,158,598 | 167,040,568 |
| Nuclear Regulatory Commission | | | | | |
| Nuclear Regulatory Commission | 77.XXX | NCR-38-07 | | 13,162 | 13,162 |
| U. S. Nuclear Regulatory Commission Nuclear Education Grant Program | 77.006 | | | 241,382 | 241,382 |
| U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | 77.008 | | | 186,104 | 186,104 |
| Total - Nuclear Regulatory Commission | | | 0 | 440,648 | 440,648 |
| U.S. Department of Energy | | | | | |
| State Energy Program | 81.041 | | 770,048 | 1,058,288 | 1,828,336 |
| ARRA - State Energy Program | | | | 119,814 | 119,814 |
| Total - CFDA 81.041 | | | 770,048 | 1,178,102 | 1,948,150 |

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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 |
|--|-------------|--|---|---|---|
| U.S. Department of Energy (continued) | | | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | | 7,599,440 | 437,927 | 8,037,367 |
| ARRA - Weatherization Assistance for Low-Income Persons | | | | 71,452 | 71,452 |
| Total - CFDA 81.042 | | | 7,599,440 | 509,379 | 8,108,819 |
| Office of Science Financial Assistance Program | 81.049 | | | 44,354 | 44,354 |
| Renewable Energy Research and Development <i>Pass-Through from Southern Forest Research Partnership, Inc.</i> | 81.087 | 4-56060 | | 15,907 | 15,907 |
| Fossil Energy Research and Development | 81.089 | | | 95,895 | 95,895 |
| Office of Environmental Waste Processing | 81.104 | | | 147,352 | 147,352 |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions | 81.106 | | | 497,864 | 497,864 |
| Epidemiology and Other Health Studies Financial Assistance Program <i>Pass-Through from Drexel University</i> | 81.108 | 23-1352630 | | 81,932 | 81,932 |
| Defense Nuclear Nonproliferation Research | 81.113 | | | 59,506 | 59,506 |
| University Reactor Infrastructure and Education Support <i>Pass-Through from Medical University of South Carolina</i> | 81.114 | DE-FG07- 05ID14692/IDNE006; MUSC07-005 | | 57,006 13,992 | 57,006 13,992 |
| Total - CFDA 81.114 | | | 0 | 70,998 | 70,998 |
| Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | | 12,521 | 108,710 | 121,231 |
| State Energy Program Special Projects | 81.119 | | 271,720 | 200,000 | 471,720 |
| Nuclear Energy Research, Development and Demonstration <i>Pass-Through from Cornell University</i> | 81.121 | 51903-8701 | | 210 126,812 | 210 126,812 |
| Total - CFDA 81.121 | | | 0 | 127,022 | 127,022 |
| Predictive Science Academic Alliance Program | 81.124 | | 45,979 | 2,387,557 | 2,433,536 |
| Miscellaneous | 81.502 | | 459,857 | 814,895 | 1,274,752 |
| Total - U.S. Department of Energy | | | 9,159,565 | 6,339,473 | 15,499,038 |
| U.S. Department of Education | | | | | |
| U.S. Department of Education | 84.XXX | 06-TX15 81111 P938R090048 S349A050031 T195N020158-04 T195N020159-04 T195N070068-08 <i>Pass-Through from National Writing Project</i> <i>Pass-Through from Texas Southmost College</i> <i>Pass-Through from University of California - Berkley</i> | | 46,000 (351) 222,531 34,455 3,052 2,322 182,253 44,446 21,941 46,000 | 46,000 (351) 222,531 34,455 3,052 2,322 182,253 44,446 21,941 46,000 |
| Total - CFDA 84.XXX | | | 46,000 | 556,649 | 602,649 |
| Adult Education - Basic Grants to States | 84.002 | | 41,735,244 | 3,794,361 | 45,529,605 |

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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 |
|--|-------------|---|---|---------------------|--------------|
| U.S. Department of Education (continued) | | | | | |
| Migrant Education--State Grant Program | 84.011 | | 53,613,265 | 2,387,894 | 56,001,159 |
| Title I Program for Neglected and Delinquent Children | 84.013 | | 3,736 | 3,332,697 | 3,336,433 |
| Undergraduate International Studies and Foreign Language Programs | 84.016 | | | 86,901 | 86,901 |
| Higher Education--Institutional Aid | 84.031 | | 137,908 | 26,363,821 | 26,501,729 |
| <i>Pass-Through from Dallas County Community College</i> | | 211337B00087100 | | 255,324 | 255,324 |
| <i>Pass-Through from Dallas County Community College</i> | | 29B003C20043900 | | 34,624 | 34,624 |
| <i>Pass-Through from Southwest Texas Junior College</i> | | UTA09-000166 | | 151,822 | 151,822 |
| Total - CFDA 84.031 | | | 137,908 | 26,805,591 | 26,943,499 |
| Federal Family Education Loans - Loan Program | 84.032L | | 837,225 | 1,789,060 | 2,626,285 |
| Career and Technical Education -- Basic Grants to States | 84.048 | | 77,446,688 | 10,709,462 | 88,156,150 |
| <i>Pass-Through from Austin Community College</i> | | 741742036 | | 27,186 | 27,186 |
| <i>Pass-Through from Houston Community College</i> | | T226 | | 16,916 | 16,916 |
| <i>Pass-Through from LoneStar College System</i> | | 81109 | | (5,787) | (5,787) |
| <i>Pass-Through from Texas Southmost College</i> | | 54246 | | 623,039 | 623,039 |
| Total - CFDA 84.048 | | | 77,446,688 | 11,370,816 | 88,817,504 |
| Leveraging Educational Assistance Partnership | 84.069 | | | 3,746,944 | 3,746,944 |
| Women's Educational Equity Act Program | 84.083 | | | 174,078 | 174,078 |
| Fund for the Improvement of Postsecondary Education | 84.116 | | 19,931 | 1,126,663 | 1,146,594 |
| <i>Pass-Through from California State University</i> | | 70983/P116B060223 | | 2,000 | 2,000 |
| <i>Pass-Through from California State University-Chico</i> | | S07-035 | | 9,442 | 9,442 |
| <i>Research Foundation</i> | | | | | |
| <i>Pass-Through from Intercultural Development Research Association</i> | | 408-MASS-TSU2 | | 61,148 | 61,148 |
| <i>Pass-Through from Intercultural Development Research Association</i> | | 439-TRANS-TSU1 | | 23,757 | 23,757 |
| Total - CFDA 84.116 | | | 19,931 | 1,223,010 | 1,242,941 |
| Minority Science and Engineering Improvement | 84.120 | | | 564,812 | 564,812 |
| <i>Pass-Through from Inter American University</i> | | AWD 08.09.2007 | | 19,490 | 19,490 |
| <i>Pass-Through from Inter American University</i> | | AWD 11.14.2007 | | 1,856 | 1,856 |
| Total - CFDA 84.120 | | | 0 | 586,158 | 586,158 |
| Rehabilitation Long-Term Training | 84.129 | | | 1,259,584 | 1,259,584 |
| Migrant Education--High School Equivalency Program | 84.141 | | 15,292 | 2,865,801 | 2,881,093 |
| Migrant Education--Coordination Program | 84.144 | | | 153,307 | 153,307 |
| Migrant Education--College Assistance Migrant Program | 84.149 | | 12,600 | 2,651,471 | 2,664,071 |
| Business and International Education Projects | 84.153 | | 500 | 208,466 | 208,966 |
| Independent Living--State Grants | 84.169 | | | 1,637,883 | 1,637,883 |
| Javits Fellowships | 84.170 | | | 197,537 | 197,537 |
| Douglas Teacher Scholarships | 84.176 | | | (280,621) | (280,621) |
| Rehabilitation Services--Independent Living Services for Older Individuals Who are Blind | 84.177 | | | 1,718,287 | 1,718,287 |

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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 |
|--|-------------|--|---|--|--|
| U.S. Department of Education (continued) | | | | | |
| Safe and Drug-Free Schools and Communities--National Programs | 84.184 | | | 59,209 | 59,209 |
| Byrd Honors Scholarships | 84.185 | | | 3,500,660 | 3,500,660 |
| Safe and Drug-Free Schools and Communities--State Grants <i>Pass-Through from One Star Foundation</i> | 84.186 | 2009-20332-426067 | 22,601,857 | 742,503 30,043 | 23,344,360 30,043 |
| Total - CFDA 84.186 | | | 22,601,857 | 772,546 | 23,374,403 |
| Supported Employment Services for Individuals with Significant Disabilities | 84.187 | | | 1,904,896 | 1,904,896 |
| Bilingual Education--Professional Development | 84.195 | | | 1,811,758 | 1,811,758 |
| Education for Homeless Children and Youth | 84.196 | | 6,256,133 | | 6,256,133 |
| Graduate Assistance in Areas of National Need <i>Pass-Through from Dallas County Community</i> | 84.200 | GCS# 05E269 | | 839,546 267,256 | 839,546 267,256 |
| Total - CFDA 84.200 | | | 0 | 1,106,802 | 1,106,802 |
| Javits Gifted and Talented Students Education Grant Program | 84.206 | | | 1,589 | 1,589 |
| Even Start--State Educational Agencies | 84.213 | | 5,755,695 | 251,752 | 6,007,447 |
| Fund for the Improvement of Education <i>Pass-Through from Education Service Center - Region VI</i> <i>Pass-Through from Hays Consolidated Independent School District</i> <i>Pass-Through from Houston Independent School District</i> <i>Pass-Through from Houston Independent School District</i> <i>Pass-Through from Irving Independent School District</i> <i>Pass-Through from Lyndon Baines Johnson Foundation</i> <i>Pass-Through from Northside Independent School District</i> | 84.215 | A483 8000000547 U215X050167 U215X080193 GN0001500-1 GN0002580 8000000763 | 11,000 | 384,657 961 79,298 9,735 74,928 223,530 11,192 34,101 | 384,657 961 90,298 9,735 74,928 223,530 11,192 49,101 |
| Total - CFDA 84.215 | | | 26,000 | 818,402 | 844,402 |
| Centers for International Business Education | 84.220 | | | 298,868 | 298,868 |
| Assistive Technology | 84.224 | | 242,757 | 450,382 | 693,139 |
| Tech-Prep Education <i>Pass-Through from Angelina College</i> <i>Pass-Through from LoneStar College System</i> | 84.243 | 1933-7 B730 | 5,085,037 | 1,535,352 3,970 31,758 | 6,620,389 3,970 31,758 |
| Total - CFDA 84.243 | | | 5,085,037 | 1,571,080 | 6,656,117 |
| Rehabilitation Training--Continuing Education | 84.264 | | | 43,129 | 43,129 |
| Rehabilitation Training--State Vocational Rehabilitation Unit In-Service Training | 84.265 | | | 299,981 | 299,981 |
| Charter Schools | 84.282 | | 6,312,606 | 557,034 | 6,869,640 |
| Twenty-First Century Community Learning Centers | 84.287 | | 84,090,810 | 4,209,258 | 88,300,068 |
| State Grants for Innovative Programs | 84.298 | | 1,197,913 | 7,356 | 1,205,269 |
| Capacity Building for Traditionally Underserved Populations | 84.315 | | | 242,995 | 242,995 |
| Education Technology State Grants <i>Pass-Through from Belton Independent School District</i> <i>Pass-Through from Irving Independent School District</i> | 84.318 | GN0001798 STAR-1 | 23,754,683 | 483,069 37,049 14,267 | 24,237,752 37,049 14,267 |

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For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|--------------|
| U.S. Department of Education (continued) | | | | | |
| <i>Pass-Through from Temple Independent School District</i> | | GN0001638 | | 27,321 | 27,321 |
| Total - CFDA 84.318 | | | 23,754,683 | 561,706 | 24,316,389 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | | | 2,261,195 | 2,261,195 |
| <i>Pass-Through from Salus University</i> | | 57201/25B016 B55038 100 | | 73,807 | 73,807 |
| Total - CFDA 84.325 | | | 0 | 2,335,002 | 2,335,002 |
| Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | | | 434,825 | 434,825 |
| Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 84.330 | | | 1,259,741 | 1,259,741 |
| Grants to States for Workplace and Community Transition Training for Incarcerated Individuals | 84.331 | | | 2,020,618 | 2,020,618 |
| Comprehensive School Reform Demonstration | 84.332 | | (1,219) | 127 | (1,092) |
| Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities | 84.333 | | | 201,926 | 201,926 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | | 1,037,823 | 14,111,080 | 15,148,903 |
| <i>Pass-Through from Baylor University</i> | | P334A060157 | | 223,581 | 223,581 |
| <i>Pass-Through from Houston Independent School District</i> | | PO31S030010 | | 3,473 | 3,473 |
| <i>Pass-Through from San Antonio Independent School District</i> | | P334A050145 | | 64,432 | 64,432 |
| Total - CFDA 84.334 | | | 1,037,823 | 14,402,566 | 15,440,389 |
| Child Care Access Means Parents in School | 84.335 | | | 543,071 | 543,071 |
| Teacher Quality Partnership Grants | 84.336 | | | 1,949,907 | 1,949,907 |
| Underground Railroad Educational and Cultural Program | 84.345 | | | 25,500 | 25,500 |
| Transition to Teaching | 84.350 | | | 2,938,536 | 2,938,536 |
| <i>Pass-Through from Ft. Worth Independent School District</i> | | U350A060006 | | 46,351 | 46,351 |
| <i>Pass-Through from Intercultural Development Research Association</i> | | S350B020027-05 | | (2,400) | (2,400) |
| Total - CFDA 84.350 | | | 0 | 2,982,487 | 2,982,487 |
| Arts in Education | 84.351 | | | 22,558 | 22,558 |
| Credit Enhancement for Charter School Facilities | 84.354 | | | 11,184,978 | 11,184,978 |
| Reading First State Grants | 84.357 | | 59,761,615 | 13,536,485 | 73,298,100 |
| Rural Education | 84.358 | | 7,219,370 | 292,446 | 7,511,816 |
| School Dropout Prevention Program | 84.360 | | | 157,943 | 157,943 |
| School Leadership | 84.363 | | 19,336 | 942,870 | 962,206 |
| English Language Acquisition Grants | 84.365 | | 89,909,933 | 2,461,608 | 92,371,541 |
| Mathematics and Science Partnerships | 84.366 | | 8,273,243 | 6,796,226 | 15,069,469 |
| Improving Teacher Quality State Grants | 84.367 | | 233,899,041 | 5,872,821 | 239,771,862 |
| <i>Pass-Through from Brownsville Independent School District</i> | | 27233 | | 79,129 | 79,129 |
| Total - CFDA 84.367 | | | 233,899,041 | 5,951,950 | 239,850,991 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| U.S. Department of Education (continued) | | | | | |
| Grants for State Assessments and Related Activities | 84.369 | | 4,360,676 | 14,953,840 | 19,314,516 |
| Special Education--Technical Assistance on State Data Collection | 84.373 | | | 251,362 | 251,362 |
| Teacher Incentive Fund | 84.374 | | | 4,324,447 | 4,324,447 |
| School Improvement Grants | 84.377 | | 14,070,484 | 406,497 | 14,476,981 |
| College Access Challenge Grant Program | 84.378 | | 755,843 | 723,415 | 1,479,258 |
| ARRA - Education for Homeless Children and Youth, Recovery Act | 84.387 | | 22,973 | | 22,973 |
| National Writing Project | 84.928 | | 15,232 | 179,974 | 195,206 |
| <i>Pass-Through from National Writing Project</i> | | 00-TX09 | | 29,725 | 29,725 |
| <i>Pass-Through from National Writing Project</i> | | 02-TX11 | | 72,975 | 72,975 |
| <i>Pass-Through from National Writing Project</i> | | 03-TX12 | | 64,013 | 64,013 |
| <i>Pass-Through from University of California - Berkeley</i> | | 92-TX06 | | 76,009 | 76,009 |
| Total - CFDA 89.928 | | | 15,232 | 422,696 | 437,928 |
| Hurricane Education Recovery | 84.938 | | (395) | 766,046 | 765,651 |
| Total - U.S. Department of Education | | | 748,535,835 | 174,086,414 | 922,622,249 |
| National Archives and Records Administration | | | | | |
| National Historical Publications and Records Grants | 89.003 | | | 2,171,210 | 2,171,210 |
| Total - National Archives and Records Administration | | | 0 | 2,171,210 | 2,171,210 |
| Denali Commission | | | | | |
| Help America Vote College Program | 90.400 | | | 18,951 | 18,951 |
| Help America Vote Act Requirements Payments | 90.401 | | 3,964,946 | 5,344,778 | 9,309,724 |
| Help America Vote Mock Election Program | 90.402 | | | 18,556 | 18,556 |
| Total - Denali Commission | | | 3,964,946 | 5,382,285 | 9,347,231 |
| U.S. Department of Health and Human Services | | | | | |
| U.S. Department of Health and Human Services | 93.XXX | 09ET040065F4H | | 17,747 | 17,747 |
| | | 1HPPWH060004-01-00 | | 293 | 293 |
| | | 200-2007-m-20636 | | 120,117 | 120,117 |
| | | 223-05-4443 | | 154,407 | 154,407 |
| | | 223-05Q-sit | | 33,606 | 33,606 |
| | | 467-MZ-501805 | | (1,821) | (1,821) |
| | | 5HPPWH060004-02-00 | | 3,064 | 3,064 |
| | | 5P50CA097007-04 | | 7 | 7 |
| | | HSH230200532046C | 95,829 | 128,076 | 223,905 |
| | | HSH-258200730012c | 149,301 | 245,734 | 395,035 |
| | | HHSP23320042206TC | | (1,323) | (1,323) |
| | | HHSP233200600826P | | 905 | 905 |
| | | ACP/US4/CCU524947-01 | | (19) | (19) |
| <i>Pass-Through from American Academy of Pediatrics</i> | | N01LM63505 | | 5,353 | 5,353 |
| <i>Pass-Through from Houston Academy of Medicine</i> | | N01LM63525 | | 579 | 579 |
| <i>Pass-Through from Houston Academy of Medicine - Texas Medical Center Library</i> | | HHSN276/N01LM6350 | | 2,812 | 2,812 |
| <i>Pass-Through from Houston Academy of Medicine - Texas Medical Center Library</i> | | N01-LM-6-3505 | | 25,394 | 25,394 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Macro International, Inc.</i> | | 33179-7S-873 | | 402 | 402 |
| <i>Pass-Through from McFarland and Associates</i> | | 280-02-0505 | | 81,129 | 81,129 |
| <i>Pass-Through from National Network Libraries of Medicine</i> | | SG/N01-LM-6-3505 | | 500 | 500 |
| <i>Pass-Through from Respite Care of San Antonio</i> | | SG/90CW1124 | | 25,211 | 25,211 |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | AGMT 10.06.2008 | | 10,737 | 10,737 |
| <i>Pass-Through from University Health System</i> | | BULLOCK/UHS/RYA NWHIT | | 44,348 | 44,348 |
| <i>Pass-Through from University Health System</i> | | DELGADO- UHS2507403LS | | 14,462 | 14,462 |
| <i>Pass-Through from University of Minnesota</i> | | 0000034746 | | 21,084 | 21,084 |
| <i>Pass-Through from Westat, Inc.</i> | | 200200409976 | | 183 | 183 |
| Total - CFDA 93.XXX | | | 245,130 | 932,987 | 1,178,117 |
| State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program | 93.006 | | | 388,684 | 388,684 |
| Community-Based Abstinence Education (CBAE) | 93.010 | | 26,219 | 30,124 | 56,343 |
| HIV Prevention Programs for Women | 93.015 | | 7,000 | 69,160 | 76,160 |
| Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission | 93.018 | | 137,419 | 152,138 | 289,557 |
| Special Programs for the Aging--Title VII, Chapter 3--Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | | 377,574 | | 377,574 |
| Special Programs for the Aging--Title VII, Chapter 2--Long Term Care Ombudsman Services for Older Individuals | 93.042 | | 1,008,421 | | 1,008,421 |
| <i>Pass-Through from City of Houston</i> | | FC55472-08 | | 27,791 | 27,791 |
| <i>Pass-Through from City of Houston</i> | | FC55472-09 | | 243,461 | 243,461 |
| Total - CFDA 93.042 | | | 1,008,421 | 271,252 | 1,279,673 |
| Special Programs for the Aging--Title III, Part D--Disease Prevention and Health Promotion Services | 93.043 | | 1,510,171 | | 1,510,171 |
| Special Programs for the Aging--Title IV--and Title II--Discretionary Projects | 93.048 | | 102,708 | 549,917 | 652,625 |
| Alzheimer's Disease Demonstration Grants to States | 93.051 | | | 108,008 | 108,008 |
| National Family Caregiver Support, Title III, Part E | 93.052 | | 8,603,212 | 223,580 | 8,826,792 |
| <i>Pass-Through from Harris County Hospital District</i> | | 21413-LPN | | 8,506 | 8,506 |
| Total - CFDA 93.052 | | | 8,603,212 | 232,086 | 8,835,298 |
| Laboratory Training, Evaluation, and Quality Assurance Programs | 93.064 | | | 463,758 | 463,758 |
| Public Health Emergency Preparedness | 93.069 | | 34,578,188 | 22,896,905 | 57,475,093 |
| Healthy Marriage Promotion and Responsible Fatherhood | 93.086 | | 655,038 | 248,206 | 903,244 |
| Food and Drug Administration--Research | 93.103 | | | 456,250 | 456,250 |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | | | | |
| <i>Pass-Through from Central Plains Center</i> | | 211352 B55002 100 | | 24,805 | 24,805 |
| Model State-Supported Area Health Education Centers | 93.107 | | 489,447 | 545,809 | 1,035,256 |

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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 |
|---|-------------|---|---|---------------------|--------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | 198,583 | 2,207,327 | 2,405,910 |
| Environmental Health | 93.113 | | | 84,636 | 84,636 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | 3,853,655 | 4,265,388 | 8,119,043 |
| <i>Pass-Through from University of California - San Diego</i> | | N01 HR-36157 | | 12,123 | 12,123 |
| Total - CFDA 93.116 | | | 3,853,655 | 4,277,511 | 8,131,166 |
| Oral Diseases and Disorders Research | 93.121 | | | 1,095,125 | 1,095,125 |
| Nurse Anesthetist Traineeships | 93.124 | | | 4,184 | 4,184 |
| Emergency Medical Services for Children | 93.127 | | | 11,018 | 11,018 |
| Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 93.130 | | | 303,763 | 303,763 |
| Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | | | | |
| <i>Pass-Through from Association for Prevention Teaching and Research</i> | | APTR-08 | | 1,195 | 1,195 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | 2,900,783 | 1,644 | 2,902,427 |
| NIEHS Superfund Hazardous Substances--Basic Research and Education | 93.143 | | 130,854 | 105,765 | 236,619 |
| <i>Pass-Through from University of Missouri - Rolla</i> | | 00015594-1 | | 29,651 | 29,651 |
| Total - CFDA 93.143 | | | 130,854 | 135,416 | 266,270 |
| AIDS Education and Training Centers | 93.145 | | | | |
| <i>Pass-Through from Howard University</i> | | DORAN: HA00066/HRSA | 75 | 195,270 | 195,345 |
| Projects for Assistance in Transition from Homelessness | 93.150 | | 3,468,627 | 104,211 | 3,572,838 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | | 899,056 | 1,872,132 | 2,771,188 |
| Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals | 93.156 | | | 580,509 | 580,509 |
| Centers of Excellence | 93.157 | | | (1,523) | (1,523) |
| Research Related to Deafness and Communication Disorders | 93.173 | | | 106,508 | 106,508 |
| Nursing Workforce Diversity | 93.178 | | | 136,785 | 136,785 |
| Health Education and Training Centers | 93.189 | | | (15,097) | (15,097) |
| Childhood Lead Poisoning Prevention Projects--State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | | 503,318 | 620,617 | 1,123,935 |
| Surveillance of Hazardous Substance Emergency Events | 93.204 | | | 202,875 | 202,875 |
| Research and Training in Complementary and Alternative Medicine | 93.213 | | | 56,829 | 56,829 |
| Family Planning--Services | 93.217 | | 8,135,592 | 3,454,199 | 11,589,791 |

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For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|--------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | | | 41,997 | 41,997 |
| Consolidated Knowledge Development and Application (KD&A) Program | 93.230 | | | (4,530) | (4,530) |
| <i>Pass-Through from Center for Health Care Services</i> | | CHAMPION-MHMR | | 3,436 | 3,436 |
| <i>Pass-Through from Center for Health Care Services</i> | | RU 3602 Projekc SEEK | | 10,097 | 10,097 |
| <i>Pass-Through from McFarland and Associates</i> | | 3800-PrairieFY06 | | (3,508) | (3,508) |
| <i>Pass-Through from McFarland and Associates</i> | | 3800-PrairieFY09 | | 46,201 | 46,201 |
| <i>Pass-Through from McFarland and Associates</i> | | SC.10.24.2007 | | 4,381 | 4,381 |
| Total - CFDA 93.230 | | | 0 | 56,077 | 56,077 |
| Traumatic Brain Injury State Demonstration Grant Program | 93.234 | | | 105,117 | 105,117 |
| Abstinence Education Program | 93.235 | | 2,190,276 | 1,689,062 | 3,879,338 |
| <i>Pass-Through from El Paso Alliance</i> | | UTA06-889 | | 21,993 | 21,993 |
| Total - CFDA 93.235 | | | 2,190,276 | 1,711,055 | 3,901,331 |
| Grants for Dental Public Health Residency Training | 93.236 | | | 56,312 | 56,312 |
| Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement | 93.238 | | | 9,938 | 9,938 |
| Policy Research and Evaluation Grants | 93.239 | | | | |
| <i>Pass-Through from Research Triangle Institute</i> | | HHSFP23320084100EC | | 70,778 | 70,778 |
| State Capacity Building | 93.240 | | | 331,295 | 331,295 |
| State Rural Hospital Flexibility Program | 93.241 | | | 1,306,768 | 1,306,768 |
| Mental Health Research Grants | 93.242 | | 17,834 | 222,951 | 240,785 |
| <i>Pass-Through from Rutgers University</i> | | 00003757 / 211370 B53264 300 | | 5,155 | 5,155 |
| Total - CFDA 93.242 | | | 17,834 | 228,106 | 245,940 |
| Substance Abuse and Mental Health Services--Projects of Regional and National Significance | 93.243 | | 5,964,298 | 3,796,594 | 9,760,892 |
| <i>Pass-Through from Bexar County - General</i> | | SG/6 H79 TI17494-01-1 | | 1,513 | 1,513 |
| <i>Pass-Through from Drug Prevention Resources, Inc.</i> | | SCOTT-DPR- M79SP10513 | | 8,790 | 8,790 |
| <i>Pass-Through from El Paso Alliance</i> | | UTAA8-153 | | 38,465 | 38,465 |
| <i>Pass-Through from Family Service Association</i> | | 1H79TI0872301/FSA | | 18,357 | 18,357 |
| <i>Pass-Through from Hope Action Care</i> | | TI18286-01 | | 71,895 | 71,895 |
| <i>Pass-Through from Por Vida Academy</i> | | S/G H79SP010448 POR VID | | 257 | 257 |
| <i>Pass-Through from The Medical Center of Central Georgia</i> | | UTA09-000699 | | 9,243 | 9,243 |
| Total - CFDA 93.243 | | | 5,964,298 | 3,945,114 | 9,909,412 |
| Advanced Education Nursing Grant Program | 93.247 | | | 985,064 | 985,064 |
| Public Health Training Centers Grant Program | 93.249 | | | 299,688 | 299,688 |
| Universal Newborn Hearing Screening | 93.251 | | 35,320 | 76,226 | 111,546 |
| Poison Control Stabilization and Enhancement Grants | 93.253 | | 16,523 | 352,071 | 368,594 |
| Infant Adoption Awareness Training | 93.254 | | | | |
| <i>Pass-Through from Adoption Exchange Association</i> | | UTA08-082 | | 180,751 | 180,751 |
| <i>Pass-Through from National Council for Adoption</i> | | Prime 90-CG-2662 | | 66,428 | 66,428 |
| Total - CFDA 93.254 | | | 0 | 247,179 | 247,179 |

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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 |
|--|-------------|---|---|---------------------|--------------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Rural Access to Emergency Devices Grant | 93.259 | | | 162,624 | 162,624 |
| Occupational Safety and Health Program <i>Pass-Through from Colorado State University</i> | 93.262 | 8460000545 | 11,699 | 1,470,068 4,475 | 1,481,767 4,475 |
| Total - CFDA 93.262 | | | 11,699 | 1,474,543 | 1,486,242 |
| Nurse Faculty Loan Program (NFLP) | 93.264 | | | 260,972 | 260,972 |
| Comprehensive Geriatric Education Program(CGEP) | 93.265 | | | 149,883 | 149,883 |
| Alcohol National Research Service Awards for Research Training | 93.272 | | | 16,973 | 16,973 |
| Substance Abuse and Mental Health Services-Access to Recovery | 93.275 | | 287,493 | 5,654,013 | 5,941,506 |
| Drug Abuse and Addiction Research Programs <i>Pass-Through from Virginia Commonwealth</i> | 93.279 | A229 | | 520,073 (107) | 520,073 (107) |
| Total - CFDA 93.279 | | | 0 | 519,966 | 519,966 |
| Mental Health National Research Service Awards for Research Training | 93.282 | | | 38,062 | 38,062 |
| Centers for Disease Control and Prevention--Investigations and Technical Assistance | 93.283 | | 1,540,601 | 7,833,907 | 9,374,508 |
| <i>Pass-Through from Hispanic Serving Health Professions Schools</i> | | SG U50CCU325128/ HSHF S | | 13,673 | 13,673 |
| <i>Pass-Through from Southwest Center for Pediatric Environmental Health</i> | | 521553060 | | 153,210 | 153,210 |
| Total - CFDA 93.283 | | | 1,540,601 | 8,000,790 | 9,541,391 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 122,970 | 3,001,498 | 3,124,468 |
| <i>Pass-Through from University of California - Santa Barbara</i> | | KK8148 | | 54,502 | 54,502 |
| Total - CFDA 93.286 | | | 122,970 | 3,056,000 | 3,178,970 |
| Small Rural Hospital Improvement Grant Program | 93.301 | | | 1,050,343 | 1,050,343 |
| Minority Health and Health Disparities Research | 93.307 | | | 128,075 | 128,075 |
| Trans-NIH Research Support <i>Pass-Through from New York University</i> | 93.310 | 200901354 | | 140,306 37,623 | 140,306 37,623 |
| Total - CFDA 93.310 | | | 0 | 177,929 | 177,929 |
| Advanced Education Nursing Traineeships | 93.358 | | | 719,954 | 719,954 |
| Nurse Education, Practice and Retention Grants | 93.359 | | | 821,901 | 821,901 |
| Nursing Research <i>Pass-Through from University of Missouri - Kansas City</i> | 93.361 | 11387/00009376 | | 209,458 | 209,458 |
| National Center for Research Resources <i>Pass-Through from West Virginia University</i> | 93.389 | SEPA/3R25RR023274-02 | 959 | 1,739,111 5,843 | 1,740,070 5,843 |
| Total - CFDA 93.389 | | | 959 | 1,744,954 | 1,745,913 |
| Cancer Cause and Prevention Research <i>Pass-Through from Saint Louis University</i> | 93.393 | 5 R21 CA126326 02 | 172 | 649,758 8,184 | 649,930 8,184 |
| Total - CFDA 93.393 | | | 172 | 657,942 | 658,114 |

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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 |
|---|-------------|---|---|---------------------------|---------------------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Cancer Detection and Diagnosis Research | 93.394 | | | (4,373) | (4,373) |
| Cancer Treatment Research | 93.395 | | | (58,165) | (58,165) |
| Cancer Biology Research | 93.396 | | | 328,791 | 328,791 |
| Cancer Centers Support Grants | 93.397 | | | 327,178 | 327,178 |
| Cancer Research Manpower <i>Pass-Through from University of Washington - Seattle</i> | 93.398 | 5 R25 CA119012 04 | 49,854 | 3,542,216 20,313 | 3,592,070 20,313 |
| Total - CFDA 93.398 | | | 49,854 | 3,562,529 | 3,612,383 |
| Cancer Control <i>Pass-Through from University of Michigan</i> | 93.399 | 2 U01 CA086400 06 | 18,502 | 441,095 1,814 | 459,597 1,814 |
| Total - CFDA 93.399 | | | 18,502 | 442,909 | 461,411 |
| Food Safety and Security Monitoring Project | 93.448 | | | 94,200 | 94,200 |
| Promoting Safe and Stable Families <i>Pass-Through from Lubbock Regional Mental Health and Mental Retardation Center</i> | 93.556 | CYD 79415 / 211248 B59012 100 | 18,294,852 | 24,085,405 (4,499) | 42,380,257 (4,499) |
| Total - CFDA 93.556 | | | 18,294,852 | 24,080,906 | 42,375,758 |
| Child Support Enforcement ARRA - Child Support Enforcement | 93.563 | | 3,270,630 | 103,435,059 78,985,486 | 106,705,689 78,985,486 |
| Total - CFDA 93.563 | | | 3,270,630 | 182,420,545 | 185,691,175 |
| Child Support Enforcement Research | 93.564 | | 385,595 | 92,191 | 477,786 |
| Refugee and Entrant Assistance--State Administered | 93.566 | | 11,736,501 | 19,738,817 | 31,475,318 |
| Low-Income Home Energy Assistance | 93.568 | | 87,666,873 | 1,189,710 | 88,856,583 |
| Refugee and Entrant Assistance--Discretionary Grants | 93.576 | | 2,865,991 | 200,090 | 3,066,081 |
| Refugee and Entrant Assistance--Targeted Assistance Grants | 93.584 | | 2,691,190 | | 2,691,190 |
| State Court Improvement Program | 93.586 | | | 2,373,322 | 2,373,322 |
| Community-Based Child Abuse Prevention Grants | 93.590 | | 1,022,217 | 181,568 | 1,203,785 |
| Grants to States for Access and Visitation Programs | 93.597 | | 588,036 | 138,458 | 726,494 |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | | | 2,232,033 | 2,232,033 |
| Child Support Enforcement Demonstrations and Special <i>Pass-Through from Family Service Association</i> | 93.601 | SG/2006ACFOCSEFI005 | 36,909 | 67,971 15,439 | 104,880 15,439 |
| Total - CFDA 93.601 | | | 36,909 | 83,410 | 120,319 |
| Adoption Incentive Payments | 93.603 | | | 3,595,596 | 3,595,596 |
| Voting Access for Individuals with Disabilities--Grants to States | 93.617 | | 130,979 | 489,350 | 620,329 |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | | 3,466,210 | 1,723,304 | 5,189,514 |
| Developmental Disabilities Projects of National Significance | 93.631 | | | 125,210 | 125,210 |
| Children's Justice Grants to States <i>Pass-Through from Texas Center for the Judiciary Pass-Through from Texas Center for the Judiciary</i> | 93.643 | CJA-09-19 G-0801TXCJA1 | 11,049 | 21,512 44,126 | 32,561 44,126 |
| Total - CFDA 93.643 | | | 11,049 | 65,638 | 76,687 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|--------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Child Welfare Services--State Grants | 93.645 | | | 34,341,722 | 34,341,722 |
| Social Services Research and Demonstration | 93.647 | | | 700 | 700 |
| Child Welfare Services Training Grants | 93.648 | | 586 | 121,147 | 121,733 |
| Adoption Opportunities | 93.652 | | | | |
| <i>Pass-Through from Adoption Exchange Association</i> | | UTA07-833 | | 41,928 | 41,928 |
| <i>Pass-Through from Georgia State University</i> | | J3529-01 | | 69,345 | 69,345 |
| Total - CFDA 93.652 | | | 0 | 111,273 | 111,273 |
| Foster Care--Title IV-E | 93.658 | | 6,225,285 | 198,180,619 | 204,405,904 |
| ARRA - Foster Care--Title IV-E | | | 23,926 | 11,934,151 | 11,958,077 |
| Total - CFDA 93.658 | | | 6,249,211 | 210,114,770 | 216,363,981 |
| Adoption Assistance | 93.659 | | | 74,166,639 | 74,166,639 |
| ARRA - Adoption Assistance | | | | 7,611,383 | 7,611,383 |
| Total - CFDA 93.659 | | | 0 | 81,778,022 | 81,778,022 |
| Social Services Block Grant | 93.667 | | 28,083,419 | 160,576,919 | 188,660,338 |
| Child Abuse and Neglect State Grants | 93.669 | | | 2,033,560 | 2,033,560 |
| Child Abuse and Neglect Discretionary Activities | 93.670 | | 205,840 | | 205,840 |
| Family Violence Prevention and Services/Grants for Battered Women's Shelters--Grants to States and Indian Tribes | 93.671 | | 4,952,938 | | 4,952,938 |
| Chafee Foster Care Independence Program | 93.674 | | | 6,237,201 | 6,237,201 |
| ARRA - Trans-NIH Recovery Act Research Support | 93.701 | | 1,661 | 379,550 | 381,211 |
| Children's Health Insurance Program | 93.767 | | | 715,711,460 | 715,711,460 |
| Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities | 93.768 | | | 847,297 | 847,297 |
| Demonstration to Maintain Independence and Employment | 93.769 | | 6,719,277 | 792,223 | 7,511,500 |
| Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | | 605,119 | 107,162 | 712,281 |
| Money Follows the Person Rebalancing Demonstration | 93.791 | | | 21,175,645 | 21,175,645 |
| <i>Pass-Through from Center for Health Care Services</i> | | MAPLES - CHCS | | 25,906 | 25,906 |
| Total - CFDA 93.791 | | | 0 | 21,201,551 | 21,201,551 |
| Medicaid Transformation Grants | 93.793 | | | 105,692 | 105,692 |
| Basic/Core Area Health Education Centers | 93.824 | | 668,817 | 406,555 | 1,075,372 |
| Cardiovascular Diseases Research | 93.837 | | | 615,477 | 615,477 |
| Lung Diseases Research | 93.838 | | | 49,842 | 49,842 |
| Blood Diseases and Resources Research | 93.839 | | | 179,473 | 179,473 |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | | 150,846 | 150,846 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 255,375 | 370,116 | 625,491 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | | 408,190 | 408,190 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|--|--|---|---|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Allergy, Immunology and Transplantation Research <i>Pass-Through from Baylor College of Medicine</i> | 93.855 | 5T32AI007456 | | 23,617 | 23,617 |
| Microbiology and Infectious Diseases Research | 93.856 | | | (2,690,473) | (2,690,473) |
| Biomedical Research and Research Training <i>Pass-Through from Carnegie Mellon University</i> | 93.859 | 1090155-184427 | (454) | 591,153 236 | 590,699 236 |
| Total - CFDA 93.859 | | | (454) | 591,389 | 590,935 |
| Child Health and Human Development Extramural Research | 93.865 | | | 210,001 | 210,001 |
| Aging Research <i>Pass-Through from University of Pittsburgh</i> | 93.866 | 5T35AG026778-05 | | 442,000 24,003 | 442,000 24,003 |
| Total - CFDA 93.866 | | | 0 | 466,003 | 466,003 |
| Vision Research | 93.867 | | | 44,106 | 44,106 |
| Medical Library Assistance <i>Pass-Through from Rice University</i> <i>Pass-Through from Society of Teachers of Family Medicine</i> | 93.879 | 5T15LM07093 USATINE-NLM/STFM | | 176,537 803 | 176,537 803 |
| Total - CFDA 93.879 | | | 0 | 177,340 | 177,340 |
| Grants for Training in Primary Care Medicine and Dentistry | 93.884 | | | 1,042,513 | 1,042,513 |
| Health Care and Other Facilities <i>Pass-Through from Piney Woods Regional Advisory Council</i> | 93.887 | 752603041 | | 218,298 33,709 | 218,298 33,709 |
| Total - CFDA 93.887 | | | 0 | 252,007 | 252,007 |
| Specially Selected Health Projects | 93.888 | | | 111,204 | 111,204 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | | 22,207,465 | 6,862,175 | 29,069,640 |
| Family and Community Violence Prevention Program | 93.910 | | | 209,687 | 209,687 |
| Rural Health Care Services Outreach and Rural Health Network Development Program <i>Pass-Through from Leon County Rural Health Network</i> | 93.912 | D06RH07934 | 106,984 | 214,359 48,138 | 321,343 48,138 |
| Total - CFDA 93.912 | | | 106,984 | 262,497 | 369,481 |
| Grants to States for Operation of Offices of Rural Health | 93.913 | | | 162,732 | 162,732 |
| HIV Emergency Relief Project Grants <i>Pass-Through from Harris County Hospital District</i> <i>Pass-Through from Harris County Public Health and Environmental Services</i> <i>Pass-Through from Harris County Public Health and Environmental Services</i> <i>Pass-Through from Harris County Public Health and Environmental Services</i> <i>Pass-Through from University Health System</i> <i>Pass-Through from University Health System</i> | 93.914 | 6H12HA000390 07GEN0156 08GEN0134 09GEN0097 2801189-LS S/G UHS/SAMHSA T115755 | | 410,048 (3,137) 73,455 83,264 62,131 2,869 | 410,048 (3,137) 73,455 83,264 62,131 2,869 |
| Total - CFDA 93.914 | | | 0 | 628,630 | 628,630 |
| HIV Care Formula Grants | 93.917 | | 19,646,175 | 66,517,200 | 86,163,375 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease <i>Pass-Through from Harris County Hospital District</i> | 93.918 | 09-HSP-0105 | | 15,951 | 15,951 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership | 93.924 | | | 110,490 | 110,490 |
| Healthy Start Initiative | 93.926 | | | 8 | 8 |
| Special Projects of National Significance | 93.928 | | | 155,000 | 155,000 |
| Comprehensive Residential Drug Prevention and Treatment Projects for Substance-Using Women and Their Children | 93.937 | | | 88,444 | 88,444 |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938 | | (44) | 116,602 | 116,558 |
| HIV Prevention Activities--Non-Governmental Organization Based | 93.939 | | | 467,888 | 467,888 |
| HIV Prevention Activities--Health Department Based | 93.940 | | 8,736,580 | 3,818,256 | 12,554,836 |
| <i>Pass-Through from Harris County Health Department</i> | | 05GEN0104 | | 695 | 695 |
| <i>Pass-Through from Harris County Health Department</i> | | 4600008916 | | 42,872 | 42,872 |
| <i>Pass-Through from St. Hope Foundation</i> | | 03GEN0216 | | 1,670 | 1,670 |
| Total - CFDA 93.940 | | | 8,736,580 | 3,863,493 | 12,600,073 |
| HIV Demonstration, Research, Public and Professional Education Projects | 93.941 | | | 222,448 | 222,448 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | | 438,592 | 2,033,472 | 2,472,064 |
| Assistance Programs for Chronic Disease Prevention and | 93.945 | | | 75,461 | 75,461 |
| Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | | | 82,408 | 82,408 |
| Block Grants for Community Mental Health Services | 93.958 | | 30,689,893 | 6,446,269 | 37,136,162 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 111,663,798 | 20,912,780 | 132,576,578 |
| Public Health Traineeships | 93.964 | | | 81,483 | 81,483 |
| Geriatric Education Centers | 93.969 | | 65,461 | 640,776 | 706,237 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 100678999 | | 29,544 | 29,544 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1D31HP0882101 | | 36,753 | 36,753 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 458340 | | 25,148 | 25,148 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 D31 HP08821 | | 39,946 | 39,946 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 741613878 | | 33,803 | 33,803 |
| <i>Pass-Through from Baylor College of Medicine</i> | | D31HP70112 | | (5) | (5) |
| <i>Pass-Through from Harrington Regional Medical Center</i> | | 08AM080998FNH | | 40,623 | 40,623 |
| Total - CFDA 93.969 | | | 65,461 | 846,588 | 912,049 |
| Family Planning--Service Delivery Improvement Research Grants | 93.974 | | 13,413 | 2,219 | 15,632 |
| Preventive Health Services--Sexually Transmitted Diseases Control Grants | 93.977 | | 3,652,016 | 1,234,871 | 4,886,887 |
| Preventive Health Services--Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants | 93.978 | | 214,307 | 856,497 | 1,070,804 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|---------------|
| U.S. Department of Health and Human Services (continued) | | | | | |
| Mental Health Disaster Assistance and Emergency Mental Health | 93.982 | | 221,566 | 231,628 | 453,194 |
| Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems | 93.988 | | 380,996 | 559,980 | 940,976 |
| International Research and Research Training | 93.989 | | 62,784 | 776,436 | 839,220 |
| Preventive Health and Health Services Block Grant | 93.991 | | 1,879,262 | 2,100,062 | 3,979,324 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | | 6,693,917 | 23,954,890 | 30,648,807 |
| Adolescent Family Life--Demonstration Projects | 93.995 | | | | |
| <i>Pass-Through from Lifeworks</i> | | UTA05-820,AMD 2 | | 61,427 | 61,427 |
| <i>Pass-Through from The Children's Shelter</i> | | 5APHP006042-02 | | 9,578 | 9,578 |
| <i>Pass-Through from The Children's Shelter</i> | | SG/APHPA006042 | | 35,987 | 35,987 |
| Total - CFDA 93.995 | | | 0 | 106,992 | 106,992 |
| Bioterrorism Training and Curriculum Development Program | 93.996 | | | (27,631) | (27,631) |
| <i>Pass-Through from City of Houston Health and Human Services</i> | | CCU622445 | | 84 | 84 |
| Total - CFDA 93.996 | | | 0 | (27,547) | (27,547) |
| Total - U.S. Department of Health and Human Services | | | 464,669,557 | 1,697,721,796 | 2,162,391,353 |
| Corporation for National and Community Service | | | | | |
| Corporation for National and Community Service | 94.XXX | H129B040027-07, ACTION 05 | | 156,996 | 156,996 |
| Retired and Senior Volunteer Program | 94.002 | | | 126,035 | 126,035 |
| Learn and Serve America--School and Community Based Programs | 94.004 | | 1,428,286 | | 1,428,286 |
| Learn and Serve America--Higher Education | 94.005 | | | | |
| <i>Pass-Through from Morehouse School of Medicine</i> | | SG/06LHHGA/BERGG REN | | 18,188 | 18,188 |
| AmeriCorps | 94.006 | | | 177,298 | 177,298 |
| <i>Pass-Through from A. T. Still University</i> | | 04NDHMO002 | | 5,283 | 5,283 |
| <i>Pass-Through from A. T. Still University</i> | | CON17634 | | 19,113 | 19,113 |
| <i>Pass-Through from A. T. Still University</i> | | CON19122 | 36,524 | 17,443 | 53,967 |
| <i>Pass-Through from One Star Foundation</i> | | 11.0609.018-1 | | (4,807) | (4,807) |
| <i>Pass-Through from One Star Foundation</i> | | 11.0609.018-2 | | (8,730) | (8,730) |
| <i>Pass-Through from One Star Foundation</i> | | 11.0609.018-3, AMD 1 | | 512,429 | 512,429 |
| <i>Pass-Through from One Star Foundation</i> | | 15.0809.115-1 | | 23,917 | 23,917 |
| <i>Pass-Through from One Star Foundation</i> | | 410130 | | 2,574 | 2,574 |
| <i>Pass-Through from One Star Foundation</i> | | 410140 | | 215,912 | 215,912 |
| <i>Pass-Through from One Star Foundation</i> | | ACF5112611 | | (15,669) | (15,669) |
| <i>Pass-Through from One Star Foundation</i> | | OSP# 200802525 | | 3,271 | 3,271 |
| <i>Pass-Through from Onestar National Service Commission</i> | | 06ACHTX0010009 | | 50 | 50 |
| <i>Pass-Through from Onestar National Service Commission</i> | | 12.0710.016-2 | | 278,970 | 278,970 |
| ARRA - AmeriCorps | | | | | |
| <i>Pass-Through from A. T. Still University</i> | | 09RNHMO001 | | 1,118 | 1,118 |
| Total - CFDA 94.006 | | | 36,524 | 1,228,172 | 1,264,696 |
| Planning and Program Development Grants | 94.007 | | | 10,562 | 10,562 |
| Total - Corporation for National and Community Service | | | 1,464,810 | 1,539,953 | 3,004,763 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|------------------------------|-------------------------------|
| Social Security Administration | | | | | |
| Social Security Administration | 96.XXX | 0600-003-60023 | | 1,132,085 | 1,132,085 |
| Social Security--Research and Demonstration | 96.007 | | | 373,341 | 373,341 |
| Total - Social Security Administration | | | 0 | 1,505,426 | 1,505,426 |
| U.S. Department of Homeland Security | | | | | |
| U.S. Department of Homeland Security <i>Pass-Through from Medical University of South Carolina</i> | 97.XXX | QUITUGUA-DHS-IPAA Ltr Dtd 8/11/08 | | 1,196 31,008 | 1,196 31,008 |
| Total - CFDA 97.XXX | | | 0 | 32,204 | 32,204 |
| Interoperable Emergency Communications Grant Program | 97.001 | | 28,610 | | 28,610 |
| State and Local Homeland Security Training Program | 97.005 | | | 22,996,406 | 22,996,406 |
| Homeland Security Preparedness Technical Assistance Program | 97.007 | | | 1,385,086 | 1,385,086 |
| Boating Safety Financial Assistance | 97.012 | | | 4,539,253 | 4,539,253 |
| State Access to the Oil Spill Liability Trust Fund | 97.013 | | | 84,787 | 84,787 |
| Community Assistance Program State Support Services Element (CAP-SSSE) | 97.023 | | | 348,412 | 348,412 |
| National Urban Search and Rescue (US&R) Response System | 97.025 | | | 857,628 | 857,628 |
| Flood Mitigation Assistance | 97.029 | | 5,053,858 | 44,552 | 5,098,410 |
| Crisis Counseling | 97.032 | | 2,243,756 | 371,363 | 2,615,119 |
| Disaster Unemployment Assistance | 97.034 | | | 928,636 | 928,636 |
| National Dam Safety Program | 97.041 | | | 274,325 | 274,325 |
| State Fire Training Systems Grants | 97.043 | | | 28,000 | 28,000 |
| Fire Management Assistance Grant | 97.046 | | | 1,331 | 1,331 |
| Pre-Disaster Mitigation | 97.047 | | 3,845,055 | 31,527 | 3,876,582 |
| Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | 97.050 | | | 98,434,621 | 98,434,621 |
| Port Security Grant Program | 97.056 | | | 203,002 | 203,002 |
| Centers for Homeland Security <i>Pass-Through from Jackson State University</i> <i>Pass-Through from University of Maryland</i> | 97.061 | 634822 Z934002 | | 163,878 108,164 77,955 | 163,878 108,164 166,627 |
| Total - CFDA 97.061 | | | 88,672 | 349,997 | 438,669 |
| Competitive Training Grants | 97.068 | | | 1,020,105 | 1,020,105 |
| Rail and Transit Security Grant Program | 97.075 | | 574,854 | 36,276 | 611,130 |
| Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection | 97.077 | | | 369,213 | 369,213 |
| Buffer Zone Protection Program (BZPP) | 97.078 | | 5,331,181 | 121,777 | 5,452,958 |
| Alternative Housing Pilot Program | 97.087 | | 4,303,619 | 174,775 | 4,478,394 |
| Disaster Assistance Projects | 97.088 | | 16,661,587 | 215,232 | 16,876,819 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|----------------|
| U.S. Department of Homeland Security (continued) | | | | | |
| Homeland Security Biowatch Program | 97.091 | | | 2,258,279 | 2,258,279 |
| Repetitive Flood Claims | 97.092 | | 4,182,587 | 686 | 4,183,273 |
| Severe Loss Repetitive Program | 97.110 | | 3,546,137 | 48,598 | 3,594,735 |
| Regional Catastrophic Preparedness Grant Program (RCPGP) | 97.111 | | 361,821 | | 361,821 |
| Total - U.S. Department of Homeland Security | | | 46,221,737 | 135,156,071 | 181,377,808 |
| U. S. Agency for International Development | | | | | |
| U. S. Agency for International Development | 98.XXX | | | | |
| <i>Pass-Through from American Council on Education</i> | | 3980-02 | | 32,829 | 32,829 |
| <i>Pass-Through from American Council on Education</i> | | 523-A-0006-00009-00 | | 102,560 | 102,560 |
| Total - CFDA 98.XXX | | | 0 | 135,389 | 135,389 |
| USAID Foreign Assistance for Programs Overseas | 98.001 | | 32,807 | 3,390,681 | 3,423,488 |
| <i>Pass-Through from Columbia University</i> | | TAYLOR-COLUMBIA UNIV | | 1,864 | 1,864 |
| <i>Pass-Through from PA Consulting Group</i> | | US0254.1-PO-08-0308 | | 14,932 | 14,932 |
| Total - CFDA 98.001 | | | 32,807 | 3,407,477 | 3,440,284 |
| Global Development Alliance | 98.011 | | | 25,000 | 25,000 |
| USAID Development Partnerships for University Cooperation and Development | 98.012 | | | | |
| <i>Pass-Through from American Council on Education</i> | | 523-A-00-06-00009-00 | 10,721 | 305,577 | 316,298 |
| <i>Pass-Through from American Council on Education</i> | | 523-A-00-06-00009-00: UTAA8-057 | | 17,832 | 17,832 |
| <i>Pass-Through from Higher Education for Development</i> | | 523-A0-00-06-00009-00 | | 73,442 | 73,442 |
| Total - CFDA 98.012 | | | 10,721 | 396,851 | 407,572 |
| Total - U. S. Agency for International Development | | | 43,528 | 3,964,717 | 4,008,245 |
| Total Non-Clustered Programs | | | 2,015,324,268 | 8,211,750,109 | 10,227,074,377 |
| RESEARCH AND DEVELOPMENT CLUSTER | | | | | |
| U.S. Department of Agriculture | | | | | |
| U.S. Department of Agriculture | 10.XXX | 100200 | | 5,892,597 | 5,892,597 |
| | | 100201 | | 1,366,556 | 1,366,556 |
| | | 100202 | | 414,814 | 414,814 |
| | | 2008-34402-19195 01 | | 4,973 | 4,973 |
| | | 58-3148-5-048 | | 1,290 | 1,290 |
| | | 58-6204-8-055 | | 35,063 | 35,063 |
| <i>Pass-Through from US Egypt Science and Technology Joint Fund</i> | | 58-3148-5-106, YR 3 FUNDS | | 1,561 | 1,561 |
| Total - CFDA 10.XXX | | | 0 | 7,716,854 | 7,716,854 |
| Agricultural Research--Basic and Applied Research | 10.001 | | 21,527 | 3,901,787 | 3,923,314 |
| <i>Pass-Through from Almond Board of California</i> | | 503609 | | 8,585 | 8,585 |
| <i>Pass-Through from Almond Board of California</i> | | 503802 | | 82,120 | 82,120 |
| <i>Pass-Through from Almond Board of California</i> | | 503996 | | 13,072 | 13,072 |
| <i>Pass-Through from Auburn University</i> | | 06 PS 361825 / 211123 B51191 200 | | 2,300 | 2,300 |
| Total - CFDA 10.001 | | | 21,527 | 4,007,864 | 4,029,391 |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Agriculture (continued) | | | | | |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | | 8,951 | 1,806,149 | 1,815,100 |
| <i>Pass-Through from Ohio State University Research Foundation</i> | | 60004384 | | 39,877 | 39,877 |
| Total - CFDA 10.025 | | | 8,951 | 1,846,026 | 1,854,977 |
| Wildlife Services | 10.028 | | | 59,211 | 59,211 |
| Conservation Reserve Program | 10.069 | | | 105,125 | 105,125 |
| Farmers' Market Promotion Program | 10.168 | | | 36,921 | 36,921 |
| Grants for Agricultural Research, Special Research Grants | 10.200 | | 97,342 | 11,386,181 | 11,483,523 |
| <i>Pass-Through from Colorado State University</i> | | 503899 | | 34,714 | 34,714 |
| <i>Pass-Through from Fort Valley State University</i> | | 503752 | | 37,393 | 37,393 |
| <i>Pass-Through from Iowa State University</i> | | 716-25-20B | | 28 | 28 |
| <i>Pass-Through from Kansas State University</i> | | 06 34370 170 / 211133 B51040 200 | | 163 | 163 |
| <i>Pass-Through from Kansas State University</i> | | 07 38624 18571 / 211254 B51211 200 | | 543 | 543 |
| <i>Pass-Through from Kansas State University</i> | | 08 34370 19124 / 211306 B51040 200 | | 56,271 | 56,271 |
| <i>Pass-Through from Kansas State University</i> | | 08 34370 19124 / 211327 B51209 200 | | 46,786 | 46,786 |
| <i>Pass-Through from Kansas State University</i> | | 08 34370 19124 / 211328 B51188 200 | | 16,349 | 16,349 |
| <i>Pass-Through from Kansas State University</i> | | 503703 | | 4,252 | 4,252 |
| <i>Pass-Through from Kansas State University</i> | | 503876 | | 93,537 | 93,537 |
| <i>Pass-Through from Kansas State University</i> | | 516876 R 4 / 211301 B51044 200 | | 75,000 | 75,000 |
| <i>Pass-Through from New Mexico State University</i> | | 503242 | | 3,918 | 3,918 |
| <i>Pass-Through from New Mexico State University</i> | | 503247 | | 5,502 | 5,502 |
| <i>Pass-Through from New Mexico State University</i> | | 503248 | | 7 | 7 |
| <i>Pass-Through from New Mexico State University</i> | | 503469 | | 36,551 | 36,551 |
| <i>Pass-Through from New Mexico State University</i> | | 503470 | | 6 | 6 |
| <i>Pass-Through from New Mexico State University</i> | | 503472 | | 86 | 86 |
| <i>Pass-Through from New Mexico State University</i> | | 503475 | | 2,950 | 2,950 |
| <i>Pass-Through from New Mexico State University</i> | | 503476 | | 2,195 | 2,195 |
| <i>Pass-Through from New Mexico State University</i> | | 503492 | | (73) | (73) |
| <i>Pass-Through from New Mexico State University</i> | | 503995 | | 7,724 | 7,724 |
| <i>Pass-Through from New Mexico State University</i> | | SUB J88 Q01272 / 211342 B53419 200 | | 34,625 | 34,625 |
| <i>Pass-Through from New Mexico State University</i> | | SUB J89 Q01273 / 211343 B53340 200 | | 24,256 | 24,256 |
| <i>Pass-Through from Ohio State University Research Foundation</i> | | OHIO/USDA 60010819 | | (9) | (9) |
| <i>Pass-Through from Oklahoma State University</i> | | 503419 | | 29 | 29 |
| <i>Pass-Through from Oklahoma State University</i> | | 503682 | | 13,308 | 13,308 |
| <i>Pass-Through from The Oceanic Institute</i> | | 503994 | | 10,787 | 10,787 |
| <i>Pass-Through from University of California</i> | | 503964 | | 762 | 762 |
| <i>Pass-Through from University of Florida</i> | | 503521 | | 6,889 | 6,889 |
| <i>Pass-Through from University of Florida</i> | | 503621 | | 11,427 | 11,427 |
| <i>Pass-Through from University of Florida</i> | | 503655 | | 718 | 718 |
| <i>Pass-Through from University of Florida</i> | | 503677 | | 14,641 | 14,641 |
| <i>Pass-Through from University of Florida</i> | | 503705 | | 6,662 | 6,662 |
| <i>Pass-Through from University of Florida</i> | | 503822 | | 6,000 | 6,000 |
| <i>Pass-Through from University of Florida</i> | | 503823 | | 12,249 | 12,249 |
| <i>Pass-Through from University of Florida</i> | | 503825 | | 21,605 | 21,605 |
| <i>Pass-Through from University of Florida</i> | | 78044 | | 21,242 | 21,242 |
| <i>Pass-Through from University of Georgia</i> | | 503259 | | 19,805 | 19,805 |

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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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Agriculture (continued) | | | | | |
| <i>Pass-Through from University of Georgia</i> | | 570273 | | 2,455 | 2,455 |
| <i>Pass-Through from University of Georgia</i> | | 570274 | | 19,660 | 19,660 |
| <i>Pass-Through from University of Georgia</i> | | 570275 | | 16,191 | 16,191 |
| <i>Pass-Through from University of Georgia</i> | | 570297 | | 2,040 | 2,040 |
| <i>Pass-Through from University of Georgia Research Foundation, Inc.</i> | | RD3090673500978 / 211251 B51222 200 | | 8,926 | 8,926 |
| <i>Pass-Through from Virginia State University</i> | | 503931 | | 14,049 | 14,049 |
| Total - CFDA 10.200 | | | 97,342 | 12,078,400 | 12,175,742 |
| Grants for Agricultural Research--Competitive Research Grants | 10.206 | | 239,997 | 4,407,270 | 4,647,267 |
| <i>Pass-Through from George Mason University</i> | | 503548 | | 10,673 | 10,673 |
| <i>Pass-Through from Iowa State University</i> | | 503737 | | 36,637 | 36,637 |
| <i>Pass-Through from Michigan State University</i> | | 61-4280B | | 18,335 | 18,335 |
| <i>Pass-Through from Mississippi State University</i> | | 503298 | | 44,605 | 44,605 |
| <i>Pass-Through from New Mexico State University</i> | | 503800 | | 25,975 | 25,975 |
| <i>Pass-Through from Purdue University</i> | | SUB 591 0588 / 211112 B53340 200 | | 15,920 | 15,920 |
| <i>Pass-Through from University of Arkansas</i> | | 503730 | | 56,890 | 56,890 |
| <i>Pass-Through from University of California - Davis</i> | | 503368 | | 43,006 | 43,006 |
| <i>Pass-Through from University of Georgia</i> | | 8000000980 | 12,456 | 21,034 | 33,490 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 503560 | | 24,806 | 24,806 |
| <i>Pass-Through from University of Maryland</i> | | 503205 | | 89,968 | 89,968 |
| <i>Pass-Through from University of Maryland</i> | | 503563 | | 18,695 | 18,695 |
| <i>Pass-Through from University of Maryland</i> | | 503768 | | 9,219 | 9,219 |
| <i>Pass-Through from University of Maryland</i> | | 503778 | | 22,080 | 22,080 |
| <i>Pass-Through from University of Massachusetts</i> | | 2009-35319- 05186_SUBAWARD | | 6,127 | 6,127 |
| <i>Pass-Through from University of Minnesota</i> | | 503365 | | 110,778 | 110,778 |
| <i>Pass-Through from University of Nebraska</i> | | D350 | | 4,643 | 4,643 |
| Total - CFDA 10.206 | | | 252,453 | 4,966,661 | 5,219,114 |
| Animal Health and Disease Research | 10.207 | | | 229,603 | 229,603 |
| Small Business Innovation Research | 10.212 | | | | |
| <i>Pass-Through from Advanced Materials and Processes</i> | | 8000000578 | | 995 | 995 |
| <i>Pass-Through from Bee Power, LP</i> | | 503620 | | 283 | 283 |
| <i>Pass-Through from Chk Group, Inc.</i> | | 503837 | | 14,035 | 14,035 |
| <i>Pass-Through from Muscadine Products Corporation</i> | | 503565 | | 5,759 | 5,759 |
| Total - CFDA 10.212 | | | 0 | 21,072 | 21,072 |
| Sustainable Agriculture Research and Education | 10.215 | | | | |
| <i>Pass-Through from University of Georgia</i> | | 503569 | | 51,227 | 51,227 |
| <i>Pass-Through from University of Georgia</i> | | 503636 | | 7,327 | 7,327 |
| <i>Pass-Through from University of Georgia</i> | | 570449 | | 600 | 600 |
| <i>Pass-Through from University of Georgia</i> | | RD309 101/3842718 / 211305 B51222 200 | | 39,060 | 39,060 |
| Total - CFDA 10.215 | | | 0 | 98,214 | 98,214 |
| 1890 Institution Capacity Building Grants | 10.216 | | | | |
| <i>Pass-Through from North Carolina Agricultural and Technical State University</i> | | 503592 | | (14,818) | (14,818) |
| Higher Education Challenge Grants | 10.217 | | | 109,480 | 109,480 |
| <i>Pass-Through from University of Kentucky</i> | | 503892 | | 8,924 | 8,924 |
| <i>Pass-Through from University of Wisconsin</i> | | 2006-38411-17036 | | 8,092 | 8,092 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Agriculture (continued) | | | | | |
| <i>Pass-Through from University of Wisconsin</i> | | 503524 | | 38,778 | 38,778 |
| Total - CFDA 10.217 | | | 0 | 165,274 | 165,274 |
| Higher Education Multicultural Scholars Program | 10.220 | | | 18,000 | 18,000 |
| Hispanic Serving Institutions Education Grants | 10.223 | | | 497,719 | 497,719 |
| <i>Pass-Through from Del Mar College</i> | | 608300 | | 21,340 | 21,340 |
| <i>Pass-Through from Southwest Texas Junior College</i> | | 503663 | | 41,183 | 41,183 |
| <i>Pass-Through from University of Puerto Rico</i> | | 503947 | | 16,528 | 16,528 |
| <i>Pass-Through from University of Puerto Rico Mayaguez</i> | | 2008-2009-007 | | 9,632 | 9,632 |
| Total - CFDA 10.223 | | | 0 | 586,402 | 586,402 |
| Community Food Projects | 10.225 | | | 1,230,714 | 1,230,714 |
| Agricultural and Rural Economic Research | 10.250 | | | 73,652 | 73,652 |
| <i>Pass-Through from Mississippi State University</i> | | 59-5000-7-0043 | 11,842 | 18,438 | 30,280 |
| Total - CFDA 10.250 | | | 11,842 | 92,090 | 103,932 |
| Agricultural Market and Economic Research | 10.290 | | | | |
| <i>Pass-Through from United Sorghum Checkoff Program</i> | | I 0004 09 / 211368 B51188 200 | | 2,093 | 2,093 |
| Integrated Programs | 10.303 | | 49,611 | 649,027 | 698,638 |
| <i>Pass-Through from Louisiana State University</i> | | 503359 | | (370) | (370) |
| <i>Pass-Through from Louisiana State University</i> | | 503869 | | 58,504 | 58,504 |
| <i>Pass-Through from North Carolina State University</i> | | 2004 1501 03 / 211113 B51216 200 | | 4,032 | 4,032 |
| <i>Pass-Through from North Carolina State University</i> | | 503960 | | 15,547 | 15,547 |
| <i>Pass-Through from Regents of the University of California</i> | | 06511003735P / 211257 B59116 200 | | 168,475 | 168,475 |
| <i>Pass-Through from University of Arizona</i> | | 503522 | | 205,333 | 205,333 |
| Total - CFDA 10.303 | | | 49,611 | 1,100,548 | 1,150,159 |
| Homeland Security--Agricultural | 10.304 | | | | |
| <i>Pass-Through from Kansas State University</i> | | 503657 | | 68,028 | 68,028 |
| International Science and Education Grants | 10.305 | | | 64,450 | 64,450 |
| Value-Added Producer Grants | 10.352 | | | | |
| <i>Pass-Through from Franklin Martin Farms, Inc.</i> | | No. 07-0512 | | (16) | (16) |
| Crop Insurance | 10.450 | | | 7,523,120 | 7,523,120 |
| <i>Pass-Through from Grazinglands Conservation Initiative</i> | | 503015 | | 27,565 | 27,565 |
| <i>Pass-Through from Grazinglands Conservation Initiative</i> | | 503016 | | 17,040 | 17,040 |
| <i>Pass-Through from Grazinglands Conservation Initiative</i> | | 503109 | | 19,675 | 19,675 |
| Total - CFDA 10.450 | | | 0 | 7,587,400 | 7,587,400 |
| Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers) | 10.456 | | 73,646 | 18,837 | 92,483 |
| Cooperative Extension Service | 10.500 | | | 138,322 | 138,322 |
| <i>Pass-Through from North Carolina State University</i> | | 503574 | | 5,548 | 5,548 |
| <i>Pass-Through from North Carolina State University</i> | | 503766 | | 12,708 | 12,708 |
| <i>Pass-Through from North Carolina State University</i> | | 503792 | | 23,561 | 23,561 |
| <i>Pass-Through from Penn State University</i> | | 503796 | | 87,310 | 87,310 |
| <i>Pass-Through from Penn State University</i> | | 570572 | | 5,500 | 5,500 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Agriculture (continued) | | | | | |
| <i>Pass-Through from University of California - Davis</i> | | 503863 | | 12,106 | 12,106 |
| Total - CFDA 10.500 | | | 0 | 285,055 | 285,055 |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | | 578,864 | 578,864 |
| Team Nutrition Grants | 10.574 | | | 164,075 | 164,075 |
| Foreign Market Development Cooperator Program | 10.600 | | | 1,506 | 1,506 |
| Emerging Markets Program | 10.603 | | | 50,839 | 50,839 |
| Forestry Research | 10.652 | | | 1,849,975 | 1,849,975 |
| Cooperative Forestry Assistance | 10.664 | | | 153,298 | 153,298 |
| Resource Conservation and Development | 10.901 | | | 679,287 | 679,287 |
| <i>Pass-Through from Southern Forest Research Partnership</i> | | 503115 | | 10,915 | 10,915 |
| Total - CFDA 10.901 | | | 0 | 690,202 | 690,202 |
| Soil and Water Conservation | 10.902 | | | 52,266 | 52,266 |
| <i>Pass-Through from National Fish and Wildlife Foundation</i> | | 2006-0019-000 | 3,046 | | 3,046 |
| Total - CFDA 10.902 | | | 3,046 | 52,266 | 55,312 |
| Soil Survey | 10.903 | | | 227,886 | 227,886 |
| Watershed Protection and Flood Prevention | 10.904 | | | 171,680 | 171,680 |
| Plant Materials for Conservation | 10.905 | | | 154,160 | 154,160 |
| Watershed Surveys and Planning | 10.906 | | | 99 | 99 |
| Environmental Quality Incentives Program | 10.912 | | | 329,734 | 329,734 |
| <i>Pass-Through from Michigan State University</i> | | 503937 | | 10,834 | 10,834 |
| <i>Pass-Through from National Fish and Wildlife Foundation</i> | | 431170 | | 55,340 | 55,340 |
| Total - CFDA 10.912 | | | 0 | 395,908 | 395,908 |
| Grassland Reserve Program | 10.920 | | | 313 | 313 |
| Technical Agricultural Assistance | 10.960 | | | 194,278 | 194,278 |
| <i>Pass-Through from Research Corporation of the University of Hawaii</i> | | 503647 | | 26,981 | 26,981 |
| Total - CFDA 10.960 | | | 0 | 221,259 | 221,259 |
| Scientific Cooperation and Research | 10.961 | | | 90,857 | 90,857 |
| <i>Pass-Through from The International Maize and Wheat Improvement Center</i> | | 503264 | | 928 | 928 |
| Total - CFDA 10.961 | | | 0 | 91,785 | 91,785 |
| Cochran Fellowship Program-International Training-Foreign Participant | 10.962 | | | 3,439,602 | 3,439,602 |
| <i>Pass-Through from University of California - Davis</i> | | 503449 | | 756,715 | 756,715 |
| <i>Pass-Through from University of California - Davis</i> | | 503652 | | (647) | (647) |
| <i>Pass-Through from University of California - Davis</i> | | 503670 | | 231,928 | 231,928 |
| <i>Pass-Through from University of California - Davis</i> | | 503754 | | 423,291 | 423,291 |
| <i>Pass-Through from University of California - Davis</i> | | 570375 | | 309,028 | 309,028 |
| <i>Pass-Through from University of California - Davis</i> | | 570479 | | 159,751 | 159,751 |
| <i>Pass-Through from University of California - Davis</i> | | 570480 | | 119,842 | 119,842 |

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For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Agriculture (continued) | | | | | |
| <i>Pass-Through from University of California - Davis</i> | | 570481 | | 357,523 | 357,523 |
| <i>Pass-Through from University of California - Davis</i> | | 570514 | | 46,827 | 46,827 |
| <i>Pass-Through from University of California - Davis</i> | | 570563 | | 7,706 | 7,706 |
| Total - CFDA 10.962 | | | 0 | 5,851,566 | 5,851,566 |
| Total - U.S. Department of Agriculture | | | 518,418 | 53,025,689 | 53,544,107 |
| U.S. Department of Commerce | | | | | |
| U.S. Department of Commerce | 11.XXX | 2006-NE-1464 | | 197,403 | 197,403 |
| | | 503276 | | 5,096 | 5,096 |
| | | DG133E06SE5750 | | 48,068 | 48,068 |
| | | RA133E08SE3445 | | 23,970 | 23,970 |
| | | SB134107SE0623 P001 | | 30,584 | 30,584 |
| | | SB134109SE0642 / | | 2,137 | 2,137 |
| | | 21B023 E04013 200 | | | |
| <i>Pass-Through from Dauphin Island Sea Lab</i> | | 2303JD-UTMSI-01 | | 5,368 | 5,368 |
| <i>Pass-Through from Nanoelectronics Research Corporation</i> | | 2006-NE-1464, UTA08-596 | 101,442 | 610,892 | 712,334 |
| Total - CFDA 11.XXX | | | 101,442 | 923,518 | 1,024,960 |
| Economic Development--Support for Planning Organizations | 11.302 | | | | |
| <i>Pass-Through from SFWQ Corporation</i> | | 08-69-03989 | | 19,594 | 19,594 |
| Economic Development--Technical Assistance | 11.303 | | | 194,955 | 194,955 |
| Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System) | 11.400 | | 26,777 | 436,860 | 463,637 |
| Interjurisdictional Fisheries Act of 1986 | 11.407 | | | 133,588 | 133,588 |
| Sea Grant Support | 11.417 | | 55,431 | 2,179,180 | 2,234,611 |
| <i>Pass-Through from Mote Marine Lab</i> | | MML 185-558 | | 59,040 | 59,040 |
| <i>Pass-Through from Mote Marine Lab</i> | | MML-185 333A | | 46,886 | 46,886 |
| <i>Pass-Through from State of South Carolina Department of Natural Resources</i> | | 503529 | | 808 | 808 |
| <i>Pass-Through from State of South Carolina Department of Natural Resources</i> | | 503809 | | 75,000 | 75,000 |
| <i>Pass-Through from University of Mississippi</i> | | 606300 | | (1,167) | (1,167) |
| <i>Pass-Through from University of North Carolina - Wilmington</i> | | 8000000700 | | 23,655 | 23,655 |
| Total - CFDA 11.417 | | | 55,431 | 2,383,402 | 2,438,833 |
| Coastal Zone Management Administration Awards | 11.419 | | 5,327 | 604,410 | 609,737 |
| <i>Pass-Through from University of New Hampshire</i> | | 604860 | | 1,938 | 1,938 |
| <i>Pass-Through from University of New Hampshire</i> | | 606620 | 75,431 | 87,171 | 162,602 |
| Total - CFDA 11.419 | | | 80,758 | 693,519 | 774,277 |
| Coastal Zone Management Estuarine Research Reserves | 11.420 | | | 8,667 | 8,667 |
| Financial Assistance for National Centers for Coastal Ocean Science | 11.426 | | 36,478 | 662,239 | 698,717 |
| Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program | 11.427 | | | 23,255 | 23,255 |
| Undersea Research | 11.430 | | | | |
| <i>Pass-Through from University of Georgia</i> | | 604100 | | 20,113 | 20,113 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Commerce (continued) | | | | | |
| <i>Pass-Through from University of Georgia</i> | | 606030 | | 1,952 | 1,952 |
| Total - CFDA 11.430 | | | 0 | 22,065 | 22,065 |
| Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes | 11.432 | | | | |
| <i>Pass-Through from University of Oklahoma</i> | | 503062 | | 17,599 | 17,599 |
| Marine Fisheries Initiative | 11.433 | | | 45,952 | 45,952 |
| Cooperative Fishery Statistics | 11.434 | | | 80,008 | 80,008 |
| Southeast Area Monitoring and Assessment Program | 11.435 | | | 136,731 | 136,731 |
| Unallied Management Projects | 11.454 | | | 70,060 | 70,060 |
| Special Oceanic and Atmospheric Projects | 11.460 | | | 124,243 | 124,243 |
| <i>Pass-Through from High Performance Technologies</i> | | HPTI-1/2008 | | 193 | 193 |
| Total - CFDA 11.460 | | | 0 | 124,436 | 124,436 |
| Habitat Conservation | 11.463 | | | 9,328 | 9,328 |
| <i>Pass-Through from Nanohmics, Inc.</i> | | 8000000560 | | (684) | (684) |
| Total - CFDA 11.463 | | | 0 | 8,644 | 8,644 |
| Meteorologic and Hydrologic Modernization Development | 11.467 | | | | |
| <i>Pass-Through from University Corporation for Atmospheric Research</i> | | S08-68870 | | 10,425 | 10,425 |
| Applied Meteorological Research | 11.468 | | 9,464 | 6,813 | 16,277 |
| Coastal Services Center | 11.473 | | 4,043 | 253,968 | 258,011 |
| Educational Partnership Program | 11.481 | | | | |
| <i>Pass-Through from Florida A&M University</i> | | 606480 | | 12,233 | 12,233 |
| <i>Pass-Through from Florida A&M University</i> | | 608160 | | 159,033 | 159,033 |
| <i>Pass-Through from Howard University</i> | | 631017-H040939 | | 148,923 | 148,923 |
| Total - CFDA 11.481 | | | 0 | 320,189 | 320,189 |
| Measurement and Engineering Research and Standards | 11.609 | | | 604,368 | 604,368 |
| Manufacturing Extension Partnership | 11.611 | | 912,144 | 3,735,964 | 4,648,108 |
| <i>Pass-Through from Stellar Micro Devices, Inc.</i> | | 70NANB7H7030 | | 66,531 | 66,531 |
| Total - CFDA 11.611 | | | 912,144 | 3,802,495 | 4,714,639 |
| Total - U.S. Department of Commerce | | | 1,226,537 | 10,983,350 | 12,209,887 |
| U.S. Department of Defense | | | | | |
| U.S. Department of Defense | 12.XXX | W91QF0-08-P-0115 | | 9,031 | 9,031 |
| | | #W911NF-04-0100 | | (10) | (10) |
| | | 1EA0000048 | | 7,315 | 7,315 |
| | | 2008*0511512*000/401 | | 664 | 664 |
| | | 308770012-0 | | | |
| | | 26075003 | | 2,500 | 2,500 |
| | | 26-3907-2562 | | 215,038 | 215,038 |
| | | 503599 | | 144,378 | 144,378 |
| | | 503612 | | 10,599 | 10,599 |
| | | 503719 | | 490,756 | 490,756 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| | | 503758 | | 23,634 | 23,634 |
| | | 503842 | | 64,147 | 64,147 |
| | | 503843 | | 205,703 | 205,703 |
| | | 570409 | | 33,328 | 33,328 |
| | | 570478 | | 342,480 | 342,480 |
| | | 570495 | | 100,193 | 100,193 |
| | | 570529 | | 2,902 | 2,902 |
| | | 800000674 | | 3,993 | 3,993 |
| | | 800000968 | | 49,928 | 49,928 |
| | | CEM-0605 R00905 | | 36,235 | 36,235 |
| | | CHALFIN/IPAA/NAVY | | 71,566 | 71,566 |
| | | DAAA21-93C-0101 | | 4,694 | 4,694 |
| | | DOD-SBCCOM | | 114,916 | 114,916 |
| | | ERDC Wastewater Project - 9405 | | 343,194 | 343,194 |
| | | FA 51 IQC | | 244,214 | 244,214 |
| | | W91WAW-08-P-0075, P002 | | | |
| | | FA7014-07-C-0034 | 18,451 | 326,047 | 344,498 |
| | | FA7014-07-C-0036/PET | 58,751 | 160,949 | 219,700 |
| | | FA7014-09-C-0006 | | 37,598 | 37,598 |
| | | FA8650-08-C-6873 | | 76,509 | 76,509 |
| | | FA9550-08-1-0471 | | 4,000 | 4,000 |
| | | FOX-DARPA | (1,336) | 2,122,273 | 2,120,937 |
| | | Giotto - ISC S045 | 432,137 | | 432,137 |
| | | H61399-00D-0709 | | (4,430) | (4,430) |
| | | H98230-06-C-0443 | | 161,146 | 161,146 |
| | | H98230-07-1-0229 | | 12,784 | 12,784 |
| | | H98230-07-C-0453;REQ #R40700110000 | | 294,757 | 294,757 |
| | | H98230-08-0218 | | 139,043 | 139,043 |
| | | H98230-09-C-0268 / 000028450000 | | 193,248 | 193,248 |
| | | H9C104-07-C-0014 | 20,968 | 55,240 | 76,208 |
| | | HQ0006-08-C-0040 | | 565,093 | 565,093 |
| | | HR0011-08-1-0050, MOD P00001 NCE | | 61,787 | 61,787 |
| | | HR0011-08-C-0109 | | 39,027 | 39,027 |
| | | IAC 1647 | | 641 | 641 |
| | | IPA-Aden | | 70,587 | 70,587 |
| | | IPA-COBB-CROACH | | 191,757 | 191,757 |
| | | IPA-Mcpheeters | | 60,267 | 60,267 |
| | | ISC - 9402 | | 48,027 | 48,027 |
| | | M67854-09-P-6015, M9545009RCR9CM5 | | 15,768 | 15,768 |
| | | N00014-05-C-0149, P00012 | | 23,633 | 23,633 |
| | | N00014-08-1-0193 | 297,213 | 275,933 | 573,146 |
| | | N00014-09-C-0187 | | 1,869,813 | 1,869,813 |
| | | N00024-01-D-6600; DO 0475 | | 153,509 | 153,509 |
| | | N3946708G0IPA05 | | 14,598 | 14,598 |
| | | N41756-03-C-4006 | | 7 | 7 |
| | | N61339-04-C-0080; CAT 08182006-1 | | 3,713,220 | 3,713,220 |
| | | N61339-05-C-0127, 0001, 000101/2, AA/AB | | 395 | 395 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| | | N61339-05-C-0127, 0006, 000602, AC | | 253 | 253 |
| | | N61339-05-C-0127, 0007, 000704, AF | | 94,338 | 94,338 |
| | | N61339-05-C-0127, 0007, 000705, AG | | 124,229 | 124,229 |
| | | N61339-05-C-0127, 0007, 000706, AG | | 87,801 | 87,801 |
| | | N61339-05-C-0127, 0007, 000707, AG | | 30,418 | 30,418 |
| | | N61339-05-C-0127, 0007, 000708, AH | | 265 | 265 |
| | | N66604-07-M-4884 P00001 | | 8,351 | 8,351 |
| | | N66604-07-M-4884; REQ #72074342 | | 21,062 | 21,062 |
| | | N66604-08-M-4263 NAG9-1476 | | 38,113 | 38,113 |
| | | R00905 | | 203,667 | 203,667 |
| | | SSCFP 2009-2010 | | 58,955 | 58,955 |
| | | UTA09-000781 | | 9,562 | 9,562 |
| | | W15PT 07 D P040 / 21C078 B56250 200 | | 14,966 | 14,966 |
| | | W15PT 07 D P040 TASK 2 / 21C106 B56250 2 | | 348,271 | 348,271 |
| | | W15QKN-04-C-1091 | | 1,015,139 | 1,015,139 |
| | | W15QKN-08-D-0426, DO 0001 | | 173,573 | 173,573 |
| | | W15QKN-08-D-0426, DO 0002 | 703,774 | 68,874 | 68,874 |
| | | W15QKN-08-D-0426, DO 0002, UTA08-812 | | 1,587,597 | 2,291,371 |
| | | W81GY08P0130 | | 558,167 | 558,167 |
| | | W81R8T8192RM01 | | 77,744 | 77,744 |
| | | W81XWH-07-C-0130 | 108,821 | 191,668 | 191,668 |
| | | W81XWH-07-P-1023 | | 77,658 | 77,658 |
| | | W81XWH-08-C-0062 | | 49,317 | 49,317 |
| | | W81XWH-09-P-0206 | | 37,032 | 37,032 |
| | | W900KK-08-C-0032, 0005, 000501, AB | | 78,122 | 78,122 |
| | | W900KK-08-C-0032, 0006, 000601, AB | | 62,374 | 62,374 |
| | | W900KK-08-C-0032; 0003, 000301, AB | | 33,442 | 33,442 |
| | | W900KK-08-C-0032; 0004, 000401, AB | | 46,380 | 46,380 |
| | | W900KK-08-C-0032; CLIN 0001; ACRN AA | | 475,305 | 475,305 |
| | | W9113M 05C 0 / 21C014 B56255 200 | 100,113 | 3,156,511 | 3,256,624 |
| | | W9113M 05C 0 / 21C119 B56255 200 | | 1,254 | 1,254 |
| | | W9113M-05-1-0016 | | 213 | 213 |
| | | W911KB-08-P-0041 | | 7,945 | 7,945 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| | | W911KB-08-P-0044 | | 36,170 | 36,170 |
| | | W911NF-04-2-0006 | | 18,126 | 18,126 |
| | | W911NF-05-1-0156 | | (59) | (59) |
| | | W911NF-05-1-0544 | | 129,878 | 129,878 |
| | | W911NF-08-1-0348 | | 62,564 | 62,564 |
| | | W911NF-08-2-0015 | 79,966 | 480,243 | 560,209 |
| | | W911NF-08-2-0015; UTA08-309 | | 105,776 | 105,776 |
| | | W911NF-08-2- 0015;UTA08-309 | | 181,659 | 181,659 |
| | | W911NF-08-2- 0015;UTA08-311 | | 65,555 | 65,555 |
| | | W911QX-07-D-0002, DO 0005 | | 27,723 | 27,723 |
| | | W911QX-07-D-0002, DO 0006 | | 80,117 | 80,117 |
| | | W911QX-07-D-0002, DO 0007 | | 3,069,745 | 3,069,745 |
| | | W911QX-07-D-0002, DO 0007; UTA09- 000275 | | 37,837 | 37,837 |
| | | W911QX-07-D-0002, DO 0008 | | 167,816 | 167,816 |
| | | W911SR07 C00 / 21C080 B00064 200 | | 180,571 | 180,571 |
| | | W911SR07 C00 / 21C081 B00092 200 | | 20,548 | 20,548 |
| | | W911SR07 C00 / 21C082 B00072 200 | | 152,396 | 152,396 |
| | | W911SR07 C00 / 21C083 B00070 200 | | 14,282 | 14,282 |
| | | W911SR07 C00 / 21C084 B00065 200 | | 161,223 | 161,223 |
| | | W911SR07 C00 / 21C085 B00071 200 | | 105,103 | 105,103 |
| | | W911SR07 C00 / 21C086 B00010 200 | | 38,768 | 38,768 |
| | | W911SR07 C00 / 21C089 B00020 200 | | 55,989 | 55,989 |
| | | W911SR07 C00 / 21C090 B00012 200 | | 164,793 | 164,793 |
| | | W911SR-08-C-0024 | | 439,200 | 439,200 |
| | | W91260-06-D-0005 | | 471,379 | 471,379 |
| | | W912HQ06C005 / 21C055 B00064 200 | | 12,423 | 12,423 |
| | | W912HQ06C005 / 21C056 B00066 200 | | 25,814 | 25,814 |
| | | W912HQ06C005 / 21C057 B00065 200 | | 2,636 | 2,636 |
| | | W912HQ06C005 / 21C058 B00074 200 | | 1,048 | 1,048 |
| | | W912HQ06C005 / 21C059 B00073 200 | | 26 | 26 |
| | | W912HQ06C005 / 21C060 B00071 200 | | 18,508 | 18,508 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| | | W912HQ06C005 / 21C061 B00066 200 | | 12,013 | 12,013 |
| | | W912HQ06C005 / 21C062 B00064 200 | | 42 | 42 |
| | | W912HQ-07-P-0039 MOD NO. P00001 | | 315 | 315 |
| | | W912HZ-08-C-0050 | | 36,656 | 36,656 |
| | | W912HZ-08-C-0050; CLIN 0001, ACRN AA | | 47,892 | 47,892 |
| | | W912HZ-08-P-0171 | | 60,583 | 60,583 |
| | | W91CRB-07-C-0125 | | 6,406 | 6,406 |
| | | W91WAW-07-C-0029 | | 59,067 | 59,067 |
| | | W91WAW-09-C-0017 | | 430,295 | 430,295 |
| | | WOLF-USISR/IPAA-WU WU/IPAA | | (212) | (212) |
| | | HDTRA107C0005 | | 86,368 | 86,368 |
| <i>Pass-Through from Achaogen, Inc.</i> | | N68335-08-C-0326 | | 115,445 | 115,445 |
| <i>Pass-Through from Agiltron, Inc.</i> | | UTA08-837 | | 21,072 | 21,072 |
| <i>Pass-Through from Applied Physical Electronics, LC</i> | | NL500005 | | 77,478 | 77,478 |
| <i>Pass-Through from Arcadis US, Inc.</i> | | TEXASTECH / 211361 E04020 200 | | 9,927 | 9,927 |
| <i>Pass-Through from Arinc, Inc.</i> | | 136280 | | 82,284 | 82,284 |
| <i>Pass-Through from BAE Systems</i> | | 66238 | | 168,312 | 168,312 |
| <i>Pass-Through from BAE Systems</i> | | 69141 | | 223,521 | 223,521 |
| <i>Pass-Through from BAE Systems</i> | | W81XWH-07-C-0130 | | 176,629 | 176,629 |
| <i>Pass-Through from Battelle</i> | | 220297 | | 12,895 | 12,895 |
| <i>Pass-Through from Battelle</i> | | TCN 09065 | | 10,442 | 10,442 |
| <i>Pass-Through from Booz Allen Hamilton, Inc.</i> | | D40787 | | 54,278 | 54,278 |
| <i>Pass-Through from Booz Allen Hamilton, Inc.</i> | | BPD3982 | | 108,799 | 108,799 |
| <i>Pass-Through from Center for Transportation and the Environment</i> | | UTA09-000480 | | 148,882 | 148,882 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | UTEP 08-S567-0011-02-C | | 14,160 | 14,160 |
| <i>Pass-Through from Cougar Software, Inc.</i> | | CSI-2008-08 | | 77,494 | 77,494 |
| <i>Pass-Through from Curtiss Wright Electro - Mechanical Corporation</i> | | 419875 | | 1,391,533 | 1,391,533 |
| <i>Pass-Through from Desert Research Institute</i> | | 656.817 | | 71,949 | 71,949 |
| <i>Pass-Through from Development Systems Corporation</i> | | 209000-S34; TASK ORDER 2090Y6 | | 85,787 | 85,787 |
| <i>Pass-Through from Draper Laboratory</i> | | PO001-0001012268 | | 49,962 | 49,962 |
| <i>Pass-Through from Emergent Space Technologies, Inc.</i> | | UTA09-000052 | | 9,413 | 9,413 |
| <i>Pass-Through from Eureka Aerospace</i> | | UTA09-000403 | | 26,698 | 26,698 |
| <i>Pass-Through from Florida State University</i> | | A03860 / N00014-02-1- 0623-LOA | | 233 | 233 |
| <i>Pass-Through from Florida State University</i> | | R00905 | | 742,362 | 742,362 |
| <i>Pass-Through from General Atomics</i> | | 4500015603 | | 13,113 | 13,113 |
| <i>Pass-Through from General Atomics</i> | | KJ410301 / 4500001178 | | 73,838 | 73,838 |
| <i>Pass-Through from General Dynamics</i> | | 80013J | | 38,119 | 38,119 |
| <i>Pass-Through from General Dynamics Information</i> | | F33615-03-D5408 | | 22,733 | 22,733 |
| <i>Pass-Through from General Dynamics Information</i> | | USAF5212-STISC-00021 | | 19,019 | 19,019 |
| <i>Pass-Through from Griffin Technologies, Inc.</i> | | W912HZ-08-C-0059 PNO400 SUB08UTA01 | | 79,400 | 79,400 |
| <i>Pass-Through from HEM Technologies</i> | | 009 / 211263 B56253 200 | | 7,057 | 7,057 |
| <i>Pass-Through from Henry M. Jackson Foundation</i> | | 199558 | | 46,350 | 46,350 |
| <i>Pass-Through from Homeland Protection Institute</i> | | HPI-09-SC-0001 | | 509,072 | 509,072 |
| <i>Pass-Through from Hyperion Biotechnology</i> | | W911SR-07-C-0006 | | 88,931 | 88,931 |
| <i>Pass-Through from Infoscitex</i> | | 1129-1S2, Mod 4, Clin 0002 | | 27,267 | 27,267 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Institute of International Education</i> | | 1050-0152 | | 11,000 | 11,000 |
| <i>Pass-Through from Institute of International Education</i> | | 200601899 | | 178,274 | 178,274 |
| <i>Pass-Through from Institute of International Education</i> | | 200700327 | | 369,873 | 369,873 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631006-UT-ARA | | 158,067 | 158,067 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631006-UT-ARA, IIE480731 | | 639,665 | 639,665 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631006-UT-ARA, MOD 1 | | 115,426 | 115,426 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631006-UT-HIN, IIE480731 | 317,690 | 1,079,359 | 1,397,049 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631006-UT-LS | | 90,267 | 90,267 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631023-UT-ARA-08-C02 | | 91,841 | 91,841 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631023-UT-HIN-08-C03, INC#1 | | 34,425 | 34,425 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631023-UT-SI-0-2 | | 43,734 | 43,734 |
| <i>Pass-Through from Institute of International Education</i> | | NSEP-U631033-UT-ARA-SI | | 107,573 | 107,573 |
| <i>Pass-Through from Institute of International Education</i> | | U634000-W9137B-06-P-0145-3 | | 215,293 | 215,293 |
| <i>Pass-Through from Intelligent Automation</i> | | 654-3 | | 75,647 | 75,647 |
| <i>Pass-Through from International Business Machines Corporation</i> | | W08538-11; PO# 5003346604 | | 535,609 | 535,609 |
| <i>Pass-Through from ITT Corporation</i> | | 303653 | | (145) | (145) |
| <i>Pass-Through from Kitware, Inc.</i> | | HR0011-08-C-0135-S3 | | 120,787 | 120,787 |
| <i>Pass-Through from L-3 Communications Electronic Systems, Inc.</i> | | 23064 SWA REV N | | 546,363 | 546,363 |
| <i>Pass-Through from Lockheed Martin</i> | | 4300287558 | | 125,007 | 125,007 |
| <i>Pass-Through from Lockheed Martin</i> | | TTMNF005 | | 68,990 | 68,990 |
| <i>Pass-Through from Lockheed Martin</i> | | UPO# 7100041554, UVT-062508 | | 215,226 | 215,226 |
| <i>Pass-Through from Lynntech, Inc.</i> | | 503791 | | 9,270 | 9,270 |
| <i>Pass-Through from Mantech Srs Technologies, Inc.</i> | | WG-08-S-005 | | 28,446 | 28,446 |
| <i>Pass-Through from Miratek</i> | | 2008-042 | | 48,495 | 48,495 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729, CO 3, TSK 3 CWO ENV | | 187,449 | 187,449 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729, CWO-KY7-SP1 | | 10,442 | 10,442 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729.CO 3, TSK 3,MOD 37;301400 | | 575,250 | 575,250 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729-07, MOD.13 TO OPM;301377 | | 291,817 | 291,817 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729-08 CO3 TSK4.M29; 301402 | | 270,533 | 270,533 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729-08 EQM KY7 SP1 | | 17,245 | 17,245 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729-08 EQMKY8001 ; 360265 | | 32,775 | 32,775 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729-08, CO3,TSK11.M28; 30 1380 | | 172,545 | 172,545 |
| <i>Pass-Through from Mississippi State University</i> | | 060808-01090729-08 EQMKY8002 360264 | | 134,804 | 134,804 |
| <i>Pass-Through from Mississippi State University</i> | | 4QFZ97084502, 360262 CWO-KY8-001 | | 150,773 | 150,773 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|---------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Monopole Research</i> | | RESEARCH AGREEMENT, PHASE II | | 118,534 | 118,534 |
| <i>Pass-Through from Montana Polysaccharides</i> | | GN0002349-1 | | 28,367 | 28,367 |
| <i>Pass-Through from NDI Engineering</i> | | 42-3489 | | 4,487 | 4,487 |
| <i>Pass-Through from NDI Engineering</i> | | PO 23-2680A | | 10,213 | 10,213 |
| <i>Pass-Through from Newtec</i> | | S63000 | | 1,577 | 1,577 |
| <i>Pass-Through from Noblis, Inc.</i> | | 31284 | | 53,602 | 53,602 |
| <i>Pass-Through from Northrop Grumman</i> | | DO118283-2000 | | 13,445 | 13,445 |
| <i>Pass-Through from Northrop Grumman</i> | | DO79726-2000 | | 5 | 5 |
| <i>Pass-Through from Northrop Grumman</i> | | ORE&SS-SC-09-01, PO 7500046884 | | 67,084 | 67,084 |
| <i>Pass-Through from Nscrypt, Inc.</i> | | 10055-UTEP | | 54,554 | 54,554 |
| <i>Pass-Through from Ohio State University</i> | | GRT00015778 / 60021098 | | 17,015 | 17,015 |
| <i>Pass-Through from Oldenburg Group Inc.</i> | | 130589 P.O.;SUBCONTRACT #060614 | | 14,007 | 14,007 |
| <i>Pass-Through from Omega Optics</i> | | UTA05-803, AMD 2 | | 30,265 | 30,265 |
| <i>Pass-Through from Omega Optics</i> | | UTA05-804 | | (4,523) | (4,523) |
| <i>Pass-Through from Omega Optics</i> | | UTA06-244, AMD 1 | | 6,650 | 6,650 |
| <i>Pass-Through from Omega Optics</i> | | UTA07-667 | | 28,389 | 28,389 |
| <i>Pass-Through from Omega Optics</i> | | UTA07-803 | | 35,943 | 35,943 |
| <i>Pass-Through from Omega Optics</i> | | UTA09-000245 | | 16,119 | 16,119 |
| <i>Pass-Through from Omega Optics</i> | | UTA09-000246 | | 20,191 | 20,191 |
| <i>Pass-Through from Optoelectronics Industry Development Association</i> | | UTA08-054 | | 25,000 | 25,000 |
| <i>Pass-Through from Rice University</i> | | #R14051-72600003 | | (525) | (525) |
| <i>Pass-Through from Schaffer Corporation</i> | | SC-04A-57-22; TASK ORDER 0003 | | 4,295 | 4,295 |
| <i>Pass-Through from Schaffer Corporation</i> | | SC-07-13A-03 TASK ORDER 0003 | | 71,656 | 71,656 |
| <i>Pass-Through from Science Applications International Corporation</i> | | 211334B56201200 | | 63,668 | 63,668 |
| <i>Pass-Through from Science Applications International Corporation</i> | | 4400147181 / 211204 B56201 200 | | 8,420 | 8,420 |
| <i>Pass-Through from Science Applications International Corporation</i> | | 4400163119 | | 278,372 | 278,372 |
| <i>Pass-Through from Science Applications International Corporation</i> | | CEM-1001 | | 111,661 | 111,661 |
| <i>Pass-Through from Science Applications International Corporation</i> | | UTA09-000262 | | 524,900 | 524,900 |
| <i>Pass-Through from Science Applications International Corporation</i> | | UTA09-000263 | | 358,519 | 358,519 |
| <i>Pass-Through from Science Applications International Corporation</i> | | UTA09-000264 | | 317,936 | 317,936 |
| <i>Pass-Through from Science Research Laboratory, Inc.</i> | | C0078 377 / 211243 B56190 200 | | 1,172 | 1,172 |
| <i>Pass-Through from Signal Technology</i> | | D140609 | | 27,996 | 27,996 |
| <i>Pass-Through from Smithsonian Astrophysical Observatory</i> | | AR9-0005X | | 32,679 | 32,679 |
| <i>Pass-Through from Southwest Research Institute</i> | | 799133L | | 92,489 | 92,489 |
| <i>Pass-Through from Southwest Research Institute</i> | | A87108E | | 8,409 | 8,409 |
| <i>Pass-Through from Southwest Sciences</i> | | UTA07-867 | | 49,246 | 49,246 |
| <i>Pass-Through from SRI International</i> | | 27-001249 | | 148,106 | 148,106 |
| <i>Pass-Through from Stanford University</i> | | 20042150-36644-B | | 71,199 | 71,199 |
| <i>Pass-Through from Stanford University</i> | | 23282210-43822-A | | 32,296 | 32,296 |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Texas Research Institute</i> | | A7731-300-08-SC1448 | | 33,514 | 33,514 |
| <i>Pass-Through from Texas Research Institute</i> | | UTA09-000294 | | 23,087 | 23,087 |
| <i>Pass-Through from The Boeing Company</i> | | 173311 | | 135,677 | 135,677 |
| <i>Pass-Through from Triton</i> | | 79186 | | 2,726 | 2,726 |
| <i>Pass-Through from Tulane University</i> | | TUL-533-06/07 | | (12,653) | (12,653) |
| <i>Pass-Through from Unisys Corporation</i> | | DCA200-02-D-5014 | | 17,761 | 17,761 |
| <i>Pass-Through from Unisys West Coast Research Center</i> | | DCA2000025014 | | 85,949 | 85,949 |
| <i>Pass-Through from University of Florida</i> | | W911-08-C-0136 Prime | | 41,247 | 41,247 |
| <i>Pass-Through from University of Maryland</i> | | Z994701 | | 980 | 980 |
| <i>Pass-Through from University of New Mexico</i> | | 798127 29920 / 211345 B53465 200 | | 93,451 | 93,451 |
| <i>Pass-Through from University of Notre Dame</i> | | 201296 | | 28,652 | 28,652 |
| <i>Pass-Through from University of South Florida</i> | | 6415 1006 01 / 211213 B00070 200 | | 4,644 | 4,644 |
| <i>Pass-Through from University of South Florida</i> | | 6415 1012 81 A / 211286 B00070 200 | | 99,556 | 99,556 |
| <i>Pass-Through from University of Southern California</i> | | 134660 | | 21,825 | 21,825 |
| <i>Pass-Through from Vanderbilt University</i> | | 19192-S3 | | 1,774 | 1,774 |
| <i>Pass-Through from VIP Mobile, Inc.</i> | | SDR-PHI-STTR2009-003 | | 2,667 | 2,667 |
| <i>Pass-Through from Weston Solutions, Inc.</i> | | 211167B53056200 | | 1,213 | 1,213 |
| <i>Pass-Through from Wright Materials Research Co</i> | | 06-UTA01, HQ0006-06- C-7386 | | 1,888 | 1,888 |
| Total - CFDA 12.XXX | | | 2,136,548 | 43,694,427 | 45,830,975 |
| Aquatic Plant Control | 12.100 | | | 84,219 | 84,219 |
| <i>Pass-Through from City of Lewisville</i> | | Task FY03-02 | | 186,436 | 186,436 |
| <i>Pass-Through from Denton County</i> | | UNT FY 06-01 | | 33,955 | 33,955 |
| Total - CFDA 12.100 | | | 0 | 304,610 | 304,610 |
| Collaborative Research and Development | 12.114 | | 10,320 | 2,858,792 | 2,869,112 |
| <i>Pass-Through from BAE Systems</i> | | Sub. No. S12007TX-2 | | 134,379 | 134,379 |
| <i>Pass-Through from Science Applications International Corporation</i> | | 4400159657 | | 19,369 | 19,369 |
| Total - CFDA 12.114 | | | 10,320 | 3,012,540 | 3,022,860 |
| Basic and Applied Scientific Research | 12.300 | | 820,765 | 97,046,389 | 97,867,154 |
| <i>Pass-Through from Appleton Supply Company</i> | | Agr. No. C08-00609 | | 119,867 | 119,867 |
| <i>Pass-Through from Aspen Systems, Inc.</i> | | Agr. No. 08-0538 | | 10,699 | 10,699 |
| <i>Pass-Through from BAE Systems</i> | | No. CS 162517 | | 2,122 | 2,122 |
| <i>Pass-Through from Battelle</i> | | W91CRB-08-C-0143 | 74,954 | 283,481 | 358,435 |
| <i>Pass-Through from California Institute of Technology</i> | | No. 68-1077901 | | 3,623 | 3,623 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | UHM 08-S567-001102C2 | | 28,721 | 28,721 |
| <i>Pass-Through from Drexel University</i> | | No. 204080 | | 69,058 | 69,058 |
| <i>Pass-Through from Florida State University</i> | | R00905 | | 513,399 | 513,399 |
| <i>Pass-Through from Florida State University</i> | | R00905-S1 | | 157,835 | 157,835 |
| <i>Pass-Through from Florida State University</i> | | R01115 | | 20,755 | 20,755 |
| <i>Pass-Through from Florida State University</i> | | R01117 | | 10,137 | 10,137 |
| <i>Pass-Through from GPA Technologies</i> | | 07-273 | | 6,131 | 6,131 |
| <i>Pass-Through from Infoscitex</i> | | 8000000864 | | 13,124 | 13,124 |
| <i>Pass-Through from Inotek, Inc.</i> | | R43HL6829801 | | 9,470 | 9,470 |
| <i>Pass-Through from Institute for the Study of Learning and Expertise</i> | | AUSTIN-01 | | 93,589 | 93,589 |
| <i>Pass-Through from Johns Hopkins University</i> | | JHU/APL 958204 PRIME N0002403D6606 | | 57,527 | 57,527 |
| <i>Pass-Through from Johns Hopkins University</i> | | JHU/APL-927381 | | 48,103 | 48,103 |
| <i>Pass-Through from Johns Hopkins University</i> | | JHU-901763 | | (143) | (143) |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|------|---|--|--------------|---------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Johns Hopkins University</i> | | JHU-901763 PRIME N0002403D6606 | | 143 | 143 |
| <i>Pass-Through from Leonardo Technologies, Inc.</i> | | Sub No. 05-0647 | | 36,471 | 36,471 |
| <i>Pass-Through from Lynntech, Inc.</i> | | W81XWH08C0018 | | 17,444 | 17,444 |
| <i>Pass-Through from Materials and Electrochemical Research</i> | | N08A-017-0407 | | 98,392 | 98,392 |
| <i>Pass-Through from Mississippi State University</i> | | CE-KY7-002 | | 71,601 | 71,601 |
| <i>Pass-Through from Pacific Northwest Laboratory</i> | | PNL-72963 | | 17,589 | 17,589 |
| <i>Pass-Through from Penn State University</i> | | 2795-UT-ONR-0683 AMD 8 | | 46,264 | 46,264 |
| <i>Pass-Through from Penn State University</i> | | SUBCONTRACT S05- 03 PRIME N0001405G0106/8 | | 386,534 | 386,534 |
| <i>Pass-Through from Penn State University</i> | | SUBCONTRACT S09-30 | | 156,796 | 156,796 |
| <i>Pass-Through from Penn State University</i> | | UTA08-902 PSU FELLOWSHIP | | 17,589 | 17,589 |
| <i>Pass-Through from Peregrine Pharmaceuticals</i> | | HDTRA108C0003 | | 66,674 | 66,674 |
| <i>Pass-Through from Purdue University</i> | | 4104-28893 | | 58,506 | 58,506 |
| <i>Pass-Through from Purdue University</i> | | Sub No. 4104-28892 | | 16,448 | 16,448 |
| <i>Pass-Through from Rice University</i> | | 4F-01541, M0001- SUB#:R14501- 72000004 | | 57,847 | 57,847 |
| <i>Pass-Through from Rutgers University</i> | | 3094 | | 33,935 | 33,935 |
| <i>Pass-Through from Rutgers University</i> | | 8000000678 | | 30,085 | 30,085 |
| <i>Pass-Through from Scientific Applications and Research Association</i> | | NAVY32.SC1 | | 1,691 | 1,691 |
| <i>Pass-Through from Southern University and A&M College - Baton Rouge</i> | | P804652 | | 6,326 | 6,326 |
| <i>Pass-Through from Stanford University</i> | | 18412450-35520-B AMD 01 | | 270,228 | 270,228 |
| <i>Pass-Through from Stanford University</i> | | 21631480-40531-B, UTA08-461 | | 44,929 | 44,929 |
| <i>Pass-Through from Stevens Institute of Technology</i> | | Sub No. TR3-1 P133121 | | 15,845 | 15,845 |
| <i>Pass-Through from Systems and Materials Research Consultancy</i> | | 8000000621 | | (3,026) | (3,026) |
| <i>Pass-Through from Systems and Materials Research Consultancy</i> | | 8000000873 | | 12,457 | 12,457 |
| <i>Pass-Through from Texas Medical Center - Houston</i> | | UNI-1393-122008 | | 49,285 | 49,285 |
| <i>Pass-Through from University of Maryland</i> | | Z942801 | | 1,640 | 1,640 |
| <i>Pass-Through from University of New Haven</i> | | B450 | | 54,415 | 54,415 |
| <i>Pass-Through from University of New Mexico</i> | | SUBAWARD 798122- 874F PRIME N0001407C0147 | | 38,285 | 38,285 |
| <i>Pass-Through from University of Notre Dame</i> | | 200978 | | 42,809 | 42,809 |
| <i>Pass-Through from University of South Florida</i> | | SUBAGRMT 2500- 0041-00-A USF | | 63,201 | 63,201 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 09-C-4111 / 26-0785-01 | | 35,779 | 35,779 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0740-00 | | 63,370 | 63,370 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0740-01 | | 219,730 | 219,730 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0770-02 / 26-0797- 02-1 CLIN 0001 | | 132,195 | 132,195 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0770-03 / 26-0797- 02-2 CLIN 0011 | | 170,501 | 170,501 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0770-04 / 26-0797- 02-3 CLIN 0021 | | 77,394 | 77,394 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|-------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0770-05 / 26-0797-03-1 CLIN 0001 | | 365,443 | 365,443 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0770-06 / 26-0797-03-2 CLIN 0011 | | 50,687 | 50,687 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0770-07 / 26-0797-03-3 CLIN 0021 | | 428,398 | 428,398 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0784-01 | | 2,776,836 | 2,776,836 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-24 | | 92,132 | 92,132 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-25 | | 73,830 | 73,830 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-26 | | 668,767 | 668,767 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-27 | | 86,839 | 86,839 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-28 | | 115,163 | 115,163 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-29 | | 45,610 | 45,610 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-30 | | 178,554 | 178,554 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0791-31 | | 213,292 | 213,292 |
| <i>Pass-Through from Unrelated to Sponsor</i> | | 26-0797-01 | | 16,364 | 16,364 |
| <i>Pass-Through from Utah State University</i> | | 070185001 | | 79,608 | 79,608 |
| <i>Pass-Through from Vax Design</i> | | 70003-UTMBN | | 23,328 | 23,328 |
| <i>Pass-Through from Washington Savannah River Company, LLC</i> | | SRNS-AC512780 | | 158,215 | 158,215 |
| <i>Pass-Through from Washington Savannah River Company, LLC</i> | | SRNS-AC543010 | | 3,439 | 3,439 |
| <i>Pass-Through from West Virginia University</i> | | 8000001098 | | 27,882 | 27,882 |
| <i>Pass-Through from Williams Pyro, Inc.</i> | | Sub No. 07-0224 | | 122,474 | 122,474 |
| <i>Pass-Through from Wyle Laboratories</i> | | Sub No. 08-0381 | | 444,739 | 444,739 |
| <i>Pass-Through from Yale University</i> | | C09K10287 | | 162,244 | 162,244 |
| <i>Pass-Through from Zara Environmental, LLC</i> | | W9126G-05-D-0010 | | 3,020 | 3,020 |
| Total - CFDA 12.300 | | | 895,719 | 107,040,123 | 107,935,842 |
| Basic Scientific Research - Combating Weapons of Mass Destruction | 12.351 | | | 208,278 | 208,278 |
| <i>Pass-Through from Agiltron, Inc.</i> | | HDTRA1-08-P-0034 DTRA08E005 | | 18,992 | 18,992 |
| <i>Pass-Through from Hypercomp, Inc.</i> | | D082-059-0526 HPC2UTA-DARPA | | 25,000 | 25,000 |
| <i>Pass-Through from Leland Stanford Junior University</i> | | Sub No. 21030240-40031-A | | 80,494 | 80,494 |
| <i>Pass-Through from Peregrine Pharmaceuticals</i> | | HDTRA108C0003 | | 598,444 | 598,444 |
| Total - CFDA 12.351 | | | 0 | 931,208 | 931,208 |
| Research on Chemical and Biological Defense | 12.360 | | | | |
| <i>Pass-Through from SRI International</i> | | HDTRA107C0083 | | 140,086 | 140,086 |
| Military Construction, National Guard | 12.400 | | | | |
| <i>Pass-Through from Agiltron, Inc.</i> | | 482551 | | 821 | 821 |
| National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | | | 2,268,955 | 2,268,955 |
| Military Medical Research and Development | 12.420 | | 3,086,843 | 35,799,070 | 38,885,913 |
| <i>Pass-Through from Altarum Institute</i> | | W911SF-08-0285 | | 70,000 | 70,000 |
| <i>Pass-Through from Baylor College of Medicine</i> | | CON18442 | | 46,108 | 46,108 |
| <i>Pass-Through from Baylor College of Medicine</i> | | PO5600260963 | | 2,609 | 2,609 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | Sub. No. D5309-S1 | 21,960 | 2,711 | 24,671 |
| <i>Pass-Through from House Ear Institute</i> | | DAMD17-01-1-0710 | | 4,986 | 4,986 |
| <i>Pass-Through from Johns Hopkins University</i> | | W81XWH-04-1-0595 05 | | 515,694 | 515,694 |

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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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Mission Hospitals</i> | | W81XWH-07-2-0108 | | 99,163 | 99,163 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 09LM090999FHA | | 184,365 | 184,365 |
| <i>Pass-Through from Nico Technologies</i> | | W81XWH05C0128 | | 57,664 | 57,664 |
| <i>Pass-Through from PLx Pharma, Inc.</i> | | A072-142-0602 | | 42,545 | 42,545 |
| <i>Pass-Through from PLx Pharma, Inc.</i> | | W81XWH-08-C-0025 | | 56,418 | 56,418 |
| <i>Pass-Through from Radiomedix</i> | | W81XWH-08-10749 01 | | 4,719 | 4,719 |
| <i>Pass-Through from Rice University</i> | | DAMD17-03-1-0384 04 | | 18,021 | 18,021 |
| <i>Pass-Through from Rice University</i> | | W81XWH-07-1-0428 02 | | 88,478 | 88,478 |
| <i>Pass-Through from Rice University</i> | | W81XWH-08-2-0032 | | 3,094 | 3,094 |
| <i>Pass-Through from T.R.U.E. Research Foundation</i> | | 06AP050072FNL | | 562,026 | 562,026 |
| <i>Pass-Through from T.R.U.E. Research Foundation</i> | | W81XWH-06-2-0033 | | 404,395 | 404,395 |
| <i>Pass-Through from T.R.U.E. Research Foundation</i> | | W81XWH-06-2-0033 03 | | 322,364 | 322,364 |
| <i>Pass-Through from T.R.U.E. Research Foundation</i> | | W81XWH-06-2-0033 04 | | 158,218 | 158,218 |
| <i>Pass-Through from T.R.U.E. Research Foundation</i> | | W81XWH-08-2-0171 01 | | 843 | 843 |
| <i>Pass-Through from Temple University</i> | | W91ZSQ-5309-N7 03 | | 97,377 | 97,377 |
| <i>Pass-Through from The Scripps Research Institute</i> | | 09LM40054F2H | | 68,330 | 68,330 |
| <i>Pass-Through from University of California - San Francisco</i> | | W81XWH0510265 | | 299,420 | 299,420 |
| <i>Pass-Through from University of Oklahoma</i> | | DAMD17020702 | | 194 | 194 |
| <i>Pass-Through from University of Pittsburgh</i> | | DAMD17-01-0373 0003920 | | 21,372 | 21,372 |
| <i>Pass-Through from University of Puerto Rico</i> | | W81XWH-08-1-0435 01 | | 40,897 | 40,897 |
| Total - CFDA 12.420 | | | 3,108,803 | 38,971,081 | 42,079,884 |
| Basic Scientific Research | 12.431 | | 1,970,655 | 10,598,679 | 12,569,334 |
| <i>Pass-Through from Academy of Applied Science</i> | | 07-27 & 07-28 | | 7,987 | 7,987 |
| <i>Pass-Through from Academy of Applied Science</i> | | Subgrant 08-61E | | 2,600 | 2,600 |
| <i>Pass-Through from Academy of Applied Science</i> | | SUBGRANT#08-22 | | 2,133 | 2,133 |
| <i>Pass-Through from Arcadis G&M, Inc.</i> | | Sub No. NL07-TEES | | 105,453 | 105,453 |
| <i>Pass-Through from Baylor College of Medicine</i> | | W911NF-09-1-0040 | | 67,198 | 67,198 |
| <i>Pass-Through from Brown University</i> | | W911NF-08-1-0249 00000192 P25 | | 101,782 | 101,782 |
| <i>Pass-Through from California Institute of Technology</i> | | No. 68-1077891 | | (2,626) | (2,626) |
| <i>Pass-Through from Evans-Hamilton, Inc.</i> | | No. 08-1075 | | 43,883 | 43,883 |
| <i>Pass-Through from Fibertek, Inc.</i> | | No. 224058-50407 | | (825) | (825) |
| <i>Pass-Through from Harvard University</i> | | No. 133463-08 | | 56 | 56 |
| <i>Pass-Through from Honeywell, Inc.</i> | | No. 07-0812 | | 1,312 | 1,312 |
| <i>Pass-Through from Iowa State University</i> | | SUBAWRD 4212008 PO#19 6971523 / 211348 B | | 42,929 | 42,929 |
| <i>Pass-Through from Northrop Grumman</i> | | CON19572 | | 7,568 | 7,568 |
| <i>Pass-Through from Perl Research</i> | | 2007-01 | | 262 | 262 |
| <i>Pass-Through from Perl Research</i> | | 2008-01 | | 72,674 | 72,674 |
| <i>Pass-Through from Sarnoff Corporation</i> | | DAAB07-01-D-G601 | | 38,355 | 38,355 |
| <i>Pass-Through from Science Applications International Corporation</i> | | DASG60D020006DO177 | | 32,052 | 32,052 |
| <i>Pass-Through from Signal Processing, Inc.</i> | | Sub No. 105-1 | | 103,295 | 103,295 |
| <i>Pass-Through from Tecteam Government Solutions, Inc.</i> | | 8000000958 | 52,753 | 33,817 | 86,570 |
| <i>Pass-Through from Telcordia</i> | | No. 20002503 | | 20,067 | 20,067 |
| <i>Pass-Through from University of Kansas</i> | | Sub No. FY2008-083 | | (1,697) | (1,697) |
| <i>Pass-Through from University of Missouri</i> | | Sub No. C00006389-3 | | 84,798 | 84,798 |
| <i>Pass-Through from University of New Mexico</i> | | 456258-87C9 | | 18,619 | 18,619 |
| <i>Pass-Through from University of Southern California</i> | | 125273 | | 96,369 | 96,369 |
| <i>Pass-Through from Virginia Polytechnic Institute</i> | | W911NF09-1-0061 SUB430425-1 | | 12,986 | 12,986 |

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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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from VW International, Inc.</i> | | No. VWI 6170-039A | 277,097 | 1,088,882 | 1,365,979 |
| Total - CFDA 12.431 | | | 2,300,505 | 12,578,608 | 14,879,113 |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | | 661,237 | 3,763,098 | 4,424,335 |
| <i>Pass-Through from Advanced Materials and Processes</i> | | 8000000865 | | 42,178 | 42,178 |
| <i>Pass-Through from Center for Rotocraft Innovation</i> | | W911W6-052003 MOD P00006 | | 3,329 | 3,329 |
| <i>Pass-Through from Emmaco, LLC</i> | | Sub No. C09-00290 | | 16,241 | 16,241 |
| <i>Pass-Through from High Performance Technologies</i> | | 2273-343 | | 423,308 | 423,308 |
| <i>Pass-Through from Implicit Bioscience Pty, Ltd.</i> | | HDTRA1-07-9-0003 | | 174,499 | 174,499 |
| <i>Pass-Through from Infoscitex</i> | | No. 1260-S001 | | 19,411 | 19,411 |
| <i>Pass-Through from Ohio State University</i> | | 60014145/ PO#RF01100805 | | 28,112 | 28,112 |
| <i>Pass-Through from Planning Systems, Inc.</i> | | Sub No. C08-00428 | | 12,190 | 12,190 |
| <i>Pass-Through from Progeny Systems Corp</i> | | PSC-0049, TASK 1 | | 148,904 | 148,904 |
| <i>Pass-Through from The Boeing Company</i> | | No. 917234 | | 68,875 | 68,875 |
| <i>Pass-Through from University of Central Florida</i> | | UCF No. 16266036 | | 230,128 | 230,128 |
| <i>Pass-Through from University of Colorado - Denver</i> | | 0000063495 | | 88,516 | 88,516 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 2005-03031-01 | | 117,871 | 117,871 |
| <i>Pass-Through from University of Maryland - Baltimore</i> | | 0000005312 | | 200,064 | 200,064 |
| <i>Pass-Through from Wyle Laboratories</i> | | No. APSC00595 | 73,005 | 87,765 | 160,770 |
| Total - CFDA 12.630 | | | 734,242 | 5,424,489 | 6,158,731 |
| Air Force Defense Research Sciences Program | 12.800 | | 1,880,421 | 19,855,952 | 21,736,373 |
| <i>Pass-Through from Advanced Cooling Technologies, Inc.</i> | | No. 09-1006 | | 13,565 | 13,565 |
| <i>Pass-Through from Aeroastro, Inc.</i> | | No. 2622-02 | | (26,641) | (26,641) |
| <i>Pass-Through from Aeroprobe Corporation</i> | | No. 06-0151 | | 45,238 | 45,238 |
| <i>Pass-Through from Air Force Research Laboratory</i> | | GS8650-08-V-5226 | | 1,020,464 | 1,020,464 |
| <i>Pass-Through from Alion Science and Technology</i> | | Sub No. 061709001AAS | | 15,390 | 15,390 |
| <i>Pass-Through from Arinc, Inc.</i> | | No. 136281 | | 69,963 | 69,963 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | FA8650-05-D-1912 | | 13,588 | 13,588 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | FA9550-08-1-0026 | | 634,569 | 634,569 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | PVUAM 05-0003-C1 | | 423,721 | 423,721 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | TSU 08-S67-011-02-C2 | | 110,699 | 110,699 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | TSU06-S567-011-02-C2 | | 13,005 | 13,005 |
| <i>Pass-Through from Duke University</i> | | 07-SC-AFSOR-1004 GCS#06.271 | | 33,673 | 33,673 |
| <i>Pass-Through from General Dynamics</i> | | F33601-03-F-0203 | | 58,272 | 58,272 |
| <i>Pass-Through from Infoscitex</i> | | 1123-IS6 | | 15,498 | 15,498 |
| <i>Pass-Through from Innove</i> | | No. 08-1308 | | 30,597 | 30,597 |
| <i>Pass-Through from Integrated Micro Sensors</i> | | PE0602715E | | 25,248 | 25,248 |
| <i>Pass-Through from Nanomems Research, LLC</i> | | No. 08-0809 | | 19,329 | 19,329 |
| <i>Pass-Through from Northrop Grumman</i> | | Task Order 65016QOD5A | | 152,872 | 152,872 |
| <i>Pass-Through from Northwestern University</i> | | PROJ0001191 | | 70,008 | 70,008 |
| <i>Pass-Through from Portage Environmental, Inc.</i> | | PEI 2106S07 | | 23,613 | 23,613 |
| <i>Pass-Through from PPG Industries, Inc.</i> | | FA8650-05-C-5010 | | 72,488 | 72,488 |
| <i>Pass-Through from Rexroad APG</i> | | No. 09-0570 | | 4,472 | 4,472 |
| <i>Pass-Through from Rice University</i> | | FA8650-07-2-5061 | | 148,423 | 148,423 |
| <i>Pass-Through from Rice University</i> | | R15903 PRIME: FA8650-07-2-5061 | | 170,324 | 170,324 |
| <i>Pass-Through from Rice University</i> | | R15904 | | 374,235 | 374,235 |
| <i>Pass-Through from Stanford University</i> | | 22179540-41070-E | | 53,868 | 53,868 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from Stanford University</i> | | 22179840-41070-E | | 68,676 | 68,676 |
| <i>Pass-Through from Teledyne Science and Imaging, LLC</i> | | FA9550-09-1-0477 | | 9,396 | 9,396 |
| <i>Pass-Through from The Boeing Company</i> | | No. 238512 | | 24,993 | 24,993 |
| <i>Pass-Through from Universal Technology Corporation</i> | | 09-5590-0009-28- C1/FA8650-08-D | | 28,925 | 28,925 |
| <i>Pass-Through from Universal Technology Corporation</i> | | No. 06S568-018-C1 | | 28,302 | 28,302 |
| <i>Pass-Through from University of Dayton Research Institute</i> | | No. RSC05003 | | 47,337 | 47,337 |
| <i>Pass-Through from University of Dayton Research Institute</i> | | RSC09006 | | 9,579 | 9,579 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 2006-02197-02 | | 61,151 | 61,151 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | Sub No. 2008-05817-02 | | 39,645 | 39,645 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | Subaward 2009-01186-02 | | 39,840 | 39,840 |
| <i>Pass-Through from University of Michigan</i> | | 3000587486, AMD 3 | | 47,246 | 47,246 |
| <i>Pass-Through from University of Wisconsin</i> | | 124K795 / 211363 B56251 200 | | 18,455 | 18,455 |
| <i>Pass-Through from University of Wisconsin</i> | | 126K416 | | 3,789 | 3,789 |
| <i>Pass-Through from University of Wisconsin</i> | | A867075 / 211106 B56251 200 | | 177,299 | 177,299 |
| <i>Pass-Through from University of Wisconsin</i> | | FA9550-08-1- 0037PRIME 067K605 | | 96,163 | 96,163 |
| Total - CFDA 12.800 | | | 1,880,421 | 24,143,229 | 26,023,650 |
| Language Grant Program | 12.900 | | | 24,056 | 24,056 |
| Mathematical Sciences Grants Program | 12.901 | | | 241,480 | 241,480 |
| Information Security Grant Program | 12.902 | | | 229,456 | 229,456 |
| <i>Pass-Through from Carnegie Mellon University</i> | | Sub No. 1040271-162026 | | 90,900 | 90,900 |
| Total - CFDA 12.902 | | | 0 | 320,356 | 320,356 |
| Research and Technology Development | 12.910 | | 393,053 | 3,677,716 | 4,070,769 |
| <i>Pass-Through from Boise State University</i> | | FA9453-08-2-0252 | | 37,764 | 37,764 |
| <i>Pass-Through from Electronic Bioscience, LLC</i> | | FA9550-06-C-0006 PO 1296 07-3 | | 59,560 | 59,560 |
| <i>Pass-Through from Electronic Bioscience, LLC</i> | | HR0011-09-C-0058 | | 16,705 | 16,705 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | GIT Subgrant No. R0301-G1 | | 15,605 | 15,605 |
| <i>Pass-Through from Harris Corporation</i> | | FA8750-07-C- 0206(DARPA) | | 92,384 | 92,384 |
| <i>Pass-Through from Harvard University</i> | | No. 133503-04 | | 16,804 | 16,804 |
| <i>Pass-Through from Harvard University</i> | | W911NF-09-1-0005 01 | | 9,957 | 9,957 |
| <i>Pass-Through from International Business Machines Corporation</i> | | FA8750-09-C-0172 | | 32,462 | 32,462 |
| <i>Pass-Through from ITT Corporation</i> | | 8000000899 | | 197,896 | 197,896 |
| <i>Pass-Through from Lockheed Martin</i> | | 4300303797 | | 215,786 | 215,786 |
| <i>Pass-Through from Logos Technologies</i> | | Sub No. 226-TAM1 | | 63,734 | 63,734 |
| <i>Pass-Through from Nanohmics, Inc.</i> | | 8000000989 | | 22,900 | 22,900 |
| <i>Pass-Through from Rice University</i> | | HR001-08-1-0010 | | 62,068 | 62,068 |
| <i>Pass-Through from Rice University</i> | | HR0011-05-1-0057 | | 62,035 | 62,035 |
| <i>Pass-Through from Rice University</i> | | HR0011-08-1-0010 01 | | 94,518 | 94,518 |
| <i>Pass-Through from Science Applications International Corporation</i> | | No. 08-0473 | | 380,995 | 380,995 |
| <i>Pass-Through from Siemens Corporation</i> | | HR0011-08-3-0004 | | 60,738 | 60,738 |
| <i>Pass-Through from Smart Information Flow Technologies</i> | | Sub No. DG-TEES-01 | | 245,935 | 245,935 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Defense (continued) | | | | | |
| <i>Pass-Through from University of California - Irvine</i> | | No. 07-0060 | | 35,141 | 35,141 |
| <i>Pass-Through from University of California - Riverside</i> | | S-00000270/H94003-07- 2-0703 | | 20,234 | 20,234 |
| <i>Pass-Through from University of Colorado</i> | | 154-3160 | 34,897 | 128,093 | 162,990 |
| <i>Pass-Through from University of Southern California</i> | | NBCH1050025 | | (930) | (930) |
| <i>Pass-Through from University of Wisconsin</i> | | HR0011-08-0058PRIME | | 77,471 | 77,471 |
| <i>Pass-Through from Versatilis, LLC</i> | | UTA08-251 | | 9,686 | 9,686 |
| Total - CFDA 12.910 | | | 427,950 | 5,635,257 | 6,063,207 |
| Total - U.S. Department of Defense | | | 11,494,508 | 244,731,326 | 256,225,834 |
| U.S. Department of Housing and Urban Development | | | | | |
| Community Development Block Grants/Brownfields Economic Development Initiative | 14.246 | | | 1,564 | 1,564 |
| Demolition and Revitalization of Severely Distressed Public Housing | 14.866 | | | | |
| <i>Pass-Through from City of El Paso Housing Authority</i> | | TX21URD0031104-1 | | 62,721 | 62,721 |
| Healthy Homes Demonstration Grants | 14.901 | | | | |
| <i>Pass-Through from University of Tulsa</i> | | MILLER:S/G TULSA | | 222 | 222 |
| Total - U.S. Department of Housing and Urban Development | | | 0 | 64,507 | 64,507 |
| U.S. Department of the Interior | | | | | |
| U.S. Department of the Interior | 15.XXX | 03FC601786 | | 3,814 | 3,814 |
| | | 05-FG-40-2424 | | 12,921 | 12,921 |
| | | 06CRBA0003/6003CB0 006/0887960199 | | 4,935 | 4,935 |
| | | 06CRBA0003/G09PD00 102/0986530005 | | 889 | 889 |
| | | 06CRBA0003/G09PD00 523/0986530263 | | 4,810 | 4,810 |
| | | 07HQSA0114;REQ #0779010086/0001 | | (413) | (413) |
| | | 08ERSA0604/08209070 11 | | 24,383 | 24,383 |
| | | 201814J881 / 21H019 B51260 200 | | 3,297 | 3,297 |
| | | 2122080015/R21220800 15/H5000030518 | | 13,513 | 13,513 |
| | | 502796 | | 922 | 922 |
| | | 502930 | | 292 | 292 |
| | | 502931 | | 647 | 647 |
| | | 503200 | | 12,865 | 12,865 |
| | | 503295 | | (203) | (203) |
| | | 503438 | | 156,508 | 156,508 |
| | | 503452 | | 1,400 | 1,400 |
| | | 503494 | | (1,505) | (1,505) |
| | | 503507 | | 57,667 | 57,667 |
| | | 503594 | | 742 | 742 |
| | | 503597 | | 454,498 | 454,498 |
| | | 503629 | | 26,188 | 26,188 |
| | | 503635 | | 147,327 | 147,327 |
| | | 503639 | | 11,204 | 11,204 |
| | | 503640 | | 197 | 197 |
| | | 503641 | | 4,661 | 4,661 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of the Interior (continued) | | | | | |
| | | 503664 | | 12,507 | 12,507 |
| | | 503678 | | 7,574 | 7,574 |
| | | 503679 | | 3,398 | 3,398 |
| | | 503688 | | 33,591 | 33,591 |
| | | 503864 | | 21,757 | 21,757 |
| | | 503872 | | 23,890 | 23,890 |
| | | 503949 | | 9,814 | 9,814 |
| | | 503951 | | 27,067 | 27,067 |
| | | 503971 | | 5,967 | 5,967 |
| | | 570495 | | 115,136 | 115,136 |
| | | 570529 | | 3,064 | 3,064 |
| | | 603410 | | 17,488 | 17,488 |
| | | H1200070001/TSK | | 431 | 431 |
| | | #J1242070026/UT-01 | | | |
| | | H-1248-02-0015/TSK | | (13) | (13) |
| | | #J1242060009/UT-10 | | | |
| | | H5000030518/J2360075 | | 17,816 | 17,816 |
| | | 179/R360075179 | | | |
| | | J12070026/UT-02, Task | | 2,588 | 2,588 |
| | | J2122077006/H5000030 | | 2,869 | 2,869 |
| | | 518/R2122077006 | | | |
| | | J2122080017/H5000070 | | 67,568 | 67,568 |
| | | 520/R2122080017 | | | |
| | | J2124080024/H5000070 | | 34,534 | 34,534 |
| | | 520/R2124080024 | | | |
| | | J5210080026/H5000070 | | 6,207 | 6,207 |
| | | 520/R5210080026 | | | |
| | | J7600080002 | | 1,019 | 1,019 |
| | | J7600080022 | | 28,746 | 28,746 |
| | | J7600080023 | | 1,453 | 1,453 |
| | | J7600080024 | | 8,189 | 8,189 |
| | | J76007SAAN4 | | 24,747 | 24,747 |
| | | J7600SAAN3 | | 581 | 581 |
| | | J7600SAAN801 | | 504 | 504 |
| | | J7700066025;H5000020 | | 11,825 | 11,825 |
| | | 271 | | | |
| <i>Pass-Through from American Council on Education</i> | | HNE-A-00-97-00059-00 | | 82,576 | 82,576 |
| <i>Pass-Through from LGL Alaska Research Associates, Inc.</i> | | UTA04-574 | | 93,593 | 93,593 |
| <i>Pass-Through from New Mexico Game and Fish</i> | | 503232 | | (16) | (16) |
| <i>Pass-Through from TDI Brooks International</i> | | Award #TDIBI-5034 | | 49,466 | 49,466 |
| | | | 0 | 1,657,495 | 1,657,495 |
| Total - CFDA 15.XXX | | | | | |
| Cultural Resource Management | 15.224 | | | 17,969 | 17,969 |
| Recreation Resource Management | 15.225 | | | 126,460 | 126,460 |
| Fish, Wildlife and Plant Conservation Resource Management | 15.231 | | | 4,986 | 4,986 |
| Minerals Management Service (MMS) Environmental Studies Program (ESP) | 15.423 | | 26,801 | 168,993 | 195,794 |
| Marine Minerals Activities | 15.424 | | | 122,063 | 122,063 |
| Offshore Research Technology Center (OTRC) Texas Engineering Experiment Station (TEES) | 15.425 | | | 43,663 | 43,663 |
| Water Reclamation and Reuse Program | 15.504 | | | 4,548 | 4,548 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|-------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of the Interior (continued) | | | | | |
| Water Desalination Research and Development Program | 15.506 | | | 3,659 | 3,659 |
| Providing Water to At-Risk Natural Desert Terminal Lakes <i>Pass-Through from University of Nevada</i> | 15.508 | 503762 | | 19,663 | 19,663 |
| Conservation Law Enforcement Training Assistance | 15.602 | | | (173) | (173) |
| Fish and Wildlife Management Assistance <i>Pass-Through from Baylor University</i> | 15.608 | TPWD T-23 Baylor 185248 UTA | | 341,577 41,045 | 341,577 41,045 |
| <i>Pass-Through from Pacific States Marine Fisheries Commission</i> | | Contract 08-79 | | 1,422 | 1,422 |
| Total - CFDA 15.608 | | | 0 | 384,044 | 384,044 |
| Wildlife Restoration <i>Pass-Through from Mississippi State University</i> | 15.611 | 080300-330915-01 | | 416,236 9,986 | 416,236 9,986 |
| Total - CFDA 15.611 | | | 0 | 426,222 | 426,222 |
| Cooperative Endangered Species Conservation Fund | 15.615 | | 14,191,228 | 555,237 | 14,746,465 |
| Partners for Fish and Wildlife <i>Pass-Through from Victoria Soil and Water</i> | 15.631 | Prime 20181-03-g930 | 5,730 | 10,649 | 10,649 |
| Total - CFDA 15.631 | | | 5,730 | 10,649 | 16,379 |
| Conservation Grants Private Stewardship for Imperiled Species <i>Pass-Through from The Nature Conservancy</i> | 15.632 | TXF0-01-01-2008-01 | | 15,968 | 15,968 |
| State Wildlife Grants | 15.634 | | | 243,494 | 243,494 |
| Migratory Bird Joint Ventures <i>Pass-Through from Ducks Unlimited, Inc.</i> | 15.637 | US-LA-96-2 | | 12,186 204,940 | 12,186 204,940 |
| Total - CFDA 15.637 | | | 0 | 217,126 | 217,126 |
| Wildlife Without Borders- Latin America and the Caribbean | 15.640 | | | 37,193 | 37,193 |
| Migratory Bird Monitoring, Assessment and Conservation | 15.655 | | | 11,147 | 11,147 |
| Assistance to State Water Resources Research Institutes | 15.805 | | | 246,146 | 246,146 |
| Earthquake Hazards Reduction Program | 15.807 | | | 48,375 | 48,375 |
| U.S. Geological Survey-- Research and Data Collection <i>Pass-Through from Intuvision, Inc.</i> | 15.808 | NBCHC060170 | | 228,135 6,512 | 228,135 6,512 |
| Total - CFDA 15.808 | | | 0 | 234,647 | 234,647 |
| National Cooperative Geologic Mapping Program <i>Pass-Through from Pennsylvania Department of Conservation and Natural Resources</i> | 15.810 | B580 | | 249,317 28,540 | 249,317 28,540 |
| Total - CFDA 15.810 | | | 0 | 277,857 | 277,857 |
| Cooperative Research Units Program | 15.812 | | | 315,245 | 315,245 |
| National Geological and Geophysical Data Preservation Program | 15.814 | | | 23,509 | 23,509 |
| National Land Remote Sensing--Education Outreach and Research <i>Pass-Through from America View, Inc.</i> | 15.815 | 08HQGR0157 | 15,678 | 485 | 485 |
| Total - CFDA 15.815 | | | 15,678 | 485 | 16,163 |
| Economic, Social, and Political Development of the Territories | 15.875 | | | 27,501 | 27,501 |

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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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of the Interior (continued) | | | | | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | | | 149,860 | 149,860 |
| National Historic Landmark | 15.912 | | | 120,469 | 120,469 |
| Technical Preservation Services | 15.915 | | | 21,029 | 21,029 |
| Outdoor Recreation--Acquisition, Development and Planning | 15.916 | | | 5,164 | 5,164 |
| Rivers, Trails and Conservation Assistance | 15.921 | | 17,872 | 223,167 | 241,039 |
| National Center for Preservation Technology and Training | 15.923 | | | 1,597 | 1,597 |
| Save America's Treasures | 15.929 | | | 37,335 | 37,335 |
| Total - U.S. Department of the Interior | | | 14,257,309 | 5,802,792 | 20,060,101 |
| U.S. Department of Justice | | | | | |
| U.S. Department of Justice | 16.XXX | 2005DNBXXK127 | | (11,878) | (11,878) |
| | | 2006DNBXXK129 | | 258,601 | 258,601 |
| | | 2007DNBXXK088 | | 503,072 | 503,072 |
| | | 2007DNBXXK200 | | 573,665 | 573,665 |
| | | 2007IJCXXK234 | | 170,465 | 170,465 |
| | | 2008DNBXXK213 | | 27,767 | 27,767 |
| | | W911SR07C0050 | | 90,194 | 90,194 |
| <i>Pass-Through from Family Services of Greater Houston</i> | | B430 | | 34,451 | 34,451 |
| <i>Pass-Through from Missouri College of Emergency Physicians</i> | | OR# 09-157 | | 21,649 | 21,649 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | B250 | | 27,807 | 27,807 |
| Total - CFDA 16.XXX | | | 0 | 1,695,793 | 1,695,793 |
| Services for Trafficking Victims | 16.320 | | | | |
| <i>Pass-Through from Upper Midwest Community Policing Institute</i> | | B170 | | 21,855 | 21,855 |
| <i>Pass-Through from YMCA International</i> | | 2003VTBXXK007 | | 3,270 | 3,270 |
| Total - CFDA 16.320 | | | 0 | 25,125 | 25,125 |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | | 82,289 | 1,889,182 | 1,971,471 |
| <i>Pass-Through from Police Executive Research Forum</i> | | 8000000837 | | 25,862 | 25,862 |
| Total - CFDA 16.560 | | | 82,289 | 1,915,044 | 1,997,333 |
| Criminal Justice Research and Development--Graduate Research Fellowships | 16.562 | | | (119) | (119) |
| National Institute of Justice W.E.B. DuBois Fellowship | 16.566 | | | | |
| <i>Pass-Through from University of Florida</i> | | UF09022 | | 26,782 | 26,782 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | | | 471,241 | 471,241 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | | | 136,040 | 136,040 |
| <i>Pass-Through from Humanities Texas</i> | | B640 | | 2,000 | 2,000 |
| Total - CFDA 16.580 | | | 0 | 138,040 | 138,040 |
| Corrections--Research and Evaluation and Policy Formulation | 16.602 | | 24,736 | 46,988 | 71,724 |
| Community Prosecution and Project Safe Neighborhoods | 16.609 | | 638,768 | 5,770 | 644,538 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|------------------|------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Justice (continued) | | | | | |
| <i>Pass-Through from Greater Dallas Crime Commission</i> | | 2006-PG-BX-0094_OR 06-28 | | 39,079 | 39,079 |
| Total - CFDA 16.609 | | | 638,768 | 44,849 | 683,617 |
| Public Safety Partnership and Community Policing Grants | 16.710 | | | 6,027 | 6,027 |
| Forensic DNA Backlog Reduction Program | 16.741 | | | 259,506 | 259,506 |
| Edward Byrne Memorial Competitive Grant Program | 16.751 | | 4,732 | 195,733 | 200,465 |
| Total - U.S. Department of Justice | | | 750,525 | 4,825,009 | 5,575,534 |
| U.S. Department of Labor | | | | | |
| U.S. Department of Labor <i>Pass-Through from University of Baltimore</i> | 17.XXX | MS-17095-08-55-R-48 UTA98-0350 | | 118,522 7,302 | 118,522 7,302 |
| Total - CFDA 17.XXX | | | 0 | 125,824 | 125,824 |
| WIA Adult Program | 17.258 | | | 22,606 | 22,606 |
| WIA Youth Activities | 17.259 | | | 14,164 | 14,164 |
| WIA Dislocated Workers | 17.260 | | | 16,839 | 16,839 |
| WIA Pilots, Demonstrations, and Research Projects <i>Pass-Through from Community Learning Center</i> | 17.261 | FY07-DOLAML-01 PRIME:DOL | 40,364 | | 40,364 |
| <i>Pass-Through from Dallas County Community College</i> | | FY07-DOLAML-01 PRIME:DOL | 25,700 | | 25,700 |
| <i>Pass-Through from Houston-Galveston Area Council</i> | | AH124700260 | | 375 | 375 |
| <i>Pass-Through from Manufacturing Skill Standards Council</i> | | FY07-DOLAML-01 PRIME:DOL | 229,359 | | 229,359 |
| <i>Pass-Through from North Central Texas Council of Government</i> | | FY07-DOLAML-01 Prime:DOL | | 121,455 | 121,455 |
| <i>Pass-Through from South Texas College</i> | | UTPA/WR-15999-07 | | 498,877 | 498,877 |
| <i>Pass-Through from Tarrant County Community College District</i> | | FY07-DOLAML-01 PRIME:DOL | 26,602 | | 26,602 |
| Total - CFDA 17.261 | | | 322,025 | 620,707 | 942,732 |
| Total - U.S. Department of Labor | | | 322,025 | 800,140 | 1,122,165 |
| U. S. Department of State | | | | | |
| U. S. Department of State <i>Pass-Through from Council for International Exchange of Scholars</i> | 19.XXX | UTA07-281 | | 8,671 | 8,671 |
| <i>Pass-Through from World Learning</i> | | UTA08-730 | | 44,926 | 44,926 |
| Total - CFDA 19.XXX | | | 0 | 53,597 | 53,597 |
| Program for Study of Eastern Europe and the Independent States of the Former Soviet Union <i>Pass-Through from SRI International</i> | 19.300 | 8000000701 | | 23,646 | 23,646 |
| Academic Exchange Programs - Educational Advising and Student Services <i>Pass-Through from U S Civilian Research and Development Foundation</i> | 19.432 | SLMAQM05GR114 | | 54,591 | 54,591 |
| Total - U. S. Department of State | | | 0 | 131,834 | 131,834 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Transportation | | | | | |
| U.S. Department of Transportation | 20.XXX | 05-G-003, 1ST YEAR | | 22,462 | 22,462 |
| | | DDEGRD-08-X-00409 | | 28,172 | 28,172 |
| | | DDEGRD-08-X-00420 | | 11,440 | 11,440 |
| | | DDEGRD-08-X-00438 | | 1,500 | 1,500 |
| | | DDEGRD-08-X-00448 | | 1,500 | 1,500 |
| | | DDEGRD-08-X-00450 | | 1,500 | 1,500 |
| | | DTFH61-05-P-00280 | | 16,042 | 16,042 |
| | | DTFH61-07-H-00030 | | 230,204 | 230,204 |
| | | DTOS59-04-G-00010 | | 15,277 | 15,277 |
| <i>Pass-Through from Center for Transportation and the Environment</i> | | UTA07-188 | | 25,099 | 25,099 |
| <i>Pass-Through from Center for Transportation and the Environment</i> | | UTA08-527 | | 17,873 | 17,873 |
| <i>Pass-Through from National Academy of Science</i> | | HR 12-72 | 42,742 | 27,498 | 70,240 |
| <i>Pass-Through from National Academy of Science</i> | | TRB-P281386 | | 4,701 | 4,701 |
| <i>Pass-Through from North Central Texas Council of Government</i> | | S080033, 476660-00060 | 32,378 | 30,313 | 62,691 |
| <i>Pass-Through from North Central Texas Council of Government</i> | | S080033, 476660-00060/ ACTIVITY MODEL RE | | 31,570 | 31,570 |
| <i>Pass-Through from North Central Texas Council of Government</i> | | S080033, 476660- 00060/LAND USE MODEL DEV | | 49,219 | 49,219 |
| <i>Pass-Through from PB Americas, Inc.</i> | | 160558,AMD 02 | | 44,283 | 44,283 |
| <i>Pass-Through from PB Americas, Inc.</i> | | 173047A | | 24,230 | 24,230 |
| <i>Pass-Through from Tioga Group</i> | | UTA09-000107 | | 38,362 | 38,362 |
| <i>Pass-Through from Transtec Group, Inc.</i> | | UTA05-286 | | 30,708 | 30,708 |
| <i>Pass-Through from Transtec Group, Inc.</i> | | UTAA8-022 | | 155,727 | 155,727 |
| <i>Pass-Through from University of California - Santa Barbara</i> | | 200900721 | | 17,496 | 17,496 |
| Total - CFDA 20.XXX | | | 75,120 | 825,176 | 900,296 |
| Aviation Education | 20.100 | | | 64,787 | 64,787 |
| Aviation Research Grants | 20.108 | | 156,946 | 205,979 | 362,925 |
| <i>Pass-Through from Auburn University</i> | | 08-APTP-208105-UTEP | | 155,342 | 155,342 |
| <i>Pass-Through from Southwest Research Institute</i> | | 599775L | | 25,640 | 25,640 |
| Total - CFDA 20.108 | | | 156,946 | 386,961 | 543,907 |
| Air Transportation Centers of Excellence | 20.109 | | | | |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | 06CNEMIT | | 24,643 | 24,643 |
| Highway Planning and Construction | 20.205 | | | 243,603 | 243,603 |
| <i>Pass-Through from Capital Area Metropolitan Planning Organization</i> | | UTA08-752 | | 1,956 | 1,956 |
| <i>Pass-Through from Engineering and Software Consultants</i> | | 1012 | | 91,955 | 91,955 |
| <i>Pass-Through from Florida Department of Transportation</i> | | 503129 | | 51,119 | 51,119 |
| <i>Pass-Through from Houston Galveston Area Council</i> | | TS6603-01 | | 78,212 | 78,212 |
| <i>Pass-Through from Michigan Department of Transportation</i> | | 2009-0049 | | 85,060 | 85,060 |
| <i>Pass-Through from Ohio Department of Transportation</i> | | 21741 | 4,218 | 34,574 | 38,792 |
| <i>Pass-Through from Oklahoma Historical Society</i> | | 09-101 | | 57,102 | 57,102 |
| <i>Pass-Through from Oklahoma Historical Society</i> | | 09-102 | | 35,462 | 35,462 |
| <i>Pass-Through from Oklahoma Historical Society</i> | | 10-101 | | 1,113 | 1,113 |
| <i>Pass-Through from Outside Plant Consulting Service</i> | | DTRT57-07-C-10046 | | 64,826 | 64,826 |
| <i>Pass-Through from Transportation Research Board</i> | | OR 08 | | | |
| | | TRB-P280254 | | 7,902 | 7,902 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Transportation (continued) | | | | | |
| <i>Pass-Through from University of Nebraska</i> | | 25-1121-0001-112 | | 8,682 | 8,682 |
| Total - CFDA 20.205 | | | 4,218 | 761,566 | 765,784 |
| Highway Training and Education | 20.215 | | | 69,920 | 69,920 |
| <i>Pass-Through from Transtec Group, Inc.</i> | | No. 09-0206 | | 34,692 | 34,692 |
| Total - CFDA 20.215 | | | 0 | 104,612 | 104,612 |
| Border Enforcement Grants | 20.233 | | | 43,469 | 43,469 |
| State and Community Highway Safety | 20.600 | | | 1,426,125 | 1,426,125 |
| <i>Pass-Through from Safe, Inc.</i> | | 1113 SOW-08-08005-01 | | 2,796 | 2,796 |
| Total - CFDA 20.600 | | | 0 | 1,428,921 | 1,428,921 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | | | 377,277 | 377,277 |
| Occupant Protection Incentive Grants | 20.602 | | | 69,855 | 69,855 |
| Safety Belt Performance Grants | 20.609 | | | 348,548 | 348,548 |
| Incentive Grant Program to Increase Motorcyclist Safety | 20.612 | | | 290,971 | 290,971 |
| Pipeline Safety Program Base Grants | 20.700 | | 20,000 | 63,616 | 83,616 |
| University Transportation Centers Program | 20.701 | | | | |
| <i>Pass-Through from Michigan State University</i> | | 995B676 SUBAWARD 61-5563A | | (24) | (24) |
| <i>Pass-Through from University of Cincinnati</i> | | DTRS99-G0005 | | 16,633 | 16,633 |
| <i>Pass-Through from University of Massachusetts</i> | | DTRT06-G-0032 | | 24,979 | 24,979 |
| Total - CFDA 20.701 | | | 0 | 41,588 | 41,588 |
| Biobased Transportation Research | 20.761 | | | 20,039 | 20,039 |
| <i>Pass-Through from Oklahoma State University</i> | | 503627 | | 43,804 | 43,804 |
| <i>Pass-Through from Oklahoma State University</i> | | 503699 | | 6,508 | 6,508 |
| <i>Pass-Through from Oklahoma State University</i> | | 503704 | | 22,239 | 22,239 |
| <i>Pass-Through from Oklahoma State University</i> | | 503707 | | 12,568 | 12,568 |
| <i>Pass-Through from Oklahoma State University</i> | | 570430 | | 16,980 | 16,980 |
| <i>Pass-Through from Oklahoma State University</i> | | 570431 | | 1,959 | 1,959 |
| <i>Pass-Through from Oklahoma State University</i> | | 570432 | | 2,269 | 2,269 |
| <i>Pass-Through from Oklahoma State University</i> | | 570433 | | 36,703 | 36,703 |
| <i>Pass-Through from Oklahoma State University</i> | | 570434 | | 6,987 | 6,987 |
| <i>Pass-Through from Oklahoma State University</i> | | 570435 | | 4,348 | 4,348 |
| <i>Pass-Through from Oklahoma State University</i> | | 570438 | | 15,948 | 15,948 |
| <i>Pass-Through from Oklahoma State University</i> | | No. AB-5-61170 | | 9,480 | 9,480 |
| Total - CFDA 20.761 | | | 0 | 199,832 | 199,832 |
| Research Grants | 20.762 | | | | |
| <i>Pass-Through from Mississippi State University</i> | | Sub No. 061300-363893-01 | | 22,139 | 22,139 |
| Transportation Planning, Research and Education | 20.931 | | | 4,276 | 4,276 |
| Total - U.S. Department of Transportation | | | 256,284 | 5,058,237 | 5,314,521 |
| U.S. Department of the Treasury | | | | | |
| Community Development Financial Institutions Program | 21.020 | | | | |
| <i>Pass-Through from ABT Associates, Inc.</i> | | 503692 | | 4,475 | 4,475 |
| Total - U.S. Department of the Treasury | | | 0 | 4,475 | 4,475 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 | |
|---|-------------|---|---|--|---------------------------|--|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | | |
| Office of Personnel Management | | | | | | |
| Intergovernmental Personnel Act (IPA) Mobility Program | 27.011 | | | 324,229 | 324,229 | |
| Total - Office of Personnel Management | | | 0 | 324,229 | 324,229 | |
| General Services Administration | | | | | | |
| Donation of Federal Surplus Personal Property | 39.003 | | | 39,551 | 39,551 | |
| Total - General Services Administration | | | 0 | 39,551 | 39,551 | |
| Library of Congress | | | | | | |
| Library of Congress | 42.XXX | CRS #07-06 CRS#08-06 | | 8,070 9,821 | 8,070 9,821 | |
| Total - CFDA 42.XXX | | | 0 | 17,891 | 17,891 | |
| Books for the Blind and Physically Handicapped <i>Pass-Through from California Digital Library</i> | 42.001 | LOC-04-UNT-01 | | 74,013 | 74,013 | |
| Total - Library of Congress | | | 0 | 91,904 | 91,904 | |
| National Aeronautics and Space Administration | | | | | | |
| National Aeronautics and Space Administration | 43.XXX | 4200259593 Contract No. C08-00389 NAG 2-1505 03 NAG5-13070 NAG5-13147 NCC 9-165 NCC-165 NCC5-13396 NCC9-165 NNC09CA08C NNG04G060G NNG04G177G, SUPP 4 NNG04GI62G NNG05GE96H-- PRIME; TSGC-0602 LOA NNG05GE96H-- PRIME; TSGC-0801 LOA NNG05GE96H-- PRIME; TSGC-0802 LOA NNG05GN75G NNG06DA07C, PR# 4200140202 NNG06GC45G NNG94GD52G NNH04CC16C NNJ04HB05G 04 NNJ06HA29A NNJ06HA40G NNJ06HA50G, SUPP 5 NNX06AH47G NNX07AB97G NNX07AC96A NNX07AI34A NNX07AI83G NNX07AJ72G NNX07AL70G | | 1,011 15,147 (7,955) 18,595 4,308 178,510 (178,510) 20,624 439,764 103,579 100,306 541 137,053 4,081 10,553 10,110 23,114 591,001 84,175 22,108 2,788 39,057 34,910 20,572 165 577,232 129,072 95,521 263,994 52,138 10,603 115,318 | 37,478 1,688 37,586 | 1,011 15,147 (7,955) 56,073 4,308 178,510 (178,510) 20,624 439,764 103,579 100,306 541 137,053 4,081 10,553 10,110 23,114 591,001 84,175 22,108 2,788 39,057 34,910 20,572 165 577,232 129,072 95,521 263,994 52,138 10,603 115,318 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|---------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Aeronautics and Space Administration (continued) | | | | | |
| | | NNX07AL79G, LOA ESI 2008/2009 | | 75,959 | 75,959 |
| | | NNX07AP92G | | 36,773 | 36,773 |
| | | NNX07AR46G | | 79,605 | 79,605 |
| | | NNX07AV15H | | 23,414 | 23,414 |
| | | NNX08A043G | | 61,485 | 61,485 |
| | | NNX08AB27A | | 48,829 | 48,829 |
| | | NNX08AB41A | | 202,514 | 202,514 |
| | | NNX08AC48G | | 108,070 | 108,070 |
| | | NNX08AD03A | | 212,625 | 212,625 |
| | | NNX08AD58G | | 138,319 | 138,319 |
| | | NNX08AE72G | | 42,052 | 42,052 |
| | | NNX08AE99G | | 52,611 | 52,611 |
| | | NNX08AF01G | | 70,732 | 70,732 |
| | | NNX08AF62G | | 64,681 | 64,681 |
| | | NNX08AG32G | | 101,839 | 101,839 |
| | | NNX08AJ84G | | 84,923 | 84,923 |
| | | NNX08AK11G | | 63,066 | 63,066 |
| | | NNX08AL43G | | 67,110 | 67,110 |
| | | NNX08AN02G | | 169,787 | 169,787 |
| | | NNX08AN68G | | 145,266 | 145,266 |
| | | NNX08AO52G | | 15,346 | 15,346 |
| | | NNX08AP77G | | 61,796 | 61,796 |
| | | NNX08AQ49G | | 95,597 | 95,597 |
| | | NNX08AR34G | | 128,711 | 128,711 |
| | | NNX08AT06G | | 135,512 | 135,512 |
| | | NNX08AT41H | | 29,307 | 29,307 |
| | | NNX08AW08G | | 79,853 | 79,853 |
| | | NNX08AW24H | | 24,315 | 24,315 |
| | | NNX08AW65H | | 30,000 | 30,000 |
| | | NNX08AX09G | | 98,336 | 98,336 |
| | | NNX08AZ42A | | 46,382 | 46,382 |
| | | NNX08BA47A | | 485,189 | 485,189 |
| | | NNX08BB05G | | 38,298 | 38,298 |
| | | NNX09AB30G | | 22,923 | 22,923 |
| | | NNX09AC26G | | 29,550 | 29,550 |
| | | NNX09AD85G | | 5,039 | 5,039 |
| | | NNX09AE46G | | 23,029 | 23,029 |
| | | NNX09AE89G | | 6,513 | 6,513 |
| | | NNX09AG20G | | 566,128 | 566,128 |
| | | NNX09AG99G | | 3,645 | 3,645 |
| | | NNX09AH04G | | 12,626 | 12,626 |
| | | NNX09AH48G | | 13,988 | 13,988 |
| | | NNX09AH67G | | 14,795 | 14,795 |
| | | NNX09AK75G | | 17,684 | 17,684 |
| | | NNX09AM60G | | 12,564 | 12,564 |
| | | NNX9AE61G | | 38,120 | 38,120 |
| | | PO 019714 | | (6,899) | (6,899) |
| <i>Pass-Through from Advanced Fuel Research, Inc.</i> | | UTA09-000416 | | 7,694 | 7,694 |
| <i>Pass-Through from Austin Satellite Design, LLC</i> | | UTA08-205 | | 37,593 | 37,593 |
| <i>Pass-Through from Balconies Technologies, LLC</i> | | 1202932, MOD # 1-20 | | 10,404 | 10,404 |
| <i>Pass-Through from California Institute of Technology</i> | | 1202932, MOD #21 | | 69,595 | 69,595 |
| <i>Pass-Through from California Institute of Technology</i> | | 1258314 | | 20,159 | 20,159 |
| <i>Pass-Through from California Institute of Technology</i> | | 1270402, MOD 5 | | 35,289 | 35,289 |
| <i>Pass-Through from California Institute of Technology</i> | | 1281173 | | 40,854 | 40,854 |
| <i>Pass-Through from California Institute of Technology</i> | | 1288644 | | 38,747 | 38,747 |
| <i>Pass-Through from California Institute of Technology</i> | | 1294294 | | 92,393 | 92,393 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Aeronautics and Space Administration (continued) | | | | | |
| <i>Pass-Through from California Institute of Technology</i> | | 1295103 | | 3,055 | 3,055 |
| <i>Pass-Through from California Institute of Technology</i> | | 1310392 | | 137 | 137 |
| <i>Pass-Through from California Institute of Technology</i> | | 1321987 | | 14,840 | 14,840 |
| <i>Pass-Through from California Institute of Technology</i> | | 1322795 | | 23,363 | 23,363 |
| <i>Pass-Through from California Institute of Technology</i> | | 1333831,EXT | | 46,483 | 46,483 |
| <i>Pass-Through from California Institute of Technology</i> | | 1335605 | | 82,825 | 82,825 |
| <i>Pass-Through from California Institute of Technology</i> | | 1354834; CK 34242 | | 10,194 | 10,194 |
| <i>Pass-Through from California Institute of Technology</i> | | 1358118 | | 90,278 | 90,278 |
| <i>Pass-Through from California Institute of Technology</i> | | 1360670 | | 102,540 | 102,540 |
| <i>Pass-Through from California Institute of Technology</i> | | 1363196 | | 30,791 | 30,791 |
| <i>Pass-Through from California Institute of Technology</i> | | 1363474 | | 5,000 | 5,000 |
| <i>Pass-Through from California Institute of Technology</i> | | 1367093 | | 10,733 | 10,733 |
| <i>Pass-Through from California Institute of Technology</i> | | 1367406 | | 18,730 | 18,730 |
| <i>Pass-Through from California Institute of Technology</i> | | 1368499 | | 23,024 | 23,024 |
| <i>Pass-Through from California Institute of Technology</i> | | 1373283 | | 1,108 | 1,108 |
| <i>Pass-Through from California Institute of Technology</i> | | NO. 1368074 | | 201,274 | 201,274 |
| <i>Pass-Through from California Institute of Technology</i> | | RSA-1349744 | | 45,335 | 45,335 |
| <i>Pass-Through from CFD Research Corporation</i> | | 1155 | | 16,127 | 16,127 |
| <i>Pass-Through from Colorado State University</i> | | CON18986 | | 16,154 | 16,154 |
| <i>Pass-Through from Colorado State University</i> | | NAG9-1569 05 | | (2,357) | (2,357) |
| <i>Pass-Through from Columbia University</i> | | 5-26001 | | 25,807 | 25,807 |
| <i>Pass-Through from Extraterrestrial Intelligence Institute</i> | | LTR DTD 11/07/08 | | 7,657 | 7,657 |
| <i>Pass-Through from Genexpress Informatics, Inc.</i> | | NNI0611136C | | (10,612) | (10,612) |
| <i>Pass-Through from Jacobs Engineering Group, Inc.</i> | | 34-020002-69 AUTHO TO PROCEED | | 67,391 | 67,391 |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | NNX09AE50G | | 22,086 | 22,086 |
| <i>Pass-Through from Mobitrum Corporation</i> | | NNX08CC91P | | 6,804 | 6,804 |
| <i>Pass-Through from PC Krause and Associates, Inc.</i> | | PCK2009-NASA07P | | 26,002 | 26,002 |
| <i>Pass-Through from Planetary Science Institute</i> | | 496 | | 14,971 | 14,971 |
| <i>Pass-Through from Smithsonian Astrophysical Observatory</i> | | TM8-9009X | | 27,012 | 27,012 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-AR-10981.01-A | | 44,855 | 44,855 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-AR-11746.01-A | | 484 | 484 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-ED-90312.01-A | | 21,747 | 21,747 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-EO-10861.35-A,NCE | | 2,602 | 2,602 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-EO-11141.08-A | | 13,988 | 13,988 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-EO-11210.08-A | | 20,226 | 20,226 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-10861.20-A, INC. | | 40,804 | 40,804 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-10432.01-A | | 342 | 342 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-10535.01-A | | 3,565 | 3,565 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-10775.10-A | | 21,987 | 21,987 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-10929.02-A, AMD 3 | | 4,704 | 4,704 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11082.21-A | | 11,239 | 11,239 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11128.01-A | | 49,946 | 49,946 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11141.01-A | | 80,741 | 80,741 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11190.01-A | | 56,814 | 56,814 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11210.01-A | | 152,317 | 152,317 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11211.01-A | | 113,570 | 113,570 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11309.02-A | | 3,823 | 3,823 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11704.02-A | | 20,413 | 20,413 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11706.02-A | | 20,150 | 20,150 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-11942.01-A | | 37,238 | 37,238 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-HF-01190.01-A | | 3,668 | 3,668 |
| <i>Pass-Through from SRI International</i> | | HDTRA1-07-C-0083 | | 170,342 | 170,342 |
| <i>Pass-Through from Stanford University</i> | | 20570500-37433-A | | 30,996 | 30,996 |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | UNCFSP 0812007 | | 13,897 | 13,897 |

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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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Aeronautics and Space Administration (continued) | | | | | |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | UNCFSP NSTI UNEEC | | 21,842 | 21,842 |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | UNCFSP UNIMET | | 22,702 | 22,702 |
| <i>Pass-Through from United Space Alliance</i> | | POR-6000146748 | | 27,404 | 27,404 |
| <i>Pass-Through from Universities Space Research Association</i> | | 08521-012 | | 7,759 | 7,759 |
| <i>Pass-Through from Universities Space Research Association</i> | | 08521-06 | | 57,187 | 57,187 |
| <i>Pass-Through from University of Arizona</i> | | Y432854 | | 5 | 5 |
| <i>Pass-Through from University of California - Irvine</i> | | 2005-1655 AMD 04 | | 21,114 | 21,114 |
| <i>Pass-Through from University of Maryland</i> | | Z634012 | | 33,528 | 33,528 |
| <i>Pass-Through from University of South Carolina</i> | | 51769 06-1190 | | 29,093 | 29,093 |
| <i>Pass-Through from University of Washington</i> | | 200902440 | | 26,478 | 26,478 |
| <i>Pass-Through from Villanova University</i> | | 09-001/5-27829 | | 13,985 | 13,985 |
| <i>Pass-Through from Wyle Laboratories</i> | | NAS902078 | | 1,211,869 | 1,211,869 |
| <i>Pass-Through from Wyle Laboratories</i> | | NNJ06HB47C | | 42,165 | 42,165 |
| <i>Pass-Through from Zyvex Corporation</i> | | AWD 12.21.2005 | | 7,362 | 7,362 |
| Total - CFDA 43.XXX | | | 76,752 | 10,539,923 | 10,616,675 |
| Aerospace Education Services Program | 43.001 | | 596,193 | 10,824,131 | 11,420,324 |
| <i>Pass-Through from California Institute of Technology</i> | | 1224608 / NAS7-1224723 | | (249) | (249) |
| <i>Pass-Through from California Institute of Technology</i> | | Sub No. 1377974 | | 9,095 | 9,095 |
| <i>Pass-Through from Clarkson Aerospace Corporation</i> | | Sub No. PVAM SI 08-S567-0011-02-C2 | | 9,715 | 9,715 |
| <i>Pass-Through from Columbia University</i> | | NNX08AF13G-001 / PO#569262 | | 24,679 | 24,679 |
| <i>Pass-Through from Electron Energy Corporation</i> | | No. N840118FMS | | (71) | (71) |
| <i>Pass-Through from Georgia State University</i> | | BLF57-02,AMD NO 9 | | 11,752 | 11,752 |
| <i>Pass-Through from Jacobs Esc Group</i> | | NCC 9-150 | | 316,030 | 316,030 |
| <i>Pass-Through from Jacobs Sverdrup</i> | | 503669 | | 17,255 | 17,255 |
| <i>Pass-Through from Jet Propulsion Laboratory</i> | | 1345684 | | 25,598 | 25,598 |
| <i>Pass-Through from Loma Linda University Medical Center</i> | | No. 07-0614 | | 19,401 | 19,401 |
| <i>Pass-Through from Lunar and Planetary Institute</i> | | NNA09DB33A | | 370 | 370 |
| <i>Pass-Through from National Institute of Aerospace</i> | | NCC1-02043 | | 28,113 | 28,113 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | NCCR-48-94 | | 26,403 | 26,403 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | CON18856 | | 13,845 | 13,845 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | NCC 9-58/NPFR00403 | | (6,370) | (6,370) |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | NCC9-58-203 | | 13,854 | 13,854 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | NCC95849 | 59,849 | 22,415 | 82,264 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | NPFR00403 | | (348) | (348) |
| <i>Pass-Through from Optimal Synthesis, Inc.</i> | | NNAOUBC55C PRIME-NASA | | 101,164 | 101,164 |
| <i>Pass-Through from Oregon State University</i> | | NNX08AT01G | | 1,698 | 1,698 |
| <i>Pass-Through from Physics, Materials and Applied Mathematics Research, LLC</i> | | No. 8016-01 | | 42,197 | 42,197 |
| <i>Pass-Through from Smithsonian Astrophysical Observatory</i> | | SV8-78015 | | 114,093 | 114,093 |
| <i>Pass-Through from Southwest Research Institute</i> | | 792006BT/2 | | 41,299 | 41,299 |
| <i>Pass-Through from Southwest Research Institute</i> | | 792019BT | | 34,013 | 34,013 |
| <i>Pass-Through from Southwest Research Institute</i> | | 890480BT | | 34,070 | 34,070 |
| <i>Pass-Through from Southwest Research Institute</i> | | 890496BT | | 22,099 | 22,099 |

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For the Year Ended August 31, 2009

| 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 |
|---|---------------|---|---|---------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Aeronautics and Space Administration (continued) | | | | | |
| <i>Pass-Through from Southwest Research Institute</i> | | A90485BT | | 22,128 | 22,128 |
| <i>Pass-Through from Space Telescope Science Institute</i> | | HST-GO-10610.01-A | | 4,945 | 4,945 |
| <i>Pass-Through from Teledyne Brown Engineering, Inc.</i> | | Task Order No. 00063111 | | 5,241 | 5,241 |
| <i>Pass-Through from The Boeing Company</i> | | Sub No. 1377974 | | 50,968 | 50,968 |
| <i>Pass-Through from United Negro College Fund Special Programs</i> | | NNA06CB14H | | 58,684 | 58,684 |
| <i>Pass-Through from Universities Space Research Association</i> | | NNJ06HG25A | | 210,406 | 210,406 |
| <i>Pass-Through from Universities Space Research Association</i> | | Sub No. 09940-020 | | 8,639 | 8,639 |
| <i>Pass-Through from Universities Space Research Association</i> | | 8500-98-008 / NAS2-97001 | | 61,703 | 61,703 |
| <i>Pass-Through from Wyle Laboratories</i> | | Task Order No. T71169 | | 19,160 | 19,160 |
| Total - CFDA 43.001 | | | 656,042 | 12,188,125 | 12,844,167 |
| Technology Transfer | 43.002 | | 291,813 | 5,922,137 | 6,213,950 |
| <i>Pass-Through from California Institute of Technology</i> | | 1288661 | | 17,221 | 17,221 |
| <i>Pass-Through from California Institute of Technology</i> | | 1288658 | | 33,489 | 33,489 |
| <i>Pass-Through from California Institute of Technology</i> | | 1288664 | | 64,542 | 64,542 |
| <i>Pass-Through from Colorado State University</i> | | NAG9-1569G19413 | | 119,220 | 119,220 |
| <i>Pass-Through from Engineering and Science Contract</i> | | UTEP003-05 | | 202,896 | 202,896 |
| <i>Pass-Through from Hamilton Sundstrand</i> | | 4763804 | | 26,441 | 26,441 |
| <i>Pass-Through from Houston Advanced Research Center</i> | | 20-52022-UT0507 | | 47,973 | 47,973 |
| <i>Pass-Through from Houston Advanced Research Center</i> | | NNJ06HI24A | 30,511 | 82,646 | 113,157 |
| <i>Pass-Through from Jacobs Technology, Inc.</i> | | HBCU-BOA-07 | | 2,708 | 2,708 |
| <i>Pass-Through from Johns Hopkins University</i> | | 948246 | | 74,868 | 74,868 |
| <i>Pass-Through from Lockheed Martin</i> | | 46030814 | | 285,377 | 285,377 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | NCC95849 | 252,682 | 199,005 | 451,687 |
| <i>Pass-Through from National Space Biomedical Research Institute</i> | | No. RE01302 | | 121,041 | 121,041 |
| <i>Pass-Through from Southwest Research Institute</i> | | 792007BT | | 39,696 | 39,696 |
| <i>Pass-Through from The Boeing Company</i> | | 8H09981 | | 540,209 | 540,209 |
| <i>Pass-Through from University of California - Davis</i> | | 08-002128-01 | | 9,773 | 9,773 |
| <i>Pass-Through from University of California - San Diego</i> | | 10294004 | | 14,989 | 14,989 |
| <i>Pass-Through from University of Colorado</i> | | 154-1571 | | 57,444 | 57,444 |
| <i>Pass-Through from University of Colorado</i> | | PO#00000054557 | | | |
| <i>Pass-Through from University of Colorado</i> | | 154-5057; SPO# 0000068973 | | 18,857 | 18,857 |
| <i>Pass-Through from University of Colorado</i> | | UCB 154-3897 | | 56,015 | 56,015 |
| Total - CFDA 43.002 | | | 575,006 | 7,936,547 | 8,511,553 |
| Total - National Aeronautics and Space Administration | | | 1,307,800 | 30,664,595 | 31,972,395 |
| Institute of Museum and Library Services | | | | | |
| Institute of Museum and Library Services | 45.XXX | | | | |
| <i>Pass-Through from Consortium for Ocean Leadership</i> | | SA 8-03 | | 9,758 | 9,758 |
| <i>Pass-Through from Humanities Texas</i> | | 2008-3587 | | 1,650 | 1,650 |
| <i>Pass-Through from Humanities Texas</i> | | 2008-3637 | | 719 | 719 |
| Total - CFDA 45.XXX | | | 0 | 12,127 | 12,127 |
| Promotion of the Humanities--Federal/State Partnership | 45.129 | | | | |
| <i>Pass-Through from Humanities Texas</i> | | 8000000715 | | 516 | 516 |
| <i>Pass-Through from Humanities Texas</i> | | SO5027808 | | 7,500 | 7,500 |
| Total - CFDA 45.129 | | | 0 | 8,016 | 8,016 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| Institute of Museum and Library Services (continued) | | | | | |
| Promotion of the Humanities--Division of Preservation and Access | 45.149 | | | 227,151 | 227,151 |
| <i>Pass-Through from George Mason University</i> | | E201233-1 | | 28,303 | 28,303 |
| Total - CFDA 45.149 | | | 0 | 255,454 | 255,454 |
| Promotion of the Humanities--Fellowships and Stipends | 45.160 | | | 76,428 | 76,428 |
| Promotion of the Humanities--Research | 45.161 | | | 103,355 | 103,355 |
| Promotion of the Humanities--Professional Development | 45.163 | | | 111,050 | 111,050 |
| Promotion of the Humanities--Office of Digital Humanities <i>Pass-Through from University of California - Irvine</i> | 45.169 | HD-50106-07 | | 12,716 | 12,716 |
| National Leadership Grants | 45.312 | | | 781,176 | 781,176 |
| Laura Bush 21st Century Librarian Program <i>Pass-Through from University of Maryland - College Park</i> | 45.313 | Z929601 | | 437,774 34,816 | 437,774 34,816 |
| Total - CFDA 45.313 | | | 0 | 472,590 | 472,590 |
| Total - Institute of Museum and Library Services | | | 0 | 1,832,912 | 1,832,912 |
| National Science Foundation | | | | | |
| National Science Foundation | 47.XXX | 7-MOR-1381 | | 1,894 | 1,894 |
| | | 918459 | | 3,751 | 3,751 |
| | | 922868 | | 15,611 | 15,611 |
| | | APR-7618485 | | 7,920 | 7,920 |
| | | AST-0617995 | | 143,319 | 143,319 |
| | | BCS-0226449 | | 19,724 | 19,724 |
| | | BCS-0749926 | | 110,213 | 110,213 |
| | | BES-0529340 | | 13,466 | 13,466 |
| | | CBET-0515425, AMEND 1 | | 1,074 | 1,074 |
| | | CCF-0448181 | | 21,570 | 21,570 |
| | | CCF-0514194 | | 59,793 | 59,793 |
| | | CMMI-0555851 | | 52,413 | 52,413 |
| | | CMMI-0827113 | | 160,481 | 160,481 |
| | | CNS-0509024 | | 79,321 | 79,321 |
| | | CNS-0509354, AMD 003 | | 52,757 | 52,757 |
| | | CNS-0519401 | | 30,557 | 30,557 |
| | | CNS-0520250, AMD 002 | | 854 | 854 |
| | | CNS-0540033 | | 113,621 | 113,621 |
| | | CNS-0540372 | | 39,709 | 39,709 |
| | | DMI-0522176 | | 112,658 | 112,658 |
| | | DMR-0404252, AMD 003 | | 6,385 | 6,385 |
| | | DMR-0551195 | 179,208 | 290,606 | 469,814 |
| | | DMS-0417431, AMD 1 | | 9,365 | 9,365 |
| | | DMS-0456118 | | 24,522 | 24,522 |
| | | DMS-0500747 | | 359 | 359 |
| | | DMS-0503753 | | 5,348 | 5,348 |
| | | DMS-0513394 | | 2,576 | 2,576 |
| | | EAR-0345864, AMD 005, NCE | 45,430 | 66,866 | 112,296 |
| | | EF-0331453 | | 46,858 | 46,858 |
| | | HRD-0523046 | | 274,019 | 274,019 |
| | | IIS-0325116 | | 2,248 | 2,248 |
| | | IIS-0531767 | | 299,541 | 299,541 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Science Foundation (continued) | | | | | |
| | | IIS-0534198 | | 92,440 | 92,440 |
| | | IOB-0517328 | | 47,858 | 47,858 |
| | | MCB-0237651 | | 1,886 | 1,886 |
| | | OCE-0526412 | | 80,665 | 80,665 |
| | | OCE-0542479 | | 300 | 300 |
| | | UNC-CH #5-37497 | | 17,912 | 17,912 |
| | | Milner | | | |
| <i>Pass-Through from Chiral Photonics</i> | | UTA07-547 | | 81 | 81 |
| <i>Pass-Through from Consortium for Ocean Leadership</i> | | 200901391 | | 25,908 | 25,908 |
| <i>Pass-Through from Consortium for Ocean Leadership</i> | | SA9-03 | | 28 | 28 |
| <i>Pass-Through from Consortium for Ocean Leadership</i> | | T308A59 | | 8,365 | 8,365 |
| <i>Pass-Through from Integrated Ocean Drilling Program</i> | | IODP-MI-09-03 | | 43,268 | 43,268 |
| <i>Pass-Through from Joint Oceanographic Institute, Inc.</i> | | T304A59 | | 1,707 | 1,707 |
| <i>Pass-Through from Joint Oceanographic Institute, Inc.</i> | | T310A59 | | 22,739 | 22,739 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | T312A59 | | 21,002 | 21,002 |
| <i>Pass-Through from Joint Oceanographic Institute, Inc.</i> | | T314A59 | | 16,368 | 16,368 |
| <i>Pass-Through from Joint Oceanographic Institute, Inc.</i> | | T316A59 | | 6,197 | 6,197 |
| <i>Pass-Through from Nees Consortium, Inc.</i> | | OMSA-2008-SSL-UTA | | 685,453 | 685,453 |
| <i>Pass-Through from Omega Optics</i> | | UTA08-012 | | 146,472 | 146,472 |
| <i>Pass-Through from Pinon Technologies</i> | | UTA08-102, AMD 1 | | 79,674 | 79,674 |
| <i>Pass-Through from Rice University</i> | | R3A59I | | 41,149 | 41,149 |
| <i>Pass-Through from Tennessee Technological University</i> | | 1 NSF# 0717654 01 | | 2,778 | 2,778 |
| <i>Pass-Through from University of Louisiana - Monroe</i> | | Award #347374 | | 19,880 | 19,880 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | 5-54660 | | 25,181 | 25,181 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | UNC-CH #5-37497 | | 462,783 | 462,783 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | UNC-CH #5-37497, AMD 9 | | 38,050 | 38,050 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | UNC-CH 5 37497 K. Sokolov | | 92,992 | 92,992 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | UNC-CH 5-37497 | | 121,882 | 121,882 |
| Total - CFDA 47.XXX | | | 224,638 | 4,172,417 | 4,397,055 |
| Engineering Grants | 47.041 | | 1,048,204 | 18,968,345 | 20,016,549 |
| <i>Pass-Through from Advanced Materials and Processes</i> | | 8000000784 | | 54,564 | 54,564 |
| <i>Pass-Through from Agile Mind, Inc.</i> | | AM08-050 | | 16,193 | 16,193 |
| <i>Pass-Through from Arizona State University</i> | | 07-806 | | 39,025 | 39,025 |
| <i>Pass-Through from Auburn University</i> | | 502905 | | 5,955 | 5,955 |
| <i>Pass-Through from Carnegie Mellon University</i> | | 1120855-18 | | 34,540 | 34,540 |
| <i>Pass-Through from Carnegie Mellon University</i> | | 1120855-186141 | | 86,182 | 86,182 |
| <i>Pass-Through from Carnegie Mellon University</i> | | 1121152-217800 | | 3,672 | 3,672 |
| <i>Pass-Through from Chiral Photonics</i> | | UTA09-000261 | | 45,182 | 45,182 |
| <i>Pass-Through from Colorado State University</i> | | Sub No. G-3371-1 | | 45,483 | 45,483 |
| <i>Pass-Through from Cornell University</i> | | 44771-7476 | | 742,019 | 742,019 |
| <i>Pass-Through from Cornell University</i> | | 52120-8459 | | 20,842 | 20,842 |
| <i>Pass-Through from E3 Alliance</i> | | 8000001045 | | 3,372 | 3,372 |
| <i>Pass-Through from Endometric, LLC</i> | | GN0001694 | | 46,704 | 46,704 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | CBET-0756567 | | 12,061 | 12,061 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | E-20-L05-G2 | | 108,373 | 108,373 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | No. 08-0353 | | 5,616 | 5,616 |
| <i>Pass-Through from Ironbridge Technologies</i> | | PRIME IIP 0839741 / 211347 B56240 200 | | 23,819 | 23,819 |
| <i>Pass-Through from Ironbridge Technologies</i> | | UTA09-000063 | | 15,224 | 15,224 |
| <i>Pass-Through from Jackson State University</i> | | #EEC-0634279 | | 7,959 | 7,959 |
| <i>Pass-Through from Jackson State University</i> | | EEC-0634279 | | 6,471 | 6,471 |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | 5710002218 | | 92,413 | 92,413 |
| <i>Pass-Through from Missouri University of Science and Technology</i> | | R0001733-02 | | 13,264 | 13,264 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|---------------|---|---|---------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Science Foundation (continued) | | | | | |
| <i>Pass-Through from Missouri University of Science and Technology</i> | | Sub No. 00017697-1 | | 18,414 | 18,414 |
| <i>Pass-Through from Nanogreen Solutions Corporation</i> | | 810026 | | 19,657 | 19,657 |
| <i>Pass-Through from Nees Consortium, Inc.</i> | | OMSA-2007-SSL-UTA AMD 11 | | 141,637 | 141,637 |
| <i>Pass-Through from North Carolina State University</i> | | 2006-0651-01 | | 2,178 | 2,178 |
| <i>Pass-Through from Omega Optics</i> | | UTA07-972 | | 50,000 | 50,000 |
| <i>Pass-Through from Oregon State University</i> | | CMMI-0830378 | | 13,271 | 13,271 |
| <i>Pass-Through from Princeton University</i> | | Sub No. 00001217 | | 271,001 | 271,001 |
| <i>Pass-Through from Purdue University</i> | | 0802265-CMMI | | 84,879 | 84,879 |
| <i>Pass-Through from Purdue University</i> | | 4101-19562 | | 49,247 | 49,247 |
| <i>Pass-Through from Purdue University</i> | | 4101-19919 | | 49,149 | 49,149 |
| <i>Pass-Through from Purdue University</i> | | 4101-27905 | | 51,776 | 51,776 |
| <i>Pass-Through from Rutgers University</i> | | 8000000790 | | 3,906 | 3,906 |
| <i>Pass-Through from Thies Technology</i> | | No. 08-0616 | | 142,657 | 142,657 |
| <i>Pass-Through from University of California - Berkeley</i> | | SA4514- 10252PG,PO954107, OR04 | | 24,111 | 24,111 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | Sub No. 98-269 | | 18,402 | 18,402 |
| <i>Pass-Through from University of Maryland</i> | | Z460801, MOD C CTS- 0506988 | | 84,455 | 84,455 |
| <i>Pass-Through from University of Massachusetts - Amherst</i> | | 07-004000 A 00 | | 57,652 | 57,652 |
| <i>Pass-Through from University of Massachusetts - Amherst</i> | | Sub No. 04-002498A00 | | 281,760 | 281,760 |
| <i>Pass-Through from University of Missouri - Columbia</i> | | C00011524-1 | | 63,962 | 63,962 |
| <i>Pass-Through from University of South Carolina</i> | | 06-1239 15540 FA59_PO#552218 | | 12,166 | 12,166 |
| <i>Pass-Through from University of South Carolina</i> | | 51769 | | (100) | (100) |
| <i>Pass-Through from Vanderbilt University</i> | | 14656-S1/EEC-9876363 | | 43 | 43 |
| <i>Pass-Through from Virginia Tech University</i> | | CR-19433-477685 | | 90,034 | 90,034 |
| <i>Pass-Through from Worcester Polytechnic Institute</i> | | 2009-202070-1 | | 2,475 | 2,475 |
| Total - CFDA 47.041 | | | 1,048,204 | 21,930,010 | 22,978,214 |
| Mathematical and Physical Sciences | 47.049 | | 467,763 | 19,209,206 | 19,676,969 |
| <i>Pass-Through from Brigham Young University</i> | | B040 | | (1,063) | (1,063) |
| <i>Pass-Through from California Institute of Technology</i> | | No. 68-1074604 | | 65,749 | 65,749 |
| <i>Pass-Through from Case Western Reserve University</i> | | UTA06-623, MOD #002 | | 550,705 | 550,705 |
| <i>Pass-Through from Columbia University</i> | | PHY-0301292 PO551746 | 51,686 | 219,260 | 270,946 |
| <i>Pass-Through from George Mason University</i> | | E2015681 / 211318 B53208 200 | | 25,762 | 25,762 |
| <i>Pass-Through from Harris County</i> | | B670 | | 26,149 | 26,149 |
| <i>Pass-Through from Harvard University</i> | | No. 133485-01 | | 54,972 | 54,972 |
| <i>Pass-Through from Mathematical Association of America</i> | | B440 | | 2,500 | 2,500 |
| <i>Pass-Through from New York University</i> | | 200901395 | | 12,080 | 12,080 |
| <i>Pass-Through from Ohio State University Research Foundation</i> | | RF01096100 | | 29,908 | 29,908 |
| <i>Pass-Through from Princeton University</i> | | 1591 | | 59,999 | 59,999 |
| <i>Pass-Through from Southwest Research Institute</i> | | 8000000116 | | 2,265 | 2,265 |
| <i>Pass-Through from Texas Wesleyan University</i> | | FRS520159 | | 2,775 | 2,775 |
| <i>Pass-Through from University of California - Davis</i> | | 002865 | | 24,730 | 24,730 |
| <i>Pass-Through from University of California - Santa Barbara</i> | | AST9876783 | | 25,947 | 25,947 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 2007-01127-01 | | 93,388 | 93,388 |
| <i>Pass-Through from University of Maryland</i> | | Z484801 | | 22,021 | 22,021 |
| <i>Pass-Through from University of Michigan</i> | | F005739 | | 272,198 | 272,198 |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Science Foundation (continued) | | | | | |
| <i>Pass-Through from University of Notre Dame</i> | | 211358 B53307 200 | | 8,571 | 8,571 |
| <i>Pass-Through from University of Notre Dame</i> | | PHY-0715396 GCS#08-353 | | 3,699 | 3,699 |
| <i>Pass-Through from University of Richmond</i> | | B230 | | 120,585 | 120,585 |
| <i>Pass-Through from University of Tennessee</i> | | CHE0304807 | | 1,388 | 1,388 |
| <i>Pass-Through from University of Washington</i> | | NO. 429499 | | 70,757 | 70,757 |
| Total - CFDA 47.049 | | | 519,449 | 20,903,551 | 21,423,000 |
| Geosciences | 47.050 | | 870,476 | 7,905,002 | 8,775,478 |
| <i>Pass-Through from Boston University</i> | | Prime ATM-0120950 SUB GC | | 190,248 | 190,248 |
| <i>Pass-Through from Carnegie Mellon University</i> | | 1120475-179095 | | 30 | 30 |
| <i>Pass-Through from Columbia University</i> | | 5-24452 | | 40,480 | 40,480 |
| <i>Pass-Through from Cornell University</i> | | 53031-8362 | | 184,806 | 184,806 |
| <i>Pass-Through from Incorporated Research Institutions for Seismology</i> | | 04-PAS | | 188,136 | 188,136 |
| <i>Pass-Through from Incorporated Research Institutions for Seismology</i> | | 480-14 | | 3,020 | 3,020 |
| <i>Pass-Through from Incorporated Research Institutions for Seismology</i> | | SUB48013 / 211270 B53347 200 | | 19,426 | 19,426 |
| <i>Pass-Through from Joint Oceanographic Institutions</i> | | JSAF703 | | 6,400 | 6,400 |
| <i>Pass-Through from Northwestern University</i> | | PROJ0000043 | | 13,804 | 13,804 |
| <i>Pass-Through from Ocean Leadership</i> | | JSFA7-05 | | 2,307 | 2,307 |
| <i>Pass-Through from Southeastern Universities Research Association</i> | | 2006-103 | | 7,596 | 7,596 |
| <i>Pass-Through from Southwest Research Institute</i> | | 792010BT/2/3 | | 36,767 | 36,767 |
| <i>Pass-Through from Southwest Research Institute</i> | | 792011BT/1 | | 33,521 | 33,521 |
| <i>Pass-Through from Stanford University</i> | | 12982340-30242-C | | 4,474 | 4,474 |
| <i>Pass-Through from Unavco, Inc.</i> | | EAR-0350028-18 | | 4,881 | 4,881 |
| <i>Pass-Through from University of Arizona</i> | | Y482945 | | 79,898 | 79,898 |
| <i>Pass-Through from University of Georgia</i> | | OCE0620959 | | 82,688 | 82,688 |
| <i>Pass-Through from University of Kentucky</i> | | EAR-0754153 | | 4,129 | 4,129 |
| <i>Pass-Through from University of Minnesota</i> | | T5366216013 | | 98,316 | 98,316 |
| <i>Pass-Through from University of Nebraska - Kearney</i> | | 2008 06 073 / 211304 B53433 200 | | 16,779 | 16,779 |
| <i>Pass-Through from University of New Hampshire</i> | | EEC-0119825 | | 196 | 196 |
| <i>Pass-Through from University of Oklahoma</i> | | 2007-34 | | 8,199 | 8,199 |
| <i>Pass-Through from University of Southern California</i> | | 127048 | | 12,334 | 12,334 |
| <i>Pass-Through from Utah State University</i> | | 7047301 | | 9,780 | 9,780 |
| <i>Pass-Through from Woods Hole Oceanographic Institute</i> | | A100466 | | 16,373 | 16,373 |
| <i>Pass-Through from Woods Hole Oceanographic Institute</i> | | A100467,MOD.1 | | 28,526 | 28,526 |
| Total - CFDA 47.050 | | | 870,476 | 8,998,116 | 9,868,592 |
| Computer and Information Science and Engineering | 47.070 | | 693,841 | 20,171,385 | 20,865,226 |
| <i>Pass-Through from BBN Technology Corporation</i> | | CNS-0714770 | | 23,489 | 23,489 |
| <i>Pass-Through from Boston University</i> | | IIS- 0705749_GC200686Ng | | 90,374 | 90,374 |
| <i>Pass-Through from Brigham Young University</i> | | 06-0154 | | 57,849 | 57,849 |
| <i>Pass-Through from Northeastern University</i> | | 501736 | | 90,493 | 90,493 |
| <i>Pass-Through from Rice University</i> | | R3A595 | | 17,303 | 17,303 |
| <i>Pass-Through from Rice University</i> | | R3A595 AMD NO. R3A59G, MOD4 | | 6,000 | 6,000 |
| <i>Pass-Through from University of Arizona</i> | | Sub No. Y482906 | | 19,620 | 19,620 |
| <i>Pass-Through from University of Chicago</i> | | 30085-L | | 2,170,149 | 2,170,149 |
| <i>Pass-Through from University of Chicago</i> | | 30085-V | | 34,625 | 34,625 |
| <i>Pass-Through from University of Colorado</i> | | 154-5189 | | 64,935 | 64,935 |

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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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Science Foundation (continued) | | | | | |
| <i>Pass-Through from University of Missouri</i> | | 8000000823 | | (941) | (941) |
| Total - CFDA 47.070 | | | 693,841 | 22,745,281 | 23,439,122 |
| Biological Sciences | 47.074 | | 709,172 | 9,562,377 | 10,271,549 |
| <i>Pass-Through from Biotex, Inc.</i> | | 1R41ES016478-01 | | 2,602 | 2,602 |
| <i>Pass-Through from Biotex, Inc.</i> | | IIP-0738336 | | 15,147 | 15,147 |
| <i>Pass-Through from CH2M Hill Polar Services</i> | | 810386 | | 103,950 | 103,950 |
| <i>Pass-Through from Field Museum of Natural History</i> | | 50100-1 AMD. 1 | | 5,534 | 5,534 |
| <i>Pass-Through from Institute of Ecosystem Studies</i> | | 2911/200589 / 211166 B53039 200 | | 6,813 | 6,813 |
| <i>Pass-Through from Lowell Observatory</i> | | B150 | | 34,152 | 34,152 |
| <i>Pass-Through from Lumina Foundation for Education</i> | | IBN-0418653 | | 7,086 | 7,086 |
| <i>Pass-Through from Miami University Ohio</i> | | DEB-0210972 03 | | (347) | (347) |
| <i>Pass-Through from Mississippi State University</i> | | 503009 | | 38,223 | 38,223 |
| <i>Pass-Through from Penn State University</i> | | 3897-UTA-NSF-2373 | | 19,084 | 19,084 |
| <i>Pass-Through from Portland State University</i> | | 207RUE038 / 211148 B53059 200 | | 2,690 | 2,690 |
| <i>Pass-Through from Purdue University</i> | | 503651 | | 157,292 | 157,292 |
| <i>Pass-Through from Purdue University</i> | | 503862 | | 3,073 | 3,073 |
| <i>Pass-Through from University of California - Davis</i> | | 07-001597-UTA | | 390,771 | 390,771 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 0518-G-KB563 | | 95,292 | 95,292 |
| <i>Pass-Through from University of California - Riverside</i> | | S-0000335 | | 94,684 | 94,684 |
| <i>Pass-Through from University of Iowa</i> | | 4000524452 / 211117 B53314 200 | | 44,595 | 44,595 |
| <i>Pass-Through from University of Maryland</i> | | DEB-0638813 | | 63,599 | 63,599 |
| <i>Pass-Through from University of Missouri - St. Louis</i> | | MCB-0455318 | | 9,675 | 9,675 |
| <i>Pass-Through from Wake Forest University</i> | | 503756 | | 5,102 | 5,102 |
| <i>Pass-Through from Washington University</i> | | DBI-0743691 | | 97,799 | 97,799 |
| <i>Pass-Through from Washington University</i> | | WU HT 08 02 / 211225 B53354 200 | | 30,666 | 30,666 |
| Total - CFDA 47.074 | | | 709,172 | 10,789,859 | 11,499,031 |
| Social, Behavioral, and Economic Sciences | 47.075 | | 672,245 | 4,454,054 | 5,126,299 |
| <i>Pass-Through from Civilian Research and Development Foundation</i> | | GEP2-3340-TB-06 | | 8,975 | 8,975 |
| <i>Pass-Through from Columbia University</i> | | SES-07-29253, NO 1 | | 26,237 | 26,237 |
| <i>Pass-Through from National Bureau of Economic Research</i> | | SES-0617816 | | 4,060 | 4,060 |
| <i>Pass-Through from North Carolina A&T State University</i> | | 260119B / 211329 B53366 200 | | 20,594 | 20,594 |
| <i>Pass-Through from North Carolina A&T State University</i> | | 260119B / 211330 B53449 200 | | 7,343 | 7,343 |
| <i>Pass-Through from University of Arizona</i> | | Y502734/BCS-0820270 | | 3,600 | 3,600 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 2008-00793-01-00 | | 11,307 | 11,307 |
| <i>Pass-Through from University of Washington</i> | | 346723 | | 45,123 | 45,123 |
| <i>Pass-Through from Yale University</i> | | C09D10191 | | 87,977 | 87,977 |
| Total - CFDA 47.075 | | | 672,245 | 4,669,270 | 5,341,515 |
| Education and Human Resources | 47.076 | | 389,952 | 23,523,301 | 23,913,253 |
| <i>Pass-Through from Association of American Geographers</i> | | 8000000785 | | 18,624 | 18,624 |
| <i>Pass-Through from Botanical Society of America</i> | | 01-TX-0733280 | | 112,861 | 112,861 |
| <i>Pass-Through from Botanical Society of America</i> | | 01-TX-0737669 | | 127,822 | 127,822 |
| <i>Pass-Through from City College of New York</i> | | 40652-00 01 A | | 36,232 | 36,232 |
| <i>Pass-Through from Howard University</i> | | 634143-H002615 | | 23,918 | 23,918 |
| <i>Pass-Through from New Mexico State University</i> | | Q00939 / 211111 B53049 200 | | 2,908 | 2,908 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|----------------|----------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| National Science Foundation (continued) | | | | | |
| <i>Pass-Through from New Mexico State University</i> | | Sub No. Q012141 | | 2,906 | 2,906 |
| <i>Pass-Through from Northwestern University</i> | | PROJ0000735 | | 18,503 | 18,503 |
| <i>Pass-Through from SRI International</i> | | 11-000114 | | 1,192 | 1,192 |
| <i>Pass-Through from SRI International</i> | | 11-000115; NON- COMP CONT. | | 82,004 | 82,004 |
| <i>Pass-Through from SRI International</i> | | 66-000144 | | 8,764 | 8,764 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | DRL-0353440 | | 136,948 | 136,948 |
| <i>Pass-Through from University of Colorado - Boulder</i> | | DUE 0832874 | | 40,216 | 40,216 |
| <i>Pass-Through from University of Virginia</i> | | GA10647-128468 | | 12,292 | 12,292 |
| <i>Pass-Through from Wright State University</i> | | DUE-0817332 | | 68,427 | 68,427 |
| Total - CFDA 47.076 | | | 389,952 | 24,216,918 | 24,606,870 |
| Polar Programs | 47.078 | | 47,457 | 1,486,048 | 1,533,505 |
| <i>Pass-Through from Marine Biological Lab</i> | | 28457 INCREMENT; AMD 2 | | 8,650 | 8,650 |
| <i>Pass-Through from Michigan State University</i> | | 61-248OUT | | 173,804 | 173,804 |
| <i>Pass-Through from San Diego State University Foundation</i> | | 53702AP152 | | 42,287 | 42,287 |
| Total - CFDA 47.078 | | | 47,457 | 1,710,789 | 1,758,246 |
| International Science and Engineering (OISE) | 47.079 | | 223,431 | 454,233 | 677,664 |
| <i>Pass-Through from Rensselaer Polytechnic Institute</i> | | B10537 | | 56,218 | 56,218 |
| <i>Pass-Through from US Civilian Research and Development</i> | | RUB1-2932-SR-08 | | 2,585 | 2,585 |
| Total - CFDA 47.079 | | | 223,431 | 513,036 | 736,467 |
| Office of Cyberinfrastructure | 47.080 | | 2,866,613 | 4,325,832 | 7,192,445 |
| <i>Pass-Through from Indiana University</i> | | PO#344546 48-124-31, 84830 OCI-0721656 | | 110,255 | 110,255 |
| <i>Pass-Through from University of Chicago</i> | | 37130-A | | 301,324 | 301,324 |
| <i>Pass-Through from University of Delaware</i> | | 15797 | | 53,012 | 53,012 |
| <i>Pass-Through from University of Virgin Islands</i> | | EPS-0814417 | | 64,391 | 64,391 |
| Total - CFDA 47.080 | | | 2,866,613 | 4,854,814 | 7,721,427 |
| ARRA - Trans-NSF Recovery Act Research Support | 47.082 | | | 699,456 | 699,456 |
| Total - National Science Foundation | | | 8,265,478 | 126,203,517 | 134,468,995 |
| Securities and Exchange Commission | | | | | |
| Securities--Investigation of Complaints and SEC Information | 58.001 | | | 268,412 | 268,412 |
| Total - Securities and Exchange Commission | | | 0 | 268,412 | 268,412 |
| Small Business Administration | | | | | |
| Small Business Administration | 59.XXX | SBAHQ-08-I-0079 | | 89,109 | 89,109 |
| Small Business Development Centers | 59.037 | | | 79,662 | 79,662 |
| <i>Pass-Through from Dallas County Community College</i> | | CONTR NO.900975_VA549- P0027-CM0800435 | | 79,662 | 79,662 |
| Total - Small Business Administration | | | 0 | 168,771 | 168,771 |
| U.S. Department of Veterans Affairs | | | | | |
| U.S. Department of Veterans Affairs | 64.XXX | 1018 549-D085029 CMO 800435 Robert | | 270 153,421 | 270 153,421 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|--------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Veterans Affairs (continued) | | | | | |
| | | ABBOUD/IPAA/ GONZALEZ | | 7,987 | 7,987 |
| | | ABBOUD/IPAA/PERE Z-PR | | 23,194 | 23,194 |
| | | AHUJA/IPAA/ALUYEN | | 16,138 | 16,138 |
| | | AHUJA/IPAA/CASTI BLAN | | 30,077 | 30,077 |
| | | AHUJA/IPAA/GAITA N-MO | | 19,006 | 19,006 |
| | | AHUJA/IPAA/GORN ALUSS | | 26,270 | 26,270 |
| | | AHUJA/IPAA/GRIFFIN | | 16,152 | 16,152 |
| | | AHUJA/IPAA/LIPSIT | | 16,154 | 16,154 |
| | | AHUJA/IPAA/MARTINEZ | | 3,271 | 3,271 |
| | | AHUJA/IPAA/MENG | | 24,427 | 24,427 |
| | | AHUJA/IPAA/SEXTON | | 12,748 | 12,748 |
| | | AHUJA/IPAA/VALERA | | 26,533 | 26,533 |
| | | AHUJA/VA/IPAA/ MAMTAN | | 21,627 | 21,627 |
| | | BAMC IPAA POTTER | | 13,790 | 13,790 |
| | | BAMC MINTZ | | 38,740 | 38,740 |
| | | BARNES/IPAA/BONDI | | (46) | (46) |
| | | BARNES/IPAA/SPRIN GER | | 18,534 | 18,534 |
| | | BASLER/IPAA/HENS LEY | | 43,552 | 43,552 |
| | | BASLER/IPAA\ VONMERVE | | (45) | (45) |
| | | BLOCK/IPAA/FRIDRI CHS | | 9,608 | 9,608 |
| | | BOLDT/IPAA/ ALCANTARA | | 30,979 | 30,979 |
| | | CAVAZOS/IPAA/CR OSS | | 34,650 | 34,650 |
| | | CHANDRASEKAR/ IPAA/VE | | 15,180 | 15,180 |
| | | CHATTERJEE/IPAA/AHN | | 27,011 | 27,011 |
| | | CHATTERJEE/IPAA/ KIM | | 11,737 | 11,737 |
| | | CHATTERJEE/IPAA/ PATE | | 15,964 | 15,964 |
| | | CHAUDHURI/IPAA/ LEONA | | 36,914 | 36,914 |
| | | CLARK/IPAA/IMAM | | 33,339 | 33,339 |
| | | DEFRONZO/IPAA/ KINCAD | | 82,721 | 82,721 |
| | | DEFRONZO/IPAA/KING | | 76,789 | 76,789 |
| | | FELDMAN/IPAA/ JENKINS | | 31,732 | 31,732 |
| | | FELDMAN/IPAA/ TREVINO | | (370) | (370) |
| | | FERNANDEZ/IPAA/WEY | | 23,568 | 23,568 |
| | | FOX/IPAA/ACHESON | | 11,400 | 11,400 |
| | | FOX/IPAA/FRANKLIN | | 12,136 | 12,136 |
| | | FOX/IPAA/GLAHN | | 1,089 | 1,089 |
| | | FOX/IPAA/LANCASTER | | 12,342 | 12,342 |
| | | FOX/IPAA/NARAYANA | | 3,722 | 3,722 |
| | | FOX/IPAA/ZHANG | | 24,411 | 24,411 |
| | | FRAZER/IPAA/ BENMANSO | | 42,522 | 42,522 |
| | | FRAZER/IPAA/WEAVER | | 10,022 | 10,022 |
| | | FREEMAN/IPAA/CA | | 28,126 | 28,126 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|---------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Veterans Affairs (continued) | | | | | |
| | | FREEMAN/IPAA/ZHAO | | 57,725 | 57,725 |
| | | FREYTES/IPAA/RAMIREZ | | 39,869 | 39,869 |
| | | GHOSH- CHOU/IPAA/DAS | | 11,725 | 11,725 |
| | | GHOSH-CHOUD/IPAA/DAS | | 21,207 | 21,207 |
| | | GHOSHCHOU-IPAA- STCLA | | (385) | (385) |
| | | HABIB/IPAA/ VELAGAPUD | | 37,443 | 37,443 |
| | | JENKINSON/IPAA/FOURC | | 9,775 | 9,775 |
| | | JENKINSON/IPAA/HANSI | | 20,574 | 20,574 |
| | | KAMAT/IPAA/SHU | | 31,085 | 31,085 |
| | | KASINATH/IPAA/ MARIAP | | 23,145 | 23,145 |
| | | KASINATH/IPAA/ NATARA | | 16,743 | 16,743 |
| | | KASINATH/IPAA/ SATARA | | 15,406 | 15,406 |
| | | KATZ/IPAA/ZHANG | | (8,484) | (8,484) |
| | | LI/IPAA/CHANDU | | 42,803 | 42,803 |
| | | LI/IPAA/HAN | | 17,013 | 17,013 |
| | | MARCINIAK/IPAA/ CHAVE | | 61,694 | 61,694 |
| | | MARCINIAK/IPAA/ SIDDI | | 64,855 | 64,855 |
| | | MELBY/IPAA/ZHANG | | 10,433 | 10,433 |
| | | MUMMIDI/BONELLO/ IPAA | | 28,587 | 28,587 |
| | | RAN/IPAA/CHEN | | 46,852 | 46,852 |
| | | RAN/IPAA/GU | | 41,162 | 41,162 |
| | | RAN/IPAA/NA | | 23,739 | 23,739 |
| | | SANCHEZ/IPAA/GARZA | | 8,323 | 8,323 |
| | | SAUNDERS/IPAA/GILES | | 9,493 | 9,493 |
| | | SAUNDERS/IPAA/ WRIGHT | | 37,342 | 37,342 |
| | | SCHWACHA/USAISR | | 35,769 | 35,769 |
| | | SHIREMAN/IPAA/LI | | 24,059 | 24,059 |
| | | SHIREMAN/IPAA/ PORTER | | 30,183 | 30,183 |
| | | SHIREMAN/IPAA/ WETZEL | | (459) | (459) |
| | | SHIREMAN/IPAA/ WILLHI | | (1,577) | (1,577) |
| | | SREERAMOJU/IPAA/ ZHAN | | (3,707) | (3,707) |
| | | STRONG/IPAA/ KADAPAKK | | 65,699 | 65,699 |
| | | STRONG/IPAA/PIEKE-DA | | 9,225 | 9,225 |
| | | STRONG/IPAA/SOTO-PIN | | 14,468 | 14,468 |
| | | STRONG/IPAA/WANG | | 51,363 | 51,363 |
| | | VA-257-09-RP-0070 | | 199,508 | 199,508 |
| | | VA257-P-0159/674- C80271/674-08-2- 3150037 | | 29,908 | 29,908 |
| | | VA260-P-0118/WALSH | | 94,352 | 94,352 |

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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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Veterans Affairs (continued) | | | | | |
| | | VA-260P0145, 663- D96029 | | 50,680 | 50,680 |
| | | VA549P0027 | 1,813,204 | 12,882,010 | 14,695,214 |
| | | VAN REMMEN/ IPAA/JANG | | 14,066 | 14,066 |
| | | VANREMMEN/IPAA/ JERNI | | 10,135 | 10,135 |
| | | VANREMMEN/IPAA/ LIU | | 58,924 | 58,924 |
| | | VANREMMEN/IPAA/ SHI | | 19,911 | 19,911 |
| | | WALTER/IPAA/ HERZIG | | 60,592 | 60,592 |
| | | WALTER/IPAA/ HILDRETH | | 34,782 | 34,782 |
| | | WALTER/IPAA/PEREZ | | (3,817) | (3,817) |
| | | WEINER/IPAA/CAST ANED | | 2,854 | 2,854 |
| | | WEINER/IPAA/DURAN | | 21,222 | 21,222 |
| | | WEINER/IPAA/URIBE | | 21,550 | 21,550 |
| | | WEINER/IPAA/WING | | 69,510 | 69,510 |
| | | WERNER/IPAA/HORN | | 58,382 | 58,382 |
| | | WERNER/IPAA/LI | | 29,319 | 29,319 |
| | | YEH/IPAA/DANG | | 3,018 | 3,018 |
| <i>Pass-Through from South Texas Veterans Health Care</i> | | PO#671- D95610D85666,D75723, D75671 | | 21,705 | 21,705 |
| Total - CFDA 64.XXX | | | 1,813,204 | 15,659,150 | 17,472,354 |
| Veterans Medical Care Benefits | 64.009 | | | 96,976 | 96,976 |
| Sharing Specialized Medical Resources | 64.018 | | | 40,394 | 40,394 |
| Veterans Home Based Primary Care | 64.022 | | | 3,327 | 3,327 |
| Veterans Information and Assistance | 64.115 | | | 24,071 | 24,071 |
| Total - U.S. Department of Veterans Affairs | | | 1,813,204 | 15,823,918 | 17,637,122 |
| Environmental Protection Agency | | | | | |
| Environmental Protection Agency | 66.XXX | 503440 | | 25,977 | 25,977 |
| | | 503794 | | 29,633 | 29,633 |
| | | U-914793-01 | | 65 | 65 |
| <i>Pass-Through from Border Environmental Cooperation</i> | | TAA08-042 | | 21,385 | 21,385 |
| <i>Pass-Through from Eastern Research Group, Inc.</i> | | PEMS-080/10 | | 2,947 | 2,947 |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | 5710002389 | | 24,991 | 24,991 |
| Total - CFDA 66.XXX | | | 0 | 104,998 | 104,998 |
| Air Pollution Control Program Support | 66.001 | | | | |
| <i>Pass-Through from City of El Paso</i> | | 39618V2 | | 3,165 | 3,165 |
| <i>Pass-Through from Mantech Environmental Technology</i> | | 68-D-00-206 | | 2,650 | 2,650 |
| <i>Pass-Through from Research Triangle Institute</i> | | 3-70U-7505 | | 207 | 207 |
| Total - CFDA 66.001 | | | 0 | 6,022 | 6,022 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | | | 9,658 | 9,658 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| Environmental Protection Agency (continued) | | | | | |
| <i>Pass-Through from Arizona State University</i> | | 05-594 | | 21,173 | 21,173 |
| <i>Pass-Through from Purdue University</i> | | 503593 | | 113,712 | 113,712 |
| <i>Pass-Through from Zapata County</i> | | XA966127010 | | 1,685 | 1,685 |
| Total - CFDA 66.034 | | | 0 | 146,228 | 146,228 |
| National Clean Diesel Funding Assistance Program | 66.039 | | | 42,284 | 42,284 |
| Congressionally Mandated Projects | 66.202 | | 357,431 | 380,151 | 737,582 |
| <i>Pass-Through from San Diego State University Foundation</i> | | 55573A-780 | | 76,660 | 76,660 |
| Total - CFDA 66.202 | | | 357,431 | 456,811 | 814,242 |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | | | 440,769 | 440,769 |
| National Estuary Program | 66.456 | | | 63,460 | 63,460 |
| <i>Pass-Through from Coastal Bend Bays and Estuaries Program</i> | | 608190 | | 67,524 | 67,524 |
| Total - CFDA 66.456 | | | 0 | 130,984 | 130,984 |
| Nonpoint Source Implementation Grants | 66.460 | | 11,767 | 2,093,182 | 2,104,949 |
| <i>Pass-Through from Brazos River Authority</i> | | 503358 | | 9,907 | 9,907 |
| Total - CFDA 66.460 | | | 11,767 | 2,103,089 | 2,114,856 |
| Regional Wetland Program Development Grants | 66.461 | | 17,753 | 127,121 | 144,874 |
| Water Quality Cooperative Agreements | 66.463 | | | 147,325 | 147,325 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | | 403,489 | 319,821 | 723,310 |
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | | | 241,049 | 241,049 |
| Gulf of Mexico Program | 66.475 | | | 120,805 | 120,805 |
| <i>Pass-Through from University of South Florida</i> | | 608140 | | 14,732 | 14,732 |
| Total - CFDA 66.475 | | | 0 | 135,537 | 135,537 |
| Wetland Program Grants - State/Tribal Environmental Outcome Wetland Demonstration Program | 66.479 | | | | |
| <i>Pass-Through from Baylor University</i> | | 032-75DD | | 29,597 | 29,597 |
| Assessment and Watershed Protection Program Grants | 66.480 | | 9,173 | 32,466 | 41,639 |
| Science To Achieve Results (STAR) Research Program | 66.509 | | 96,744 | 437,509 | 534,253 |
| <i>Pass-Through from Clemson University</i> | | 1289-7558-218-200715 | | 14,207 | 14,207 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | D5774-G1 | | 19,030 | 19,030 |
| <i>Pass-Through from Harvard University</i> | | RD83337001 | | 58,996 | 58,996 |
| <i>Pass-Through from Southern Illinois University - Edwardsville</i> | | 6 21738 / 211149 | | 2,386 | 2,386 |
| <i>Pass-Through from University of Southern Mississippi</i> | | B00066 200 | | | |
| | | USM-GR01079-B10 / | | (18) | (18) |
| | | R-82945801-0 | | | |
| <i>Pass-Through from University of Washington</i> | | 928377 | | 2,651 | 2,651 |
| <i>Pass-Through from Wright State University</i> | | RD83221301-0 | | 30,795 | 30,795 |
| Total - CFDA 66.509 | | | 96,744 | 565,556 | 662,300 |
| Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development | 66.510 | | 48,296 | 140,456 | 188,752 |
| <i>Pass-Through from Great Lakes Environmental Center</i> | | 8000000739 | | 255 | 255 |
| Total - CFDA 66.510 | | | 48,296 | 140,711 | 189,007 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| Environmental Protection Agency (continued) | | | | | |
| Office of Research and Development Consolidated Research/Training/Fellowships | 66.511 | | 78,257 | 66,276 | 144,533 |
| <i>Pass-Through from Heaf Effects Institute</i> | | No. 4764-FRA06-3/07-5 | | 83,308 | 83,308 |
| <i>Pass-Through from Water Environment Research</i> | | 503646 | | 60,615 | 60,615 |
| <i>Pass-Through from Water Environment Research</i> | | 570422 | | 34,007 | 34,007 |
| Total - CFDA 66.511 | | | 78,257 | 244,206 | 322,463 |
| Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects | 66.512 | | | | |
| <i>Pass-Through from Ohio State University Research Foundation</i> | | 60004377 | | 4,380 | 4,380 |
| Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study | 66.513 | | | 22,044 | 22,044 |
| Science To Achieve Results (STAR) Fellowship Program | 66.514 | | | 230 | 230 |
| P3 Award: National Student Design Competition for Sustainability | 66.516 | | | 10,000 | 10,000 |
| Environmental Protection Consolidated Grants for the Insular Areas - Program Support | 66.600 | | | 23,411 | 23,411 |
| Performance Partnership Grants | 66.605 | | | 251,653 | 251,653 |
| Surveys, Studies, and Investigations and Special Purpose Grants | 66.606 | | 21,060 | 28,131 | 49,191 |
| <i>Pass-Through from Mickey Leland National Air Toxics Research Center</i> | | R83234601 | | 228,615 | 228,615 |
| Total - CFDA 66.606 | | | 21,060 | 256,746 | 277,806 |
| Training and Fellowships for the Environmental Protection Agency | 66.607 | | | 4,069 | 4,069 |
| Pollution Prevention Grants Program | 66.708 | | | 190,099 | 190,099 |
| Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies | 66.716 | | | 47,143 | 47,143 |
| National Community-Based Lead Outreach and Training Grant Program | 66.718 | | | 52,420 | 52,420 |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | | | 6,456 | 6,456 |
| International Financial Assistance Projects Sponsored by the Office of International Affairs | 66.931 | | 16,211 | 28,415 | 44,626 |
| Environmental Education Grants | 66.951 | | | 15,852 | 15,852 |
| Total - Environmental Protection Agency | | | 1,060,181 | 6,327,492 | 7,387,673 |
| Nuclear Regulatory Commission | | | | | |
| Nuclear Regulatory Commission | 77.XXX | NRC-04-07-122M002: REQ#RES-07-122; N6546 | | 38,394 | 38,394 |
| | | NRC-27-07 | | 165,262 | 165,262 |
| | | NRC-DR-03-08- 083/NRC-03-08-083 | | 41,797 | 41,797 |
| | | RQASL09306 | | 138,829 | 138,829 |
| Total - CFDA 77.XXX | | | 0 | 384,282 | 384,282 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| Nuclear Regulatory Commission (continued) | | | | | |
| U. S. Nuclear Regulatory Commission Nuclear Education Grant Program | 77.006 | | 17,823 | 148,462 | 166,285 |
| <i>Pass-Through from Oregon State University</i> | | Sub No. XD105A-B | | 169,502 | 169,502 |
| <i>Pass-Through from University of Tennessee - Knoxville</i> | | No. OR11841-001.01 | | 65,447 | 65,447 |
| Total - CFDA 77.006 | | | 17,823 | 383,411 | 401,234 |
| U.S. Nuclear Regulatory Commission Minority Serving Institutions Program (MSIP) | 77.007 | | | 25,975 | 25,975 |
| U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | 77.008 | | | 160,296 | 160,296 |
| Total - Nuclear Regulatory Commission | | | 17,823 | 953,964 | 971,787 |
| U.S. Department of Energy | | | | | |
| U.S. Department of Energy | 81.XXX | 5007684-12 | 11,661 | 34,470 | 46,131 |
| | | 503832 | | 225,091 | 225,091 |
| | | 503957 | | 56,044 | 56,044 |
| | | 570508 | | 53,846 | 53,846 |
| | | 570509 | | 9,787 | 9,787 |
| | | ACQ-4-33623-06 | | 57,777 | 57,777 |
| | | DE-AC09-06SR22531, M001 | (10,087) | (5,043) | (15,130) |
| | | DE-AC26-98FT40417 AMD 22 | 48,377 | (1,328) | 47,049 |
| | | DE-AP26-06NT05742 | | 20,000 | 20,000 |
| | | DE-AP35-08GO28306, MOD 0001 | | 15,835 | 15,835 |
| | | DE-FC02-06ER25782, A002 | | 20,006 | 20,006 |
| | | DE-FC02-08ER54961 | | 24,483 | 24,483 |
| | | DE-FC26-04NT15534, A002 | 24,494 | (373) | 24,121 |
| | | DE-FG02-02ER15352, NO COST EXT | | 27,935 | 27,935 |
| | | DE-FG02-03ER15406, A006 | | 153,047 | 153,047 |
| | | DE-FG02-03ER15430 | | 1,972 | 1,972 |
| | | DE-FG02-04ER41321, AMD A007 | | 153,723 | 153,723 |
| | | DE-FG02-04ER54754 | | 131,343 | 131,343 |
| | | DE-FG02-06ER46303, A001 | | 89,116 | 89,116 |
| | | DE-FG02-06ER46303, LTR AGMT 2007-01 | | 189 | 189 |
| | | DE-FG02-07ER15884 | | 106,906 | 106,906 |
| | | DE-FG02-97ER54415, AMD A020 | | 231,424 | 231,424 |
| | | DE-NT008022 | | 42,475 | 42,475 |
| | | FA8718-04-C-0014, CLIN 000104, ACRN AD NO. 574628 -728404 | | 15 | 15 |
| | | PO 886660 | | 56,829 | 56,829 |
| | | S008471-R | | 27,991 | 27,991 |
| | | ACQ-4-33623-02 | | 48,811 | 48,811 |
| <i>Pass-Through from Alliance for Sustainable Energy</i> | | UTA08-830; PO# 17030 | | 29,685 | 29,685 |
| <i>Pass-Through from Applied Nanotech, Inc.</i> | | | | 6,758 | 6,758 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Energy (continued) | | | | | |
| <i>Pass-Through from Argonne National Lab</i> | | 8F-01463 | | 91,491 | 91,491 |
| <i>Pass-Through from Babcock and Wilcox</i> | | 4300070678 | | 21,715 | 21,715 |
| <i>Pass-Through from Battelle</i> | | 73150 | | 34,447 | 34,447 |
| <i>Pass-Through from Battelle</i> | | 86303 | | 7,558 | 7,558 |
| <i>Pass-Through from Battelle</i> | | UTA08-039; SUBC# 00072459 | | 71,502 | 71,502 |
| <i>Pass-Through from Battelle Energy Alliance, LLC</i> | | 00050536 / 211176 B53333 200 | | 5,070 | 5,070 |
| <i>Pass-Through from Battelle Energy Alliance, LLC</i> | | 00062780 / 211198 B56240 200 | | 17,543 | 17,543 |
| <i>Pass-Through from Battelle Memorial Institute</i> | | 59814 | | 2,070 | 2,070 |
| <i>Pass-Through from Battelle Memorial Institute</i> | | DE-AC05-76RL01830 | | 239,657 | 239,657 |
| <i>Pass-Through from Baylor University</i> | | 503874 | | 2,300 | 2,300 |
| <i>Pass-Through from Boundless Corporation</i> | | 85356 | | 33,116 | 33,116 |
| <i>Pass-Through from Carnegie Institute of Washington</i> | | 4-3253-15 | | 1,394 | 1,394 |
| <i>Pass-Through from Clemson University</i> | | 07-01-SR127 | 57,100 | 89,982 | 147,082 |
| <i>Pass-Through from Colorado School of Mines</i> | | 4-42942/17050 | | 59,984 | 59,984 |
| <i>Pass-Through from Colorado School of Mines</i> | | DE-NT0005663 | | 72,071 | 72,071 |
| <i>Pass-Through from Fermi National Accelerator Laboratory</i> | | 577934 | | 777 | 777 |
| <i>Pass-Through from Fermi National Accelerator Laboratory</i> | | PO 564932, REV 3 | | (177) | (177) |
| <i>Pass-Through from Fermi National Accelerator Laboratory</i> | | PO# 587019; UTA09- 000809 | | 6,562 | 6,562 |
| <i>Pass-Through from Fermi National Accelerator Laboratory</i> | | PO# 587019; UTA09- 000810 | | 6,562 | 6,562 |
| <i>Pass-Through from Fermi National Accelerator Laboratory</i> | | PO#571899 | | 60,778 | 60,778 |
| <i>Pass-Through from Gas Technology Institute</i> | | S-48 | | 134,249 | 134,249 |
| <i>Pass-Through from Lawrence Berkeley National Lab</i> | | 6805918 Mod 7, Prev 6712770 | | 35,567 | 35,567 |
| <i>Pass-Through from Lawrence Berkeley National Lab</i> | | P.O. 6805918, MOD 5 PREV 6712770 | | 148,187 | 148,187 |
| <i>Pass-Through from Lawrence Berkeley National Lab</i> | | P.O. 6805919 | | 229,981 | 229,981 |
| <i>Pass-Through from Lawrence Livermore National</i> | | B574748 | | 17,601 | 17,601 |
| <i>Pass-Through from Lawrence Livermore National</i> | | CON18222 | | 232,345 | 232,345 |
| <i>Pass-Through from Lawrence Livermore National Security</i> | | B552372 LTR DTD 8-7-07 | | 48,748 | 48,748 |
| <i>Pass-Through from Livermore National Laboratory</i> | | B526542 / 211143 B56202 200 | | 43,768 | 43,768 |
| <i>Pass-Through from Los Alamos National Laboratory</i> | | 34239 001 06 / 211125 B56238 200 | | 410 | 410 |
| <i>Pass-Through from Los Alamos National Laboratory</i> | | 45008-001-07 | | 491 | 491 |
| <i>Pass-Through from Los Alamos National Laboratory</i> | | 61393-001-08 | | 41,953 | 41,953 |
| <i>Pass-Through from MPM Technology, LLC</i> | | UTA05-798 | | 9,149 | 9,149 |
| <i>Pass-Through from National Renewable Energy Lab</i> | | ADC-6-66268-20 | | (1,676) | (1,676) |
| <i>Pass-Through from National Renewable Energy Lab</i> | | XEE-8-77567-01 | | 86,085 | 86,085 |
| <i>Pass-Through from Pacific Northwest Laboratory</i> | | Contract No. 95172 | | 70 | 70 |
| <i>Pass-Through from Penn State University</i> | | 3564-UT-DOE-1779 | | 49,285 | 49,285 |
| <i>Pass-Through from Petroleum Tech Transfer Council</i> | | 0895 MOD 39,40,42 | | 75 | 75 |
| <i>Pass-Through from Petroleum Tech Transfer Council</i> | | 795 | 13,372 | 67,446 | 80,818 |
| <i>Pass-Through from Princeton University</i> | | S008471-R | | 54,715 | 54,715 |
| <i>Pass-Through from Research Partnership to Secure Energy</i> | | 07122-41 | | 183,745 | 183,745 |
| <i>Pass-Through from Rice University</i> | | R7B612 | | 166,708 | 166,708 |
| <i>Pass-Through from Sandia Corporation</i> | | PO# 927109 | | 54,619 | 54,619 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 211194 B53318 200 | 9,900 | 98,060 | 107,960 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 211258B53217200 | | 8,857 | 8,857 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 211268B53295200 | | 3,062 | 3,062 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 211346B56318200 | | 39,920 | 39,920 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 379530, REV 11 | (20,574) | | (20,574) |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Energy (continued) | | | | | |
| <i>Pass-Through from Sandia National Laboratories</i> | | 459177 | | 37,860 | 37,860 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 459177, Rev 7 | | 43 | 43 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 541398 / 211178 B56251 200 | | 254 | 254 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 633167 | | 270,058 | 270,058 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 633827 | | 67,210 | 67,210 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 743358 | | 61,390 | 61,390 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 767882 | | 63,289 | 63,289 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 770505; PROJECT 126280 | | 189,185 | 189,185 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 772242 | | 9,923 | 9,923 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 803198 | | 54,748 | 54,748 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 805040 | | 215 | 215 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 820115 | | 784,017 | 784,017 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 825862 REV NO. 4 | | 28,313 | 28,313 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 839884 | | 8,564 | 8,564 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 842312 | | 75,426 | 75,426 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 845477 / 211302 B53295 200 | | 21,242 | 21,242 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 872190 | | 56,489 | 56,489 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 873484 | | 97,724 | 97,724 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 883001 | | 60,000 | 60,000 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 886027 | | 40,333 | 40,333 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 896619 | | 24,442 | 24,442 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 902468 | | 22,966 | 22,966 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 902570 REV 1 | | 22,078 | 22,078 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 905610 INC 1 | | 222,516 | 222,516 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 946848, Rev 1 | | 5,108 | 5,108 |
| <i>Pass-Through from Sandia National Laboratories</i> | | CON19163 | | 12,410 | 12,410 |
| <i>Pass-Through from Sandia National Laboratories</i> | | LTR DTD 02/26/2008; PO 848054 | | 25,000 | 25,000 |
| <i>Pass-Through from Sandia National Laboratories</i> | | LTR DTD 10/1/05; 774904 | | 10,000 | 10,000 |
| <i>Pass-Through from Sandia National Laboratories</i> | | LTR DTD 10/11/06; 774798 | | 25,000 | 25,000 |
| <i>Pass-Through from Sandia National Laboratories</i> | | PO 872539 | | 63,648 | 63,648 |
| <i>Pass-Through from Sandia National Laboratories</i> | | PO# 872437 | | 100,000 | 100,000 |
| <i>Pass-Through from Sandia National Laboratories</i> | | PO# 912878 | | 22,251 | 22,251 |
| <i>Pass-Through from Sandia National Laboratories</i> | | PO# 926703 | | 10,453 | 10,453 |
| <i>Pass-Through from Stanford University</i> | | DE-AC03-76-SF-00515 | | (7) | (7) |
| <i>Pass-Through from University of California - Lawrence</i> | | DEAC0205CH11231 | | 108,212 | 108,212 |
| <i>Pass-Through from University of Chicago</i> | | DEAC0206CH11357 | | 258,192 | 258,192 |
| <i>Pass-Through from University of Michigan</i> | | 3001050314 | | 24,371 | 24,371 |
| <i>Pass-Through from University of Rochester</i> | | DE-FC02-04ER54789, PO 412760-G | | 54,009 | 54,009 |
| <i>Pass-Through from University of Southern California</i> | | 503638 | | 23,292 | 23,292 |
| <i>Pass-Through from UT-Battelle, LLC</i> | | DEAC0500OR22725 | | 148,967 | 148,967 |
| <i>Pass-Through from Washington Savannah River Company, LLC</i> | | AC 54275 O | | 33,228 | 33,228 |
| <i>Pass-Through from Wayne State University</i> | | P0473666 | | 18,410 | 18,410 |
| <i>Pass-Through from Wayne State University</i> | | PO480887 | | 27,319 | 27,319 |
| <i>Pass-Through from Xidex Corp</i> | | UTA07-858 | | (1,200) | (1,200) |
| <i>Pass-Through from Xidex Corp</i> | | UTA07-858, AMD 2 | | 62,361 | 62,361 |
| <i>Pass-Through from Zyvex Corporation</i> | | UTA08-601 | | 70,068 | 70,068 |
| Total - CFDA 81.XXX | | | 134,243 | 7,516,013 | 7,650,256 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Energy (continued) | | | | | |
| Inventions and Innovations | 81.036 | | | | |
| <i>Pass-Through from Battelle Memorial Institute</i> | | 503838 | | 35,418 | 35,418 |
| State Energy Program | 81.041 | | 105,157 | 565,721 | 670,878 |
| <i>Pass-Through from Frontier Associates, LLC</i> | | 200701886 | | 4,533 | 4,533 |
| <i>Pass-Through from State of Louisiana</i> | | No. 2025-05-01 | | 25,976 | 25,976 |
| Total - CFDA 81.041 | | | 105,157 | 596,230 | 701,387 |
| Office of Science Financial Assistance Program | 81.049 | | 206,815 | 18,585,927 | 18,792,742 |
| <i>Pass-Through from Arizona State University</i> | | Sub No. 09-210 | | 7,385 | 7,385 |
| <i>Pass-Through from Battelle</i> | | 8000000963 | | 20,569 | 20,569 |
| <i>Pass-Through from Battelle Energy Alliance, LLC</i> | | Sub No. 00062729 | | 193,625 | 193,625 |
| <i>Pass-Through from BP Solar International, LLC</i> | | ZAX-6-33628-11-ARRI GCD#07370 | | 5,544 | 5,544 |
| <i>Pass-Through from Carnegie Mellon University</i> | | Sub No. 1070044-153394 | | (3,643) | (3,643) |
| <i>Pass-Through from Colorado State University</i> | | CON18985 | | 29,423 | 29,423 |
| <i>Pass-Through from Duke University</i> | | 08-SC-NICCR-1071 | | 113,128 | 113,128 |
| <i>Pass-Through from Duke University</i> | | 09-NICCR-1076 | | 65,363 | 65,363 |
| <i>Pass-Through from Duke University</i> | | 09-NICCR-1077 AMD 01 | | 3,173 | 3,173 |
| <i>Pass-Through from Gas Technology Institute</i> | | Sub No. 5-072 | | 81,682 | 81,682 |
| <i>Pass-Through from Georgia Institute of Technology</i> | | E-19-ZG5-G1 | | 83,820 | 83,820 |
| <i>Pass-Through from Honeywell Federal Manufacturing and Technologies</i> | | EP14002 / 211202 B56208 200 | | (44) | (44) |
| <i>Pass-Through from Honeywell Federal Manufacturing and Technologies</i> | | EP14002 / 211369 B56208 200 | | 4,323 | 4,323 |
| <i>Pass-Through from Lawrence Berkeley Laboratory</i> | | Sub No. 6720563 | | 78,430 | 78,430 |
| <i>Pass-Through from Lawrence Livermore National Security</i> | | Sub No. B557268 | | (36) | (36) |
| <i>Pass-Through from Los Alamos National Security, LLC</i> | | Sub No. 22430-001-05 | | 29,630 | 29,630 |
| <i>Pass-Through from Los Alamos National Security, LLC</i> | | Sub No. 32726-001-06 | | 2,286 | 2,286 |
| <i>Pass-Through from Los Alamos National Security, LLC</i> | | Sub No. 59577-001-08 | | 12,587 | 12,587 |
| <i>Pass-Through from Medical University of South Carolina</i> | | DE-F-G07-05ID14692 | | 3,043 | 3,043 |
| <i>Pass-Through from Pantex</i> | | B350 | | 61,471 | 61,471 |
| <i>Pass-Through from Princeton Lightwave</i> | | FA875009C0069 SBIR/ARO | | 17,661 | 17,661 |
| <i>Pass-Through from Purdue University</i> | | Sub No. 541-0604-01 | | 66,481 | 66,481 |
| <i>Pass-Through from Qteros, Inc.</i> | | No. 08-0416 | | 21,663 | 21,663 |
| <i>Pass-Through from Rice University</i> | | 8000000995 | | 42,635 | 42,635 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 642667 | | 18,371 | 18,371 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 845051 | | 9,626 | 9,626 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 847310 | | 48,411 | 48,411 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 852678 | | 4,878 | 4,878 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 854051 | | 67,517 | 67,517 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 870647 | | 19,431 | 19,431 |
| <i>Pass-Through from Sandia National Laboratories</i> | | No. 878698 | | 26,099 | 26,099 |
| <i>Pass-Through from Signal Processing, Inc.</i> | | OR#07-592 | | 74,813 | 74,813 |
| <i>Pass-Through from Stanford Linear Accelerator Center</i> | | Prime:DOE/SBIR DE-AC02-76SF00515 | | 178,023 | 178,023 |
| <i>Pass-Through from Superpower, Inc.</i> | | FC02-06CH11365 | | 385,750 | 385,750 |
| <i>Pass-Through from Tulane University</i> | | TUL-579-08/09 | | 3,221 | 3,221 |
| <i>Pass-Through from Tulane University</i> | | TUL-580-08/09 | | 42,827 | 42,827 |
| <i>Pass-Through from University of California</i> | | Sub No. 72198-001-09 | | 108,047 | 108,047 |
| <i>Pass-Through from University of Delaware</i> | | 11757 | | 65,956 | 65,956 |
| <i>Pass-Through from University of Florida</i> | | 503900 | | 8,376 | 8,376 |
| <i>Pass-Through from University of Oregon</i> | | 234151-L.TASK6.6 | | 59,584 | 59,584 |
| <i>Pass-Through from University of Tulsa</i> | | Sub No. 14-2-1202361- 94814 | | 52,519 | 52,519 |
| <i>Pass-Through from University of Washington</i> | | 508046 | | 23,318 | 23,318 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Energy (continued) | | | | | |
| <i>Pass-Through from University of Wyoming</i> | | NAZU48565TTU / 211146 B53037 200 | | 12,466 | 12,466 |
| <i>Pass-Through from Williams Pyro, Inc.</i> | | DE-FG02-06ER84657 PO14924 GCS | | 3,067 | 3,067 |
| Total - CFDA 81.049 | | | 206,815 | 20,738,426 | 20,945,241 |
| University Coal Research | 81.057 | | 33,017 | 191,506 | 224,523 |
| <i>Pass-Through from Purdue University</i> | | Sub No. 541-0602-01 | | 482 | 482 |
| Total - CFDA 81.057 | | | 33,017 | 191,988 | 225,005 |
| Office of Scientific and Technical Information | 81.064 | | | 133,916 | 133,916 |
| <i>Pass-Through from Sandia National Laboratories</i> | | 779673 | | 50,964 | 50,964 |
| Total - CFDA 81.064 | | | 0 | 184,880 | 184,880 |
| Nuclear Waste Disposal Siting | 81.065 | | | | |
| <i>Pass-Through from Nye County</i> | | 09-016 | | 73,519 | 73,519 |
| Regional Biomass Energy Programs | 81.079 | | | 381,893 | 381,893 |
| <i>Pass-Through from Oklahoma State University</i> | | SUBAWARD AB 5 15540.TTU / 211344 B51186 | | 4,855 | 4,855 |
| <i>Pass-Through from South Dakota State University</i> | | 503757 | | 4,468 | 4,468 |
| <i>Pass-Through from South Dakota State University</i> | | 503760 | | 20,003 | 20,003 |
| <i>Pass-Through from South Dakota State University</i> | | 503781 | | 22,300 | 22,300 |
| <i>Pass-Through from South Dakota State University</i> | | 503884 | | 20,748 | 20,748 |
| Total - CFDA 81.079 | | | 0 | 454,267 | 454,267 |
| Conservation Research and Development | 81.086 | | 7,950 | 212,928 | 220,878 |
| Renewable Energy Research and Development | 81.087 | | 123,239 | 3,745,369 | 3,868,608 |
| <i>Pass-Through from Arkansas State University</i> | | 503866 | | 137,817 | 137,817 |
| <i>Pass-Through from Biotechnology Research and Development Corporation</i> | | 503956 | | 5,465 | 5,465 |
| <i>Pass-Through from Concepts NREC</i> | | No. 07-0637 | | 25,168 | 25,168 |
| <i>Pass-Through from Consortium for Plant Biotechnology</i> | | 503906 | | 630 | 630 |
| <i>Pass-Through from Midwest Research Institute</i> | | Subcntr XDJ-3-33600-01 | | 9,355 | 9,355 |
| <i>Pass-Through from Shaw Environmental, Inc.</i> | | No. C08-00703 | | 37,512 | 37,512 |
| <i>Pass-Through from Shear Form</i> | | No. 05-0314 | | 11,934 | 11,934 |
| <i>Pass-Through from Siemens Westinghouse Power Corporation</i> | | Task Order No. 4500509872 | | 110,830 | 110,830 |
| <i>Pass-Through from University of California - Riverside</i> | | No. 05-1036 | | 94,674 | 94,674 |
| <i>Pass-Through from UTC Power</i> | | Task Order No. 7867 | | 113,832 | 113,832 |
| <i>Pass-Through from ZT Solar, Inc.</i> | | 0740147_GCS#07-572 | | 32 | 32 |
| ARRA - Renewable Energy Research and Development | | | | 13,062 | 13,062 |
| Total - CFDA 81.087 | | | 123,239 | 4,305,680 | 4,428,919 |
| Fossil Energy Research and Development | 81.089 | | 315,314 | 1,717,846 | 2,033,160 |
| <i>Pass-Through from Florida International University</i> | | 120701594-01, AMD 001 | | 1,313 | 1,313 |
| <i>Pass-Through from New Mexico Tech</i> | | 503348 | | 170,017 | 170,017 |
| <i>Pass-Through from New Mexico Tech</i> | | 503389 | | 70,498 | 70,498 |
| <i>Pass-Through from New Mexico Tech</i> | | 570311 | | 64,841 | 64,841 |
| <i>Pass-Through from New Mexico Tech</i> | | DSRP20 | 12,573 | 251,216 | 263,789 |
| <i>Pass-Through from New Mexico Tech</i> | | DSWT20 | | 8,063 | 8,063 |
| <i>Pass-Through from Research Partnership to Secure Energy</i> | | 07122-38 | | 64,240 | 64,240 |
| <i>Pass-Through from Rice University</i> | | DE-FC26-06NT42960 | | 13,321 | 13,321 |
| <i>Pass-Through from Southern States Energy Board</i> | | SSEB-SECARB2-998- T1-TX-GCCC-2005-01 | 206,023 | 103,800 | 309,823 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Energy (continued) | | | | | |
| <i>Pass-Through from Southern States Energy Board</i> | | SSEB-SECARB3-973- T13BEG-TI-2008-009 | 6,838,224 | 1,087,471 | 7,925,695 |
| <i>Pass-Through from University of Alaska</i> | | Sub No. UAF 09-0039 | | 44,939 | 44,939 |
| <i>Pass-Through from University of Mississippi</i> | | 07-11-039 | | 1,445 | 1,445 |
| Total - CFDA 81.089 | | | 7,372,134 | 3,599,010 | 10,971,144 |
| Office of Environmental Waste Processing | 81.104 | | | 6,034 | 6,034 |
| <i>Pass-Through from Howard University</i> | | 633254-H010016 | | 13,709 | 13,709 |
| <i>Pass-Through from Howard University</i> | | DE-FC02-02-EW15254 | | 413 | 413 |
| Total - CFDA 81.104 | | | 0 | 20,156 | 20,156 |
| Stewardship Science Grant Program | 81.112 | | | 204,276 | 204,276 |
| Defense Nuclear Nonproliferation Research | 81.113 | | 83,539 | 1,556,302 | 1,639,841 |
| <i>Pass-Through from Lawrence Livermore National Security</i> | | Sub No. B571336 | | 1,241,879 | 1,241,879 |
| <i>Pass-Through from Sandia National Laboratories</i> | | Task Order No. 750028 | | 44,208 | 44,208 |
| Total - CFDA 81.113 | | | 83,539 | 2,842,389 | 2,925,928 |
| University Reactor Infrastructure and Education Support | 81.114 | | 17,121 | 228,533 | 245,654 |
| <i>Pass-Through from Medical University of South Carolina</i> | | Sub No. 05-444206 | | 79,830 | 79,830 |
| Total - CFDA 81.114 | | | 17,121 | 308,363 | 325,484 |
| Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | | | 240,474 | 240,474 |
| <i>Pass-Through from Carnegie Institute of Washington</i> | | 4 3327 43 / 211183 B56245 200 | | 21,754 | 21,754 |
| <i>Pass-Through from New Mexico State University</i> | | DE-FG3608GO88008 | | 378,559 | 378,559 |
| <i>Pass-Through from University of Central Florida</i> | | Sub No. 142422 | | 115,006 | 115,006 |
| Total - CFDA 81.117 | | | 0 | 755,793 | 755,793 |
| State Energy Program Special Projects | 81.119 | | 87,774 | 206,252 | 294,026 |
| <i>Pass-Through from Texas H2 Coalition</i> | | OSP# 200802854 | | 22,244 | 22,244 |
| Total - CFDA 81.119 | | | 87,774 | 228,496 | 316,270 |
| Nuclear Energy Research, Development and Demonstration | 81.121 | | 547,021 | 1,431,866 | 1,978,887 |
| <i>Pass-Through from Battelle Energy Alliance, LLC</i> | | Sub No. 00070795 | | 26,411 | 26,411 |
| <i>Pass-Through from Purdue University</i> | | Sub No. 541-0500-01 | | 80,400 | 80,400 |
| Total - CFDA 81.121 | | | 547,021 | 1,538,677 | 2,085,698 |
| Electricity Delivery and Energy Reliability, Research, Development and Analysis | 81.122 | | | 64,568 | 64,568 |
| <i>Pass-Through from Epri Solutions, Inc.</i> | | No. 499-06-01 | | 6,640 | 6,640 |
| Total - CFDA 81.122 | | | 0 | 71,208 | 71,208 |
| National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program | 81.123 | | | 3,903 | 3,903 |
| Predictive Science Academic Alliance Program | 81.124 | | | 39,018 | 39,018 |
| <i>Pass-Through from University of Michigan</i> | | Sub No. 3001058063 | | 293,613 | 293,613 |
| Total - CFDA 81.124 | | | 0 | 332,631 | 332,631 |
| Total - U.S. Department of Energy | | | 8,718,010 | 44,214,251 | 52,932,261 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Education | | | | | |
| U.S. Department of Education | 84.XXX | TEEM B420 | | 155,338 | 155,338 |
| | | T195N070232 | | 330,736 | 330,736 |
| | | T195N070272 | | 208,039 | 208,039 |
| <i>Pass-Through from Education Service Center - Region XIII</i> | | UTA09-000193 | | 14,965 | 14,965 |
| <i>Pass-Through from Medical University of South Carolina</i> | | MUSC08-028 | | 62,860 | 62,860 |
| <i>Pass-Through from Metiri Group</i> | | C0906500, AMD 2 | | 81,592 | 81,592 |
| <i>Pass-Through from RMC Research Corporation</i> | | UTA06-920, AMD 001 | | 67,737 | 67,737 |
| <i>Pass-Through from Southern Methodist University</i> | | UTSUB6000607 | | 171,458 | 171,458 |
| Total - CFDA 84.XXX | | | 0 | 1,092,725 | 1,092,725 |
| Adult Education - Basic Grants to States | 84.002 | | 74,430 | 2,003,774 | 2,078,204 |
| 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 | | 9,438 | 1,705,059 | 1,714,497 |
| Overseas Programs - Faculty Research Abroad | 84.019 | | | 54,767 | 54,767 |
| Overseas Programs - Group Projects Abroad | 84.021 | | 308,263 | 253,718 | 561,981 |
| Overseas Programs - Doctoral Dissertation Research Abroad | 84.022 | | | 189,963 | 189,963 |
| Special Education--Grants to States | 84.027 | | | 600,784 | 600,784 |
| Higher Education--Institutional Aid | 84.031 | | 75,177 | 1,360,510 | 1,435,687 |
| <i>Pass-Through from San Antonio College</i> | | 8000000982 | 18,235 | 79,412 | 97,647 |
| Total - CFDA 84.031 | | | 93,412 | 1,439,922 | 1,533,334 |
| Fund for the Improvement of Postsecondary Education | 84.116 | | 35,637 | 1,438,889 | 1,474,526 |
| <i>Pass-Through from Association for Institutional Research</i> | | RG-08-217 | | 15,446 | 15,446 |
| <i>Pass-Through from Association for Institutional Research</i> | | RG-08-224 | | 30,540 | 30,540 |
| <i>Pass-Through from Ball State University</i> | | PRIME ACCT- P116M030006; UTA04-552 | | 4,917 | 4,917 |
| <i>Pass-Through from Drexel University</i> | | 213021 | | 39,524 | 39,524 |
| <i>Pass-Through from Howard University</i> | | 633126-H022511 | | 15,317 | 15,317 |
| <i>Pass-Through from Kansas State University</i> | | No. C08059 | | 6,000 | 6,000 |
| <i>Pass-Through from Kansas State University</i> | | S09014 | | 5,946 | 5,946 |
| <i>Pass-Through from University of California - Davis</i> | | 503111 | | 680 | 680 |
| <i>Pass-Through from University of California - Davis</i> | | 503811 | | 30,000 | 30,000 |
| <i>Pass-Through from University of Maryland - College Park</i> | | Sub No. Z203503 | | 18,636 | 18,636 |
| <i>Pass-Through from University of Missouri - Columbia</i> | | Sub No. C00004842 | | (150) | (150) |
| Total - CFDA 84.116 | | | 35,637 | 1,605,745 | 1,641,382 |
| Minority Science and Engineering Improvement | 84.120 | | 3,000 | 219,085 | 222,085 |
| <i>Pass-Through from El Paso Community College</i> | | C9004925 | | 130,317 | 130,317 |
| <i>Pass-Through from Houston Community College</i> | | B220 | | 34,805 | 34,805 |
| Total - CFDA 84.120 | | | 3,000 | 384,207 | 387,207 |
| Centers for Independent Living | 84.132 | | | 9,746 | 9,746 |
| <i>Pass-Through from Memorial Hermann TIRR</i> | | H132B070002 | | 9,746 | 9,746 |
| National Institute on Disability and Rehabilitation Research | 84.133 | | 245,527 | 1,344,213 | 1,589,740 |
| <i>Pass-Through from Memorial Hermann TIRR</i> | | H133A050006 | | (9) | (9) |
| <i>Pass-Through from Memorial Hermann TIRR</i> | | H133A060091 | | 23,610 | 23,610 |
| <i>Pass-Through from Memorial Hermann TIRR</i> | | H133B031114 | | 2,945 | 2,945 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Education (continued) | | | | | |
| <i>Pass-Through from Memorial Hermann TIRR</i> | | H133N060003 | | 27,407 | 27,407 |
| <i>Pass-Through from University of Illinois - Chicago</i> | | DED H133A040007 | | 33,753 | 33,753 |
| Total - CFDA 84.133 | | | 245,527 | 1,431,919 | 1,677,446 |
| Safe and Drug-Free Schools and Communities--National Programs | 84.184 | | | | |
| <i>Pass-Through from Round Rock Independent School District</i> | | Q184L050099 | | 69,643 | 69,643 |
| Bilingual Education--Professional Development | 84.195 | | | 719,617 | 719,617 |
| Education for Homeless Children and Youth | 84.196 | | | | |
| <i>Pass-Through from Education Service Center - Region X</i> | | UTA07-486 | | 4,994 | 4,994 |
| <i>Pass-Through from Education Service Center - Region X</i> | | UTA08-786 | | 625,616 | 625,616 |
| Total - CFDA 84.196 | | | 0 | 630,610 | 630,610 |
| Graduate Assistance in Areas of National Need | 84.200 | | | 476,040 | 476,040 |
| Even Start--State Educational Agencies | 84.213 | | (1,329) | 44,157 | 42,828 |
| <i>Pass-Through from Westat, Inc.</i> | | ED-01-CO-0120 | | (26) | (26) |
| Total - CFDA 84.213 | | | (1,329) | 44,131 | 42,802 |
| Fund for the Improvement of Education | 84.215 | | | | |
| <i>Pass-Through from Education Service Center - Region II</i> | | 601330 | | 10,196 | 10,196 |
| <i>Pass-Through from Lubbock Independent School District</i> | | 211152 B53196 200 | | 4,980 | 4,980 |
| <i>Pass-Through from Lyndon Baines Johnson Foundation</i> | | UTA08-818 | | 107,788 | 107,788 |
| <i>Pass-Through from Michael Cohen Group, LLC</i> | | UTA08-009 | | (31) | (31) |
| <i>Pass-Through from Reach Out and Read National Center</i> | | U215U060001 | | 2,574 | 2,574 |
| <i>Pass-Through from Reach Out and Read National Center</i> | | U215U070002 | | 53,082 | 53,082 |
| <i>Pass-Through from Reach Out and Read National Center</i> | | U215U080002 | | 33,210 | 33,210 |
| Total - CFDA 84.215 | | | 0 | 211,799 | 211,799 |
| Centers for International Business Education | 84.220 | | | 294,798 | 294,798 |
| Comprehensive Centers | 84.283 | | | | |
| <i>Pass-Through from RMC Research Corporation</i> | | S283B050034 | | 334,304 | 334,304 |
| <i>Pass-Through from RMC Research Corporation</i> | | UTA05-917, YEAR 4 | | 389,836 | 389,836 |
| <i>Pass-Through from RMC Research Corporation</i> | | UTA05-917, YEAR 5 | | 65,553 | 65,553 |
| Total - CFDA 84.283 | | | 0 | 789,693 | 789,693 |
| Education Research, Development and Dissemination | 84.305 | | 1,277,076 | 2,783,738 | 4,060,814 |
| <i>Pass-Through from Berkeley Policy Association</i> | | UTA06-105 | | 104,042 | 104,042 |
| <i>Pass-Through from Pacific Institute for Research Evaluation</i> | | UTA08-183 | | 350,351 | 350,351 |
| <i>Pass-Through from University of California - Davis</i> | | K06-002986-UH | | 15,074 | 15,074 |
| <i>Pass-Through from Vanderbilt University</i> | | 17476-S2 Amd 4 | | 142,061 | 142,061 |
| Total - CFDA 84.305 | | | 1,277,076 | 3,395,266 | 4,672,342 |
| Education Technology State Grants | 84.318 | | | | |
| <i>Pass-Through from Somerville Independent School District</i> | | 86300027110021 | | 100,339 | 100,339 |
| Research in Special Education | 84.324 | | | 1,286,578 | 1,286,578 |
| <i>Pass-Through from Florida State University</i> | | 8000000974 | | 72,598 | 72,598 |
| <i>Pass-Through from Lehigh University</i> | | 541821-78007 | | 40,309 | 40,309 |
| <i>Pass-Through from University of Kansas</i> | | FY2008-012 | | 111,530 | 111,530 |
| Total - CFDA 84.324 | | | 0 | 1,511,015 | 1,511,015 |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Education (continued) | | | | | |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities <i>Pass-Through from University of Southern Mississippi</i> | 84.325 | | | 1,065,432 | 1,065,432 |
| | | USM GR01700 / 211099 B55039 200 | | 26,745 | 26,745 |
| Total - CFDA 84.325 | | | 0 | 1,092,177 | 1,092,177 |
| Special Education--Technology and Media Services for Individuals with Disabilities <i>Pass-Through from Columbia University</i> | 84.327 | | | 100,233 | 100,233 |
| | | 511125 | | 100,233 | 100,233 |
| Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities | 84.333 | | | 223,270 | 223,270 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | | 139,245 | 165,224 | 304,469 |
| Child Care Access Means Parents in School | 84.335 | | | 252,167 | 252,167 |
| Reading First State Grants | 84.357 | | | 2,875,354 | 2,875,354 |
| School Leadership | 84.363 | | | 197,475 | 197,475 |
| Mathematics and Science Partnerships | 84.366 | | 375,000 | 2,001,344 | 2,376,344 |
| Improving Teacher Quality State Grants | 84.367 | | | 5,424,163 | 5,424,163 |
| National Writing Project <i>Pass-Through from National Writing Project</i> | 84.928 | | | 20,347 | 20,347 |
| | | 600650 | | 20,347 | 20,347 |
| Total - U.S. Department of Education | | | 2,559,699 | 31,367,034 | 33,926,733 |
| U.S. Department of Health and Human Services | | | | | |
| U.S. Department of Health and Human Services | 93.XXX | | | 152,780 | 152,780 |
| | | 1 HHSN2612007005 09P 01 | | 5,173 | 5,173 |
| | | 1 HHSN268200900091P 01 | | 24,480 | 24,480 |
| | | 1 R01 GM65797- 01,02,03,04,05 | | (309) | (309) |
| | | 1 R15 GM086833-01 | | 15,309 | 15,309 |
| | | 126781/117549 AMD NO.1 | | 81,822 | 81,822 |
| | | 126785/114393 | | (43,815) | (43,815) |
| | | 1R15HL087222-01 | | 64,098 | 64,098 |
| | | 1SC1NS066987-01A1 | | 45,355 | 45,355 |
| | | 20019990095 | | 516,453 | 516,453 |
| | | 200200100084 | | 86,552 | 86,552 |
| | | 2002001000840013 | 8,499 | 7,417 | 15,916 |
| | | 200200100084TO25 | | 10,539 | 10,539 |
| | | 200200301442 | 293,894 | 113,757 | 407,651 |
| | | 200-2005-14736 | | 222,182 | 222,182 |
| | | 200-2006-15812 | | 141,056 | 141,056 |
| | | 200-2009-M-29288 | | 25,441 | 25,441 |
| | | 211-2006-M-16249 | | 8,725 | 8,725 |
| | | 263-MJ-611296 | | 1,127 | 1,127 |
| | | 263-MJ-611300 | | 10,820 | 10,820 |
| | | 263-MQ-515960 | | 2,316 | 2,316 |
| | | 5 N01 AR62279 09 | 49,729 | 411,966 | 461,695 |
| | | 5 R01 AA015167- 01A1,02,03, EXT | | 174,830 | 174,830 |
| | | 5 R01 AG026613- 01A1,02,03,04 | | 303,642 | 303,642 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| | | 5 R01 CA095548-01A2,2,3,4,05 REVISED | | 135,379 | 135,379 |
| | | 5 R01 CA116813-01A1,02,03,04 REVISED | | 172,358 | 172,358 |
| | | 5 R01 HD028419 | | 201,826 | 201,826 |
| | | 5 R01 MH064560-02,03,04,05 | | 1,569 | 1,569 |
| | | 5 R01 NS049091-01A2,02,03,04 | | 261,892 | 261,892 |
| | | 5 R03 HD047507-01A1,02_REVISED | | 21,690 | 21,690 |
| | | 5 R24 HD042849-06,07,08 | | 537,161 | 537,161 |
| | | 5 T32 HD007081-30 | | (2,093) | (2,093) |
| | | 501976 | | 56,356 | 56,356 |
| | | 503927 | | 52,962 | 52,962 |
| | | 570230 | | 47,720 | 47,720 |
| | | 5K01DA016262-02 | | 3,094 | 3,094 |
| | | 5K01DK76057-04 | | 161,614 | 161,614 |
| | | 8000001086 | | 481,086 | 481,086 |
| | | 901015 | | 78,497 | 78,497 |
| | | B560 | | 126,288 | 126,288 |
| | | CONTRACT N01-CN-85186 (51) | 249,602 | 186,824 | 436,426 |
| | | HHSF2232007100111 | | 78,113 | 78,113 |
| | | HSHS230200532004C | | 9,500 | 9,500 |
| | | HSHS234200737001C 03 | | 1,877,349 | 1,877,349 |
| | | HHSN261200700277P | | (797) | (797) |
| | | HHSN261200700395P | | 87,497 | 87,497 |
| | | HHSN263200700021C 03 | | 376,837 | 376,837 |
| | | HHSN267200700006C/HA | | 406,363 | 406,363 |
| | | HHSN2700788601C/ROAC | | 132,670 | 132,670 |
| | | HHSN271200900193P | | 8,182 | 8,182 |
| | | HHSN272200800048C | | 1,061,231 | 1,061,231 |
| | | HHSN275200403380I | | 152,316 | 152,316 |
| | | HHSN275200503407C | | 380,063 | 380,063 |
| | | HHSN275200800035C | 22,957 | 182,459 | 205,416 |
| | | HHSN276200 | | 1,650 | 1,650 |
| | | HHSN276200700338P / 21F029 B56222 200 | | 16,263 | 16,263 |
| | | ID14HP00197AO | | (47) | (47) |
| | | N01 AI030041 | | 12,788 | 12,788 |
| | | N01 AR-0-2249 06 | | 55 | 55 |
| | | N01 CM-52204 03 | | 165,480 | 165,480 |
| | | N01 CM-62202 07 | | 253,053 | 253,053 |
| | | N01 CN-035159 04 | | 1,918 | 1,918 |
| | | N01 CN-035159 06 | 195,168 | 543,083 | 738,251 |
| | | N01 CN-095040 04 | 19,344 | 275,085 | 294,429 |
| | | N01 CN-35112 03 | 242,935 | | 242,935 |
| | | N01 CN35159 | | 6,001 | 6,001 |
| | | N01-AI-25475 | 75 | 185,374 | 185,449 |
| | | N01AI25488-07 | | 641,466 | 641,466 |
| | | N01AI25489 | 1,312,188 | 849,816 | 2,162,004 |
| | | N01-AI-30027 | | 530,136 | 530,136 |
| | | N01-AI-30065 | | 2,536,696 | 2,536,696 |
| | | N01-AI-40097/HHSN266 | | 2,288,226 | 2,288,226 |

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For the Year Ended August 31, 2009

| 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 |
|---|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| | | N01CM17003 | | (484) | (484) |
| | | N01-CM-62202 08 | 24,166 | 869,540 | 893,706 |
| | | N01CN03515904 | | 30,132 | 30,132 |
| | | N01CN03515905 | | 11,357 | 11,357 |
| | | N01DA78872 | | 616,802 | 616,802 |
| | | N01DA-9-8101 TO#07 | | 577,342 | 577,342 |
| | | N01DK92321 | | 131,701 | 131,701 |
| | | N01HB07159 | 624,058 | 217,751 | 841,809 |
| | | N01HV028185 | | 1,470,787 | 1,470,787 |
| | | N01HV28184 | (375) | 1,622,369 | 1,621,994 |
| | | N01-HV-28184 | | 114,092 | 114,092 |
| | | N01MH090003 | | 4,342,185 | 4,342,185 |
| | | N01-WH-4-2111 | | 155,845 | 155,845 |
| | | N02 CP-55503 04 | | 360,539 | 360,539 |
| | | N02 OR-0-4021 08 | | (76,485) | (76,485) |
| | | N02-OR-0-4021 05 | | (223,080) | (223,080) |
| | | NIDAN01DA2882 | | 164 | 164 |
| | | NO1-AI-30041 | 299,536 | 774,721 | 1,074,257 |
| | | R01 GM024365 | | (676) | (676) |
| | | 1052-028 | | 38,304 | 38,304 |
| <i>Pass-Through from AFYA, Inc.</i> | | LTR DTD 1/15/09 | | 10,970 | 10,970 |
| <i>Pass-Through from American Alliance for Health Physical Recreation and Dance</i> | | | | | |
| <i>Pass-Through from American College of Radiology</i> | | U10 CA21661 | | 27,794 | 27,794 |
| <i>Pass-Through from American College of Surgeons</i> | | ACOSOG-Z1041 | | 15,398 | 15,398 |
| <i>Pass-Through from Asuragen, Inc.</i> | | UTA09-000644 | | 73,320 | 73,320 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 R01 HL079533 04 | | 87,773 | 87,773 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5600388774 | | 24,851 | 24,851 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 7R01DK062148-03 | | 465 | 465 |
| <i>Pass-Through from Baylor College of Medicine</i> | | N01 HD-80020 01 | | 140,147 | 140,147 |
| <i>Pass-Through from Baylor College of Medicine</i> | | N01-AI-80002 | | 20,215 | 20,215 |
| <i>Pass-Through from Baylor College of Medicine</i> | | NO1-AI-30039 | | 80,851 | 80,851 |
| <i>Pass-Through from Booz Allen Hamilton, Inc.</i> | | 1435-04-04-CT-73980 | | 29,263 | 29,263 |
| <i>Pass-Through from Booz Allen Hamilton, Inc.</i> | | 94164NBS23 | | 35,424 | 35,424 |
| <i>Pass-Through from Caracal, Inc.</i> | | HHSN261200800050C 01 | | 6,429 | 6,429 |
| <i>Pass-Through from Case Western Reserve University</i> | | HHSN275200403367C | | 3,704 | 3,704 |
| <i>Pass-Through from Case Western Reserve University</i> | | N01DK62203 | | 313,030 | 313,030 |
| <i>Pass-Through from Ccs Associates, Inc.</i> | | 27XS130 BOA | | 65,751 | 65,751 |
| <i>Pass-Through from Cincinnati Children's Hospital Medical Center</i> | | N01-A1-25459 | 2,332 | 587,261 | 589,593 |
| <i>Pass-Through from Civilian Research and Development Foundation</i> | | UKB1-2931-DN-08 | | 15 | 15 |
| <i>Pass-Through from Duke Clinical Research Institute</i> | | N01HV98177 | | 90 | 90 |
| <i>Pass-Through from Duke Clinical Research Institute</i> | | N01MH80008TADS04 | | 439 | 439 |
| <i>Pass-Through from Duke University</i> | | 1 R01 ES016772 01 A1 | | 51,055 | 51,055 |
| <i>Pass-Through from Duke University</i> | | 5 R01 CA092461 | | 5,122 | 5,122 |
| <i>Pass-Through from Duke University</i> | | 5 U19 A1067798 03 | | (910) | (910) |
| <i>Pass-Through from Duke University</i> | | R01CA82344 | | 1,414 | 1,414 |
| <i>Pass-Through from Duke University Medical Center/NIH</i> | | N01AR22265 | | 14 | 14 |
| <i>Pass-Through from Duke University/NIH</i> | | HHSN267200700051C | | 5,248 | 5,248 |
| <i>Pass-Through from Eastern Cooperative Oncology Group</i> | | 5 U10 CA021115 34 | | 262 | 262 |
| <i>Pass-Through from Einstein Medical College</i> | | AECM/5P01AG017242-12 | | 32,112 | 32,112 |
| <i>Pass-Through from Fairway Medical Technologies</i> | | R44CA110137 | | 56,478 | 56,478 |
| <i>Pass-Through from Feinstein Institute for Medical Research</i> | | N01 AR-2-2263 05 | | (6,924) | (6,924) |
| <i>Pass-Through from Fred Hutchinson Cancer Research Center</i> | | 05-201573-01-S1300 | | 44 | 44 |
| <i>Pass-Through from George Mason University</i> | | E 600247-2 | | 14,796 | 14,796 |
| <i>Pass-Through from Houston Academy of Medicine</i> | | N01LM63505 | | 347 | 347 |
| <i>Pass-Through from Johns Hopkins University</i> | | 8407-46304-X | | 11,001 | 11,001 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|------|---|--|--------------|-----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Kaiser Foundation Research Institute</i> | | 1RO1DK070553-04 | | 31,697 | 31,697 |
| <i>Pass-Through from LDS Hospital</i> | | HHSN268200425210C | | 1,284 | 1,284 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | BOWDEN:STEP- MH80001 | | 217,229 | 217,229 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | HHSN2612200744000C 03 | | 109,975 | 109,975 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | SG HHSN261200744000C | | 127,918 | 127,918 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 R01 CA104505 05 | | 73,607 | 73,607 |
| <i>Pass-Through from McMaster University</i> | | HHSN266200400066C | | 219,622 | 219,622 |
| <i>Pass-Through from MDC Associates, LLC</i> | | MDC-03-03 | | 1,238 | 1,238 |
| <i>Pass-Through from Medical University of South Carolina</i> | | N01-HV-28181 04 | | 50,045 | 50,045 |
| <i>Pass-Through from Minotaur Technologies, LLC</i> | | 1R43MH085396-01 | | 38,637 | 38,637 |
| <i>Pass-Through from Morehouse School of Medicine</i> | | US2MP02001-03-4 | | (2,459) | (2,459) |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 1 K07 CA124668 01 A1 | | 2,149 | 2,149 |
| <i>Pass-Through from National Marrow Donor Program- DHHS-NIH</i> | | AGREEMENT #173- RITN 02 | | 1,057 | 1,057 |
| <i>Pass-Through from National Marrow Donor Program- DHHS-NIH</i> | | AGREEMENT#15867 | | (1,073) | (1,073) |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 5 U10 CA012027 37 | | 409 | 409 |
| <i>Pass-Through from Northrop Grumman</i> | | BRCSC04086 | | 501,788 | 501,788 |
| <i>Pass-Through from Northrop Grumman</i> | | HHSN266200400076C | 15,459 | 1,064,676 | 1,080,135 |
| <i>Pass-Through from Northwestern University</i> | | HHSN27220070058C | | 173,616 | 173,616 |
| <i>Pass-Through from Oklahoma University Health Sciences Center</i> | | 08AP07006NL | | 134,081 | 134,081 |
| <i>Pass-Through from Oregon Health Sciences University</i> | | GVGTI036A- UofTxMedBr | | 34,763 | 34,763 |
| <i>Pass-Through from Purdue University</i> | | 5 U01 CA060548 16 | | 101,153 | 101,153 |
| <i>Pass-Through from Radiant Creative Group</i> | | 1 R41 CA126453 01 A1 | | 42,557 | 42,557 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 1 29XS143 01 | 8,494 | 4,587 | 13,081 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 25XS068 | | 8,759 | 8,759 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 25XS068 01 | | 9,412 | 9,412 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 25XS068 04(P7156) | | (6,017) | (6,017) |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 25XSQ68 | | 16,290 | 16,290 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 27XS112 01 | | 35,871 | 35,871 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 28XS099 01 | | 9,046 | 9,046 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 28YS2585 | | 25,104 | 25,104 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | 2XS197 | | 192,971 | 192,971 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | HHSN261200800001E | | 1,637 | 1,637 |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | N01 CM10073 04 | | (1,622) | (1,622) |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | N01 CO-12400 01 | | (2,972) | (2,972) |
| <i>Pass-Through from SAIC-Frederick, Inc.</i> | | S07-060 02 | | 36,827 | 36,827 |
| <i>Pass-Through from Scripps Research Institute</i> | | 5-21851 | | 35,456 | 35,456 |
| <i>Pass-Through from Scripps Research Institute</i> | | 5-21852 | | 35,000 | 35,000 |
| <i>Pass-Through from Scripps Research Institute</i> | | 5-21855 | | 21,056 | 21,056 |
| <i>Pass-Through from Scripps Research Institute</i> | | 5-22649 | | 84 | 84 |
| <i>Pass-Through from Scripps Research Institute</i> | | 5-22650 | | (118) | (118) |
| <i>Pass-Through from Selenium, Ltd.</i> | | 08LM060097NL | | (21,263) | (21,263) |
| <i>Pass-Through from Social and Scientific System, Inc.</i> | | 1 N01 ES045525 01 | | (66) | (66) |
| <i>Pass-Through from Southwest Research Institute</i> | | 699007W | | 22,097 | 22,097 |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | N01-CM-42216 | | 266,589 | 266,589 |
| <i>Pass-Through from Sun Nuclear Corporation</i> | | N43 CM-52214 02 | | (8,064) | (8,064) |
| <i>Pass-Through from TDA Research, Inc.</i> | | UTA 09-01 | | 633 | 633 |
| <i>Pass-Through from TKC Integration Services, LLC</i> | | 200200720753001 | | 61,455 | 61,455 |
| <i>Pass-Through from University North Carolina - Chapel Hill</i> | | N01MH90001 | | 115,011 | 115,011 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | LEACH:S/G AI30025 AL | | 516 | 516 |
| <i>Pass-Through from University of Alabama/NIH</i> | | N01AI30025 | | 3,249 | 3,249 |

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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 |
|---|-------------|---|---|---------------------------------------|---------------------------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from University of California - San Francisco/NIH</i> | | N01AI15416 | | 21,703 | 21,703 |
| <i>Pass-Through from University of California - San Francisco/NIH</i> | | HHSN271200623661C | | 86,855 | 86,855 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 2000-S-KT145 | | 20,610 | 20,610 |
| <i>Pass-Through from University of California - San Diego</i> | | 10278739/N01MH2200 5 | | 15,580 | 15,580 |
| <i>Pass-Through from University of California - San Diego</i> | | NIMH-00-AI-0005 | | 244,447 | 244,447 |
| <i>Pass-Through from University of California - San Francisco</i> | | N01 AI-15416 02 | | 37,259 | 37,259 |
| <i>Pass-Through from University of New Mexico Health Science Center</i> | | 3904 | | 363,803 | 363,803 |
| <i>Pass-Through from University of North Carolina/NIH</i> | | N01MH090001 | | 99,362 | 99,362 |
| <i>Pass-Through from University of Oklahoma Health Science Center</i> | | RS20072414-04 | | 47,140 | 47,140 |
| <i>Pass-Through from University of Oklahoma Health Sciences Center</i> | | N01-CN-53300 01 | | 37,558 | 37,558 |
| <i>Pass-Through from University of Pittsburgh/NIH</i> | | N01AR42273 | | 14,632 | 14,632 |
| <i>Pass-Through from University of South Florida</i> | | 0000018677 | | 2,097 | 2,097 |
| <i>Pass-Through from University of Wisconsin/NIH</i> | | N01AI025496 | | 532,175 | 532,175 |
| <i>Pass-Through from University of Wisconsin/NIH</i> | | N01AI25496 | | 115,491 | 115,491 |
| <i>Pass-Through from Wake Forest University</i> | | N01-WH-4-4221 | (54) | (54) | (54) |
| <i>Pass-Through from Westat, Inc.</i> | | N01HD33345 | | 18,494 | 18,494 |
| <i>Pass-Through from Winprobe Corp</i> | | GTA06-030 | | 2,879 | 2,879 |
| <i>Pass-Through from Woods Hole Oceanographic Institute</i> | | A100535, MOD 1 | | 43,850 | 43,850 |
| <i>Pass-Through from Yale University</i> | | 200801689 | | 95,030 | 95,030 |
| Total - CFDA 93.XXX | | | 3,368,061 | 36,275,328 | 39,643,389 |
| Community-Based Abstinence Education (CBAE) | 93.010 | | 7,031 | 141,898 | 148,929 |
| Alzheimer's Disease Demonstration Grants to States <i>Pass-Through from Alzheimer's Association</i> | 93.051 | OAKES- ALZHEIMER | | 48,857 | 48,857 |
| Innovations in Applied Public Health Research <i>Pass-Through from Genomics USA, Inc.</i> | 93.061 | 5R44AI060166-03 | | 327,070 118,130 | 327,070 118,130 |
| Total - CFDA 93.061 | | | 0 | 445,200 | 445,200 |
| Centers for Genomics and Public Health | 93.063 | | | 1,639 | 1,639 |
| Global AIDS <i>Pass-Through from Muhimbili University of Health and Allied Sciences</i> | 93.067 | 3U2GPS000951-01W1 | | 88,325 | 88,325 |
| Public Health Emergency Preparedness | 93.069 | | | 212,657 | 212,657 |
| Healthy Marriage Promotion and Responsible Fatherhood <i>Pass-Through from Alliance for North Texas Healthy and Effective Marriages</i> | 93.086 | 90FE0072-03 | | 28,774 23,958 | 28,774 23,958 |
| Total - CFDA 93.086 | | | 0 | 52,732 | 52,732 |
| Health Disparities in Minority Health <i>Pass-Through from Lewin Group, Inc.</i> | 93.100 | TLG08-70-5035.01.011 | 69,489 | 1,531,077 30,334 | 1,600,566 30,334 |
| Total - CFDA 93.100 | | | 69,489 | 1,561,411 | 1,630,900 |
| Food and Drug Administration--Research <i>Pass-Through from Duke University Medical Center</i> <i>Pass-Through from Massachusetts General Hospital</i> <i>Pass-Through from University of Kansas/NIH</i> | 93.103 | FDR00215401 # FD-R-002588-01 5R01FD00345402 | | 1,273,002 9,709 7,835 29,857 | 1,273,002 9,709 7,835 29,857 |
| Total - CFDA 93.103 | | | 0 | 1,320,403 | 1,320,403 |

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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 |
|--|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) <i>Pass-Through from Central Plains Center</i> | 93.104 | 211351 B55052 200 | | 99,613 | 99,613 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | 199,002 | 783,544 | 982,546 |
| Environmental Health <i>Pass-Through from Baylor College of Medicine</i> | 93.113 | 5R01ES01630202 | 116,696 | 11,928,480 | 12,045,176 |
| <i>Pass-Through from Emory University/NIH</i> | | Sub 5P01ES011163-03 | 8,551 | 4,361 | 12,912 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 5R01ES01666602 | 248,159 | 246,766 | 246,766 |
| <i>Pass-Through from Oregon Health Sciences University</i> | | GCROE0073A | | 12,750 | 260,909 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 1P01ES016732 | | (28) | (28) |
| <i>Pass-Through from University of Cincinnati/NIH</i> | | 5U01ES01277006 | | 11,985 | 11,985 |
| <i>Pass-Through from University of Maryland School of Medicine</i> | | S/G HASTY S01769 | | 15,601 | 15,601 |
| <i>Pass-Through from University of New Mexico</i> | | 1R01ES014565 | | 5,039 | 5,039 |
| <i>Pass-Through from University of New Mexico</i> | | 5 R01 ES015826 02 | | 13,947 | 13,947 |
| | | | | 35,091 | 35,091 |
| Total - CFDA 93.113 | | | 373,406 | 12,273,992 | 12,647,398 |
| Applied Toxicological Research and Testing | 93.114 | | | 15,118 | 15,118 |
| Biometry and Risk Estimation--Health Risks from Environmental | 93.115 | | | 8,590 | 8,590 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | | 10,772 | 10,772 |
| Acquired Immunodeficiency Syndrome (AIDS) Activity <i>Pass-Through from University of Alabama</i> | 93.118 | N01-AI-15440 | | 14,309 | 14,309 |
| <i>Pass-Through from Westat, Inc.</i> | | 8062-S025 | | 4,808 | 4,808 |
| Total - CFDA 93.118 | | | 0 | 19,117 | 19,117 |
| Oral Diseases and Disorders Research <i>Pass-Through from Dental and Craniofacial Research/NIH</i> | 93.121 | PRL0603/U01DE016755 | 415,618 | 8,442,053 | 8,857,671 |
| <i>Pass-Through from Penn State University</i> | | R21DE018328-01-TEXAS | | 537 | 537 |
| <i>Pass-Through from Rann Research Corporation</i> | | SG/2R44DE013996-02A1 | | 34,867 | 34,867 |
| <i>Pass-Through from Rice University</i> | | 1R01DE015164 | | 152,888 | 152,888 |
| <i>Pass-Through from Seattle Biomedical Research Institute</i> | | UT-1700/DE017541 | | 31,875 | 31,875 |
| <i>Pass-Through from The Research Foundation of SUNY</i> | | 1073219-150810 | | 40,983 | 40,983 |
| <i>Pass-Through from University of Iowa</i> | | 1000555741/U OF IOWA | | 146,891 | 146,891 |
| <i>Pass-Through from University of Louisville Research Foundation</i> | | 5U01DE14543 | | 143,314 | 143,314 |
| <i>Pass-Through from University of North Carolina</i> | | COCHRAN:S/ GDE014577 | | (95) | (95) |
| <i>Pass-Through from University of Pittsburgh</i> | | 2R01DE016148-04A1 | | 82,893 | 82,893 |
| <i>Pass-Through from University of South Dakota</i> | | USD0810/DE018707 | | 148,004 | 148,004 |
| Total - CFDA 93.121 | | | 415,618 | 9,259,675 | 9,675,293 |
| Emergency Medical Services for Children <i>Pass-Through from Children's National Medical Center</i> | 93.127 | 1H34MC105780100 | 229,371 | 159,810 | 389,181 |
| | | | | 18,692 | 18,692 |
| Total - CFDA 93.127 | | | 229,371 | 178,502 | 407,873 |
| Grants to Increase Organ Donations <i>Pass-Through from University of Pittsburgh</i> | 93.134 | 1R380T01300-02 | 22,265 | 167,471 | 189,736 |
| | | | | (2,519) | (2,519) |
| Total - CFDA 93.134 | | | 22,265 | 164,952 | 187,217 |

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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 |
|--|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | | 1,049,290 | 4,586,817 | 5,636,107 |
| <i>Pass-Through from American Institute for Research</i> | | 200-2007-20026 | | 215,805 | 215,805 |
| Total - CFDA 93.135 | | | 1,049,290 | 4,802,622 | 5,851,912 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | | | |
| <i>Pass-Through from University of Kentucky</i> | | 7R49CE000606 | | 15,374 | 15,374 |
| NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 | | | | |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5T32EB006350 | | 34,161 | 34,161 |
| AIDS Education and Training Centers | 93.145 | | | | |
| <i>Pass-Through from Dallas County Hospital District</i> | | CON18566 | | 68,981 | 68,981 |
| <i>Pass-Through from Dallas County Hospital District</i> | | CON18970 | | 21,128 | 21,128 |
| Total - CFDA 93.145 | | | 0 | 90,109 | 90,109 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | | | 292,323 | 292,323 |
| <i>Pass-Through from Resource Group</i> | | 08UTG00RWD | | 1,305 | 1,305 |
| <i>Pass-Through from Resource Group</i> | | 09UTG00RWD | | 9,129 | 9,129 |
| Total - CFDA 93.153 | | | 0 | 302,757 | 302,757 |
| Centers of Excellence | 93.157 | | | (6,824) | (6,824) |
| Human Genome Research | 93.172 | | 97,901 | 1,220,259 | 1,318,160 |
| <i>Pass-Through from Atactic Technologies, Inc.</i> | | 5 R41 HG003786-02-UH | | 56,982 | 56,982 |
| <i>Pass-Through from Biotex, Inc.</i> | | 1R43GM076791 | | 18,323 | 18,323 |
| <i>Pass-Through from Duke University</i> | | 155325/146500 | | 501,381 | 501,381 |
| <i>Pass-Through from Duke University</i> | | 164324/155325/146500 | | 2,434 | 2,434 |
| <i>Pass-Through from Electronic Bioscience, LLC</i> | | 3R44HG004466-0251 | | 125,111 | 125,111 |
| | | 009-NH-2C | | | |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | HHSN268200625226C | | 224,514 | 224,514 |
| <i>Pass-Through from The Research Foundation of SUNY</i> | | 07-35/HG004571 | | 236,071 | 236,071 |
| <i>Pass-Through from University of Iowa</i> | | 5R01HG003330 | | 12,915 | 12,915 |
| <i>Pass-Through from University of Medicine and Dentistry of New Jersey</i> | | 1 R01 HG004364-01 | | 126,004 | 126,004 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | 5U01HG004803-02 | | 229,829 | 229,829 |
| <i>Pass-Through from William Marsh Rice Univesity</i> | | R21491 | | (210) | (210) |
| Total - CFDA 93.172 | | | 97,901 | 2,753,613 | 2,851,514 |
| Research Related to Deafness and Communication Disorders | 93.173 | | 207,920 | 5,389,667 | 5,597,587 |
| <i>Pass-Through from Duke University/NIH</i> | | 4R33DC00863202 | | 5,957 | 5,957 |
| <i>Pass-Through from Massachusetts Eye and Ear Institute</i> | | 5U01DC00629604 | | 1,069 | 1,069 |
| <i>Pass-Through from Massachusetts Eye and Ear Institute</i> | | 5U01DC00629605 | | 6,797 | 6,797 |
| <i>Pass-Through from McGill University</i> | | 2R01DC00578805A2 | | 49,947 | 49,947 |
| <i>Pass-Through from Northwestern University</i> | | SP0003688/DC006243 | | 28,854 | 28,854 |
| <i>Pass-Through from University of Alabama - Birmingham/NIH</i> | | HHSN260200500008C | | 363,276 | 363,276 |
| <i>Pass-Through from University of California - Santa Barbara</i> | | KK6121 | | 246,181 | 246,181 |
| <i>Pass-Through from University of Colorado</i> | | 154-4294/R01DC001150 | | 32,461 | 32,461 |
| Total - CFDA 93.173 | | | 207,920 | 6,124,209 | 6,332,129 |
| Immunization Research, Demonstration, Public Information and Education--Training and Clinical Skills Improvement | 93.185 | | | (55) | (55) |
| Health Education and Training Centers | 93.189 | | (27,362) | (6,503) | (33,865) |

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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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Allied Health Special Projects | 93.191 | | | 403,151 | 403,151 |
| Childhood Lead Poisoning Prevention Projects--State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | | | | |
| <i>Pass-Through from City of Houston Health and Human Services</i> | | 98-412-FC39033 | | 61 | 61 |
| Telehealth Network Grants | 93.211 | | | | |
| <i>Pass-Through from National Council State Board of Nursing</i> | | 139128719 | | 50,000 | 50,000 |
| Research and Training in Complementary and Alternative Medicine | 93.213 | | 280,784 | 5,565,714 | 5,846,498 |
| <i>Pass-Through from Louisiana State University Agricultural Center</i> | | 5 R21 AT002882 02 | | 11,563 | 11,563 |
| <i>Pass-Through from University of Missouri - Columbia</i> | | 5U19AT003264-03 | | (1,166) | (1,166) |
| <i>Pass-Through from Washington University</i> | | 1R01AT003203 | | 219,826 | 219,826 |
| Total - CFDA 93.213 | | | 280,784 | 5,795,937 | 6,076,721 |
| National Research Service Awards--Health Services Research Training | 93.225 | | 39,394 | 137,423 | 176,817 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1R18HS017820-01 | | 22,728 | 22,728 |
| Total - CFDA 93.225 | | | 39,394 | 160,151 | 199,545 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | | 587,070 | 2,765,901 | 3,352,971 |
| <i>Pass-Through from Agency for Healthcare Research and Quality</i> | | 1 R03 HS016802-01 | | 24,676 | 24,676 |
| <i>Pass-Through from Brigham and Women's Hospital</i> | | HHSA290200810010 | | 50,855 | 50,855 |
| <i>Pass-Through from University of California - San Francisco</i> | | 1 R01 HS013915-01 | | 4,467 | 4,467 |
| <i>Pass-Through from University of Pennsylvania</i> | | 1 U18 HS017991 01 | | 14,211 | 14,211 |
| <i>Pass-Through from Westat, Inc.</i> | | 8362-S-005 | | 235,392 | 235,392 |
| Total - CFDA 93.226 | | | 587,070 | 3,095,502 | 3,682,572 |
| National Center on Sleep Disorders Research | 93.233 | | | 1,398,919 | 1,398,919 |
| Traumatic Brain Injury State Demonstration Grant Program | 93.234 | | | 14,185 | 14,185 |
| Policy Research and Evaluation Grants | 93.239 | | | | |
| <i>Pass-Through from Bowling Green State University</i> | | NCMR- SUBTEXAS08;1 U01 AE000001-01 | | 19,970 | 19,970 |
| Mental Health Research Grants | 93.242 | | 1,729,230 | 23,419,982 | 25,149,212 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1 R34 MH078925-02A1 | | 26,856 | 26,856 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 R34 MH074360 03 | | 5,000 | 5,000 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 R01 MH053932-11 | | 3,333 | 3,333 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 R34 MH078925-03 | | 1,283 | 1,283 |
| <i>Pass-Through from Columbia University</i> | | 6 | | 7,892 | 7,892 |
| <i>Pass-Through from Dartmouth College/NIH</i> | | 5P60MH06259802 | | 12,385 | 12,385 |
| <i>Pass-Through from Duke Clinical Research Institute</i> | | 5R01MH07049404 | | 13,905 | 13,905 |
| <i>Pass-Through from Duke University/NIH</i> | | R01MH081234 | | 6,082 | 6,082 |
| <i>Pass-Through from Hartford Hospital/NIH</i> | | A07077M08A00728 | | 10,005 | 10,005 |
| <i>Pass-Through from Johns Hopkins University</i> | | 09EMF090038NL | | 15,227 | 15,227 |
| <i>Pass-Through from McLean Hospital</i> | | 5P50MH06045009 | | 184,349 | 184,349 |
| <i>Pass-Through from McLean Hospital</i> | | 5P50MH06045010 | | 28 | 28 |
| <i>Pass-Through from Medical College of Georgia</i> | | 22089-8/MH070011 | | 4,964 | 4,964 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 7P50MH06617207 | | 354,306 | 354,306 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from National Bureau of Economic Research</i> | | 28 40096 00 0 80 244 7700 TTU / 211341 B | | 45,136 | 45,136 |
| <i>Pass-Through from Northwestern University</i> | | 1P50MH07492403 | | 7,782 | 7,782 |
| <i>Pass-Through from Northwestern University</i> | | 1P50MH07492404 | | 239,952 | 239,952 |
| <i>Pass-Through from Northwestern University</i> | | 5P50MH07492402 | | (555) | (555) |
| <i>Pass-Through from Oregon Research Institute</i> | | R34MH073756 | | 4,310 | 4,310 |
| <i>Pass-Through from Penn State University</i> | | 5R01MH050006-15 | | 548 | 548 |
| <i>Pass-Through from Psychogenics, Inc.</i> | | 1R43MH07843301A1 | | 39,572 | 39,572 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | SFBR/06-1496.002 | | 32,103 | 32,103 |
| <i>Pass-Through from The Feinstein Institute for Medical Research</i> | | 500085-4-1 | | 1,694 | 1,694 |
| <i>Pass-Through from The Research Foundation of SUNY</i> | | 47509/1073358 | | 99,790 | 99,790 |
| <i>Pass-Through from Tourette Syndrome Association</i> | | SG/5R01MH070802-04 | | 11,846 | 11,846 |
| <i>Pass-Through from University North Carolina - Chapel Hill</i> | | 5-50556/7R01MH069774 | | 8,575 | 8,575 |
| <i>Pass-Through from University North Carolina - Chapel Hill</i> | | R01MH059312 | | 75 | 75 |
| <i>Pass-Through from University of Arizona</i> | | Y432173/5R01MH0662 35 | | (4,962) | (4,962) |
| <i>Pass-Through from University of California - Davis</i> | | SUB0700359 | | 29,992 | 29,992 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 1653 G KB153 | | 6,840 | 6,840 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 2000GJU938 / MINTZ | | 30,845 | 30,845 |
| <i>Pass-Through from University of California - San Diego</i> | | 10297621 | | 1,397 | 1,397 |
| <i>Pass-Through from University of California - San Francisco</i> | | 5444sc | | 2,539 | 2,539 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign/NIH</i> | | 1R01MH077862 | | 6,231 | 6,231 |
| <i>Pass-Through from University of Maryland/NIH</i> | | 1R01MH07785201A2 | | 11,774 | 11,774 |
| <i>Pass-Through from University of North Carolina</i> | | SGR01MH068766/UNC | | 9,527 | 9,527 |
| <i>Pass-Through from University of South Florida/NIH</i> | | HHSN26720080001 | | 13,458 | 13,458 |
| <i>Pass-Through from University of Washington</i> | | 586844 | | 28,413 | 28,413 |
| <i>Pass-Through from Washington University/NIH</i> | | 1 R21 MH081281-02 | | 109,047 | 109,047 |
| <i>Pass-Through from Wayne State University/NIH</i> | | R01MH078113 | | 7,649 | 7,649 |
| <i>Pass-Through from Yale University</i> | | A07472/MH078143 | | 442,748 | 442,748 |
| <i>Pass-Through from Yale University</i> | | R01MH083824 | | 204,072 | 204,072 |
| Total - CFDA 93.242 | | | 1,729,230 | 25,455,995 | 27,185,225 |
| Substance Abuse and Mental Health Services--Projects of Regional and National Significance | 93.243 | | 47,299 | 619,108 | 666,407 |
| Advanced Education Nursing Grant Program | 93.247 | | | 210,627 | 210,627 |
| Poison Control Stabilization and Enhancement Grants | 93.253 | | | 336,431 | 336,431 |
| Occupational Safety and Health Program | 93.262 | | 244,798 | 1,286,992 | 1,531,790 |
| <i>Pass-Through from Colorado State University</i> | | 8460000545 | | 8,924 | 8,924 |
| <i>Pass-Through from University of South Dakota</i> | | USD0809/R03OH009325 | | 18,806 | 18,806 |
| Total - CFDA 93.262 | | | 244,798 | 1,314,722 | 1,559,520 |
| Alcohol National Research Service Awards for Research Training | 93.272 | | | 636,872 | 636,872 |
| Alcohol Research Programs | 93.273 | | 647,275 | 11,377,880 | 12,025,155 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5600388350 | | 58,244 | 58,244 |
| <i>Pass-Through from Oregon Health Sciences University</i> | | 8000001112 | 18,500 | 45,823 | 64,323 |
| <i>Pass-Through from Palo Alto Institute for Research and Education, Inc.</i> | | M000021-001 | | 12,453 | 12,453 |
| <i>Pass-Through from San Diego State University Foundation</i> | | 503976 | | 20,000 | 20,000 |
| <i>Pass-Through from Stanford University</i> | | 18303980-24776-A | | 42,387 | 42,387 |
| <i>Pass-Through from University of North Dakota</i> | | 5R01AA04610 | | 13,138 | 13,138 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from University of Virginia</i> | | GC11487-127303 | | 55,425 | 55,425 |
| <i>Pass-Through from University of Washington</i> | | 825449 | | 553 | 553 |
| <i>Pass-Through from Virtually Better, Inc.</i> | | R42AA014312 | | 25,791 | 25,791 |
| Total - CFDA 93.273 | | | 665,775 | 11,651,694 | 12,317,469 |
| Drug Abuse and Addiction Research Programs | 93.279 | | 883,495 | 21,527,751 | 22,411,246 |
| <i>Pass-Through from Arizona State University</i> | | 1RE03DA019860-01A2 | | 24,367 | 24,367 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1 R21 DA026086 01 | | 15,821 | 15,821 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5P50DA018197 | | 84,549 | 84,549 |
| <i>Pass-Through from Baylor College of Medicine</i> | | R90 DAO23418-02 | | 53,178 | 53,178 |
| <i>Pass-Through from Baylor College of Medicine</i> | | T90 DA022885-02 | | 29,583 | 29,583 |
| <i>Pass-Through from Henry M. Jackson Foundation</i> | | 7 R01 DA020436 04 | | 342,696 | 342,696 |
| <i>Pass-Through from Johns Hopkins University</i> | | 5R01DA02456502 | | 143,424 | 143,424 |
| <i>Pass-Through from King's College London</i> | | 2R01DA004376 | | 25,361 | 25,361 |
| <i>Pass-Through from Majestek Bioscience, LLC</i> | | 1R43DA02337401A1 | | 8,286 | 8,286 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 2P01DA00822717 | | 309,431 | 309,431 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 5P01DA00822718 | | 51,550 | 51,550 |
| <i>Pass-Through from Northeastern University</i> | | 504928PO0902311 / 211338 B56202 200 | | 165,109 | 165,109 |
| <i>Pass-Through from Ohio Northern University</i> | | 110-60516A | | 1,506 | 1,506 |
| <i>Pass-Through from Rush University Medical Center</i> | | 7R01DA01576005 | | 2,530 | 2,530 |
| <i>Pass-Through from Simmersion, LLC</i> | | 1R41DA023311-01A2 | | 29,452 | 29,452 |
| <i>Pass-Through from University of Illinois - Chicago</i> | | 5R01DA02231702 | | 129,885 | 129,885 |
| <i>Pass-Through from University of Illinois at Urbana - Champaign</i> | | 5 P30 DA018310 05 | | 63,804 | 63,804 |
| <i>Pass-Through from University of Kentucky Research Foundation</i> | | 08AP030016N3L | | (103) | (103) |
| <i>Pass-Through from University of Miami</i> | | B210 | | 13,773 | 13,773 |
| <i>Pass-Through from University of Miami</i> | | M768664 | | 25,016 | 25,016 |
| <i>Pass-Through from Vanderbilt University</i> | | VUMC31439- R/R01DA007 | | 28,849 | 28,849 |
| Total - CFDA 93.279 | | | 883,495 | 23,075,818 | 23,959,313 |
| Mental Health Research Career/Scientist Development Awards | 93.281 | | | 1,030,885 | 1,030,885 |
| <i>Pass-Through from Johns Hopkins University</i> | | 200713699 | | 7,578 | 7,578 |
| Total - CFDA 93.281 | | | 0 | 1,038,463 | 1,038,463 |
| Mental Health National Research Service Awards for Research Training | 93.282 | | | 236,784 | 236,784 |
| Centers for Disease Control and Prevention--Investigations and Technical Assistance | 93.283 | | 345,400 | 1,472,542 | 1,817,942 |
| <i>Pass-Through from Associations of Schools of Public Health</i> | | H056-03/03 | | 9,463 | 9,463 |
| <i>Pass-Through from Associations of Schools of Public Health</i> | | S1171-19/21 | | (411) | (411) |
| <i>Pass-Through from Associations of Schools of Public Health</i> | | S3869-27/27 | | 14,371 | 14,371 |
| <i>Pass-Through from Associations of Schools of Public Health</i> | | U36CCU300430 | | 36,058 | 36,058 |
| <i>Pass-Through from Michigan State University</i> | | 5U10DD000007 | | 25,117 | 25,117 |
| <i>Pass-Through from Parkland Memorial Hospital</i> | | R01C1000037302 | | 32,333 | 32,333 |
| <i>Pass-Through from Research Triangle Institute</i> | | 12-312-0208633 | | 56,396 | 56,396 |
| <i>Pass-Through from St. Louis University</i> | | Sub under 5U59EH7232 | | 62,045 | 62,045 |
| <i>Pass-Through from University of Colorado Health</i> | | U27/CCU812106 | | 733 | 733 |
| <i>Pass-Through from University of Colorado/NIH</i> | | U27CCU81210606 | | 11,795 | 11,795 |
| Total - CFDA 93.283 | | | 345,400 | 1,720,442 | 2,065,842 |

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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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 234,153 | 5,084,466 | 5,318,619 |
| <i>Pass-Through from Cedars-Sinai Health System</i> | | 1R21EV006829-01A2 | | 84,948 | 84,948 |
| <i>Pass-Through from City of Houston Health and Human Services</i> | | U62/CCU606238 | | 282,132 | 282,132 |
| <i>Pass-Through from Cybernet Systems Corporation</i> | | No. 07-1125 | | 26,011 | 26,011 |
| <i>Pass-Through from Lynntech, Inc.</i> | | Sub No. C09-00110 | | 5,405 | 5,405 |
| <i>Pass-Through from Marval Therapeutics, Inc.</i> | | 1R43EB004700 | | 94,691 | 94,691 |
| <i>Pass-Through from Purdue University</i> | | 1R21EB00725601A1 | | 36,906 | 36,906 |
| <i>Pass-Through from Rice University</i> | | R01 EB002179 07 | | (8,102) | (8,102) |
| <i>Pass-Through from University of California - Los Angeles</i> | | 5 R01 EB004898 04 | | 73,701 | 73,701 |
| <i>Pass-Through from University of Missouri</i> | | No. C00013378-1 | | 64,563 | 64,563 |
| <i>Pass-Through from University of Oklahoma</i> | | 1R21 EB008512-01A1 | | 5,387 | 5,387 |
| <i>Pass-Through from University of Pittsburgh</i> | | Sub No. 0010723 | | 3,043 | 3,043 |
| <i>Pass-Through from Vanderbilt University</i> | | 2R01EB00046107 | | 54,253 | 54,253 |
| <i>Pass-Through from Yale University</i> | | Sub No. A06981 | | 206,408 | 206,408 |
| Total - CFDA 93.286 | | | 234,153 | 6,013,812 | 6,247,965 |
| Small Rural Hospital Improvement Grant Program | 93.301 | | | 342,961 | 342,961 |
| Minority Health and Health Disparities Research | 93.307 | | 123,212 | 5,525,517 | 5,648,729 |
| Trans-NIH Research Support | 93.310 | | | 6,375,854 | 6,375,854 |
| <i>Pass-Through from Columbia University</i> | | 5U19AI06777304 | | 153,826 | 153,826 |
| <i>Pass-Through from Stanford University</i> | | 1 R21 DA025800 01 | | 91,311 | 91,311 |
| Total - CFDA 93.310 | | | 0 | 6,620,991 | 6,620,991 |
| Advanced Education Nursing Traineeships | 93.358 | | | 128,476 | 128,476 |
| Nurse Education, Practice and Retention Grants | 93.359 | | 4,917 | 455,604 | 460,521 |
| Nursing Research | 93.361 | | 329,352 | 5,355,826 | 5,685,178 |
| <i>Pass-Through from Indiana University</i> | | 5R01NR00843403 | | 39,352 | 39,352 |
| <i>Pass-Through from University of Washington</i> | | 341230/R01-NR00962 | | 8,262 | 8,262 |
| <i>Pass-Through from Wake Forest University</i> | | 5 R01 NR009675 02 | | 174,264 | 174,264 |
| Total - CFDA 93.361 | | | 329,352 | 5,577,704 | 5,907,056 |
| National Center for Research Resources | 93.389 | | 1,165,279 | 40,883,854 | 42,049,133 |
| <i>Pass-Through from Cincinnati Children's Hospital Medical Center</i> | | 31-0833936 | | 4,591 | 4,591 |
| <i>Pass-Through from Incell Corporation, LLC</i> | | 1R41RR024772-01 | | 14,061 | 14,061 |
| <i>Pass-Through from Johns Hopkins University</i> | | 09EMF080084NL | | 5,856 | 5,856 |
| <i>Pass-Through from Oklahoma University Health Sciences Center</i> | | 08LM030014F5H | | 100,854 | 100,854 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | 07-1503.003/RR23345 | | 8,484 | 8,484 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | SFBR - 06-2500.55 | | 21,000 | 21,000 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | SFBR/NIH-09-2504.004 | | 9,707 | 9,707 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | TARDIF - SFBR/NIH | | 10,605 | 10,605 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | 063690705 | | 5,102 | 5,102 |
| <i>Pass-Through from University of Florida</i> | | UF05099/R01HL068085 | | 34,244 | 34,244 |
| <i>Pass-Through from University of Pittsburgh</i> | | 3UL1RR024153-03S1 | | 16,477 | 16,477 |
| <i>Pass-Through from University of Rochester/NIH</i> | | 3U54NS05906505S2 | | 132,162 | 132,162 |
| <i>Pass-Through from Virginia Polytechnic Institute</i> | | 19543-431399 | | (561) | (561) |
| Total - CFDA 93.389 | | | 1,165,279 | 41,246,436 | 42,411,715 |

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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 |
|---|-------------|---|---|---------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Academic Research Enhancement Award | 93.390 | | 2,388 | 25,205 | 27,593 |
| Cancer Cause and Prevention Research | 93.393 | | 2,799,820 | 31,575,530 | 34,375,350 |
| <i>Pass-Through from Axis Healthcare Communications, LLC</i> | | 1 R42 CA123932 01 | | (3,559) | (3,559) |
| <i>Pass-Through from Baylor College of Medicine</i> | | 100474383 | 36,900 | 162,101 | 199,001 |
| <i>Pass-Through from British Columbia Cancer</i> | | 5U01CA09610905 | | 5,637 | 5,637 |
| <i>Pass-Through from Digital Science Technologies, LLC</i> | | 5 R42 CA123932 03 | | 144,547 | 144,547 |
| <i>Pass-Through from Emory University</i> | | 5 R01 CA114456 03 | | 1,100 | 1,100 |
| <i>Pass-Through from Fred Hutchinson Cancer Research Center</i> | | 1R01CA114467 | | 53,571 | 53,571 |
| <i>Pass-Through from Indiana University</i> | | 5R01CA11598303 | | 16,542 | 16,542 |
| <i>Pass-Through from International Epidemiology Institute, Ltd.</i> | | 5 R01 04 | | 26,015 | 26,015 |
| <i>Pass-Through from Internet Solutions for Kids, Inc.</i> | | 1R21CA135669-01A0 | | 2,153 | 2,153 |
| <i>Pass-Through from Lawrence Berkeley National Lab</i> | | 6815123 | | 89,390 | 89,390 |
| <i>Pass-Through from Lynntech, Inc.</i> | | Sub No. C08-00380 | | 108,073 | 108,073 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | 3 U01CA078285 S2 | | 332 | 332 |
| <i>Pass-Through from Massachusetts General Hospital/NIH</i> | | 3 U01CA07828405S2 | | 4,767 | 4,767 |
| <i>Pass-Through from Mayo Clinic</i> | | 2 R01 CA097075 07 | | 101,801 | 101,801 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 R01 CA097075 05 | | (53,909) | (53,909) |
| <i>Pass-Through from Mayo Clinic</i> | | 5 U01 CA118444 03 | | 86,521 | 86,521 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 R01CA090636-06 | | 33,771 | 33,771 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 R01CA090636-07 | | 37,713 | 37,713 |
| <i>Pass-Through from Medical University of South Carolina</i> | | MUSC/1R03CA128089-01 | | 28,922 | 28,922 |
| <i>Pass-Through from Northwestern University</i> | | 5 R01 CA104768 05 | | 43,181 | 43,181 |
| <i>Pass-Through from Purdue University</i> | | 1 R01 CA129312 01 A1 | | 37,262 | 37,262 |
| <i>Pass-Through from Rice University</i> | | 5 U01 CA097431 04 | | 103,907 | 103,907 |
| <i>Pass-Through from Rutgers University/NIH</i> | | 5R24AG02395805 | | 73,548 | 73,548 |
| <i>Pass-Through from Southwest Research Institute</i> | | 890882LM | | 9,741 | 9,741 |
| <i>Pass-Through from Trustees of Dartmouth College</i> | | 2 R01 CA098286 06 | | 194,760 | 194,760 |
| <i>Pass-Through from University of Arizona</i> | | 5 P01 CA041108 22 | | 35,031 | 35,031 |
| <i>Pass-Through from University of Arizona</i> | | Y480655 | 92,624 | 112,481 | 205,105 |
| <i>Pass-Through from University of California Berkeley Lab</i> | | 5P01CA09258408 | | 150,421 | 150,421 |
| <i>Pass-Through from University of California/NIH</i> | | 5P01CA09258407 | | 106,687 | 106,687 |
| <i>Pass-Through from University of Cincinnati</i> | | 5 U01 CA076293 09 | | 134,933 | 134,933 |
| <i>Pass-Through from University of Cincinnati/NIH</i> | | 5U01CA07629308 | | 23 | 23 |
| <i>Pass-Through from University of Cincinnati/NIH</i> | | 5U01CA07629309 | | 60,490 | 60,490 |
| <i>Pass-Through from University of Iowa</i> | | 5 R01 CA104825 05 | | (3,319) | (3,319) |
| <i>Pass-Through from University of Minnesota</i> | | 5R01CA86191 | | 14,313 | 14,313 |
| <i>Pass-Through from University of Minnesota</i> | | Q6437319103/CA111355 | | 8,059 | 8,059 |
| <i>Pass-Through from University of Missouri - Columbia</i> | | C00005916-3 | | 1,492 | 1,492 |
| <i>Pass-Through from University of Oklahoma Health Science Center</i> | | 7R01CA13141302 | | 64,282 | 64,282 |
| <i>Pass-Through from University of Pennsylvania</i> | | CA11858001 | | 50,336 | 50,336 |
| <i>Pass-Through from University of Rochester</i> | | 5 R01 CA098954 04 | | 1,937 | 1,937 |
| <i>Pass-Through from University of Southern California</i> | | 1 U01 CA136792 01 | | 23,661 | 23,661 |
| <i>Pass-Through from University of Wisconsin - Madison</i> | | 5 R01 CA114539 03 | | 34,373 | 34,373 |
| Total - CFDA 93.393 | | | 2,929,344 | 33,678,617 | 36,607,961 |
| Cancer Detection and Diagnosis Research | 93.394 | | 374,188 | 8,704,211 | 9,078,399 |
| <i>Pass-Through from 3 Gen, LLC</i> | | 1R41CA110159 | | 523 | 523 |
| <i>Pass-Through from American College of Radiology</i> | | DODD-ACRIN-NCI | | (4,272) | (4,272) |
| <i>Pass-Through from American College of Radiology</i> | | SG/CA080098 | | 16,017 | 16,017 |
| <i>Pass-Through from Cellexicon</i> | | 1 U01 CA128526 01 | | 30,800 | 30,800 |
| <i>Pass-Through from Duke Clinical Research Institute</i> | | 5R01CA082344 | | 15,270 | 15,270 |
| <i>Pass-Through from Fairway Medical Technologies</i> | | 5R44CA096153-03 | | 18,044 | 18,044 |
| <i>Pass-Through from Microfab Technologies, Inc.</i> | | R43NS3765801 | | (4,523) | (4,523) |
| <i>Pass-Through from Neurobiotex, Inc.</i> | | 2 R44 CA096354 02 A2 | | 41,143 | 41,143 |
| <i>Pass-Through from Purdue University</i> | | 1 R21 CA125336 01 A2 | | 59,747 | 59,747 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Purdue University</i> | | 4102-19026 | | 26,436 | 26,436 |
| <i>Pass-Through from Research Triangle Institute</i> | | N01-CP-01004 | | 3,667 | 3,667 |
| <i>Pass-Through from Rice University</i> | | R33CA100986 | | 9,648 | 9,648 |
| <i>Pass-Through from University of California</i> | | SUB07006 | | 25,502 | 25,502 |
| <i>Pass-Through from University of California - San Diego</i> | | 4 R44 CA097686 02 | | 13,352 | 13,352 |
| <i>Pass-Through from University of California - San Diego</i> | | 5R01CA113828 | | 23,807 | 23,807 |
| <i>Pass-Through from University of California - San Francisco</i> | | 5 U24 CA126477 03 | | 385,538 | 385,538 |
| <i>Pass-Through from Vanderbilt University</i> | | 3 U01 CA091664 05 S2 | | (2,273) | (2,273) |
| <i>Pass-Through from Vanderbilt University</i> | | 5 U01 CA114771 04 | | 53,502 | 53,502 |
| <i>Pass-Through from Vanderbilt University</i> | | U24 CA126479 02 | | 224,702 | 224,702 |
| <i>Pass-Through from Washington State University</i> | | Sub No. WU-HT-08-16 | | 36,926 | 36,926 |
| <i>Pass-Through from Washington University</i> | | 5 U01 CA114722 05 | | 5,891 | 5,891 |
| <i>Pass-Through from Washington University</i> | | 7 R01 CA106728 04 | | 55,801 | 55,801 |
| Total - CFDA 93.394 | | | 374,188 | 9,739,459 | 10,113,647 |
| Cancer Treatment Research | 93.395 | | 3,579,211 | 37,548,462 | 41,127,673 |
| <i>Pass-Through from American College of Obstetricians and Gynecologists</i> | | U01HS0950605 | | 1,153 | 1,153 |
| <i>Pass-Through from American College of Radiology</i> | | 5 U01 CA080098 06 | | 358,519 | 358,519 |
| <i>Pass-Through from American College of Radiology</i> | | 5 U01 CA080098 08 | | 1,238 | 1,238 |
| <i>Pass-Through from American College of Radiology</i> | | 5 U10 CA021661 27 | | 105,746 | 105,746 |
| <i>Pass-Through from American College of Radiology</i> | | 5 U10 CA021661 33 | | 954 | 954 |
| <i>Pass-Through from American College of Radiology</i> | | 5 U10 CA021661 32 | | 300 | 300 |
| <i>Pass-Through from American College of Radiology</i> | | U10CA21661 | | 6,610 | 6,610 |
| <i>Pass-Through from American College of Radiology</i> | | UID CA021661-29 | | (160) | (160) |
| <i>Pass-Through from Arizona State University</i> | | Sub No. 09-023 | | 862 | 862 |
| <i>Pass-Through from Bio Tex, Inc.</i> | | 5 R44 CA079282 06 | | 13,380 | 13,380 |
| <i>Pass-Through from Brigham and Women's Hospital/NIH</i> | | 5R01CA10716404 | | 2,430 | 2,430 |
| <i>Pass-Through from Burnham Institute for Medical Research</i> | | 5R01CA107039 | | 32,157 | 32,157 |
| <i>Pass-Through from Case Western Reserve University</i> | | 5R21CA11243602 | | 6,305 | 6,305 |
| <i>Pass-Through from Children's Hospital of Los Angeles</i> | | 818-RGF003673-04 | | 260,448 | 260,448 |
| <i>Pass-Through from Cincinnati Children's Hospital Medical Center</i> | | 5R01CA11916202 | | 36,966 | 36,966 |
| <i>Pass-Through from Dana-Farber Cancer Institute</i> | | 5 U19 CA100265 05 | | 994,002 | 994,002 |
| <i>Pass-Through from Dana-Farber Cancer Institute</i> | | 5R01CA1063703 | | 29,042 | 29,042 |
| <i>Pass-Through from Duke University</i> | | 2 U10 CA076001 09 | | 64,659 | 64,659 |
| <i>Pass-Through from Duke University</i> | | 5 P01 CA078673 03 | | 18,987 | 18,987 |
| <i>Pass-Through from Duke University</i> | | 5 U01 CA033601 29 | | 19,616 | 19,616 |
| <i>Pass-Through from Duke University</i> | | 5 U10 CA033601 25 | | (186) | (186) |
| <i>Pass-Through from Duke University</i> | | 5 U10 CA076001 10 | | 996 | 996 |
| <i>Pass-Through from Duke University</i> | | 5 U10 CA083895 03 A2 | | (441) | (441) |
| <i>Pass-Through from Duke University</i> | | 5U10CA07600113 | | 16,155 | 16,155 |
| <i>Pass-Through from Duke University Medical Center</i> | | 5P30CA06843810 | | 11 | 11 |
| <i>Pass-Through from Duke University Medical Center</i> | | 5U10CA07600113 | | 21,534 | 21,534 |
| <i>Pass-Through from Duquesne University</i> | | CO650239 | | 44,032 | 44,032 |
| <i>Pass-Through from Eastern Cooperative Oncology Group</i> | | 5U10CA02111534 | | 6,601 | 6,601 |
| <i>Pass-Through from Eastern Cooperative Oncology Group</i> | | 5U10CA02111535 | | 6,982 | 6,982 |
| <i>Pass-Through from Eastern Cooperative Oncology Group</i> | | PSAUTJS00 | | 13,140 | 13,140 |
| <i>Pass-Through from Foundation Children's Oncology Group</i> | | U01CA9745207 | | (3,311) | (3,311) |
| <i>Pass-Through from Fred Hutchinson Cancer Research Center</i> | | 5 R21 CA115044 02 | | (5) | (5) |
| <i>Pass-Through from Frontier Science and Technology Research Foundation</i> | | 5 U10 CA021115 35 | | 11,758 | 11,758 |
| <i>Pass-Through from Gynecologic Oncology Group</i> | | 27469-114 | | 9,130 | 9,130 |
| <i>Pass-Through from Gynecologic Oncology Group</i> | | 5 U10 CA027469 28 | | 5,785 | 5,785 |
| <i>Pass-Through from Gynecologic Oncology Group</i> | | SPA2746937 | | 108,578 | 108,578 |
| <i>Pass-Through from Gynecologic Oncology Group</i> | | U10 CA027469 | | 117,363 | 117,363 |
| <i>Pass-Through from Gynecologic Oncology Group</i> | | U10 CA27469 | | 11,797 | 11,797 |

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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 |
|--|------|---|--|--------------|----------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Gynecologic Oncology Group</i> | | U10CA2746928 | | 5,472 | 5,472 |
| <i>Pass-Through from Health Research, Inc.</i> | | S/G R01CA106815 | | 2,392 | 2,392 |
| <i>Pass-Through from Health Research, Inc.</i> | | S/G R01CA116395 | | 5,044 | 5,044 |
| <i>Pass-Through from Houston Pharmaceuticals</i> | | 1 R43 CA130272 01 | | 19,111 | 19,111 |
| <i>Pass-Through from Houston Pharmaceuticals</i> | | 5 R41 CA109862 02 | | 1 | 1 |
| <i>Pass-Through from Introgen Research Institute, Inc.</i> | | 1 R43 CA 114924 01 A2 | | 51,088 | 51,088 |
| <i>Pass-Through from John Wayne Cancer Institute</i> | | CA012582 | | 4,356 | 4,356 |
| <i>Pass-Through from John Wayne Cancer Institute</i> | | CA12582 | | 20,973 | 20,973 |
| <i>Pass-Through from John Wayne Cancer Institute</i> | | MMVTIV20 | | 68 | 68 |
| <i>Pass-Through from Louisiana State University Health Sciences Center</i> | | 5 R01 CA124758 02 | | 36,048 | 36,048 |
| <i>Pass-Through from Mandalmed, Inc.</i> | | 09LNF090026N1L | | 59,350 | 59,350 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | 2 P01 CA021239 29 A1 | | 774,343 | 774,343 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 U10 CA024507 23 | | (6,066) | (6,066) |
| <i>Pass-Through from Michigan Critical Care Consultants, Inc.</i> | | 1R41CA120616-01A2 | | 3,078 | 3,078 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 1 P01 CA108671 01 A2 | | 87,830 | 87,830 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 5 R01 CA097397 02 | | 721 | 721 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 16883 | | 37,500 | 37,500 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 16933/COG | | 29 | 29 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 18745/CA098543 | | 375 | 375 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 18977/CA098543 | | 26,467 | 26,467 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 2U10CA09854306 | | 189,404 | 189,404 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 2U10CA09854306S1 | | 192,734 | 192,734 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 2U10CA09854307S1 | | 25,111 | 25,111 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 5 U10 CA098543 03 | | 95,541 | 95,541 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 5 U10 CA98543 03 | | (395) | (395) |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 5U01CA09745206 | | 6,829 | 6,829 |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 5U01CA09745207 | | 26,266 | 26,266 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | NSABP - TFED 36, 37 | | 71,030 | 71,030 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 1 U10 CA012027 01 | | 2,714 | 2,714 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 3 U10 CA012027 38 S1 | | 99,861 | 99,861 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | U10CA12027 | | 6,588 | 6,588 |
| <i>Pass-Through from Northwestern University</i> | | 3 R01 CA085915 08 S1 | | 48,152 | 48,152 |
| <i>Pass-Through from Northwestern University</i> | | 5 R01 CA085915 08 | | 112,976 | 112,976 |
| <i>Pass-Through from Pediatric Oncology Group</i> | | 5U10CA30969 | | 9,022 | 9,022 |
| <i>Pass-Through from Radiation Therapy Oncology Group</i> | | 5 U10 CA021661 32 | | 7,260 | 7,260 |
| <i>Pass-Through from Radiation Therapy Oncology Group</i> | | U10CA21661 | | 120,709 | 120,709 |
| <i>Pass-Through from Receptor Logic</i> | | 1R41CA132258-01 | | 8,952 | 8,952 |
| <i>Pass-Through from Rice University</i> | | 5 R01 103830 04 | | (7,389) | (7,389) |
| <i>Pass-Through from Rice University</i> | | 5 R01 CA103830 05 | | 531,182 | 531,182 |
| <i>Pass-Through from Rice University</i> | | 7R01CA103830 | | 35,478 | 35,478 |
| <i>Pass-Through from Rice University</i> | | R01CA103830 | | 179,548 | 179,548 |
| <i>Pass-Through from Rice University</i> | | R21151, AMNT 4 | | 50,734 | 50,734 |
| <i>Pass-Through from Rice University</i> | | R21156 | | 36,939 | 36,939 |
| <i>Pass-Through from Sidney Kimmel Cancer Center</i> | | 1R21GM077681 | | (8,479) | (8,479) |
| <i>Pass-Through from Southwest Oncology Group</i> | | 5 U10 CA032102 29 | | 6,020 | 6,020 |
| <i>Pass-Through from Southwest Oncology Group</i> | | SWOG-S0777 | | (90,000) | (90,000) |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | 5 U24 15 | | 376,535 | 376,535 |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | 5U24CA05572714 | | 68,497 | 68,497 |
| <i>Pass-Through from Stanford University</i> | | 7 R01 CA093626 05 | | 7,402 | 7,402 |
| <i>Pass-Through from Translational Genomics Research Institute</i> | | 5 P01 04 | | 231,586 | 231,586 |
| <i>Pass-Through from Translational Genomics Research Institute</i> | | 5 P01 CA109552 02 A1 | | (34,958) | (34,958) |
| <i>Pass-Through from Translational Genomics Research Institute</i> | | 2 R42 CA076759 03 | | (3,146) | (3,146) |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Transpire, Inc.</i> | | 5 R44 CA105806 03 | | 75,174 | 75,174 |
| <i>Pass-Through from UHV Technologies, Inc.</i> | | 1R43CA130224-01 | | 398,896 | 398,896 |
| <i>Pass-Through from University of Arizona</i> | | 5 P01 CA017094 | | 1,473 | 1,473 |
| <i>Pass-Through from University of Arizona</i> | | 5 P01 CA017094 29 | | 284,817 | 284,817 |
| <i>Pass-Through from University of Arkansas for Medical Sciences</i> | | S/G R01CA118981 | 24,786 | 6,053 | 30,839 |
| <i>Pass-Through from University of California - San Diego</i> | | 5 P01 CA081534 06 | | (106,768) | (106,768) |
| <i>Pass-Through from University of California - San Diego</i> | | 5 P01 CA081534 09 | | 688,665 | 688,665 |
| <i>Pass-Through from University of California - San Francisco</i> | | 5 U01 CA062399 14 | | 216,703 | 216,703 |
| <i>Pass-Through from University of Chicago</i> | | 5U10CA03744705 | | 16,172 | 16,172 |
| <i>Pass-Through from University of Iowa</i> | | 5 R01 CA109208 02 | | 17,109 | 17,109 |
| <i>Pass-Through from University of Michigan</i> | | 5 U10 CA032102 27 | | 2,642 | 2,642 |
| <i>Pass-Through from University of Michigan</i> | | CA32102 | | 235,450 | 235,450 |
| <i>Pass-Through from University of Michigan</i> | | S/G U10CA32102 | | 1,957,786 | 1,957,786 |
| <i>Pass-Through from University of Michigan</i> | | SG/7U10CA32102-29 | | 128,096 | 128,096 |
| <i>Pass-Through from University of Michigan</i> | | SWOG/CTEP,CA32102 | | 20,513 | 20,513 |
| <i>Pass-Through from University of Minnesota</i> | | 3 U24 CA055727 11S2 | | 3,448 | 3,448 |
| <i>Pass-Through from University of Tennessee</i> | | 2 R01 CA092160 06 | | (33,718) | (33,718) |
| <i>Pass-Through from Vanderbilt University</i> | | 5 R01 CA115556 03 | | 107,384 | 107,384 |
| <i>Pass-Through from Washington University</i> | | 5 U24 CA081647 11 | | 139,328 | 139,328 |
| Total - CFDA 93.395 | | | 3,603,997 | 47,561,701 | 51,165,698 |
| Cancer Biology Research | 93.396 | | 422,473 | 17,704,391 | 18,126,864 |
| <i>Pass-Through from Asuragen, Inc.</i> | | 2 R44 CA115129 03 | | 59,588 | 59,588 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 U01 CA084243 09 | | (1,410) | (1,410) |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 U01 CA084243 10 | | 25,446 | 25,446 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 U01 CA105352 05 | | 313,005 | 313,005 |
| <i>Pass-Through from Baylor College of Medicine</i> | | U01 CA105352 05 | | 76,567 | 76,567 |
| <i>Pass-Through from Dana-Farber Cancer Institute</i> | | 5U56CA11864104 | | 10,044 | 10,044 |
| <i>Pass-Through from Einstein Medical College</i> | | 9-526-2343/AG24391 | | 8,523 | 8,523 |
| <i>Pass-Through from Fred Hutchinson Cancer Research Center</i> | | 5 U01 CA084296 10 | | 119,150 | 119,150 |
| <i>Pass-Through from Louisiana State University Health Sciences Center</i> | | 1 R21 CA116324 01 A2 | | 8,404 | 8,404 |
| <i>Pass-Through from Massachusetts Institute of Technology</i> | | 5 U01 CA084306 10 | | 75,803 | 75,803 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 P50 CA116201 04 | | 17,736 | 17,736 |
| <i>Pass-Through from Mayo Clinic</i> | | 5R01CA10450505 | | 4,711 | 4,711 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 0255-3271-4609 | | 75,047 | 75,047 |
| <i>Pass-Through from Rhode Island Hospital</i> | | RIH 701-1461 | | 57,200 | 57,200 |
| <i>Pass-Through from Tufts University</i> | | 5R01CA12503302 | | 34,387 | 34,387 |
| <i>Pass-Through from University of California - San Francisco</i> | | 5 P01 CA 064602 09 | | 1,056 | 1,056 |
| <i>Pass-Through from University of Maryland School of Medicine</i> | | 5 R01 CA102428-04 | | 244,838 | 244,838 |
| <i>Pass-Through from University of Massachusetts Medical School</i> | | 5 R01 03 | | 29,260 | 29,260 |
| <i>Pass-Through from University of Pennsylvania</i> | | 5 R01 CA089202 08 | | 20,389 | 20,389 |
| <i>Pass-Through from University of Pittsburgh</i> | | 5 R01 CA098372 03 | | 28,821 | 28,821 |
| <i>Pass-Through from Vanderbilt University</i> | | 2P01CA040035-18A1 | | 225,417 | 225,417 |
| Total - CFDA 93.396 | | | 422,473 | 19,138,373 | 19,560,846 |
| Cancer Centers Support Grants | 93.397 | | 1,914,823 | 26,006,832 | 27,921,655 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 P50 CA058183 15 | | 14,622 | 14,622 |
| <i>Pass-Through from Memorial Sloan-Kettering Cancer Center</i> | | 5 P50 CA068425 06 | | (28,531) | (28,531) |
| <i>Pass-Through from University of Arizona</i> | | 5 P50 CA095060 08 | | 313,679 | 313,679 |
| <i>Pass-Through from University of Iowa</i> | | 2 P50 CA097274 06 | | (5,490) | (5,490) |
| <i>Pass-Through from University of Nebraska/NIH</i> | | 1P50CA12729701A2 | | 116,416 | 116,416 |
| Total - CFDA 93.397 | | | 1,914,823 | 26,417,528 | 28,332,351 |

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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 |
|--|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Cancer Research Manpower | 93.398 | | 377,465 | 11,316,278 | 11,693,743 |
| <i>Pass-Through from University of Rochester</i> | | 5 R25 CA065520 06 | | 6,066 | 6,066 |
| <i>Pass-Through from Washington University</i> | | WU-09-167; PO#2905577N | | 2,131 | 2,131 |
| Total - CFDA 93.398 | | | 377,465 | 11,324,475 | 11,701,940 |
| Cancer Control | 93.399 | | 5,489,448 | 11,731,721 | 17,221,169 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 R01 CA078480 11 | | 44,834 | 44,834 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 R01 CA-101211 05 | | 84 | 84 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 U19 CA086809 05 | | (17,651) | (17,651) |
| <i>Pass-Through from Duke University</i> | | 5 R01 CA106919 04 | | 137,090 | 137,090 |
| <i>Pass-Through from Duke University</i> | | 5 R21 CA122143 02 | | 75,718 | 75,718 |
| <i>Pass-Through from Eastern Cooperative Oncology Group</i> | | 5 MDA520SH05-00 | | 170,345 | 170,345 |
| <i>Pass-Through from Fox Chase Cancer Center</i> | | 2 R01 CA075795 08 | | (15,016) | (15,016) |
| <i>Pass-Through from Frontier Science and Technology Research Foundation</i> | | 5 U10 CA037403 24 | | 18,060 | 18,060 |
| <i>Pass-Through from Health Research, Inc.</i> | | 55-0955-01/CA077178 | | 33,395 | 33,395 |
| <i>Pass-Through from Health Research, Inc.</i> | | 7 U01 CA077178 11 | | 9,028 | 9,028 |
| <i>Pass-Through from Johns Hopkins University</i> | | 5 U01 CA084986 02 | | 95,440 | 95,440 |
| <i>Pass-Through from Johns Hopkins University/NIH</i> | | 5U01CA084986 | | 59,226 | 59,226 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 5 R01 CA094006-02 | | (4,351) | (4,351) |
| <i>Pass-Through from National Cancer Institute/NIH</i> | | SG/5 U24 CA 78142.04 | | (79,547) | (79,547) |
| <i>Pass-Through from National Childhood Cancer Foundation</i> | | 18001/CA95861 | | 75,620 | 75,620 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 1 U10 CA037377 01 | | 83 | 83 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 2 U10 CA037377 22 | | 45,073 | 45,073 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 5 U10 CA037377 09 | | (12,504) | (12,504) |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 5 U10 CA037377 12 | | 553,845 | 553,845 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | 5 U10 CA037377 22 | | 414 | 414 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | PFED21UTS01COSTAR | | 33 | 33 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | PFED23A-TXS-01 | | 10,614 | 10,614 |
| <i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i> | | U10 CA37377 | | 26,616 | 26,616 |
| <i>Pass-Through from Southwest Oncology Group</i> | | 5 U10 CA037429 21 | | (3,548) | (3,548) |
| <i>Pass-Through from Southwest Oncology Group</i> | | 5 U10 CA037429 23 | | 35,351 | 35,351 |
| <i>Pass-Through from Southwest Oncology Group</i> | | 5 U10 CA037429 16 | | 203,218 | 203,218 |
| <i>Pass-Through from Southwest Oncology Group</i> | | 5 U10 CA037429 21 | | 6,089 | 6,089 |
| <i>Pass-Through from Southwest Oncology Group</i> | | 7 U10 CA037429 24 | | 20,878 | 20,878 |
| <i>Pass-Through from Southwest Oncology Group</i> | | 742618443 | | 6,312 | 6,312 |
| <i>Pass-Through from Southwest Oncology Group</i> | | CA37429 | | 27,553 | 27,553 |
| <i>Pass-Through from Southwest Oncology Group</i> | | SWOG CA37429 | | 2,050 | 2,050 |
| <i>Pass-Through from Southwest Oncology Group</i> | | SWOG-CCOP- CA037429 | | 269 | 269 |
| <i>Pass-Through from Southwest Oncology Group</i> | | UTHSCASWOG CA37429 | | 43,884 | 43,884 |
| <i>Pass-Through from Stanford University</i> | | 17666630-33956- AUTA06-119 | | 63,824 | 63,824 |
| <i>Pass-Through from Stanford University</i> | | UTA06-119 | | 20,033 | 20,033 |
| <i>Pass-Through from Trustees of Dartmouth College</i> | | 5 R01 CA098286 05 | | (20,049) | (20,049) |
| <i>Pass-Through from University of California - Irvine</i> | | 2009-2095 | | 91,873 | 91,873 |

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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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from University of California - Los Angeles</i> | | 3U01CA114640-02S5 | | 37,051 | 37,051 |
| <i>Pass-Through from University of Michigan</i> | | 5 U01 CA86400 09 | | (60,554) | (60,554) |
| <i>Pass-Through from University of Michigan</i> | | 998204 | 1,492,964 | 7,086,697 | 8,579,661 |
| <i>Pass-Through from University of Michigan</i> | | CA11675804 | | 12,376 | 12,376 |
| <i>Pass-Through from University of Wisconsin - Madison</i> | | 2 P50 CA95817 06 | | 135,943 | 135,943 |
| <i>Pass-Through from University of Wisconsin - Madison</i> | | 5 P50 CA095817 05 | | 2,402 | 2,402 |
| Total - CFDA 93.399 | | | 6,982,412 | 20,669,822 | 27,652,234 |
| Ruminant Feed Ban Support Project | 93.449 | | | 272,645 | 272,645 |
| Promoting Safe and Stable Families | 93.556 | | | 18,769 | 18,769 |
| <i>Pass-Through from Spaulding for Children</i> | | 90C01027 | | 23,207 | 23,207 |
| Total - CFDA 93.556 | | | 0 | 41,976 | 41,976 |
| Head Start | 93.600 | | 2,687 | 365,650 | 368,337 |
| <i>Pass-Through from Harris County Department of Education</i> | | CATCH UP | | 79,054 | 79,054 |
| Total - CFDA 93.600 | | | 2,687 | 444,704 | 447,391 |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | | | 180,268 | 180,268 |
| University Centers for Excellence in Developmental Disabilities Education, Research, and Service | 93.632 | | 36,666 | 489,513 | 526,179 |
| <i>Pass-Through from University of Kansas</i> | | FY2009-035 | | 8,095 | 8,095 |
| Total - CFDA 93.632 | | | 36,666 | 497,608 | 534,274 |
| Social Services Research and Demonstration | 93.647 | | | 93,347 | 93,347 |
| Adoption Opportunities | 93.652 | | 224,041 | 317,643 | 541,684 |
| Trans-NIH Recovery Act Research Support | 93.701 | | | 16,169 | 16,169 |
| ARRA - Trans-NIH Recovery Act Research Support | | | | 2,862,246 | 2,862,246 |
| <i>Pass-Through from Illinois State University</i> | | 09LMF08120NL | | 7,514 | 7,514 |
| <i>Pass-Through from Vanderbilt University</i> | | DA014684 | | 10,163 | 10,163 |
| Total - CFDA 93.701 | | | 0 | 2,896,092 | 2,896,092 |
| Demonstration to Maintain Independence and Employment | 93.769 | | | 626,580 | 626,580 |
| Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | | | 1,077,766 | 1,077,766 |
| <i>Pass-Through from Memorial Hermann TIRR</i> | | 11-P-92574 | | 31,011 | 31,011 |
| Total - CFDA 93.779 | | | 0 | 1,108,777 | 1,108,777 |
| Basic/Core Area Health Education Centers | 93.824 | | | (2,878) | (2,878) |
| Cardiovascular Diseases Research | 93.837 | | 7,209,699 | 38,986,717 | 46,196,416 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 100528276/R01HL9051 4 | | 11,787 | 11,787 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5R01HL09051403 | | 213,422 | 213,422 |
| <i>Pass-Through from Baylor College of Medicine</i> | | N01HC55016 | | 48,895 | 48,895 |
| <i>Pass-Through from Baylor College of Medicine</i> | | R01HL078589 | | 13,224 | 13,224 |
| <i>Pass-Through from Baylor College of Medicine/NIH</i> | | R01HL7243002 | | 266 | 266 |
| <i>Pass-Through from Case Western Reserve University</i> | | R01HL086718 | | 32,864 | 32,864 |
| <i>Pass-Through from Cincinnati Children's Hospital Medical Center</i> | | 5P50HL07710104 | | 7,702 | 7,702 |
| <i>Pass-Through from Corinnova, Inc.</i> | | 4R42HI0808759 | | 63,563 | 63,563 |
| <i>Pass-Through from Duke Clinical Research Institute</i> | | 1R01HL6769101 | | 97 | 97 |
| <i>Pass-Through from Duke University</i> | | Subcontract No. 04- SC-NIH-1063 | | 23,581 | 23,581 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Duke University Medical Center/NIH</i> | | 1U01HL06901501 | | 2,597 | 2,597 |
| <i>Pass-Through from Johns Hopkins University</i> | | 09EMF080098NL | | 16,260 | 16,260 |
| <i>Pass-Through from Johns Hopkins University</i> | | 5R01HL086694 | | 6,412 | 6,412 |
| <i>Pass-Through from Kaiser Foundation</i> | | R01HL78972 | | 171,510 | 171,510 |
| <i>Pass-Through from Medical College of Georgia</i> | | 5R01HL07294602 | | 495 | 495 |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 4R37HL07431406 | | 23,279 | 23,279 |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 4R37HL07431407 | | 619 | 619 |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 5P01HL05999609 | | 9,769 | 9,769 |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 5P01HL05999610 | | 2,795 | 2,795 |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 5R01HL07292006 | | 10,888 | 10,888 |
| <i>Pass-Through from Medical University of Ohio</i> | | NS 2006-048 | | 18,312 | 18,312 |
| <i>Pass-Through from Medical University of South Carolina</i> | | 1 R21 HL090598 01 A1 | | 70,699 | 70,699 |
| <i>Pass-Through from Medical University of South Carolina</i> | | 1R21HL088654 | | 1,960 | 1,960 |
| <i>Pass-Through from New England Medical Center Hospitals, Inc.</i> | | U00HL077821 | | 166,786 | 166,786 |
| <i>Pass-Through from New England Research Institute</i> | | 5U01HL06827007 | | 6 | 6 |
| <i>Pass-Through from New England Research Institute</i> | | 5U01HL06827008 | | 61,066 | 61,066 |
| <i>Pass-Through from New York Medical College</i> | | 1R01HL6250901 | | 1,544 | 1,544 |
| <i>Pass-Through from New York Medical College</i> | | 5P01HL3430024 | | 73,386 | 73,386 |
| <i>Pass-Through from Northwestern University</i> | | 0600-370-V983-1431 | | 140 | 140 |
| <i>Pass-Through from Ohio State University Research Foundation</i> | | 05LM050030FNL | | 12,393 | 12,393 |
| <i>Pass-Through from Research Triangle Institute</i> | | HHSN268200648199C | | 149,348 | 149,348 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | SFBR 06-1498.002 | | 69,960 | 69,960 |
| <i>Pass-Through from St. Luke's Hospital/NIH</i> | | 1P50HL07711301 | | 9,639 | 9,639 |
| <i>Pass-Through from Statistics and Epidemiology Research Corporation</i> | | N01HC55139 | | (91) | (91) |
| <i>Pass-Through from Transonic Systems, Inc.</i> | | SG/2R44HL082022-02 | | 3,658 | 3,658 |
| <i>Pass-Through from Tulane University</i> | | 3U01HL72507 | | 70,063 | 70,063 |
| <i>Pass-Through from Tulane University</i> | | R01HL090682 | | 57,705 | 57,705 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | U01HL072524 | | 83,665 | 83,665 |
| <i>Pass-Through from University of California - San Diego</i> | | 10259605 | | 139,438 | 139,438 |
| <i>Pass-Through from University of Florida</i> | | R01HL095508 | | 33,185 | 33,185 |
| <i>Pass-Through from University of Minnesota</i> | | B6367777201 | | 36,808 | 36,808 |
| <i>Pass-Through from University of Minnesota</i> | | HL076312 | | 171,215 | 171,215 |
| <i>Pass-Through from University of Minnesota/NIH</i> | | 7R01HL07024206 | | 48,326 | 48,326 |
| <i>Pass-Through from University of Mississippi Medical Center</i> | | R01HL70825 | | (4,020) | (4,020) |
| <i>Pass-Through from University of Pittsburgh</i> | | 5U01HL61744 | | 30,085 | 30,085 |
| <i>Pass-Through from University of Pittsburgh/NIH</i> | | 5R01HL07503804 | | 9,394 | 9,394 |
| <i>Pass-Through from University of Toledo</i> | | 942536-03 | | 13,496 | 13,496 |
| <i>Pass-Through from University of Toledo/NIH</i> | | U01HL071556 | | 8,110 | 8,110 |
| <i>Pass-Through from University of Washington</i> | | N01-HC-95159 | | 52,381 | 52,381 |
| <i>Pass-Through from University of Washington/NIH</i> | | 5U01HL07786305 | | 39,509 | 39,509 |
| <i>Pass-Through from Wake Forest University</i> | | UT 155030-11140 | | 475,531 | 475,531 |
| Total - CFDA 93.837 | | | 7,209,699 | 41,550,439 | 48,760,138 |
| Lung Diseases Research | 93.838 | | 417,548 | 6,045,256 | 6,462,804 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1 R01 HL095382-01 | | 229,361 | 229,361 |
| <i>Pass-Through from Cornell University</i> | | R01HL071022 | 7,681 | 60,505 | 68,186 |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 5R01HL04929414 | | 23,505 | 23,505 |
| <i>Pass-Through from National Jewish Health</i> | | 24021001/HL089897 | | 203,232 | 203,232 |
| <i>Pass-Through from University of California</i> | | R01HL089901 | | 71,131 | 71,131 |
| <i>Pass-Through from University of Chicago</i> | | U01HL084715 | | 28,617 | 28,617 |
| <i>Pass-Through from University of Pennsylvania/NIH</i> | | 5R01HL07909004 | | 161 | 161 |
| Total - CFDA 93.838 | | | 425,229 | 6,661,768 | 7,086,997 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Blood Diseases and Resources Research | 93.839 | | 94,611 | 4,244,007 | 4,338,618 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5K23HL081539 | | 28,819 | 28,819 |
| <i>Pass-Through from Children's Hospital Boston/NIH</i> | | 5U01HL06526005 | | 2,430 | 2,430 |
| <i>Pass-Through from H Lee Moffitt Cancer/NIH</i> | | 5R01HL07252306 | | 13,918 | 13,918 |
| <i>Pass-Through from Lynntech, Inc.</i> | | 5 R44 AI056738 03 | | 19,547 | 19,547 |
| <i>Pass-Through from Lynntech, Inc.</i> | | Sub No. C08-0040 | | 35,923 | 35,923 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | 5 U54 HL081030 02 | | (13,289) | (13,289) |
| <i>Pass-Through from Medical College of Wisconsin</i> | | 1P01HL081588 | | 28,205 | 28,205 |
| <i>Pass-Through from National Marrow Donor Program-DHHS-NIH</i> | | 14867 02 | | (137) | (137) |
| <i>Pass-Through from National Marrow Donor Program-DHHS-NIH</i> | | U01 HL69334 | | 218,280 | 218,280 |
| <i>Pass-Through from National Marrow Donor Program</i> | | BMTCTN0102 | | 6,063 | 6,063 |
| <i>Pass-Through from New England Research Institute</i> | | 1U01HL065238 | | 76 | 76 |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | 5U01HL07878702 | | 2,072 | 2,072 |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | 5U01HL07878703 | | 19,505 | 19,505 |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | 5U01HL07878704 | | 30,443 | 30,443 |
| <i>Pass-Through from Stanford University</i> | | 5R01HL079381 | | 157,227 | 157,227 |
| <i>Pass-Through from SUNY Upstate Medical/NIH</i> | | 5R01HL07252306 | | 42,915 | 42,915 |
| <i>Pass-Through from University Medicine and Dentistry of New Jersey</i> | | SG/1R01HL073958-01A1 | | 4,893 | 4,893 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | N01-HC-95095 | | 146,985 | 146,985 |
| <i>Pass-Through from University of Oklahoma/NIH</i> | | 2U01HL07228306 | | 38,911 | 38,911 |
| <i>Pass-Through from University of Oklahoma/NIH</i> | | 5U01HL07228303 | | 103 | 103 |
| <i>Pass-Through from University of Oklahoma/NIH</i> | | 5U01HL07228307 | | 38,479 | 38,479 |
| <i>Pass-Through from University of Pittsburgh</i> | | 5R01HL68429 | | 3,507 | 3,507 |
| Total - CFDA 93.839 | | | 94,611 | 5,068,882 | 5,163,493 |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | 1,092,518 | 12,833,927 | 13,926,445 |
| <i>Pass-Through from Baylor Research Institute</i> | | 2R01AR05077005A1 | | 36,166 | 36,166 |
| <i>Pass-Through from Baylor Research Institute</i> | | 5P50AR05408303 | | 30,941 | 30,941 |
| <i>Pass-Through from Biochem Analysis Corporation</i> | | 1R43AR05499301A1 | | 11,553 | 11,553 |
| <i>Pass-Through from Biomedical Development Corporation</i> | | G93.005 | | 62,427 | 62,427 |
| <i>Pass-Through from Biomedical Development Corporation</i> | | G93.006/2R44DE017301 | | 3,556 | 3,556 |
| <i>Pass-Through from Cooper Institute</i> | | 1 R01 AR052459-01A1 | | 36,345 | 36,345 |
| <i>Pass-Through from Duke University</i> | | N01AI05419 | | 18,437 | 18,437 |
| <i>Pass-Through from Feinstein Institute for Medical Research</i> | | 5 R01 10 | | 76,933 | 76,933 |
| <i>Pass-Through from Jackson Laboratory</i> | | S/G AR45433 JAX LABS | | (15,848) | (15,848) |
| <i>Pass-Through from Jackson Laboratory</i> | | SG/1R01AR05385301A1 | | 20,959 | 20,959 |
| <i>Pass-Through from Johns Hopkins University/NIH</i> | | 2R01AR04372710A1 | | 14,960 | 14,960 |
| <i>Pass-Through from Maine Medical Center</i> | | 0852-001 | | 77,115 | 77,115 |
| <i>Pass-Through from Maine Medical Center</i> | | 0942-001 | | 5,340 | 5,340 |
| <i>Pass-Through from PLx Pharma, Inc.</i> | | R44AR056529 | | 65,320 | 65,320 |
| <i>Pass-Through from Regents of the University of California</i> | | U01AR055057 | | 24,994 | 24,994 |
| <i>Pass-Through from Seattle Childrens Institute/NIH</i> | | 1R01AR04976201A2 | | 113 | 113 |
| <i>Pass-Through from The Cooper Institute</i> | | 5 R01 AR052459-03 | | 41,431 | 41,431 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | 008/AR049084 | | 53,025 | 53,025 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | 1P01AR49084 | | 17,978 | 17,978 |
| <i>Pass-Through from University of Connecticut Health Center</i> | | R01 AR049341/HARRIS | | 13,027 | 13,027 |
| <i>Pass-Through from University of Kansas Medical Center for Research</i> | | FY2009-064 | | 10,229 | 10,229 |
| <i>Pass-Through from University of Maryland - Baltimore</i> | | R01-AR43351 | | 47,691 | 47,691 |
| <i>Pass-Through from University of Missouri - Kansas City</i> | | 19057/00025154 | | 171,874 | 171,874 |
| <i>Pass-Through from University of Missouri - Kansas City</i> | | 8054 - P01 AR046798 | | 34,142 | 34,142 |
| <i>Pass-Through from University of Missouri - Kansas City</i> | | P01AR046798 | | 174,358 | 174,358 |
| <i>Pass-Through from University of Missouri/NIH</i> | | 2R01AR04941906 | | 23,801 | 23,801 |
| Total - CFDA 93.846 | | | 1,092,518 | 13,890,794 | 14,983,312 |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 3,053,380 | 34,117,477 | 37,170,857 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1 R01 DK081557 01 | | 35,270 | 35,270 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5P30DK056338 | | 120,853 | 120,853 |
| <i>Pass-Through from Baylor College of Medicine/NIH</i> | | 5U19DK06243407 | | 169,560 | 169,560 |
| <i>Pass-Through from Benaroya Research Institute</i> | | 3215.06/U01DK062418 | | 1,242 | 1,242 |
| <i>Pass-Through from Benaroya Research Institute</i> | | FY08.3215-07.A40579 | | 47,675 | 47,675 |
| <i>Pass-Through from Benaroya Research Institute</i> | | U01DK062418 | | 7,097 | 7,097 |
| <i>Pass-Through from Betastem Therapeutics, Inc.</i> | | 1R41DK07952901 | | (10,601) | (10,601) |
| <i>Pass-Through from Children's Hospital of Pittsburgh</i> | | U01DK072146 | | 40,114 | 40,114 |
| <i>Pass-Through from Children's Mercy Hospital</i> | | 5U01DK06614302 | | 1,302 | 1,302 |
| <i>Pass-Through from Cincinnati Children's Hospital Medical Center</i> | | 5R01DK07695702 | | 73,468 | 73,468 |
| <i>Pass-Through from Columbia Hospital at Medical City</i> | | R01DK49368 | | 18 | 18 |
| <i>Pass-Through from Duke University/NIH</i> | | 2P01DK05839807 | | 22 | 22 |
| <i>Pass-Through from Duke University/NIH</i> | | 5P01DK05839808 | | 451,654 | 451,654 |
| <i>Pass-Through from Duke University/NIH</i> | | 5P01DK05839809 | | 73,916 | 73,916 |
| <i>Pass-Through from Duke University/NIH</i> | | P01DK05839808 | | 439,040 | 439,040 |
| <i>Pass-Through from George Washington University</i> | | 09-D15 | | 200,518 | 200,518 |
| <i>Pass-Through from George Washington University</i> | | 09-D16/U01 DK061230 | 332,161 | 174,755 | 506,916 |
| <i>Pass-Through from George Washington University</i> | | 233012CCLS20127A | | 137,503 | 137,503 |
| <i>Pass-Through from George Washington University</i> | | 991106 | 526,876 | 170,719 | 697,595 |
| <i>Pass-Through from George Washington University</i> | | DK061055 | | 4,129 | 4,129 |
| <i>Pass-Through from George Washington University</i> | | HALE:S/G DK6123-01 G | | 217,327 | 217,327 |
| <i>Pass-Through from George Washington University</i> | | SG/5U01DK061230-07 | | 3,977 | 3,977 |
| <i>Pass-Through from Johns Hopkins University</i> | | 5U01DK066174 | | 73,710 | 73,710 |
| <i>Pass-Through from Joslin Diabetes Center</i> | | 5U01DK07455603 | | 12,010 | 12,010 |
| <i>Pass-Through from Medical City Dallas Hospital</i> | | R21DK53611 | | 50 | 50 |
| <i>Pass-Through from Medical College of Georgia</i> | | 5U24DK076169-02 | | 27,232 | 27,232 |
| | | SUB20497-13 | | | |
| <i>Pass-Through from Medical College of Georgia</i> | | 5U24DK07616904 | | 609,731 | 609,731 |
| <i>Pass-Through from New England Research Institute</i> | | U01DK58234 | | 55 | 55 |
| <i>Pass-Through from PLx Pharma, Inc.</i> | | 5R42DK063882 | | 302,287 | 302,287 |
| <i>Pass-Through from Probetex, Inc.</i> | | 5 R44DK061834-03 | | 24,429 | 24,429 |
| <i>Pass-Through from Probetex, Inc.</i> | | R41DK077436 | | 11,372 | 11,372 |
| <i>Pass-Through from Spire Corporation</i> | | 09LMF080033N1L | | 108,465 | 108,465 |
| <i>Pass-Through from SUNY Stonybrook/NIH</i> | | 5U01DK06338502 | | 98 | 98 |
| <i>Pass-Through from University of Alabama - Birmingham/NIH</i> | | 5P30DK07403803 | | (989) | (989) |
| <i>Pass-Through from University of Arkansas</i> | | 1R01DK071100 | | 78,951 | 78,951 |
| <i>Pass-Through from University of Chicago</i> | | DK58026 | | 15,021 | 15,021 |
| <i>Pass-Through from University of Cincinnati/NIH</i> | | 2R01DK1784432 | | 25,630 | 25,630 |
| <i>Pass-Through from University of Iowa</i> | | R01DK055965 | | 45,846 | 45,846 |
| <i>Pass-Through from University of South Florida/NIH</i> | | HHSN267200800019C | | 511,274 | 511,274 |
| <i>Pass-Through from Van Andel Research Institute/NIH</i> | | 5R01DK07166204 | | 22,851 | 22,851 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | 2R01DK05027714 | | 15,884 | 15,884 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | 5P01DK03822622 | | 299,624 | 299,624 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | 5U01DK07247303 | | 21,075 | 21,075 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | 5U01DK07247304 | | 59,068 | 59,068 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | 5U19DK04250217 | | 76 | 76 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | 5U19DK04250219 | | 391,833 | 391,833 |
| <i>Pass-Through from Vanderbilt University/NIH</i> | | U01DK07427304 | | 68,773 | 68,773 |
| Total - CFDA 93.847 | | | 3,912,417 | 39,201,391 | 43,113,808 |
| Digestive Diseases and Nutrition Research | 93.848 | | 72,056 | 1,199,570 | 1,271,626 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 2 P30 DK056338 06 A2 | | 34,984 | 34,984 |
| <i>Pass-Through from Baylor College of Medicine</i> | | P30DK5633802 | | 1,891 | 1,891 |
| <i>Pass-Through from Beth Israel Deaconess Medical Center</i> | | R01DK068598 | | 22,108 | 22,108 |

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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 |
|---|---------------|---|---|---------------------|-------------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | 09-4116.002 | | 57,738 | 57,738 |
| <i>Pass-Through from University of California - Davis</i> | | 5 R01 DK056839 07 | | 76,237 | 76,237 |
| <i>Pass-Through from University of Chicago</i> | | 5 U01 GM061393 09 | | 110,198 | 110,198 |
| Total - CFDA 93.848 | | | 72,056 | 1,502,726 | 1,574,782 |
| Kidney Diseases, Urology and Hematology Research | 93.849 | | 44,009 | 3,080,821 | 3,124,830 |
| <i>Pass-Through from Medical University of South Carolina</i> | | 5 R01 DK080234 02 | | 10,843 | 10,843 |
| <i>Pass-Through from New England Research Institute</i> | | DK058229 | | 8,089 | 8,089 |
| Total - CFDA 93.849 | | | 44,009 | 3,099,753 | 3,143,762 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 8,888,946 | 38,447,324 | 47,336,270 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 P01 NS038660-09 | | 85,212 | 85,212 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5P01NS038660 | | 107,337 | 107,337 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5R01NS021889 | | 39,814 | 39,814 |
| <i>Pass-Through from Baylor College of Medicine</i> | | NO1-HB-37163-05 | | 19,056 | 19,056 |
| <i>Pass-Through from Baylor College of Medicine/NIH</i> | | 5R01NS02188925 | | 16,114 | 16,114 |
| <i>Pass-Through from Brandeis University</i> | | 1R01NS050944 | | 22,173 | 22,173 |
| <i>Pass-Through from Brigham and Women's Hospital/NIH</i> | | 5R01NS04963903 | | 1,958 | 1,958 |
| <i>Pass-Through from Children's Hospital of Philadelphia</i> | | 5R01NS05048803 | | 26,171 | 26,171 |
| <i>Pass-Through from Christopher and Dana Reeve</i> | | CTN1-2008(DC) | | 19,358 | 19,358 |
| <i>Pass-Through from Christopher and Dana Reeve</i> | | CTN2-2009 (DC) | | 16,522 | 16,522 |
| <i>Pass-Through from Cognosci, Inc.</i> | | R44NS058239 | | 993 | 993 |
| <i>Pass-Through from Columbia University</i> | | COL U/R01NS048125-02 | | 2,419 | 2,419 |
| <i>Pass-Through from Columbia University</i> | | R01NS050724 | 350 | 46,338 | 46,688 |
| <i>Pass-Through from Columbia University/NIH</i> | | 5R01NS04529403 | | 1,777 | 1,777 |
| <i>Pass-Through from Emory University</i> | | 5 R01 NS0428647 05 | | 15,291 | 15,291 |
| <i>Pass-Through from Henry Ford Hospital and Health Services</i> | | UTA04-156 | | 50,701 | 50,701 |
| <i>Pass-Through from Johns Hopkins University</i> | | 09EMF090047NL | | 68,917 | 68,917 |
| <i>Pass-Through from Johns Hopkins University</i> | | 5R01NS039456 | | 28,839 | 28,839 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | 5U01NS05259203 | | 811 | 811 |
| <i>Pass-Through from Massachusetts General Hospital/NIH</i> | | 5U01NS05259203 | | 13,135 | 13,135 |
| <i>Pass-Through from Mayo Clinic/NIH</i> | | 5P50NS03235214 | | 113,979 | 113,979 |
| <i>Pass-Through from Mayo Foundation</i> | | 5R01NS03998709 | | 3,108 | 3,108 |
| <i>Pass-Through from Mount Sinai Medical Center</i> | | U01NS045719 | | 531,035 | 531,035 |
| <i>Pass-Through from Northwestern University</i> | | 0600 370 J005 U | | 17,194 | 17,194 |
| | | TEXAS AUSTIN 00 | | | |
| <i>Pass-Through from Northwestern University</i> | | 0600 370 S366 795 | | 1,431 | 1,431 |
| <i>Pass-Through from Northwestern University</i> | | 0600 370 S554 | | 203,406 | 203,406 |
| <i>Pass-Through from Presbyterian Hospital</i> | | 5R01NS3343005 | | 3,068 | 3,068 |
| <i>Pass-Through from RFE Pharma</i> | | 2R42NS04877702 | | 135,200 | 135,200 |
| <i>Pass-Through from Saint Louis University</i> | | 5R01NS050547 | | 35,964 | 35,964 |
| <i>Pass-Through from Thomas Jefferson University</i> | | 5R01NS05059703 | | 24,686 | 24,686 |
| <i>Pass-Through from Thomas Jefferson University</i> | | 5R01NS05059704 | | 5,732 | 5,732 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | SG/U01NS042685 | | 535 | 535 |
| <i>Pass-Through from University of Alabama - Birmingham/NIH</i> | | 5U01NS04268504 | | 33,956 | 33,956 |
| <i>Pass-Through from University of California</i> | | P50NS044378 | | 7,180 | 7,180 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 0980GGH018 | | 214,089 | 214,089 |
| <i>Pass-Through from University of California - San Diego</i> | | 5U 01 NS058030-03 PO | | 40,621 | 40,621 |
| <i>Pass-Through from University of California - San Diego</i> | | 5P50NS044148 | | 15,734 | 15,734 |
| <i>Pass-Through from University of Cincinnati</i> | | 5R01NS047603 | | 111,683 | 111,683 |
| <i>Pass-Through from University of Cincinnati</i> | | U01NS052220 | | 8,099 | 8,099 |
| <i>Pass-Through from University of Cincinnati/NIH</i> | | 5R01NS05489002 | | 32,008 | 32,008 |
| <i>Pass-Through from University of Florida</i> | | 1R01NS052831-01A1 | | 97,931 | 97,931 |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from University of Kansas Medical Center for Research</i> | | QN815456, AMD 4 | | 147,475 | 147,475 |
| <i>Pass-Through from University of Kentucky Research Foundation</i> | | 3046960400-06-241 | | 30,272 | 30,272 |
| <i>Pass-Through from University of Medicine and Dentistry of New Jersey</i> | | 5R01NS03838406 | | 65,737 | 65,737 |
| <i>Pass-Through from University of Medicine and Dentistry of New Jersey</i> | | 5R01NS05273304 | | 51,512 | 51,512 |
| <i>Pass-Through from University of Medicine and Dentistry of New Jersey</i> | | 5R01NS38384 | | 24,336 | 24,336 |
| <i>Pass-Through from University of Miami</i> | | 5R01NS049545 | | 53,700 | 53,700 |
| <i>Pass-Through from University of Michigan</i> | | 5U10NS058930 | | 22,466 | 22,466 |
| <i>Pass-Through from University of Michigan</i> | | F011315 | | 789 | 789 |
| <i>Pass-Through from University of Michigan</i> | | Sub No. 3000911237 | | 192,009 | 192,009 |
| <i>Pass-Through from University of North Carolina/NIH</i> | | 5U01NS042167 | | 1,446 | 1,446 |
| <i>Pass-Through from University of Pittsburgh/NIH</i> | | 1U01NS05247801A2 | | 63,377 | 63,377 |
| <i>Pass-Through from University of Rochester/NIH</i> | | 5R01NS3716705 | | 2,160 | 2,160 |
| <i>Pass-Through from University of Virginia</i> | | 5 R01 NS049065 03 | | 13,340 | 13,340 |
| <i>Pass-Through from University of Virginia</i> | | 5R01NS037666 | | 72,964 | 72,964 |
| <i>Pass-Through from Wake Forest University/NIH</i> | | NS34447 | | 318 | 318 |
| <i>Pass-Through from Washington University/NIH</i> | | 5U01NS04280405 | | 36,979 | 36,979 |
| <i>Pass-Through from Washington University/NIH</i> | | 5U01NS04280406 | | 25,107 | 25,107 |
| <i>Pass-Through from Washington University/NIH</i> | | WU0304 | | 7,407 | 7,407 |
| <i>Pass-Through from Westat, Inc.</i> | | HHSN265200423611C | | 7,530 | 7,530 |
| <i>Pass-Through from Yale University</i> | | A05648 | | 19,324 | 19,324 |
| <i>Pass-Through from Yale University/NIH</i> | | 5U01NS04487605 | | 6,241 | 6,241 |
| | | | | 8,889,296 | 41,511,388 |
| Total - CFDA 93.853 | | | | | 50,400,684 |
| Allergy, Immunology and Transplantation Research | 93.855 | | 10,374,540 | 74,521,228 | 84,895,768 |
| <i>Pass-Through from Albert Einstein College of Medicine</i> | | 9-526-2107 AMD NO 1 | | 4,052 | 4,052 |
| <i>Pass-Through from Albert Einstein College of Medicine</i> | | 503750 | | 140,166 | 140,166 |
| <i>Pass-Through from American Type Culture Collection</i> | | 2006-0001 | | 10,227 | 10,227 |
| <i>Pass-Through from Arthrochip, LLC/NIH</i> | | 5R42AI05398405 | | 187,339 | 187,339 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1U91AI070973 | | 59,350 | 59,350 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 3P30AI36211 | | (127) | (127) |
| <i>Pass-Through from Baylor College of Medicine</i> | | N01-AI-25465 | | 130,185 | 130,185 |
| <i>Pass-Through from Baylor Research Institute</i> | | 3U19AI05723405S1 | | 90,238 | 90,238 |
| <i>Pass-Through from Biotex, Inc.</i> | | NIH 2R44AI066425.02 | | 18,420 | 18,420 |
| <i>Pass-Through from Burnham Institute for Medical Research</i> | | 5R01AI05914605 | | 98,384 | 98,384 |
| <i>Pass-Through from Cincinnati Children's Hospital Medical Center</i> | | R01AI073713 | | 11,837 | 11,837 |
| <i>Pass-Through from Colorado State University</i> | | 5R01AI08048602 | | 64,537 | 64,537 |
| <i>Pass-Through from Columbia University</i> | | 5 U19 AI067773-02 | | (58) | (58) |
| <i>Pass-Through from Columbia University</i> | | 5-35467 | | 18 | 18 |
| <i>Pass-Through from Columbia University /NIH</i> | | 1R25AI08056601 | | 10,671 | 10,671 |
| <i>Pass-Through from Dor Biopharma, Inc.</i> | | 1U01AI07062401 | | 411,864 | 411,864 |
| <i>Pass-Through from Duke University</i> | | 5U19AI067854 | | 9,315 | 9,315 |
| <i>Pass-Through from Fred Hutchinson Cancer Research Center</i> | | R01AI041721 | | (306) | (306) |
| <i>Pass-Through from George Washington University</i> | | U01AI069503 | | 204,503 | 204,503 |
| <i>Pass-Through from Health Research, Inc.</i> | | 003706-01 | | 8,029 | 8,029 |
| <i>Pass-Through from Health Research, Inc.</i> | | 5U54AI05715805 | | (1,729) | (1,729) |
| <i>Pass-Through from Houston Pharmaceuticals</i> | | 1 R43 AI077225 01 | | 44,093 | 44,093 |
| <i>Pass-Through from IBIS Biosciences, Inc.</i> | | 1R41AI07285901A2 | | 120,397 | 120,397 |
| <i>Pass-Through from Imperial College of London</i> | | DD/2134001 DDDH | | 62,663 | 62,663 |
| <i>Pass-Through from Institute for Clinical Research, Inc.</i> | | U01-AI068641 | | 452,797 | 452,797 |
| <i>Pass-Through from Louisiana State University</i> | | 1R01AI07232701A1 | | 23,727 | 23,727 |

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For the Year Ended August 31, 2009

| 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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Louisiana State University Medical Center</i> | | R01AI046142 | | 10,568 | 10,568 |
| <i>Pass-Through from Marshfield Clinic Research Foundation</i> | | R01AI061385 | | 10,937 | 10,937 |
| <i>Pass-Through from Medicines for Malaria Venture/NIH</i> | | 1U01AI07559401 | | 294,858 | 294,858 |
| <i>Pass-Through from Norwell, Inc.</i> | | 1R43AI07163401A2 | | 89,360 | 89,360 |
| <i>Pass-Through from Oregon Health Sciences University</i> | | HHSN2662005000027 | | 49,986 | 49,986 |
| <i>Pass-Through from Rice University</i> | | R25AI06222762 | | 19,352 | 19,352 |
| <i>Pass-Through from Social and Scientific Systems, Inc.</i> | | U01AI068641 | | 14,548 | 14,548 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | 07-4045.002 /LOVERDE | | 11,244 | 11,244 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | NO.5 U54AI057156 | | 5,219 | 5,219 |
| <i>Pass-Through from Starpharma Pty, Ltd.</i> | | 5U19AI06059804 | | 38,566 | 38,566 |
| <i>Pass-Through from Starpharma Pty, Ltd.</i> | | 5U19AI06059805 | | 178,334 | 178,334 |
| <i>Pass-Through from Universal Stabilization Technologies</i> | | 5U01AI07035003 | | 96,395 | 96,395 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | 5 K23 AI064613 03 | | 10,588 | 10,588 |
| <i>Pass-Through from University of Alabama - Birmingham</i> | | R01AI073521 | | 75,255 | 75,255 |
| <i>Pass-Through from University of California</i> | | 503322 | | 15,879 | 15,879 |
| <i>Pass-Through from University of California - Berkeley</i> | | SA5641-11595 | | 192,889 | 192,889 |
| <i>Pass-Through from University of California - Davis</i> | | 2R01AI039540 | | 81,427 | 81,427 |
| <i>Pass-Through from University of California - Davis</i> | | 503943 | | 15,533 | 15,533 |
| <i>Pass-Through from University of California - Irvine</i> | | 5U01AI078213 | | 25,655 | 25,655 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 2301G KK762 | | 823 | 823 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 5U01A1070495 | | 294,937 | 294,937 |
| <i>Pass-Through from University of California - San Diego</i> | | SG: 1P01AI074621-01 | | 79,376 | 79,376 |
| <i>Pass-Through from University of California - San Francisco</i> | | 4943SC/1P01AI071713 | | 45,108 | 45,108 |
| <i>Pass-Through from University of Cincinnati</i> | | 1R01AI07371301A2 | | (7,172) | (7,172) |
| <i>Pass-Through from University of Cincinnati</i> | | 5R01AI07204002 | | 40,460 | 40,460 |
| <i>Pass-Through from University of Colorado - Denver</i> | | 09EMF090023NL | | 14,330 | 14,330 |
| <i>Pass-Through from University of Georgia</i> | | R01AI06890801 RR374-037/35 | | 52,746 | 52,746 |
| <i>Pass-Through from University of Mississippi</i> | | R21AI067873 | | 21,940 | 21,940 |
| <i>Pass-Through from University of Pittsburgh</i> | | R01AI071386 | | 29,471 | 29,471 |
| <i>Pass-Through from University of Pittsburgh</i> | | 09EMF080080NL | | 38,738 | 38,738 |
| <i>Pass-Through from US Immunodeficiency Network</i> | | N01-A1-30070 | | 51,879 | 51,879 |
| <i>Pass-Through from Vaxinate</i> | | 1R43AI07416201 | | 90,774 | 90,774 |
| <i>Pass-Through from Washington University - St. Louis</i> | | 2U54AI05716006 | | 10,336 | 10,336 |
| <i>Pass-Through from Washington University - St. Louis</i> | | 5 U19 AI070489-02 | | 1,595 | 1,595 |
| <i>Pass-Through from Washington University - St. Louis</i> | | 5U01AI07037403 | | 346,723 | 346,723 |
| <i>Pass-Through from Washington University - St. Louis</i> | | CON18736 | | 46,913 | 46,913 |
| <i>Pass-Through from Washington University - St. Louis</i> | | WU-08-110 | | 58,829 | 58,829 |
| Total - CFDA 93.855 | | | 10,374,540 | 79,136,219 | 89,510,759 |
| Microbiology and Infectious Diseases Research | 93.856 | | 741,079 | 7,704,661 | 8,445,740 |
| <i>Pass-Through from Albert Einstein College of Medicine</i> | | 9-526-4933 | | (360) | (360) |
| <i>Pass-Through from Alphavax Humane Vaccines, Inc.</i> | | 1UC1AI06718301 | | 65,136 | 65,136 |
| <i>Pass-Through from Baylor College of Medicine</i> | | P30 AI036211 13 | | 30,397 | 30,397 |
| <i>Pass-Through from Baylor College of Medicine</i> | | P30AI036211 | | 160,526 | 160,526 |
| <i>Pass-Through from Beth Israel Deaconess Medical Center</i> | | 5P01DK05611609 | | 105,508 | 105,508 |
| <i>Pass-Through from Cambridge Systems</i> | | 63358 | | (1,974) | (1,974) |
| <i>Pass-Through from Colorado State University</i> | | 5U54AI06535704 | | 10,873 | 10,873 |
| <i>Pass-Through from Cytogenix, Inc.</i> | | 1R43AI080000-01 | | 13,081 | 13,081 |
| <i>Pass-Through from Drexel University</i> | | U01AI06144105 | | 113,262 | 113,262 |
| <i>Pass-Through from Dynavax Technologies</i> | | 5 U01 AI56559-03 | | (26) | (26) |
| <i>Pass-Through from Intercell Ag</i> | | CON18436 | | 44,535 | 44,535 |
| <i>Pass-Through from Investigen, Inc.</i> | | 2R44AI069574-02 | | 39,849 | 39,849 |
| <i>Pass-Through from Louisiana State University Health Sciences Center</i> | | 5U19AI06197205 | | 209,592 | 209,592 |

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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 |
|--|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Lynntech, Inc.</i> | | 2008-NIH967-0001 | | 20,158 | 20,158 |
| <i>Pass-Through from Molecular Express, Inc.</i> | | 5R43AI06662103 | | 15,550 | 15,550 |
| <i>Pass-Through from Molecular Targeting Technologies</i> | | R41AI063822-01A2 | | 10,431 | 10,431 |
| <i>Pass-Through from Planet Biotechnology, Inc.</i> | | 5R44AI05300504 | | 7,791 | 7,791 |
| <i>Pass-Through from Starpharma Pty, Ltd.</i> | | 1U19AI6059801 | | 91,519 | 91,519 |
| <i>Pass-Through from University of Minnesota</i> | | 1U01AI46957 | | (64,768) | (64,768) |
| <i>Pass-Through from University of Toledo</i> | | N 2006-69 | | 58,267 | 58,267 |
| Total - CFDA 93.856 | | | 741,079 | 8,634,008 | 9,375,087 |
| Biomedical Research and Research Training | 93.859 | | 1,544,491 | 65,302,632 | 66,847,123 |
| <i>Pass-Through from Accacia International</i> | | UTA08-217 | | 134,758 | 134,758 |
| <i>Pass-Through from Atactic Technologies, Inc.</i> | | 2R44GM076941-03-UH | | 124,261 | 124,261 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 100872048 | | 17,195 | 17,195 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 1K12GM084897-01 | | 6,866 | 6,866 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 P01 GM081627 02 | | 382,639 | 382,639 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5T32GM0082802S1 | | 40,243 | 40,243 |
| <i>Pass-Through from Baylor College of Medicine</i> | | PO4600592817 | | (70) | (70) |
| <i>Pass-Through from Cornell University</i> | | 49238 8402 / 211201 | | 121,533 | 121,533 |
| | | B53363 200 | | | |
| <i>Pass-Through from Cyntellect, Inc.</i> | | 1 R41 GM074436-01A1 | | 10,493 | 10,493 |
| <i>Pass-Through from Delsite Biotechnologies, Inc.</i> | | 503133 | | 143,785 | 143,785 |
| <i>Pass-Through from Harvard Medical School</i> | | 149015-0006 | | 200,677 | 200,677 |
| <i>Pass-Through from Indiana University</i> | | 567583 | | 90,095 | 90,095 |
| | | 2RO1GM065414-05A1 | | | |
| <i>Pass-Through from Institute for Systems Biology</i> | | 5 R01 05 | | (9,085) | (9,085) |
| <i>Pass-Through from John Wayne Cancer Institute</i> | | 09LMF090042NL | | 24,834 | 24,834 |
| <i>Pass-Through from Johnson Foundation</i> | | P01-3 / P0389273 | | 62,130 | 62,130 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | 5U54GM06211908 | | 95,360 | 95,360 |
| <i>Pass-Through from Massachusetts General Hospital/NIH</i> | | 2U54GM06211907 | | 5,685 | 5,685 |
| <i>Pass-Through from Massachusetts General Hospital/NIH</i> | | 2U54GM06211908 | | 212,510 | 212,510 |
| <i>Pass-Through from Mayo Clinic</i> | | 5 U01 GM061388 09 | | 39,198 | 39,198 |
| <i>Pass-Through from Michigan State University</i> | | 61-0822UT | | 207,971 | 207,971 |
| | | R01AI06871801 | | | |
| <i>Pass-Through from Monterey Bay Aquarium Research</i> | | PO# 0911094 | | 28,327 | 28,327 |
| <i>Pass-Through from Pharmareview Corporation</i> | | R41GM079810 | | 10,627 | 10,627 |
| <i>Pass-Through from Research Foundation of the State</i> | | 1064773-2-43776 | | 41,579 | 41,579 |
| <i>Pass-Through from Rice University</i> | | 1R01GM086885 | | 89,189 | 89,189 |
| <i>Pass-Through from Rice University</i> | | R01GM080575 | | 109,261 | 109,261 |
| <i>Pass-Through from Scripps Research Institute</i> | | 5 P01 HL016411-35 | | 32,386 | 32,386 |
| <i>Pass-Through from Temple University School of Medicine</i> | | 360509431/GM068523 | | 22,885 | 22,885 |
| <i>Pass-Through from University of Arizona</i> | | 5 R01 GM070890 04 | | 20,334 | 20,334 |
| <i>Pass-Through from University of Arizona</i> | | Y431369 | | 30,871 | 30,871 |
| <i>Pass-Through from University of California</i> | | DE-AC-03-76SF00098 | | 279,566 | 279,566 |
| <i>Pass-Through from University of California - San Diego/NIH</i> | | 2U54GM06933806 | | 613,587 | 613,587 |
| <i>Pass-Through from University of California - San Diego/NIH</i> | | 5U54GM06933807 | | 23,347 | 23,347 |
| <i>Pass-Through from University of California - San Francisco</i> | | 3816SC | | 160,445 | 160,445 |
| <i>Pass-Through from University of California/NIH</i> | | 1R01GM07938301A1 | | 69,745 | 69,745 |
| <i>Pass-Through from University of Florida</i> | | U01GM074492 | | 912,058 | 912,058 |
| <i>Pass-Through from University of Hawaii/NIH</i> | | 5R01GM07666504 | | 105,952 | 105,952 |
| <i>Pass-Through from University of Michigan</i> | | P50GM065509 | | 1,123,876 | 1,123,876 |
| <i>Pass-Through from University of Nebraska</i> | | 503898 | | 68,361 | 68,361 |
| <i>Pass-Through from University of New Mexico</i> | | 1 R01 GM079381-02 | | 75,699 | 75,699 |
| <i>Pass-Through from Utah - Texas Bridge to Biomedical Studies</i> | | 10004657-01 | | 33,442 | 33,442 |
| <i>Pass-Through from Washington University - St. Louis</i> | | 503496 | | 45,157 | 45,157 |
| Total - CFDA 93.859 | | | 1,544,491 | 71,110,404 | 72,654,895 |

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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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| Child Health and Human Development Extramural Research | 93.865 | | 3,697,510 | 28,640,861 | 32,338,371 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 U01 HD039372 03 | | (5,749) | (5,749) |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 U01 HD039372 04 | | (132,875) | (132,875) |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5R01HD046623-04 | | 25,260 | 25,260 |
| <i>Pass-Through from Baylor College of Medicine</i> | | N01-AI-30039 | | 133,253 | 133,253 |
| <i>Pass-Through from Baylor College of Medicine</i> | | NO1-HD-80020 | | 96,594 | 96,594 |
| <i>Pass-Through from Baylor College of Medicine</i> | | R01HD051437 | | 156,049 | 156,049 |
| <i>Pass-Through from Baylor College of Medicine/NIH</i> | | 5R01HD04394304 | | (11,097) | (11,097) |
| <i>Pass-Through from Boston Biomedical/NIH</i> | | 1U54HD06084801 | | 148,755 | 148,755 |
| <i>Pass-Through from Boston University</i> | | R01HD051804 | | 60,964 | 60,964 |
| <i>Pass-Through from Boston University Medical</i> | | 3U10HD02906714S1 | | 35,091 | 35,091 |
| <i>Pass-Through from California State University</i> | | S07-303005B-UH | | 17,106 | 17,106 |
| <i>Pass-Through from Center for Applied Linguistics</i> | | 2 P01 HD-039530-06A2 | | 39,304 | 39,304 |
| <i>Pass-Through from Children's Memorial Hospital</i> | | 1R01HD04569401A1 | | 3,634 | 3,634 |
| <i>Pass-Through from Children's Research Institute/NIH</i> | | N01HD43393 | | 96,180 | 96,180 |
| <i>Pass-Through from Duke University</i> | | 1R01HD05795601 | | 6,753 | 6,753 |
| <i>Pass-Through from Emmes Corporation</i> | | HHSN267200603425C | | 104,016 | 104,016 |
| <i>Pass-Through from George Washington University</i> | | CON19219 | | 211,173 | 211,173 |
| <i>Pass-Through from George Washington University</i> | | U10HD0368-01 | | 915,745 | 915,745 |
| <i>Pass-Through from Harvard Pilgrim Health Care</i> | | HARVARD/5R01HD04 88 | | 11,405 | 11,405 |
| <i>Pass-Through from Johns Hopkins University</i> | | 8603-53737 | | 22,674 | 22,674 |
| <i>Pass-Through from Manpower Demonstration Research Corporation</i> | | 6111.04.099.00 | | 50,582 | 50,582 |
| <i>Pass-Through from Max Mobility, LLC</i> | | UTA06-668 | | | |
| <i>Pass-Through from Purdue University</i> | | 1 R01HD053732-01A1 | | 30,276 | 30,276 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | 5P01HD05211202 | | 29,643 | 29,643 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | 09-1424.003 | | 7,898 | 7,898 |
| <i>Pass-Through from Southwest Foundation for Biomedical Research</i> | | SG HALE HD049051 | | 158,054 | 158,054 |
| <i>Pass-Through from Temple University</i> | | 1U01HD060296-01 | | 9,176 | 9,176 |
| <i>Pass-Through from University of Arkansas</i> | | 07079GFR | | 13,779 | 13,779 |
| <i>Pass-Through from University of California - Irvine</i> | | 1P01HD047609 | | 332,560 | 332,560 |
| <i>Pass-Through from University of California - Los Angeles</i> | | 5R01HD05176403 | | 51,874 | 51,874 |
| <i>Pass-Through from University of California - San Francisco</i> | | 2 K12 HD000849 02 | | 108,461 | 108,461 |
| <i>Pass-Through from University of Florida</i> | | 330536812-01 | | 31,143 | 31,143 |
| | | UFPS0021 UNIV FL CONTRACT | | | |
| <i>Pass-Through from University of Michigan/NIH</i> | | 5U01HD04124908 | | 106,249 | 106,249 |
| <i>Pass-Through from University of North Carolina</i> | | 5-50751 | | 36,224 | 36,224 |
| <i>Pass-Through from University of North Carolina - Chapel Hill</i> | | 5-50752 5-U01-HD045982-05 | | 12,040 | 12,040 |
| <i>Pass-Through from University of Notre Dame</i> | | HD04-4868-05 | | 124,692 | 124,692 |
| <i>Pass-Through from University of Pennsylvania</i> | | 5-44511-C; PO#1958209 | | 11,633 | 11,633 |
| <i>Pass-Through from Vanderbilt University</i> | | R01HD059179 | | 13,391 | 13,391 |
| <i>Pass-Through from Yale University/NIH</i> | | 5K12HD00085023 | | 108,066 | 108,066 |
| <i>Pass-Through from Yale University/NIH</i> | | K12HD000850 | | 18,761 | 18,761 |
| Total - CFDA 93.865 | | | 3,697,510 | 31,829,598 | 35,527,108 |
| Aging Research | 93.866 | | 1,292,825 | 23,645,759 | 24,938,584 |
| <i>Pass-Through from Albert Einstein College of Medicine</i> | | 9-526-3001 | | 65,137 | 65,137 |
| <i>Pass-Through from Baylor College of Medicine</i> | | R01 AG027577-01 | | 12,239 | 12,239 |
| <i>Pass-Through from Boston University</i> | | 1R01AG033193-01 | | 8,776 | 8,776 |
| <i>Pass-Through from Buck Institute</i> | | 2025 | | (11,960) | (11,960) |
| <i>Pass-Through from Case Western Reserve University</i> | | P01AG014359 | | 64,253 | 64,253 |
| <i>Pass-Through from Case Western Reserve University</i> | | PO1 AG014359-11 | | 17,971 | 17,971 |

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For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|--------------|------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Case Western Reserve University</i> | | RES503597 | | 10,257 | 10,257 |
| <i>Pass-Through from Columbia University</i> | | 5U24AG02639504 | | 118,149 | 118,149 |
| <i>Pass-Through from Columbia University</i> | | 5U24AG02639505 | | 13,467 | 13,467 |
| <i>Pass-Through from Drexel University</i> | | 232263/R01AG022443 | | 108,028 | 108,028 |
| <i>Pass-Through from Einstein Medical College</i> | | 9-526-3214 | | 158,851 | 158,851 |
| <i>Pass-Through from Georgetown University/NIH</i> | | R01AG19268 | | 1,144 | 1,144 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 0254-9890-4609 | | 25,426 | 25,426 |
| <i>Pass-Through from Mount Sinai School of Medicine</i> | | 0254-9899-4609 | | 120,956 | 120,956 |
| <i>Pass-Through from Purdue University</i> | | R01 AG025362 | | 88,798 | 88,798 |
| <i>Pass-Through from St. Jude Children's Research Hospital</i> | | CON10241 | | (15) | (15) |
| <i>Pass-Through from University of California - San Diego/NIH</i> | | 1U01AG024904 | | 34,745 | 34,745 |
| <i>Pass-Through from University of Colorado</i> | | NELSON S/G AG024354 | | 98,525 | 98,525 |
| <i>Pass-Through from University of Kentucky Research Foundation</i> | | 3048104499-08-400 | 102,448 | 513,469 | 615,917 |
| <i>Pass-Through from University of Kentucky Research Foundation</i> | | S/G R01AG019241 | | (74,887) | (74,887) |
| <i>Pass-Through from University of Maryland - Baltimore</i> | | 1 R21 AG033791 01 | | 23,032 | 23,032 |
| <i>Pass-Through from University of Michigan</i> | | 3001000435 | | 415,003 | 415,003 |
| <i>Pass-Through from University of Michigan</i> | | Sub# 3001013256 | 1,052,874 | 2,430,257 | 3,483,131 |
| <i>Pass-Through from University of Pittsburgh</i> | | 5T35AG02677804 | | 200 | 200 |
| <i>Pass-Through from University of Pittsburgh</i> | | 5T35AG02677805 | | 8,520 | 8,520 |
| <i>Pass-Through from University of Washington/NIH</i> | | 5U01AG01697610 | | 25,310 | 25,310 |
| <i>Pass-Through from University of Washington/NIH</i> | | 5U01AG01697611 | | 3,867 | 3,867 |
| Total - CFDA 93.866 | | | 2,448,147 | 27,925,277 | 30,373,424 |
| Vision Research | 93.867 | | 1,116,680 | 18,049,037 | 19,165,717 |
| <i>Pass-Through from Baylor College of Medicine</i> | | 5 PN2 EY016525 05 | | 132,567 | 132,567 |
| <i>Pass-Through from Brigham and Women's Hospital</i> | | R01EY014418 | | 131,429 | 131,429 |
| <i>Pass-Through from Emmes Corporation</i> | | HHS-N-260-2007-00001-C | | 56,146 | 56,146 |
| <i>Pass-Through from Georgia Institute of Technology/NIH</i> | | 1PN2EY01824401 | | 150,312 | 150,312 |
| <i>Pass-Through from JAEB Center for Health Research</i> | | U10 EY14231 | | 56 | 56 |
| <i>Pass-Through from JAEB Center for Health Research</i> | | U10 EY12358 | | (45) | (45) |
| <i>Pass-Through from Johns Hopkins University</i> | | CON18705 | | 111,978 | 111,978 |
| <i>Pass-Through from Johns Hopkins University</i> | | CON18715 | | 162,900 | 162,900 |
| <i>Pass-Through from Johns Hopkins University</i> | | LSOCA-96195 | | 57,903 | 57,903 |
| <i>Pass-Through from Johns Hopkins University</i> | | U10EY0805711 | | (29,039) | (29,039) |
| <i>Pass-Through from New York University</i> | | F6330-02, P113955 | | 119,298 | 119,298 |
| <i>Pass-Through from Oregon Health Sciences University</i> | | R01EY013139 | | (3,868) | (3,868) |
| <i>Pass-Through from University of Miami</i> | | 2R01EY014225 | | 88,251 | 88,251 |
| <i>Pass-Through from University of Pennsylvania</i> | | 5 U10 EY006266 16 | | (14,262) | (14,262) |
| Total - CFDA 93.867 | | | 1,116,680 | 19,012,663 | 20,129,343 |
| Medical Library Assistance | 93.879 | | 71,796 | 476,852 | 548,648 |
| <i>Pass-Through from Houston Academy of Medicine</i> | | HHSN276200663505C | | 7,946 | 7,946 |
| <i>Pass-Through from Massachusetts General Hospital</i> | | UTA07-516; 205870 | | 20,696 | 20,696 |
| <i>Pass-Through from Rensselaer Polytechnic Institute</i> | | S/G R01LM009362 | | 91,083 | 91,083 |
| Total - CFDA 93.879 | | | 71,796 | 596,577 | 668,373 |
| Grants for Training in Primary Care Medicine and Dentistry | 93.884 | | 25,661 | 187,486 | 213,147 |
| Health Care and Other Facilities | 93.887 | | 223,435 | 2,558,032 | 2,781,467 |
| Specially Selected Health Projects | 93.888 | | | 86,996 | 86,996 |
| HIV Care Formula Grants | 93.917 | | | 16,663 | 16,663 |
| <i>Pass-Through from Resource Group</i> | | 09UTVF00PTB | | 134,000 | 134,000 |

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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 |
|--|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Resource Group</i> | | 10UTVF00PTB | | 6,647 | 6,647 |
| <i>Pass-Through from Urban League of Greater Dallas</i> | | MAI 2007-025554-001 | | 750 | 750 |
| Total - CFDA 93.917 | | | 0 | 158,060 | 158,060 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | | | | |
| <i>Pass-Through from Resource Group</i> | | 06UTG00T3 | | (13,719) | (13,719) |
| <i>Pass-Through from Resource Group</i> | | CON18711 | | 30,950 | 30,950 |
| Total - CFDA 93.918 | | | 0 | 17,231 | 17,231 |
| Special Projects of National Significance | 93.928 | | | | |
| <i>Pass-Through from Special Health Resources of Texas</i> | | H97Ha07514-03-00 | | 42,712 | 42,712 |
| National Institutes of Health Acquired Immunodeficiency Syndrome Research Loan Repayment Program | 93.936 | | | | |
| <i>Pass-Through from Magee-Women's Research Institute and Foundation</i> | | 26-3301-6572 | | 37,113 | 37,113 |
| HIV Prevention Activities--Health Department Based | 93.940 | | | 290,949 | 290,949 |
| HIV Demonstration, Research, Public and Professional Education Projects | 93.941 | | | | |
| <i>Pass-Through from City of Houston Health and Human Services</i> | | B8-031-5B | | 59,649 | 59,649 |
| <i>Pass-Through from RTI International</i> | | 200-2003-02489 | | 22,075 | 22,075 |
| <i>Pass-Through from University North Carolina - Chapel Hill</i> | | 5-53073/1UR6PS000670 | | 23,654 | 23,654 |
| <i>Pass-Through from University of California</i> | | 444918-29945 | | 75,542 | 75,542 |
| <i>Pass-Through from University of California - San Francisco</i> | | 5UR6PS00033403 | | 182,944 | 182,944 |
| <i>Pass-Through from University of Maryland</i> | | U51HA02521 | | 14,577 | 14,577 |
| Total - CFDA 93.941 | | | 0 | 378,441 | 378,441 |
| Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups | 93.943 | | | | |
| <i>Pass-Through from US-Mexico Border Health Association</i> | | 5U65PS623699-05 | | 12,228 | 12,228 |
| Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | | | 239,290 | 239,290 |
| <i>Pass-Through from University of Nebraska Medical Center</i> | | 34-5311-3005-004 | | 43,753 | 43,753 |
| Total - CFDA 93.946 | | | 0 | 283,043 | 283,043 |
| Tuberculosis Demonstration, Research, Public and Professional Education | 93.947 | | | 206,786 | 206,786 |
| Geriatric Education Centers | 93.969 | | | 180,800 | 180,800 |
| <i>Pass-Through from Baylor College of Medicine</i> | | SubunderD31HP08821 | | 37,914 | 37,914 |
| Total - CFDA 93.969 | | | 0 | 218,714 | 218,714 |
| Preventive Health Services--Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants | 93.978 | | | 17,367 | 17,367 |
| International Research and Research Training | 93.989 | | | 106,294 | 106,294 |
| <i>Pass-Through from Fogarty International Center</i> | | 5 D43 TW006569-06 | | 5,052 | 5,052 |

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For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Health and Human Services (continued) | | | | | |
| <i>Pass-Through from Fogarty International Center</i> | | 5D43TW00659005 | 8,691 | 44,466 | 53,157 |
| <i>Pass-Through from Fogarty International Center</i> | | 5R03TW00761403 | | 4,349 | 4,349 |
| <i>Pass-Through from Fogarty International Center</i> | | 5R25TW00812902 | | 49,392 | 49,392 |
| <i>Pass-Through from Health Related Information Dissemination Amongst Youth</i> | | R01TW007933 | | 127,483 | 127,483 |
| <i>Pass-Through from Southern Research Institute</i> | | 5RO1TW006986 / 211145 B53049 200 | | 15,314 | 15,314 |
| Total - CFDA 93.989 | | | 8,691 | 352,350 | 361,041 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | | | 195,284 | 195,284 |
| Adolescent Family Life--Demonstration Projects | 93.995 | | | | |
| <i>Pass-Through from University of Arkansas - Fayetteville</i> | | 5 AHPA006046-02-00 SUB#SA10 | | 17,770 | 17,770 |
| Bioterrorism Training and Curriculum Development Program | 93.996 | | | (1,892) | (1,892) |
| Total - U.S. Department of Health and Human Services | | | 71,554,499 | 791,040,620 | 862,595,119 |
| Corporation for National and Community Service | | | | | |
| AmeriCorps | 94.006 | | | 892 | 892 |
| <i>Pass-Through from One Star National AmeriCorps Texas</i> | | 1506070901 | | (690) | (690) |
| Total - CFDA 94.006 | | | 0 | 202 | 202 |
| Total - Corporation for National and Community Service | | | 0 | 202 | 202 |
| Social Security Administration | | | | | |
| Social Security Administration | 96.XXX | | | | |
| <i>Pass-Through from Dartmouth College</i> | | 5-37206.570 | | 272,075 | 272,075 |
| Total - Social Security Administration | | | 0 | 272,075 | 272,075 |
| U.S. Department of Homeland Security | | | | | |
| U.S. Department of Homeland Security | 97.XXX | | | 778 | 778 |
| | | NBCHC070054 | 119,129 | 227,907 | 347,036 |
| | | NBCHC070063 | | 13,705 | 13,705 |
| <i>Pass-Through from Jackson State University</i> | | 4000065089 | | 89,578 | 89,578 |
| <i>Pass-Through from Protection Engineering Consultants, LLC</i> | | S08-024-02 | | 4,700 | 4,700 |
| <i>Pass-Through from Sabine Neches Navigation Department</i> | | Award #2005GB-T5-0087 | | 283,268 | 283,268 |
| Total - CFDA 97.XXX | | | 119,129 | 619,936 | 739,065 |
| Homeland Security Preparedness Technical Assistance Program | 97.007 | | | 397,930 | 397,930 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | | 99,492 | 99,492 |
| Hazard Mitigation Grant | 97.039 | | | 1,372 | 1,372 |
| Port Security Grant Program | 97.056 | | | | |
| <i>Pass-Through from Harris County</i> | | 2005GBT50050 | | 211,603 | 211,603 |
| Centers for Homeland Security | 97.061 | | | 5,127,201 | 5,127,201 |
| <i>Pass-Through from University of Minnesota</i> | | 503685 | | 51,566 | 51,566 |
| <i>Pass-Through from University of Minnesota</i> | | 503745 | | 27,146 | 27,146 |
| <i>Pass-Through from University of Minnesota</i> | | 570428 | | 47,576 | 47,576 |
| <i>Pass-Through from University of Minnesota</i> | | 570532 | | 11,625 | 11,625 |
| <i>Pass-Through from University of New Haven</i> | | B570 | | 97,479 | 97,479 |

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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 |
|--|-------------|---|---|---------------------|---------------|
| RESEARCH AND DEVELOPMENT CLUSTER (continued) | | | | | |
| U.S. Department of Homeland Security (continued) | | | | | |
| <i>Pass-Through from University of Southern California</i> | | 126675 | | 16,805 | 16,805 |
| Total - CFDA 97.061 | | | 0 | 5,379,398 | 5,379,398 |
| Scholars and Fellows, and Educational Programs <i>Pass-Through from Oak Ridge Institute of Science</i> | 97.062 | Ltd dated 1/14/08 | | 314 | 314 |
| Homeland Security Advanced Research Projects Agency <i>Pass-Through from Lynntech, Inc.</i> | 97.065 | No. 08-0192 | | 37,650 | 37,650 |
| Homeland Security Information Technology Research, Testing, Evaluation and Demonstration Program | 97.066 | | | 559,574 | 559,574 |
| Aviation Research Grants | 97.069 | | | 137,636 | 137,636 |
| Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection <i>Pass-Through from Rutgers University</i> | 97.077 | 8000001002 | | 1,602,554 | 1,602,554 |
| Total - CFDA 97.077 | | | 0 | 59,265 | 59,265 |
| Information Analysis Infrastructure Protection (IAIP) and Critical Infrastructure Monitoring and Protection | 97.080 | | | 1,661,819 | 1,661,819 |
| Homeland Security Outreach, Education, and Technical Assistance | 97.086 | | | 779,745 | 779,745 |
| Homeland Security-Related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program <i>Pass-Through from Stellarray, Inc.</i> | 97.104 | 503933 | | 231,300 | 231,300 |
| Total - CFDA 97.104 | | | 0 | 15,687 | 15,687 |
| Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies | 97.108 | | | 27,435 | 27,435 |
| Total - U.S. Department of Homeland Security | | | 119,129 | 10,173,471 | 10,292,600 |
| U. S. Agency for International Development | | | | | |
| USAID Foreign Assistance for Programs Overseas <i>Pass-Through from Agrilogic</i> | 98.001 | 503729 | | 2,691,158 | 2,691,158 |
| <i>Pass-Through from Save the Children - United Kingdom</i> | | 503334 | | 118,273 | 118,273 |
| <i>Pass-Through from The Louis Berger Group, Inc.</i> | | 503589 | | 43,474 | 43,474 |
| <i>Pass-Through from The Louis Berger Group, Inc.</i> | | 503686 | | 130,047 | 130,047 |
| <i>Pass-Through from University of California - Davis</i> | | 503945 | | 1,214,386 | 1,214,386 |
| Total - CFDA 98.001 | | | 0 | 162,031 | 162,031 |
| USAID Development Partnerships for University Cooperation and Development <i>Pass-Through from International Institute of Tropical Agriculture</i> | 98.012 | 503572 | | 4,359,369 | 4,359,369 |
| <i>Pass-Through from University of Georgia</i> | | RC7100253842248 / 211288 B51213 200 | | 7,425 | 7,425 |
| <i>Pass-Through from Western Michigan University</i> | | PGA725107007 | | 14,083 | 14,083 |
| Total - CFDA 98.012 | | | 0 | 9,711 | 9,711 |
| Total - U. S. Agency for International Development | | | 0 | 31,219 | 31,219 |
| Total Research and Development Cluster | | | 124,241,429 | 1,389,584,865 | 1,513,826,294 |

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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 |
|--|--------|---|--|---------------|---------------|
| STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | | 20,282,919 | 20,282,919 |
| Federal Family Education Loans | 84.032 | | | 1,968,934,911 | 1,968,934,911 |
| Federal Work-Study Program | 84.033 | | | 20,583,739 | 20,583,739 |
| ARRA - Federal Work-Study Program | | | | 346,435 | 346,435 |
| Total - CFDA 84.033 | | | 0 | 20,930,174 | 20,930,174 |
| Federal Perkins Loan Program--Federal Capital Contributions | 84.038 | | | 17,234,612 | 17,234,612 |
| Federal Pell Grant Program | 84.063 | | | 520,949,864 | 520,949,864 |
| Federal Direct Student Loans | 84.268 | | | 433,102,728 | 433,102,728 |
| Academic Competitiveness Grants | 84.375 | | | 14,999,008 | 14,999,008 |
| National Science and Mathematics Access to Retain Talent (SMART) Grants | 84.376 | | | 11,349,444 | 11,349,444 |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | | | 1,546,347 | 1,546,347 |
| Total - U.S. Department of Education | | | 0 | 3,009,330,007 | 3,009,330,007 |
| U.S. Department of Health and Human Services | | | | | |
| Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | | | 1,656,272 | 1,656,272 |
| Nursing Student Loans | 93.364 | | | 422,132 | 422,132 |
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | | | 3,213,543 | 3,213,543 |
| Total - U.S. Department of Health and Human Services | | | 0 | 5,291,947 | 5,291,947 |
| Total Student Financial Assistance Cluster | | | 0 | 3,014,621,954 | 3,014,621,954 |
| AGING CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers | 93.044 | | 23,173,280 | 739,517 | 23,912,797 |
| Special Programs for the Aging--Title III, Part C--Nutrition Services | 93.045 | | 32,958,657 | 839,059 | 33,797,716 |
| Nutrition Services Incentive Program | 93.053 | | 9,376,933 | 122,224 | 9,499,157 |
| Total - U.S. Department of Health and Human Services | | | 65,508,870 | 1,700,800 | 67,209,670 |
| Total Aging Cluster | | | 65,508,870 | 1,700,800 | 67,209,670 |

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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 |
|--|--------|---|--|-------------------|----------------------|
| CDBG -- STATE-ADMINISTERED SMALL CITIES PROGRAM CLUSTER | | | | | |
| U.S. Department of Housing and Urban Development | | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | | 189,146,846 | 72,491,261 | 261,638,107 |
| Total - U.S. Department of Housing and Urban Development | | | <u>189,146,846</u> | <u>72,491,261</u> | <u>261,638,107</u> |
| Total CDBG -- State-Administered Small Cities Program Cluster | | | <u>189,146,846</u> | <u>72,491,261</u> | <u>261,638,107</u> |
| CDBG ENTITLEMENT GRANTS CLUSTER | | | | | |
| U.S. Department of Housing and Urban Development | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | | | 84,033 | 84,033 |
| Total - U.S. Department of Housing and Urban Development | | | <u>0</u> | <u>84,033</u> | <u>84,033</u> |
| Total CDBG Entitlement Grants Cluster | | | <u>0</u> | <u>84,033</u> | <u>84,033</u> |
| CHILD CARE CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Child Care and Development Block Grant | 93.575 | | 169,342,887 | 43,897,737 | 213,240,624 |
| <i>Pass-Through from Workforce Solutions of Deep East Texas</i> | | 05240C13 | | 22,963 | 22,963 |
| <i>Pass-Through from Workforce Solutions of Deep East Texas</i> | | 4-26610 | | 126 | 126 |
| Total - CFDA 93.575 | | | <u>169,342,887</u> | <u>43,920,826</u> | <u>213,263,713</u> |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 216,098,311 | 809,811 | 216,908,122 |
| <i>Pass-Through from Upper Rio Grande Workforce Development Board</i> | | 09EM070999F2HA | | 67,062 | 67,062 |
| Total - CFDA 93.596 | | | <u>216,098,311</u> | <u>876,873</u> | <u>216,975,184</u> |
| ARRA -Child Care and Development Block Grant | 93.713 | | 591,700 | 55,360 | 647,060 |
| Total - U.S. Department of Health and Human Services | | | <u>386,032,898</u> | <u>44,853,059</u> | <u>430,885,957</u> |
| Total Child Care Cluster | | | <u>386,032,898</u> | <u>44,853,059</u> | <u>430,885,957</u> |
| CHILD NUTRITION CLUSTER | | | | | |
| U.S. Department of Agriculture | | | | | |
| School Breakfast Program | 10.553 | | 348,042,507 | 1,767,193 | 349,809,700 |
| National School Lunch Program | 10.555 | | 1,131,420,262 | 3,198,471 | 1,134,618,733 |
| Special Milk Program for Children | 10.556 | | 61,875 | | 61,875 |
| Summer Food Service Program for Children | 10.559 | | 40,164,954 | 798,512 | 40,963,466 |
| Total - U.S. Department of Agriculture | | | <u>1,519,689,598</u> | <u>5,764,176</u> | <u>1,525,453,774</u> |
| Total Child Nutrition Cluster | | | <u>1,519,689,598</u> | <u>5,764,176</u> | <u>1,525,453,774</u> |

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| CSBG CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Community Services Block Grant | 93.569 | | 31,634,999 | 1,391,236 | 33,026,235 |
| ARRA - Community Services Block Grant | 93.710 | | 816,260 | | 816,260 |
| Total - U.S. Department of Health and Human Services | | | 32,451,259 | 1,391,236 | 33,842,495 |
| Total CSBG Cluster | | | 32,451,259 | 1,391,236 | 33,842,495 |
| DISABILITY INSURANCE/SSI CLUSTER | | | | | |
| Social Security Administration | | | | | |
| Social Security--Disability Insurance | 96.001 | | | 133,852,548 | 133,852,548 |
| Total - Social Security Administration | | | 0 | 133,852,548 | 133,852,548 |
| Total Disability Insurance/SSI Cluster | | | 0 | 133,852,548 | 133,852,548 |
| EARLY INTERVENTION SERVICES (IDEA) CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| Special Education-Grants for Infants and Families | 84.181 | | 59,436,595 | 5,869,775 | 65,306,370 |
| Total - U.S. Department of Education | | | 59,436,595 | 5,869,775 | 65,306,370 |
| Total Early Intervention Services (IDEA) Cluster | | | 59,436,595 | 5,869,775 | 65,306,370 |
| EMERGENCY FOOD ASSISTANCE CLUSTER | | | | | |
| U.S. Department of Agriculture | | | | | |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | | 5,538,664 | 55,379 | 5,594,043 |
| ARRA - Emergency Food Assistance Program (Administrative Costs) | | | 252,686 | | 252,686 |
| Total - CFDA 10.568 | | | 5,791,350 | 55,379 | 5,846,729 |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | | 38,657,996 | 271 | 38,658,267 |
| ARRA - Emergency Food Assistance Program (Food Commodities) | | | 6,235,654 | | 6,235,654 |
| Total - CFDA 10.569 | | | 44,893,650 | 271 | 44,893,921 |
| Total - U.S. Department of Agriculture | | | 50,685,000 | 55,650 | 50,740,650 |
| Total Emergency Food Assistance Cluster | | | 50,685,000 | 55,650 | 50,740,650 |
| EMPLOYMENT SERVICE CLUSTER | | | | | |
| U.S. Department of Labor | | | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | | 11,105,143 | 36,327,150 | 47,432,293 |
| <i>Pass-Through from One Star Foundation</i> | | 2009-20332-426067 | | 6,115 | 6,115 |
| <i>Pass-Through from Tarrant County Local Workforce Development Board</i> | | 07-WSW-A/AM-003 | | 35,159 | 35,159 |
| ARRA - Employment Service/Wagner-Peyser Funded Activities | | | 567,980 | 4,952,936 | 5,520,916 |
| Total - CFDA 17.207 | | | 11,673,123 | 41,321,360 | 52,994,483 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|--------------|
| EMPLOYMENT SERVICE CLUSTER (continued) | | | | | |
| U.S. Department of Labor (continued) | | | | | |
| Disabled Veterans' Outreach Program (DVOP) | 17.801 | | | 6,088,698 | 6,088,698 |
| Local Veterans' Employment Representative Program | 17.804 | | | 6,088,903 | 6,088,903 |
| Total - U.S. Department of Labor | | | 11,673,123 | 53,498,961 | 65,172,084 |
| Total Employment Service Cluster | | | 11,673,123 | 53,498,961 | 65,172,084 |
| FEDERAL TRANSIT CLUSTER | | | | | |
| U.S. Department of Transportation | | | | | |
| Federal Transit--Capital Investment Grants | 20.500 | | 3,964,814 | | 3,964,814 |
| Federal Transit--Formula Grants | 20.507 | | 192,695 | | 192,695 |
| Total - U.S. Department of Transportation | | | 4,157,509 | 0 | 4,157,509 |
| Total Federal Transit Cluster | | | 4,157,509 | 0 | 4,157,509 |
| FISH AND WILDLIFE CLUSTER | | | | | |
| U.S. Department of the Interior | | | | | |
| Sport Fish Restoration Program | 15.605 | | 3,305,073 | 16,448,066 | 19,753,139 |
| Wildlife Restoration | 15.611 | | 173,601 | 14,243,268 | 14,416,869 |
| Total - U.S. Department of the Interior | | | 3,478,674 | 30,691,334 | 34,170,008 |
| Total Fish and Wildlife Cluster | | | 3,478,674 | 30,691,334 | 34,170,008 |
| FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER | | | | | |
| Corporation for National and Community Service | | | | | |
| Foster Grandparent Program | 94.011 | | | 2,517,228 | 2,517,228 |
| Total - Corporation for National and Community Service | | | 0 | 2,517,228 | 2,517,228 |
| Total Foster Grandparent/Senior Companion Cluster | | | 0 | 2,517,228 | 2,517,228 |
| HAZARD MITIGATION CLUSTER | | | | | |
| Federal Emergency Management Agency | | | | | |
| Hazard Mitigation Grant | 83.548 | | (2,421,139) | | (2,421,139) |
| Total - Federal Emergency Management Agency | | | (2,421,139) | 0 | (2,421,139) |
| U.S. Department of Homeland Security | | | | | |
| Hazard Mitigation Grant | 97.039 | | 37,790,656 | 522,970 | 38,313,626 |
| Total - U.S. Department of Homeland Security | | | 37,790,656 | 522,970 | 38,313,626 |
| Total Hazard Mitigation Cluster | | | 35,369,517 | 522,970 | 35,892,487 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|---------------------|---------------|
| HEAD START CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Head Start | 93.600 | | | 986,322 | 986,322 |
| <i>Pass-Through from Brazos Valley Community Action</i> | | 08-0871-426053 | | 42,288 | 42,288 |
| <i>Pass-Through from Brazos Valley Community Action</i> | | 2007-17425-426042 | | 12,811 | 12,811 |
| <i>Pass-Through from Gulf Coast Project</i> | | 06CH5061 | | 14,736 | 14,736 |
| <i>Pass-Through from Harris County Department of Education</i> | | 06CH6998 | | (397) | (397) |
| <i>Pass-Through from Parent/Child, Inc.</i> | | 0107-28 | | 26,099 | 26,099 |
| Total - CFDA 93.600 | | | 0 | 1,081,859 | 1,081,859 |
| Total - U.S. Department of Health and Human Services | | | 0 | 1,081,859 | 1,081,859 |
| Total Head Start Cluster | | | 0 | 1,081,859 | 1,081,859 |
| HEALTH CENTERS CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 93.224 | | | | |
| <i>Pass-Through from Centro San Vicente</i> | | H80CS00637 | | 77,231 | 77,231 |
| ARRA - Health Center Integrated Services Development Initiative[g1] | 93.703 | | | 275,186 | 275,186 |
| Total - U.S. Department of Health and Human Services | | | 0 | 352,417 | 352,417 |
| Total Health Centers Cluster | | | 0 | 352,417 | 352,417 |
| HIGHWAY PLANNING AND CONSTRUCTION CLUSTER | | | | | |
| U.S. Department of Transportation | | | | | |
| Highway Planning and Construction | 20.205 | | 126,737,701 | 2,379,732,344 | 2,506,470,045 |
| ARRA - Highway Planning and Construction | | | | 109,200,139 | 109,200,139 |
| Total - CFDA 20.205 | | | 126,737,701 | 2,488,932,483 | 2,615,670,184 |
| Recreational Trails Program | 20.219 | | 2,855,150 | 582,795 | 3,437,945 |
| Total - U.S. Department of Transportation | | | 129,592,851 | 2,489,515,278 | 2,619,108,129 |
| Total Highway Planning and Construction Cluster | | | 129,592,851 | 2,489,515,278 | 2,619,108,129 |
| HIGHWAY SAFETY CLUSTER | | | | | |
| U.S. Department of Transportation | | | | | |
| State and Community Highway Safety | 20.600 | | 13,667,705 | 2,854,759 | 16,522,464 |
| <i>Pass-Through from Brazos County</i> | | 7460004330 | | 1,082 | 1,082 |
| <i>Pass-Through from University of Michigan Transport</i> | | DTNH2207D00052 | | 5,430 | 5,430 |
| Total - CFDA 20.600 | | | 13,667,705 | 2,861,271 | 16,528,976 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | | 3,521,812 | 672,828 | 4,194,640 |
| Occupant Protection Incentive Grants | 20.602 | | 2,600,429 | 534,997 | 3,135,426 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|----------------|
| HIGHWAY SAFETY CLUSTER (continued) | | | | | |
| U.S. Department of Transportation (continued) | | | | | |
| Safety Belt Performance Grants | 20.609 | | 6,188,631 | 2,190,936 | 8,379,567 |
| State Traffic Safety Information System Improvement Grants | 20.610 | | 446,656 | 421,153 | 867,809 |
| Total - U.S. Department of Transportation | | | 26,425,233 | 6,681,185 | 33,106,418 |
| Total Highway Safety Cluster | | | 26,425,233 | 6,681,185 | 33,106,418 |
| HOMELAND SECURITY CLUSTER | | | | | |
| U.S. Department of Homeland Security | | | | | |
| Emergency Management Performance Grants | 97.042 | | 4,946,757 | 8,463,640 | 13,410,397 |
| Homeland Security Grant Program | 97.067 | | 71,279,918 | 15,197,796 | 86,477,714 |
| Total - U.S. Department of Homeland Security | | | 76,226,675 | 23,661,436 | 99,888,111 |
| Total Homeland Security Cluster | | | 76,226,675 | 23,661,436 | 99,888,111 |
| IMMUNIZATION CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Immunization Grants | 93.268 | | 2,797,193 | 343,990,323 | 346,787,516 |
| Total - U.S. Department of Health and Human Services | | | 2,797,193 | 343,990,323 | 346,787,516 |
| Total Immunization Cluster | | | 2,797,193 | 343,990,323 | 346,787,516 |
| MEDICAID CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| State Medicaid Fraud Control Units | 93.775 | | | 13,498,579 | 13,498,579 |
| State Survey and Certification of Health Care Providers and Suppliers | 93.777 | | | 52,261,322 | 52,261,322 |
| Medical Assistance Program | 93.778 | | 34,159,773 | 14,696,445,696 | 14,730,605,469 |
| ARRA - Medical Assistance Program | | | 7,440,451 | 1,900,750,987 | 1,908,191,438 |
| Total - CFDA 93.778 | | | 41,600,224 | 16,597,196,683 | 16,638,796,907 |
| Total - U.S. Department of Health and Human Services | | | 41,600,224 | 16,662,956,584 | 16,704,556,808 |
| Total Medicaid Cluster | | | 41,600,224 | 16,662,956,584 | 16,704,556,808 |
| PUBLIC ASSISTANCE CLUSTER | | | | | |
| Federal Emergency Management Agency | | | | | |
| Public Assistance Grant | 83.544 | | 2,352,416 | | 2,352,416 |
| Total - Federal Emergency Management Agency | | | 2,352,416 | 0 | 2,352,416 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|-------------|---|---|---------------------|---------------|
| PUBLIC ASSISTANCE CLUSTER (continued) | | | | | |
| U.S. Department of Homeland Security | | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | 742,426,735 | 271,377,993 | 1,013,804,728 |
| Total - U.S. Department of Homeland Security | | | 742,426,735 | 271,377,993 | 1,013,804,728 |
| Total Public Assistance Cluster | | | 744,779,151 | 271,377,993 | 1,016,157,144 |
| PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER | | | | | |
| U.S. Department of Commerce | | | | | |
| Economic Adjustment Assistance | 11.307 | | | 389,373 | 389,373 |
| Total - U.S. Department of Commerce | | | 0 | 389,373 | 389,373 |
| Total Public Works and Economic Development Cluster | | | 0 | 389,373 | 389,373 |
| SNAP CLUSTER | | | | | |
| U.S. Department of Agriculture | | | | | |
| Supplemental Nutrition Assistance Program | 10.551 | | | 4,293,853,720 | 4,293,853,720 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | 11,963,600 | 178,751,964 | 190,715,564 |
| ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | | | | 13,843,316 | 13,843,316 |
| Total - CFDA 10.561 | | | 11,963,600 | 192,595,280 | 204,558,880 |
| Total - U.S. Department of Agriculture | | | 11,963,600 | 4,486,449,000 | 4,498,412,600 |
| Total SNAP Cluster | | | 11,963,600 | 4,486,449,000 | 4,498,412,600 |
| SPECIAL EDUCATION (IDEA) CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| Special Education--Grants to States | 84.027 | | 924,724,797 | 47,866,674 | 972,591,471 |
| <i>Pass-Through from Clear Creek Independent School District</i> | | SPEC-EDG20003 | | 25,958 | 25,958 |
| <i>Pass-Through from Education Service Center - Region XI</i> | | DEC SER | | 530,290 | 530,290 |
| <i>Pass-Through from Education Service Center - Region XVII</i> | | 211244 B55039 100 | | 58,737 | 58,737 |
| <i>Pass-Through from Education Service Center - Region XVII</i> | | 211291 B55039 100 | | 250,638 | 250,638 |
| <i>Pass-Through from Pasadena Independent School District</i> | | SPEDGT200002 | | 38,937 | 38,937 |
| <i>Pass-Through from Pearland Independent School District</i> | | SPEDGT200004 | | 36,554 | 36,554 |
| Total - CFDA 84.027 | | | 924,724,797 | 48,807,788 | 973,532,585 |
| Special Education--Preschool Grants | 84.173 | | 24,615,916 | 56,120 | 24,672,036 |
| ARRA - Special Education Grants to States, Recovery Act | 84.391 | | 32,938,532 | | 32,938,532 |
| ARRA - Special Education - Preschool Grants, Recovery Act | 84.392 | | 251,916 | | 251,916 |
| Total - U.S. Department of Education | | | 982,531,161 | 48,863,908 | 1,031,395,069 |
| Total Special Education (IDEA) Cluster | | | 982,531,161 | 48,863,908 | 1,031,395,069 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|--|-------------|---|---|----------------------|-----------------------|
| TANF CLUSTER | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Temporary Assistance for Needy Families <i>Pass-Through from One Star Foundation</i> | 93.558 | 2009-20332-426067 | 117,421,240 | 473,239,265 7,643 | 590,660,505 7,643 |
| Total - CFDA 93.558 | | | 117,421,240 | 473,246,908 | 590,668,148 |
| Total - U.S. Department of Health and Human Services | | | 117,421,240 | 473,246,908 | 590,668,148 |
| Total TANF Cluster | | | 117,421,240 | 473,246,908 | 590,668,148 |
| TITLE I, PART A CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| Title I Grants to Local Educational Agencies <i>Pass-Through from Houston Independent School District</i> | 84.010 | DC-SPD34 | 1,269,679,846 | 12,990,416 (26) | 1,282,670,262 (26) |
| Total - CFDA 84.010 | | | 1,269,679,846 | 12,990,390 | 1,282,670,236 |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act <i>Pass-Through from Providence Public School District</i> | 84.389 | UTA09-000562 | 24,312,266 | 239,686 | 24,312,266 239,686 |
| Total - CFDA 84.389 | | | 24,312,266 | 239,686 | 24,551,952 |
| Total - U.S. Department of Education | | | 1,293,992,112 | 13,230,076 | 1,307,222,188 |
| Total Title I, Part A Cluster | | | 1,293,992,112 | 13,230,076 | 1,307,222,188 |
| TRANSIT SERVICES PROGRAMS CLUSTER | | | | | |
| U.S. Department of Transportation | | | | | |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | | 6,504,563 | 687,547 | 7,192,110 |
| Job Access--Reverse Commute | 20.516 | | 2,773,069 | 99,594 | 2,872,663 |
| New Freedom Program | 20.521 | | 1,198,009 | 48,855 | 1,246,864 |
| Total - U.S. Department of Transportation | | | 10,475,641 | 835,996 | 11,311,637 |
| Total Transit Services Programs Cluster | | | 10,475,641 | 835,996 | 11,311,637 |
| TRIO CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| TRIO--Student Support Services | 84.042 | | 2,500 | 4,327,458 | 4,329,958 |
| TRIO--Talent Search | 84.044 | | 5,000 | 4,398,875 | 4,403,875 |
| TRIO--Upward Bound | 84.047 | | 2,315 | 10,199,244 | 10,201,559 |
| TRIO--Educational Opportunity Centers | 84.066 | | | 1,206,626 | 1,206,626 |
| TRIO--McNair Post-Baccalaureate Achievement | 84.217 | | | 2,839,968 | 2,839,968 |
| Total - U.S. Department of Education | | | 9,815 | 22,972,171 | 22,981,986 |
| Total TRIO Cluster | | | 9,815 | 22,972,171 | 22,981,986 |

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

| 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 |
|---|--------|---|--|-------------------------|-------------------------|
| VOCATIONAL REHABILITATION CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| Rehabilitation Services--Vocational Rehabilitation Grants to States | 84.126 | | | 232,671,825 | 232,671,825 |
| Total - U.S. Department of Education | | | 0 | 232,671,825 | 232,671,825 |
| Total Vocational Rehabilitation Cluster | | | 0 | 232,671,825 | 232,671,825 |
| WIA CLUSTER | | | | | |
| U.S. Department of Labor | | | | | |
| WIA Adult Program | 17.258 | | 63,659,707 | 10,311,608 | 73,971,315 |
| <i>Pass-Through from San Jacinto College District</i> | | TWC213396001 | | 20,345 | 20,345 |
| <i>Pass-Through from San Jacinto College District</i> | | TWC213396003 | | 10,826 | 10,826 |
| <i>Pass-Through from San Jacinto College District</i> | | TWC213396004 | | 68,515 | 68,515 |
| ARRA - WIA Adult Program | | | 2,251,789 | 10,468 | 2,262,257 |
| Total - CFDA 17.258 | | | 65,911,496 | 10,421,762 | 76,333,258 |
| WIA Youth Activities | 17.259 | | 62,646,142 | 11,196,334 | 73,842,476 |
| <i>Pass-Through from Northeast Texas Workforce Development Board</i> | | 427053 | 15,796 | | 15,796 |
| <i>Pass-Through from San Jacinto College District</i> | | TWC213396004 | | 20,248 | 20,248 |
| ARRA - WIA Youth Activities | | | 42,219,655 | 109,399 | 42,329,054 |
| <i>Pass-Through from Heart of Texas Workforce Solutions</i> | | 13090105 | | 142,126 | 142,126 |
| <i>Pass-Through from Upper Rio Grande Workforce Development Board</i> | | PY08-29709 | | 63,446 | 63,446 |
| Total - CFDA 17.259 | | | 104,881,593 | 11,531,553 | 116,413,146 |
| WIA Dislocated Workers | 17.260 | | 79,975,903 | 3,651,099 | 83,627,002 |
| <i>Pass-Through from San Jacinto College District</i> | | TWC213396005 | | 23,219 | 23,219 |
| ARRA - WIA Dislocated Workers | | | 4,763,589 | | 4,763,589 |
| Total - CFDA 17.260 | | | 84,739,492 | 3,674,318 | 88,413,810 |
| Total - U.S. Department of Labor | | | 255,532,581 | 25,627,633 | 281,160,214 |
| Total WIA Cluster | | | 255,532,581 | 25,627,633 | 281,160,214 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$8,190,543,063 | \$38,073,153,924 | \$46,263,696,987 |

STATE OF TEXAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (Schedule) includes the activity of all federal award programs administered by the state of Texas (State), except for four component units, for the fiscal year ended Aug. 31, 2009. Those component units, the Texas Guaranteed Student Loan Corporation, Texas A&M Research Foundation, Texas Health Insurance Risk Pool of the Department of Insurance, and Boll Weevil Foundation of the Department of Agriculture, are subject to separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal transactions for these four entities are excluded from the Schedule.

The Texas A&M Research Foundation is a blended component unit of the Texas A&M University System and is included as part of the primary government in the State of Texas Comprehensive Annual Financial Report (CAFR). The Texas Guaranteed Student Loan Corporation, Texas Health Insurance Risk Pool, and Boll Weevil Foundation are discrete component units and are not part of the primary government in the CAFR.

Federal award programs include expenditures, pass-throughs to non-state agencies (i.e., payments to subrecipients), non-monetary assistance and loan programs.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual federal program in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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).

(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 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, 2009

(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 | \$ 35,699,121,642 |
| Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds, Federal Revenue | 4,239,879,452 |
| Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds, Capital Contributions- Federal | 2,191,907 |
| Statement of Changes in Fiduciary Net Assets | <u>101,504,970</u> |
| Total Federal Revenue per Fund Financial Statements | 40,042,697,971 |

Reconciling Items

| | |
|---|---------------------------------|
| Non-Cash Federal Commodities/Vaccines/Surplus Property/Others (Note 6) | 518,890,949 |
| Various Loans Processed by Universities and Agencies (Note 5) | 2,431,053,290 |
| State Unemployment Funds (Note 4) | 3,346,610,935 |
| Cash rebates to participants in the Special Supplemental Food Program for Women, Infants and Children (WIC) (Note 7) | 237,811,384 |
| American Recovery and Reinvestment Act (ARRA) Programs Not Subject to OMB A-133 Reporting Requirements (Note 8) | (41,407,996) |
| Others * | (98,883,897) |
| Blended Component Unit not included in the Schedule of Expenditures of Federal Awards (Note 1(a)) | <u>(173,075,649)</u> |
| Expenditures per Schedule of Expenditures of Federal Awards | <u><u>\$ 46,263,696,987</u></u> |

* This amount includes deductions of \$1,299,398 for fixed fee contracts; deductions of \$1,970,464 for vendor transactions; deductions of \$106,550,625 for Medicare portion of Part D, which is not subject to OMB A-133 since it does not include any Medicaid funds; and additions of \$10,936,522 for Credit Enhancement for Charter School Facilities. An addition of \$68 is also included for rounding in the Schedule.

STATE OF TEXAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

(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 \$3.3 billion is a reconciling item in the reconciliation of the Schedule to revenues in the fund financial statements (See Note 3).

(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

| CFDA Number | Program Name | Ending Balances of Previous Year's Loans | New Loans Processed |
|----------------|---|--|------------------------|
| 84.038 | Federal Perkins Loan Program (Perkins) | \$ 153,859,578 | \$ 16,598,316 |
| 93.342 | Health Professions Student Loans (HPSL) | 11,881,905 | 1,656,272 |
| 93.364 | Nursing Student Loans | 647,252 | 422,132 |
| | | <u>\$166,388,735</u> | <u>\$ 18,676,720</u> |

Other Student Loan Programs

| CFDA Number | Program Name | New Loans Processed |
|----------------|---|-------------------------|
| 84.032 | Federal Family Education Loan Program (FFELP) | \$ 1,968,934,912 |
| 84.268 | Federal Direct Student Loans (Direct Loans) | 433,102,728 |
| 93.264 | Nursing Faculty Loan Program | 260,972 |
| | | <u>\$ 2,402,298,612</u> |

New student loans processed totaling \$2.4 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 both programs, loan guarantees are issued by the Texas Guaranteed Student Loan Corporation or other guarantee agencies. The federal government reinsures these guarantee agencies.

STATE OF TEXAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

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 2009, THECB received \$250.5 thousand in interest subsidy payments that are included in the Schedule. As of Aug. 31, 2009, THECB services approximately \$52.2 million of FFELP loans. New loans processed totaling \$2.3 million are included in the Schedule and are part of a reconciling item on Note 3.

b) ***Other Federally Funded Loan Programs***

Home Investment Partnerships Program (HOME, CFDA 14.239)

The Texas Department of Housing and Community Affairs receives formula grant funding under the Home Investment Partnerships Program (HOME, CFDA 14.239). The purpose of this program is to expand the supply of decent, safe, affordable housing through partnerships with units of local governments and non-profit entities. New loans processed totaling \$7.7 million are included in the Schedule and are part of a reconciling item on Note 3.

Community Development Block Grant (CDBG, CFDA 14.228)

The Texas Department of Housing and Community Affairs receives formula grant funding under the Community Development Block Grant program (CDBG, CFDA 14.228). Funding under this program is primarily related to disaster recovery. New loans processed totaling \$75.3 thousand are included in the Schedule and are part of a reconciling item on Note 3.

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. Fixed rate loans offer net long-term interest rates of 0.95 percent below-market rates for those applicants financing the origination charge. For applicants who pay for the origination charge from other sources, the interest rate is 0.70 percent below the rate the borrower would receive in the open market at the time of closing. The maximum repayment period for most CWSRF loans is 20 years from completion of construction. Capitalization loans processed for CWSRF for the year ended August 31, 2009 were approximately \$13.6 million and are included in the Schedule. CWSRF outstanding loans, with no continuing audit requirements, at Aug. 31, 2009, were approximately \$2.6 billion. For the year ended Aug. 31, 2009, there were no capitalization loans processed under ARRA funding for CWSRF.

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. The DWSRF offers a net long-term interest lending rate of 1.2 percent below the rate the borrower would receive in the open market at the time of closing. 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, 2009 were approximately \$56.4 million and are included in the Schedule. DWSRF

STATE OF TEXAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

outstanding loans, with no continuing audit requirements, at Aug. 31, 2009 were approximately \$349.2 million. For the year ended Aug. 31, 2009, there were no capitalization loans processed under ARRA funding for DWSRF.

The chart below summarizes activity by the State for the two revolving loan programs:

| CFDA Number | Program Name | New Loans Processed |
|---------------------------|--|--------------------------------|
| 66.458 | Clean Water State Revolving Funds (CWSRF) | \$ 13,610,214 |
| 66.468 | Drinking Water State Revolving Funds (DWSRF) | 56,352,382 |
| Total New Loans Processed | | <u>\$ 69,962,596</u> |

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’s “2002 Project.” The secured loan agreement was entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act (TIFIA). As of Aug. 31, 2009, \$972 million of the TIFIA note payable was outstanding. This loan program is not subject to OMB A-133 reporting and is not included in the Schedule.

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 \$10.9 million of federal grants received are subject to continuing audit requirements and are included in the Schedule. In addition, approximately \$248.5 thousand of interest earned on the federal grant monies drawn down in fiscal 2009 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, 2009, \$10.2 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 include cash and non-cash amounts are included in the Schedule as follows:

| CFDA Number | Program Name | Grant Awards |
|------------------------|---|-----------------------|
| 10.555 | National School Lunch Program | \$ 120,807,663 |
| 10.565 | Commodity Supplemental Food Program | 3,454,476 |
| 10.569 | Emergency Food Assistance Program | 44,893,650 |
| 39.003 | Donation of Federal Surplus Personal Property | 12,150,530 |
| 93.268 | Immunization Grants | 337,584,630 |
| Total | | <u>\$ 518,890,949</u> |

STATE OF TEXAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

(7) Rebates from the Special Supplemental Food Program for Women, Infants, and Children (WIC)

During fiscal 2009, the State received cash rebates from infant formula manufacturers in the amount of approximately \$237.8 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) American Recovery and Reinvestment Act (ARRA) Programs Not Subject to OMB A-133 Reporting Requirements

The State receives federal funding from certain programs under the American Recovery and Reinvestment Act (ARRA), which are not subject to continuing compliance requirements. For the year ended Aug. 31, 2009, \$41.4 million of federal funds not subject to continuing compliance requirements were received. These funds are not included in the Schedule.

(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) Supplemental Nutrition Assistance Program (SNAP)

The reported expenditures for benefits under the SNAP program (CFDA 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The mechanism used by USDA to make these funds available to States does not enable a State to validly disaggregate the regular and Recovery Act components of this figure. At the national aggregate level, however, Recovery Act funds account for approximately 15 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended Sept. 30, 2009.

Schedule of Findings and Questioned Costs

Federal Portion of
Statewide Single Audit Report

For the Year Ended August 31, 2009

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Section 1:

Summary of Auditors' Results

Financial Statements

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2009 Statewide Single Audit Report dated February 22, 2010.

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 Significant Deficiencies:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 10.558 | Child and Adult Care Food Program |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii |
| 17.225 | Unemployment Insurance |
| 20.106 | Airport Improvement Program (with ARRA) |
| 20.509 | Formula Grants for Other than Urbanized Areas (with ARRA) |
| 66.458 | Capitalization Grants for Clean Water State Revolving Fund |
| 84.011 | Migrant Education - State Grant Program |
| 84.032L | Federal Family Education Loans (FFEL) - Lender |
| 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 |
| 84.357 | Reading First State Grants |
| 84.365 | English Language Acquisition Grants |
| 84.367 | Improving Teacher Quality State Grants |
| 93.558 | Temporary Assistance for Needy Families |
| 93.563 | Child Support Enforcement (with ARRA) |
| 93.568 | Low-Income Home Energy Assistance |
| 93.658 | Foster Care - Title IV-E (with ARRA) |
| 93.659 | Adoption Assistance |
| 93.667 | Social Services Block Grant |
| 93.767 | Children's Health Insurance Program |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544) |
| 97.050 | Presidential Declared Disaster Assistance to Individuals and Households – Other Needs |
| Cluster | Emergency Food Assistance Program (with ARRA) |
| Cluster | Highway Planning and Construction |
| Cluster | Highway Safety |
| Cluster | Homeland Security |
| Cluster | Medicaid |
| Cluster | Research and Development (with ARRA) |
| Cluster | Supplementary Nutrition Assistance Program |
| Cluster | Special Education (IDEA) (with ARRA) |
| Cluster | Student Financial Assistance |
| Cluster | Title I, Part A (with ARRA) |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Major Programs with Material Weaknesses:

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|---|
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 20.509 | Formula Grants for Other than Urbanized Areas (with ARRA) |
| 84.011 | Migrant Education - State Grant Program |
| 84.032L | Federal Family Education Loans (FFEL) - Lender |
| 84.048 | Career and Technical Education - Basic Grants to States |
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.357 | Reading First State Grants |
| 84.365 | English Language Acquisition Grants |
| 84.367 | Improving Teacher Quality State Grants |
| 93.558 | Temporary Assistance for Needy Families |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544) |
| Cluster | Highway Planning and Construction |
| Cluster | Homeland Security |
| Cluster | Medicaid (with ARRA) |
| Cluster | Supplementary Nutrition Assistance Program |
| Cluster | Special Education (IDEA) (with ARRA) |
| Cluster | Student Financial Assistance |
| Cluster | Title I, Part A (with ARRA) |

2. Type of auditors' report issued on compliance for major programs? See below

Scope limitation:

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|---|
| 93.667 | Social Services Block Grant |

Adverse:

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|---|
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544) |
| Cluster | Medicaid (with ARRA) |
| Cluster | Supplementary Nutrition Assistance Program |

Qualification:

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|---|
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii |
| 20.106 | Airport Improvement Program (with ARRA) |
| 20.509 | Formula Grants for Other than Urbanized Areas (with ARRA) |
| 84.011 | Migrant Education - State Grant Program |
| 84.048 | Career and Technical Education - Basic Grants to States |
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.357 | Reading First State Grants |
| 84.365 | English Language Acquisition Grants |
| 84.367 | Improving Teacher Quality State Grants |

| CFDA Number | Name of Federal Program or Cluster |
|------------------------|---|
| 93.558 | Temporary Assistance for Needy Families |
| Cluster | Highway Planning and Construction |
| Cluster | Highway Safety |
| Cluster | Homeland Security |
| Cluster | Special Education (IDEA) (with ARRA) |
| Cluster | Student Financial Assistance |
| Cluster | Title I, Part A (with ARRA) |

No Qualification:

| CFDA Number | Name of Federal Program or Cluster |
|------------------------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 10.558 | Child and Adult Care Food Program |
| 17.225 | Unemployment Insurance |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds |
| 84.032L | Federal Family Education Loans (FFEL) - Lender |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| 93.268 | Immunization Grants |
| 93.563 | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance |
| 93.658 | Foster Care - Title IV-E |
| 93.659 | Adoption Assistance |
| 93.767 | Children's Health Insurance Program |
| 93.917 | HIV Care Formula Grants |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| 97.050 | Presidential Declared Disaster Assistance to Individuals and Households – Other Needs |
| Cluster | Child Care |
| Cluster | Emergency Food Assistance Program |
| Cluster | Employment Services |
| Cluster | Research and Development |
| Cluster | Workforce Investment Act |

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: \$65,759,697
5. Auditee qualified as low-risk auditee? No
6. Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|------------------------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 10.558 | Child and Adult Care Food Program |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii |
| 17.225 | Unemployment Insurance (with ARRA) |
| 20.106 | Airport Improvement Program (with ARRA) |
| 20.509 | Formula Grants for Other than Urbanized Areas (with ARRA) |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds (with ARRA) |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds (with ARRA) |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| CFDA Number | Name of Federal Program or Cluster |
|------------------------|---|
| 84.011 | Migrant Education - State Grant Program |
| 84.032L | Federal Family Education Loans (FFEL) - Lender |
| 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 |
| 84.357 | Reading First State Grants |
| 84.365 | English Language Acquisition Grants |
| 84.367 | Improving Teacher Quality State Grants |
| 93.268 | Immunization Grants |
| 93.558 | Temporary Assistance for Needy Families |
| 93.563 | Child Support Enforcement (with ARRA) |
| 93.568 | Low-Income Home Energy Assistance |
| 93.658 | Foster Care - Title IV-E (with ARRA) |
| 93.659 | Adoption Assistance (with ARRA) |
| 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 Disaster) (including CFDA 83.544) |
| 97.050 | Presidential Declared Disaster Assistance to Individuals and Households – Other Needs |
| Cluster | Child Care (with ARRA) |
| Cluster | Emergency Food Assistance Program (with ARRA) |
| Cluster | Employment Services (with ARRA) |
| Cluster | Highway Planning and Construction (with ARRA) |
| Cluster | Highway Safety |
| Cluster | Homeland Security |
| Cluster | Medicaid (with ARRA) |
| Cluster | Research and Development (with ARRA) |
| Cluster | Supplementary Nutrition Assistance Program (with ARRA) |
| Cluster | Special Education (IDEA) (with ARRA) |
| Cluster | Student Financial Assistance (with ARRA) |
| Cluster | Workforce Investment Act (with ARRA) |
| Cluster | Title I, Part A (with ARRA) |

Section 2:

Financial Statement Findings

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2009 Statewide Single Audit Report dated February 22, 2010.

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Section 3:

Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section is organized by state agency or University.

Adjutant General's Department

Reference No. 10-01

Cash Management Program Income

CFDA 12.401 - National Guard Military Operations and Maintenance Projects

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency and Non-Compliance

Cash Management:

To the extent available, program income, rebates, refunds, and other income and receipts must be disbursed before requesting additional federal cash draws (Title 2, Code of Federal Regulations, Part 215.22).

| | |
|----------------------------|-------|
| Questioned Cost: | \$380 |
| U.S. Department of Defense | |

In addition, National Guard Regulation (NGR), Chapter 10, Section 10-7, mandates the following:

- Program income is reported on reimbursement or liquidation of advance payment vouchers as soon as such income is considered "received" pursuant to state accounting procedures. Unliquidated amounts of program income will be carried forward on the next voucher.
- The amount the State requests for reimbursement will be reduced by the amount of program income received. However, the maximum estimated cost reflected in the appropriate budget will increase by the amount of program income; but the maximum federal funding limitation reflected in the agreement will not increase.

The Adjutant General's Department (Department) did not disburse program income, rebates, refunds, or other income and receipts prior to requesting advance funding or submitting reimbursement requests. Department program managers are responsible for spending the program income earned as a result of activities within their programs, and the Department's State Property and Fiscal Office prepares an annual summary detailing the program income earned and expended from fiscal year 1998 to the present. However, program managers and staff do not have a clear understanding of the use of program income.

None of the 52 reimbursement requests tested included accounting for program income, rebates, refunds, or other income. These 52 requests also did not include receipts to adjust the amounts being requested. The 52 requests totaled \$12,275,491.45. As of November 16, 2009, Department accounting records show \$177,043.72 in program income retained in program accounts for fiscal year 2009.

Program Income:

Program income earned during the project period shall be retained by the recipient and used in accordance with federal awarding agency regulations or the terms and conditions of the award (Title 2, Code of Federal Regulation, Section 215.24).

National Guard Regulation (NGR) 5-1 states that, for purposes of National Guard Bureau (NGB) Cooperative Agreements, program income shall mean the gross income received by the state military department that is directly generated by a cooperative agreement supported activity. NGR 5-1 requires that program income be reported on reimbursement or liquidation of advance payment vouchers as soon as such income is considered "received" pursuant to state accounting procedures.

The Adjutant General's Department (Department) did not correctly determine, record, and use program income earned in accordance with the program requirements and NGR 5-1, as applicable. However, the Department's program income expenditures for fiscal year 2009 complied with requirements for the National Guard Military Operations and Maintenance Projects program. In addition, the Department does not consistently calculate program income using program receipts in accordance with its rental agreements.

Auditors tested 37 Department transactions to record program income earned and the 5 Department expenditures of program income. The program income earned totaled \$66,041.19 and the program income expended totaled \$17,634.93. Auditors identified the following:

- The Department (1) did not calculate program income in accordance with the contract agreement provisions or (2) collected program income from sources not allowed by the contract agreement for 3 (8 percent) of the 37 program income transactions tested. For these three errors, program income earned, and therefore reapplied to the program, was \$380 less than the established amount. Specifically:
 - For 2 of these errors, the program income amount in the Department's accounting system did not match the supporting price sheet.
 - For 1 of these errors, the program income was earned from a source that was not allowed by the contract agreement.
- The Department did not record program income in the proper account for 2 (5 percent) of the 42 program income transactions tested.
- The Department added three of the five program income expenditures to the associated Appendix budget for the Master Cooperative Agreement as required by the contract grant agreement, but it did not amend the Appendices for the other two expenditures.

Department program managers are responsible for spending the program income earned as a result of activities within their program. The Department's State Property and Fiscal Office prepares an annual summary detailing the program income earned and expended from fiscal year 1998 to the present. However, Department program managers and program staff do not have a clear understanding regarding the use of program income, and the Department did not consistently include the program income for the fiscal year in the budget information for its Master Cooperative Agreement Appendices.

The issues discussed above affected the following awards:

Award Numbers

Award Years

| | |
|----------------------------------|---|
| DAHA41-04-2-1000 (MCA) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1001 (Appendix 1) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1002 (Appendix 2) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1003 (Appendix 3) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1004 (Appendix 4) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1005 (Appendix 5) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1007 (Appendix 7) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1014 (Appendix 14) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1021 (Appendix 21) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1022 (Appendix 22) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1023 (Appendix 23) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1024 (Appendix 24) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1028 (Appendix 28) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1040 (Appendix 40) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1010 (Appendix 10) | October 1, 2005 - September 30, 2009 |
| W912L1-04-2-3034 (RSMS) | February 25, 2005 - September 30, 2009 |
| W912L1-05-2-3055 (Geospatial) | September 15, 2005 - September 30, 2009 |
| W912L1-06-2-3059 (Peace Prairie) | March 9, 2007 - June 30, 2009 |
| W912L1-07-2-3061 (ALERRT) | September 25, 2007 - March 31, 2010 |
| W912L1-08-2-3070 (JBOT) | October 1, 2008 - March 31, 2010 |

Recommendations:

The Department should:

- Develop and implement controls to ensure that it records program income in the account that accurately reflects the program providing the service, and that it adds the program income to the appropriate agreement.
- Implement controls to disburse program income, rebates, refunds, and other income and receipts, once that income is added to the appropriate agreement, before requesting additional federal cash draws.
- Develop and implement controls to ensure that it uses program income in accordance with federal and program requirements.
- Develop and implement controls to ensure that it calculates program income in accordance with contract agreement provisions and collects program income only from allowable sources.

Management Response and Corrective Action Plan:

Cash Management:

Management agrees that the methodology for adding program income to the budget should be changed. The Adjutant General's Department will develop policies and procedures to ensure efficient and accurate recording of program income be developed and implemented to speed disbursement of that income from the Adjutant General's accounts.

Implementation Date: August 31, 2010

Responsible Persons: Mr. Duane Waddill and Ms. Claire Duffy

Program Income:

Management agrees that the program income controls should be strengthened. Management will undertake a review of the revenue sources to ensure adequate controls and documentation are in place. The Adjutant General's Department will ensure formal fee schedules and recordkeeping systems are in place.

Implementation Date: August 31, 2010

Responsible Persons: Mr. Duane Waddill and Ms. Claire Duffy

Reference No. 10-02

Equipment and Real Property Management

CFDA 12.401 - National Guard Military Operations and Maintenance Projects

Award years - see below

Award numbers - see below

Type of finding - Material Weakness and Material Non-Compliance

Governmental units will manage equipment in accordance with state laws and procedures (Title 2, Code of Federal Regulation, Part 225, Appendix B). In addition, the Office of Management and Budget Circular A-133 Compliance Supplement, Part 3, Section F, mandates that states receiving federal awards shall use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures. Texas Government Code, Section 403.273, also specifies that a state agency shall conduct an annual physical inventory of all property in its possession, and at all times the property records of a state agency must accurately reflect the property possessed by the agency. In addition, the Office of the Texas Comptroller of Public Accounts' (Comptroller's Office) *SPA Process User's Guide* states that each item of property, capitalized or controlled, must be assigned a unique property inventory number. Each agency is responsible for ensuring that property is tracked and secured in a manner that is most likely to prevent loss, theft, damage, or misuse. Agencies must know at all times where all property under their control is located. Agencies must also complete Form 73-283 after conducting an annual physical inventory, and the agency head must submit this form to the Comptroller's office no later than 20 days after the last day of the fiscal year.

| | |
|----------------------------|----------|
| Questioned Cost: | \$34,421 |
| U.S. Department of Defense | |

The Adjutant General's Department (Department) does not have sufficient internal controls over its equipment. Auditors identified several deficiencies that are discussed below.

State Property Accounting System Information and Purchase Documentation:

Auditors identified discrepancies in the State Property Accounting (SPA) system and purchase documentation for 16 (19 percent) of 84 property records tested. Specifically:

- 3 equipment purchases should have been recorded as capitalized assets but were not.
- 4 equipment items had serial numbers in the purchase documentation that were not in SPA.
- 5 equipment items had serial numbers in SPA that did not match the serial numbers on the purchase documentation.
- 4 equipment items had duplicate serial numbers in SPA.

These discrepancies occurred because of data entry errors into SPA (for which there was no Department review process) and because the Department assigned incorrect coding to equipment transactions in its accounting system.

Location and Property Tag Information:

Thirty-four (40 percent) of the 84 equipment items that auditors attempted to physically locate had discrepancies in the location and property tag information listed in SPA. Specifically:

- 3 equipment purchases were not capitalized but should have been, which resulted in the assigned tag number not being recorded in SPA.
- 10 equipment items were in locations that differed from the location listed in SPA.
- 4 equipment items could not be located. Specifically:
 - 3 of the 4 items were recorded in SPA, but Department could not locate these items.
 - 1 of the 4 items was selected from Department expenditure data, but the Department could not locate the purchasing documentation necessary to reference the item in SPA and locate the item.
- 16 equipment items did not have the assigned property tags affixed to them.
- 1 equipment item lacked supporting purchase documentation.

These discrepancies occurred because the Department does not perform a secondary review of data entry into SPA, the Department assigned incorrect coding to equipment transactions in its accounting system, there is a lack of controls over issuing equipment and property tags, the Department's method of receiving equipment is decentralized, there is a lack of documentation retention, and a failure to confirm the annual inventory certifications that employees perform. In addition, if property is received at an installation other than Camp Mabry, the Department's property manager is frequently not informed. The four equipment items that could not be located cost \$34,421.

Annual Inventories:

The Department certified its annual inventory to the Comptroller's Office without receiving and confirming all inventory certifications from equipment custodians. The Department also submitted its certification to the Comptroller's Office 15 days after the due date. The Department also did not ensure that all equipment custodians verified the inventory and did not resolve all discrepancies in inventory results. In addition, the Department did not consistently update the inventory in SPA with information for equipment purchases.

The Department performed its annual inventory by asking 20 employees who are assigned equipment in SPA to complete inventory verification reports. However:

- Twelve (60 percent) of the 20 employees did not complete an inventory verification report.
- Seven (35 percent) of the 20 employees submitted inventory verification reports that included discrepancies that the Department did not correct.

Updates to the State Property Accounting System:

Six equipment items in SPA (five of which were controlled assets) were not assigned to a responsible person. No locations were listed for these items in SPA. The Department also had surplus equipment that was still assigned to 29 individuals in SPA, and it had not yet made the adjustments in SPA to correctly record the responsible person and location. In addition, the Department did not update SPA to add equipment purchased for 5 (50 percent) of 10 control forms that were included in the annual inventory documentation.

Reconciliations

The Department's process to reconcile SPA with the Uniform Statewide Accounting System (USAS) is adequate if the correct information is in both systems. Auditors reviewed the reconciliation documentation and determined that the reconciliation process identified purchases of capital assets that were correctly entered into SPA but were not entered into USAS as capitalized assets. However, auditors determined that two computer equipment items were incorrectly coded in USAS as expenditures instead of being capitalized and were not entered into SPA through the purchasing process. As a result, these purchase transactions should have been included in the reconciliation. The Department asserted that it would adjust the fiscal year 2010 beginning balance.

ADJUTANT GENERAL'S DEPARTMENT

The weaknesses in controls discussed above increase the risk for misuse or theft of equipment and use of federal and state funds for inappropriate or unallowable purposes. The Department's equipment acquisitions for fiscal year 2009 totaled \$1,257,065. Property records in SPA show that the Department had a total of \$5,422,088.36 in equipment at the end of fiscal year 2009.

The issues discussed above affected the following awards:

Award Numbers

Award Years

| | |
|----------------------------------|---|
| DAHA41-04-2-1000 (MCA) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1001 (Appendix 1) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1002 (Appendix 2) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1003 (Appendix 3) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1004 (Appendix 4) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1005 (Appendix 5) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1007 (Appendix 7) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1014 (Appendix 14) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1021 (Appendix 21) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1022 (Appendix 22) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1023 (Appendix 23) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1024 (Appendix 24) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1028 (Appendix 28) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1040 (Appendix 40) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1010 (Appendix 10) | October 1, 2005 - September 30, 2009 |
| W912L1-04-2-3034 (RSMS) | February 25, 2005 - September 30, 2009 |
| W912L1-05-2-3055 (Geospatial) | September 15, 2005 - September 30, 2009 |
| W912L1-06-2-3059 (Peace Prairie) | March 9, 2007 - June 30, 2009 |
| W912L1-07-2-3061 (ALERRT) | September 25, 2007 - March 31, 2010 |
| W912L1-08-2-3070 (JBOT) | October 1, 2008 - March 31, 2010 |

Recommendations:

The Department should:

- Ensure that the property records in SPA agree with the actual property the Department possesses.
- Attach property tags to the equipment to which the tags are assigned.
- Establish and implement controls to eliminate the possibility of equipment items being issued or moved without tracking where the equipment is located and to whom it is assigned.
- Ensure that it receives all inventory verifications prior to certifying its annual inventory to the Comptroller's Office.
- Dispose of surplus equipment in accordance with all requirements.
- Make corrections in SPA for discrepancies identified during the annual inventory.
- Enter equipment information into SPA using Form 24-R.
- Code all capital equipment in its accounting system using the correct object code.

Management Response and Corrective Action Plan:

Management agrees with the findings and recommendations of the auditors. Management had already identified these issues and has begun the process of hiring staff whose sole function is inventory management and control. Additionally, management is in the process of obtaining services from an independent third party to conduct a complete inventory and reconciliation of the Adjutant General's Department records.

Implementation Date: August 31, 2010

Responsible Persons: Mr. Duane Waddill and Ms. Claire Duffy

Reference No. 10-03

**Procurement and Suspension and Debarment
Allowable Costs/Cost Principles**

CFDA 12.401 - National Guard Military Operations and Maintenance Projects

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Agencies 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: | \$5,930 |
| U.S. Department of Defense | |

The Adjutant General's Department (Department) uses the Uniform Statewide Accounting System (USAS) as its accounting system of record and the Integrated Engineering Management System (IEMS) as its cross-functional purchasing and accounting database system. Both systems are accessed through the Texas Military Forces (TXMF) network because most of the Department's elements operate on the TXMF network. Audit procedures included review of general level controls over USAS, IEMS, and the TXMF network.

The Department does not have formal policies or procedures regarding the periodic review of user access within IEMS at the application level or at the server level. The Department reviews user access in IEMS at the application level when there is turnover in a program manager position, which can occur every few years in some instances. Auditors reviewed the IEMS user list of 284 employees at the application level and determined that 29 users have access levels allowing them to request a purchase and provide both budget approval and final approval for that purchase, indicating a lack of segregation of duties. The IEMS user list also contains three users who have access levels allowing them entry capability (to include requesting a purchase), and these three users are not current employees. In addition, at least 42 individuals are assigned administrator level access to the IEMS database and to the server housing the IEMS application and database. These 42 individuals also have access to migrate IEMS code releases to the Department's production environment. Most of these 42 individuals have these access rights because they inherited the access rights of other roles as provided for in Microsoft Active Directory and because the IEMS database administrator position is currently vacant.

The Department provided no evidence regarding its periodic review of user access to the TXMF network. The Department asserts that its review of access history is done manually and by exception. Auditors reviewed user access to the TXMF network and identified the following:

- One administrative assistant has administrative access to the TXMF network.
- One user with administrative access to the TXMF network is no longer employed by the Department. This user was a previous employee of the TXMF.

In addition, the Department does not have change management policies or procedures for its automated systems. The Department asserts it is developing these policies and procedures.

Not reviewing user access could result in inappropriate access of the Department's systems. Allowing users and developers inappropriate or excessive access to areas in IEMS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. In addition, not having policies and procedures over change management could result in unauthorized or inappropriate changes made to the Department's automated systems.

Procurement and Suspension and Debarment

National Guard Regulation (NGR) 5-1, Section 3-10, states that acquisition of goods and services in performance of the cooperative agreement shall be according to state contracting procedures per Title 32, Code of Federal Regulations (CFR), Section 33.36, which states the following:

- When procuring property and services under a grant, a state will follow the same policies and procedures it uses for procurements from its non-federal funds.
- Grantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not limited to, rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

State procurement guidelines include the following:

- Texas Government Code, Section 2155.132 (e), requires competitive bidding, whether formal or informal, for a purchase by a state agency if the purchase exceeds \$5,000 and is made under a written contract.
- The Texas Comptroller of Public Accounts' *The State of Texas Procurement Manual*, Section 2-28, states that, for procurements that are not subject to alternate procurement methods and are for estimated purchases of \$5,000 to \$25,000, agencies must obtain at least three informal bids, two of which must be from vendors certified as historically underutilized business (HUB) by the State.
- The Department's *Purchasing Guide* requires that purchases between \$5,000 and \$25,000 must obtain three informal verbal bids. Agencies must use the Centralized Master Bidders List (CMBL) to locate vendors who service the specific highway district for the specified class and item number. Two (2) bids must be solicited from certified HUB program. If it will enhance competition, the agency may add non-CMBL vendors to the final bid list, but written approval from the head of the agency is required to supplement non-CMBL vendors.

The Department did not consistently follow requirements for competitive bidding and retain justification for purchases when there were fewer than three bidders. Auditors identified the following during testing:

- Three closely related purchases that were individually under \$5,000 should have been combined for a total purchase of \$5,930 and, therefore, should have been subject to competitive bidding. Although the purchases were submitted on the same day and for the same service, they were assigned consecutive purchase order numbers, and the Department's purchasers did not require that the purchases be combined and competitively bid.
- For one \$14,948.28 purchase, purchasers did not ensure that the requester obtained at least three bids from the CMBL and HUB vendors, and they did not include documentation to explain the procurement method.
- For one \$127,178 purchase, purchasers did not retain adequate documentation in the procurement file, including documentation for a comparison of vendors' qualifications or for use of the CMBL.

These issues occurred because of a lack of oversight by the Department's purchasing staff and lack of a structured system for monitoring procurement and contracting documents. The issues affected the following awards:

| <u>Award Numbers</u> | <u>Award Years</u> |
|----------------------------------|---|
| DAHA41-04-2-1000 (MCA) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1001 (Appendix 1) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1002 (Appendix 2) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1003 (Appendix 3) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1004 (Appendix 4) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1005 (Appendix 5) | October 1, 2003 -September 30, 2009 |
| DAHA41-04-2-1007 (Appendix 7) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1014 (Appendix 14) | October 1, 2003 -September 30, 2009 |
| DAHA41-04-2-1021 (Appendix 21) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1022 (Appendix 22) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1023 (Appendix 23) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1024 (Appendix 24) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1028 (Appendix 28) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1040 (Appendix 40) | October 1, 2003 - September 30, 2009 |
| DAHA41-04-2-1010 (Appendix 10) | October 1, 2005 - September 30, 2009 |
| W912L1-04-2-3034 (RSMS) | February 25, 2005 - September 30, 2009 |
| W912L1-05-2-3055 (Geospatial) | September 15, 2005 - September 30, 2009 |
| W912L1-06-2-3059 (Peace Prairie) | March 9, 2007 - June 30, 2009 |
| W912L1-07-2-3061 (ALERTT) | September 25, 2007 - March 31, 2010 |
| W912L1-08-2-3070 (JBOT) | October 1, 2008 - March 31, 2010 |

Allowable Costs/Cost Principles

Although the general control weaknesses described above apply to allowable costs/cost principles, auditors identified no compliance issues regarding allowable costs/cost principles.

Recommendations:

The Department should:

- Strengthen general controls around IEMS. This may include developing and implementing policies and procedures regarding the periodic review of user access in the Department's automated systems and network and assigning a database administrator to IEMS. It may also require the Department to ensure that it (1) maintains documentation of its periodic review of user access to the TXMF network and (2) develops and implements policies and procedures regarding change management for its automated systems. Alternatively, the Department should develop and implement manual controls for purchases that compensate for the information technology general control weaknesses discussed above.
- Verify that purchasers are aware of the potential for project splitting, and ensure that requesters are aware of the requirements for competitively bidding projects.
- Ensure that requesters use the CMBL and HUB vendors when obtaining bids, and maintain documentation of this in the procurement files.
- Ensure that purchasers maintain documentation on comparison of vendors in the procurement files.
- Develop and implement a process for monitoring procurement files to ensure that staff obtain and retain proper documentation to support purchases.

Management Response and Corrective Action Plan:

Management agrees that the IEMS system has control weaknesses. This system is owned by the State of Idaho and is not being used by the Adjutant General's Department as a system of record. Additionally, the system is being reviewed and possibly enhanced by the National Guard Bureau for use by all states. The department will undertake the alternative recommendation and review its processes to ensure manual mitigation procedures are in place to compensate for those system weaknesses while awaiting National Guard Bureau action.

Implementation Date: August 31, 2010

Responsible Persons: Mr. Duane Waddill and Ms. Claire Duffy

Management agrees with the findings related to the TXMF network access. The National Guard Bureau conducted a system scan in July 2009 and did not identify these issues. However, these issues will be addressed through the final certification process of the network to Department of Defense standards by the National Guard Bureau.

Implementation Date: August 31, 2010

Responsible Person: LTC Timothy Smith

Management agrees with the findings and recommendations that the Construction, Facilities, Maintenance, and Operations purchasing section's procedures should be strengthened and will ensure the implementation of the recommendations.

Implementation Date: August 31, 2010

Responsible Person: LTC Timothy Senecaut

Department of Agriculture

Reference No. 10-04

Subrecipient Monitoring

CFDA 10.558 - Child and Adult Care Food Program

Award Year - October 1, 2008 to September 30, 2009

Award numbers - 6TX300352 and 6TX300332

Type of finding - Significant Deficiency and Non-Compliance

The administering agency is required to assess institutional compliance by performing reviews of independent centers, sponsoring organizations of centers, and sponsoring organizations of day-care homes, including reviews of new organizations. The prescribed schedule is such that independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization’s facilities; sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; new institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of program operations. 7 CFR Ch. II (1-1-09) § 226.6 (m)(6)(i)(ii)

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| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

For 1 of the 41 subrecipients selected for review, Texas Department of Agriculture (TDA) was unable to locate the most recent on-site review instrument. For this subrecipient, an on-site review was last performed in fiscal year 2007. TDA was able to provide letters of two correspondences sent to this subrecipient, one notifying the subrecipient of a site visit on February 28, 2007, and the other post-visit, indicating a review was conducted on February 28, 2007 where TDA had no findings. However, the actual monitoring tool could not be located.

In addition, TDA was unable to locate the most recent on-site visit and related written correspondence for the second subrecipient selected for review. Per TDA, this file was damaged and discarded after a flood caused by Hurricane Ike at the Houston site office. Additionally, KPMG could not obtain copies of the mail correspondence between TDA and the subrecipient regarding this site review. Per TDA, the letters had been lost in the flood, and any electronic files had been erased after the subsequent retirement of the TDA reviewer.

Also 7 CFR Section 226.6 states, “The State agency must annually review at least 33.3% of all institutions. At least 15% of the total number of facility reviews required must be unannounced. The State agency must review institutions according to the following schedule:

- (i) Independent centers and sponsoring organization of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10% of the sponsoring organizations facilities;
- (ii) Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5% of the first 1,000 facilities and 2.5% of the facilities in excess of 1,000; and
- (iii) New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of program operations.

TDA relies on the regional field offices to conduct the 15% unannounced reviews. TDA does not currently track these reviews to ensure the correct percentage is being conducted. TDA is notified of the reviews through receipt of the associated monitoring report. The two-year requirement is informally tracked; therefore TDA is unable to readily provide evidence that they are complying with the provision. TDA policy includes a 90-day technical review of new institutions; however, TDA does not have a mechanism in place to track the performance or our results of these reviews to demonstrate compliance.

Recommendation:

All field offices should retain each of their subrecipient's most recent administrative/site review instruments, including electronic copies of any written correspondence, until a subsequent review is completed. Additionally, a back-up plan needs to be in place to ensure files are not erased after a TDA reviewer retires or otherwise leaves the agency. TDA needs to enhance their existing monitoring global tracking to include sufficient details to demonstrate compliance with all of the monitoring requirements.

Management Response and Corrective Action Plan:

TDA follows stringent record retention guidelines. The natural disaster and restructuring of area offices challenged this system. Community Operations has begun the task to review all case files to ensure the proper documentation is enclosed. This process will be completed by the end of March 2010. In addition, when Community Operations Managers review the findings letter to contractors, a checklist will be completed to ensure all required documents are in the files. CACFP review correspondence (appointment letters, findings letters, review instruments, and all corrective actions plan correspondence) is now electronically filed on the TDA Share (S) Drive. All correspondence for monitoring will not be placed on any employee's personal drive.

The Community Operations unit has been restructured to provide for enhanced monitoring and technical assistance. A statewide training of all Community Operations staff is scheduled for February 8, 2010, to reinforce TDA procedures regarding all monitoring requirements. To track the required reviews of CACFP, a three-year schedule was developed and is located on the Division Share drive. This schedule is kept at the central office location. This schedule includes all the necessary elements to track the status and compliance of all CACFP reviews including the 90-day review.

Texas has been completing unannounced site reviews for several years. To enhance the documentation of these unannounced reviews, TDA has made the following changes:

- (1) Added two boxes to the On the Site Review Instrument. One that states "Announced Review" and "Unannounced Review."*
- (2) Recently initiated a change request to enhance the State Wide Tracking Log by adding an additional column for documenting whether the administrative review was announced or unannounced.*

Implementation Date: April 2010

Responsible Person: Don Mann

Reference No. 10-05

Special Tests and Provisions - R3, Subrecipient Monitoring-Applicable to all major programs with expenditures of ARRA awards

Emergency Food Assistance Program Cluster - ARRA

Award Year - October 1, 2008 to September 30, 2009

Award number - 6TX400816

Type of finding - Significant Deficiency and Non-Compliance

The Department of Agriculture (TDA) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. Some of these funds were derived from the American Recovery and Reinvestment Act (ARRA) during fiscal year 2009. TDA is required by OMB Circular A-133, to communicate to subrecipients at the time of the award and at the time of disbursement of ARRA funds, the federal award number, CFDA number and the amount of ARRA funds.

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| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

When ARRA funds are subawarded for an existing program, the information furnished to subrecipients should distinguish the subawards of incremental ARRA funds from regular subawards under the existing program. Additionally, TDA is required to communicate to subrecipients to separately identify ARRA funding on the subrecipient's Schedule of Expenditures of Federal Awards (SEFA) (2 CFR part 176.210).

At the time of the subaward, TDA separately identified the required ARRA information to the subrecipients including the SEFA requirement. However, upon the disbursement of ARRA funds and commodities, TDA did not identify to each subrecipient the federal award number, CFDA number, or the amount of ARRA funds or commodities. Per discussion with management, they were unaware of the compliance requirement to identify the required information with the disbursement of ARRA funds and commodities. During fiscal year 2009, approximately \$6,236,000 of commodities and \$253,000 of administrative costs in total were passed through to fifteen subrecipients.

Recommendation:

Each time an ARRA commodity order is placed or an ARRA administrative reimbursement is issued, TDA should notify the subrecipient of the federal award number, CFDA number, and the amount of ARRA funds. Per discussions with TDA management, TDA has been discussing the ARRA notification requirements with FNS Southwest Region with regard to commodities. Since the commodities ship from the federal government vendor warehouse directly to the food banks, TDA is seeking clarification on who is responsible for the ARRA notifications. TDA management should continue to resolve who is responsible for the required OMB notifications.

Management Response and Corrective Action Plan:

TDA has notified all ARRA commodity food and administrative funds recipients of the federal award number, the CFDA number and the amount of their ARRA funding allotment. When future payment requests for ARRA administrative funds are submitted to TDA Financial Services Division for processing, TDA Food and Nutrition Division will send an email to all recipients noting the federal award number, the CFDA number, and the amount of ARRA funds in the disbursement. The Financial Services Division will maintain evidence that the email was sent with the disbursement documentation.

Neither the federal agency FNS nor TDA actually purchase commodity food. These purchases are made by FNS sister agencies Agriculture Marketing Service and Food Safety Administration which, entered into contracts to purchase commodity foods with vendors. The commodities are valued at the time of purchase. Therefore, TDA is not aware of nor has any control of the final value of the commodities or the timing of the shipments. As a result, it is impossible for TDA to provide the federal award number, the CFDA number and the amount of ARRA food when the order is placed or shipped. TDA is working with FNS to obtain official correspondence from the Office of Management and Budget exempting TDA from this notification requirement. Per FNS, the sister agencies are responsible for reporting on ARRA food funds.

To ensure all requirements of new funding sources are known and followed, TDA Policy Specialist will research the available information provided by the funding sources and meet with the appropriate TDA program, Internal Audit, and Financial Services staff to ensure a common understanding and propose appropriate control activities to mitigate risk of non-compliance.

Implementation Date: January 2010

Responsible Persons: Robin Roark, Johnny Adams, and Rose Westerman

Reference No. 10-06

Subrecipient Monitoring

Emergency Food Assistance Program Cluster - ARRA

Award Year - October 1, 2008 to September 30, 2009

Award number - 6TX840816

Type of finding - Significant Deficiency and Non-Compliance

The Texas Department of Agriculture (TDA) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal program. Some of these funds were derived from the American Recovery and Reinvestment Act (ARRA) during fiscal year 2009. TDA is required by OMB Circular A-133 to determine whether the subrecipients have current Central Contractor Registration (CCR) registrations prior to making sub awards and performed periodic checks to ensure that subrecipients are updating information, as necessary. (2 CFR part 176.50)

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| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

TDA was unaware of the CCR/DUNS requirement and did not verify that their 15 food bank subrecipients were registered with CCR at the time of the ARRA subaward or prior to the first disbursement. For two of the food banks selected for review, TDA verified in September 2009 that they were registered with CCR at the time of the award. TDA subsequently notified all food banks and had them register with CCR by September 30, 2009. During fiscal year 2009, approximately \$253,000 of ARRA administrative funds and \$6,236,000 of ARRA commodities were disbursed to the 15 food banks prior to verification of CCR registration.

An eligible recipient agency (ERA) certifies households eligible to receive Emergency Food Assistance Program (TEFAP) commodities for household consumption by applying income eligibility criteria established by the State agency (7 CFR section 251.5 (b)). These criteria are approved in advance by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA) as part of the State agency's distribution plan (7 CFR Section 251.6(a)).

When TDA conducts an on-site review of an ERA, TDA also conducts an on-site review on five of the ERA's sub-agencies. TDA's monitoring tool of the sub-agencies notes, "What eligibility guidelines a recipient must meet to receive food?" There is no documentation of individual recipients being reviewed for eligibility and/or application of the policy by the food banks. During fiscal year 2009, approximately \$6,236,000 of ARRA commodities and \$38,658,000 of non-ARRA commodities were passed through to 15 subrecipients (i.e., food banks).

Recommendation:

As noted above, TDA did compile a list of all CCR registrations by September 30, 2009. Since the CCR registration is only valid for one year, TDA should not only verify CCR and DUNS prior to the award each year and maintain documentation of such, but TDA should track to ensure the food bank remains eligible throughout the award year and re-register timely. Also, TDA should enhance and retain the appropriate documentation of the sub-agencies denoting eligibility of individuals receiving commodities.

Management Response and Corrective Action Plan:

TDA has confirmed that the DUNS numbers and CCR registrations for the subrecipients are current. TDA will confirm that the CCR registration is valid prior to making payments to the food banks. Prior to the subrecipient's CCR registration expiration date TDA will confirm their re-registration in the CCR. We will access this information at. <https://www.bpn.gov/ccr/default.aspx>. When necessary, contact with the subrecipient will also be established to verify the status. This contact will be logged on a spreadsheet and a copy of the online image showing the status of CCR number will be kept on file.

The TexCap Review instrument has a section on Eligibility with four standard questions. One question is “Do sub-agencies/sites means test clients for receipt of USDA commodities? NOTE: On-site feeding sites are exempt.” When reviews are conducted, applications used by the sub agencies to test eligibility are reviewed. Any issues are noted in the comment section. Copies of these applications are not retained by TDA. We will document how many applications were reviewed and note any observations.

To ensure all requirements of new funding sources are known and followed, TDA Policy Specialist will research the available information provided by the funding sources and meet with the appropriate TDA program, Internal Audit, and Financial Services staff to ensure a common understanding and propose appropriate control activities to mitigate the risk of non-compliance.

Implementation Date: January 2010

Responsible Persons: Robin Roark and Johnny Adams

Department of Assistive and Rehabilitative Services

Reference No. 10-07

Eligibility

(Prior Audit Issue - 09-07)

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States

Award years - October 1, 2008 to September 30, 2010 and October 1, 2007 to September 30, 2009

Award numbers - H126A090065 and H126A080065

Type of finding - Significant Deficiency and Non-Compliance

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)):

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

- 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.

Per review of 40 Division for Blind Services (DBS) and 40 Division for Rehabilitation Services (DRS) consumers, 3 DBS and 2 DRS consumers were not determined eligible within 60 days and there was no notation in the case notes explaining exceptional or unforeseen circumstances. There was no agreement by the consumer to a specific extension of time. To address the prior year finding for DBS, DBS management implemented a 45-day review process in order to identify consumers pending eligibility decisions. The three DBS applications for the consumers noted above were dated prior to Spring 2009 when DBS implemented the 45-day review process.

Recommendation:

DBS management should continue to review cases on a regular basis and ensure compliance with a 60-day rule. DRS management should implement a process to ensure compliance with a 60-day rule.

Management Response and Corrective Action Plan:

Division for Blind Services (DBS)

As noted above, DBS management implemented a 45-day review process to address the prior year finding. This process involves an ad hoc query system, which is available to any DBS staff member. This process continues to be utilized by counselors and VR coordinators to ensure compliance with the 60-day requirement. DBS management has met with Field Directors, VR coordinators and division trainers to emphasize the importance of documenting agreements by consumers to an extension of time. KPMG noted that the files tested since the implementation of this revised process were in compliance with the 60-day requirement.

Implementation Date: Implemented

Responsible Person: Bill Agnell

Division for Rehabilitation Services (DRS)

DRS management agrees with the recommendation and will review and strengthen counselor training regarding federal requirements in determining an individual eligible for VR services within 60 days of application. Management will also provide additional guidance to supervisory personnel. RehabWorks, the automated caseload management system slated for implementation in June 2010, includes a 40-day review process to identify DRS and DBS consumers pending eligibility decisions.

Implementation Date: January 4, 2010

Responsible Person: Leeda Laykasek

Department of Family and Protective Services

Reference No. 10-08

Allowable Costs/Cost Principles

(Prior Audit Issues - 09-09, 08-04, 07-05, and 06-05)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G0902TXTANF and G0802TXTANF

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G0901TX1401 and G0801TX1401

CFDA 93.659 - Adoption Assistance

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G0901TX1407 and G0801TX1407

CFDA 93.667 - Social Services Block Grant

Award years - October 1, 2007 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G0901TXSOSR and G0801TXSOSR

Type of finding - Significant Deficiency and Non-Compliance

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The State plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur, which make the allocation basis or procedures in the approved cost allocation plan invalid.

The Department of Family and Protective Services (DFPS) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The Federal Division of Cost Allocation (DCA) has not approved the CAP as of August 31, 2009. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. However, based on test work performed over the areas noted below, DFPS allocated expenses, including payroll and benefit expenditures, in accordance with the CAP submitted to DCA for approval during fiscal year 2009.

The CAP submitted for approval during fiscal year 2008 incorporated an implementation plan to address mutually agreed methodology changes surrounding its Random Moment Time Studies (RMTS). The methodology change agreed to by DCA is a move from observer-based methodology of tracking RMTS to a web-based response system, using an online tool that assists with the management and oversight of the RMTS studies. The system is maintained in a Windows environment. It was noted with regard to the RMTS Web-based system, eight INET developers have privileges on the server with the ability to access production files for the RMTS Web application. No compliance exceptions were noted for the allowable costs/cost principles samples selected for the above major programs.

Per review of the 2009 expenditure patterns, expenses (including payroll and benefit expenditures) were determined to be direct and material to various major programs noted above. In accordance with the CAP submitted by DFPS for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), full-time employee (FTE) headcount analysis, service unit cost analysis, case count analysis, or payroll effort certification.

- DFPS performs RMTS, service unit cost analysis, and case count analysis on a quarterly basis. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. FTE headcount analysis is performed monthly and certified for payroll effort each month.
- From the results of the various allocation methods noted above, summarized information is used to update or upload the information into the Cost Allocation System which allocates employees' time and other expenditures to the respective programs. Prior to September 1, 2007, the projects were a quarter in arrears. As of September 1, 2007, DFPS is allocating all expenses based on real-time projects as instructed by the HHS Division of Cost Allocation (DCA).

Recommendation:

Subsequent to August 31, 2009, DFPS received their approved CAP from DCA dated September 21, 2009. DFPS should restrict development personnel from being able to promote code changes into the production environment. If such access is granted, management should develop appropriate monitoring procedures to ensure only changes that have been authorized and tested are promoted into the production environment.

Management Response and Corrective Action Plan:

PACAP

DFPS received approval of its PACAP (TX DFPS 08-02) from the HHS Division of Cost Allocation (DCA), Central States Field Office, letter dated September 21, 2009. DCA provided approval of the previous PACAP submissions for fiscal years 2005-2007 in a letter dated November 4, 2009.

Implementation Date: November 4, 2009

Responsible Person: Beth Cody

RMTS

The System Administrator modified on January 7, 2010 the security on the folder for RMTS Code on the Production system. The primary (currently the only) developer and the INET Unit manager for RMTS can promote code to the folder. Changes to the security will occur only when requested and approved by the Unit manager and the Director of Application Development and Maintenance. All approved changes to the application are tracked in our issue tracking database (Eventum). If approvals are received via e-mail, that documentation is uploaded into Eventum for later reference. INET is developing a plan to move RMTS Code to a new Change Management process to include PVCS. We plan to have this new process in place by the end of fiscal year 2010.

Implementation Date: August 31, 2010

Responsible Person: Monica de Leon

Reference No. 10-09

Matching

CFDA 93.658 - Foster Care - Title IV-E - ARRA

Award year - October 1, 2008 to September 30, 2009

Award number - G0901TX1402

Type of finding - Significant Deficiency

The percentage of required State funding and associated federal financial participation (FFP) varies by type of expenditure. The federal Medical Assistance Percentage (FMAP) rates are published annually in the Federal Register. These rates, which vary by State, are used for Title IV-E purposes to compute the federal share of maintenance assistance payments made under the Foster Care program. Under Section 5001(a) and (b) of ARRA, the FMAP rate was temporarily increased for the Foster Care CFDA 93.658 program retroactive to October 1, 2008. Of the four basic provisions to ARRA FMAP rates, certain types of expenditures within the Foster Care CFDA 93.658 program are eligible for the Hold Harmless and Across-the-Board ARRA provisions as noted below.

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| Questioned Cost: | \$0 |
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| U.S. Department of Health and Human Services |
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- *Hold Harmless:* The “regular” FMAP rate for FYs 2009, 2010, and 2011 will be compared to the “regular” rates for the prior one, two or three fiscal years, respectively, and the highest rate of that comparison will be used for FYs 2009, 2010, and the first quarter of FY 2011, respectively.
- *Across-the-Board:* After the hold harmless provision (above) is applied, an increase of 6.2 percent will be added to the FMAP rate of every State.

During the performance of audit procedures, the Master Code Allocation Table was noted to have been established with incorrect percentages. Certain project codes which were ineligible for the ARRA rate provisions were incorrectly matched with stimulus at 7.29%. In many instances, the Foster Care maintenance projects ARRA portion should have been diluted to account for the specific allowable Title IV-E FMAP percentage. The Department of Protective and Family Services (DFPS) corrected the approximately \$12,000 of under matching (i.e., DFPS should have utilized more general revenue) prior to August 31, 2009 by making a method of finance adjustment and updated the respective reports filed with the federal government. Therefore, there are no questioned costs as of August 31, 2009.

Recommendation:

As noted above, DFPS made the appropriate method of finance adjustment by August 31, 2009.

Management Response and Corrective Action Plan:

DFPS agrees with the finding. DFPS has corrected the Foster Care maintenance projects that allocate these costs and as noted, DFPS made the correcting adjustments prior to the end of Fiscal Year 2009.

Implementation Date: August 2009

Responsible Person: James R. Wall III

Reference No. 10-10

Special Tests and Provisions - R3, Subrecipient Monitoring-Applicable to all Major Programs with Expenditures of ARRA Awards

Subrecipient Monitoring

CFDA 93.658 - Foster Care - Title IV-E - ARRA

Award year - October 1, 2008 to September 30, 2009

Award number - G0901TX1402

Type of finding - Significant Deficiency and Non-Compliance

The Department of Family and Protective Services (DFPS) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. Some of these funds were derived from the American Recovery and Reinvestment Act (ARRA) during fiscal year 2009. DFPS is required by OMB Circular A-133, to communicate to subrecipients at the time of the award and at the time of disbursement of ARRA funds, the federal award number, CFDA number and the amount of ARRA funds. When ARRA funds are subawarded for an existing program, the information furnished to subrecipients should distinguish the subawards of incremental ARRA funds from regular subawards under the existing program. Additionally, DFPS is required to communicate to subrecipients to separately identify ARRA funding on the subrecipient's Schedule of Expenditures of Federal Awards (SEFA). (2 CFR part 176.210)

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |

DFPS was unaware of the ARRA specific requirements noted above, and therefore did not communicate to the subrecipients prior to disbursement the federal award number, CFDA number, and the amount of ARRA funds. Also, DFPS did not communicate to the subrecipients that ARRA funds are to be separately identified in the SEFA and expenditure reports. DFPS disbursed approximately \$24,000 of ARRA expenditures in fiscal year 2009 without notifying the one subrecipient at time of disbursement.

In addition, DFPS modified their subrecipient monitoring policy May 2009 to exclude the state and local governments from the Excluded Parties List System (EPLS) verification process. Per review of 40 subrecipient files, one contract was approved subsequent to May 2009 and no longer included the suspension and debarment language and DFPS did not verify the EPLS listing prior to approving the contract. Per review of the EPLS, the subrecipient is not suspended or debarred so there are no questioned costs.

Recommendation:

DFPS should implement ARRA-related controls to ensure compliance with subrecipient requirements. Also, DFPS should add the suspension and debarment language back to their standard subrecipient contracts prior to negotiating the 2011 contracts. For the 2010 contracts, DFPS should ensure the subrecipients are not suspended or debarred by reviewing the EPLS Website and documenting such review in the files.

Management Response and Corrective Action Plan - ARRA:

DFPS understands the need to implement ARRA-related controls to ensure compliance with subrecipient requirements. DFPS Accounting is working with Contracts, Procurement, and Budget to notify subrecipients as required.

Implementation Date: February 28, 2010

Responsible Person: James R. Wall, III

Management Response and Corrective Action Plan - Suspension and Debarment:

The Contract Oversight and Support division will perform the Suspension and Debarment checks for fiscal year 2010 for local governmental entities. We plan to pursue official guidance from the federal government regarding their interpretation of the necessity to conduct these checks on local governmental entities. We will continue to conduct these checks on an annual basis unless the federal guidance we receive states the checks are no longer necessary for the local governmental entities.

Implementation Date: March 1, 2010

Responsible Person: Christine Maldonado

**Department of Family and Protective Services
Texas Workforce Commission**

Reference No. 10-11

Eligibility

(Prior Audit Issues - 09-11, 08-07, 07-08, 06-09, 05-03, 04-37, and 04-38)

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G0901TX1401 and G0801TX1401

CFDA 93.658 - Foster Care - Title IV-E - ARRA

Award year - October 1, 2008 to September 30, 2009

Award number - G0901TX1402

Type of finding - Significant Deficiency and Non-Compliance

Criminal Record Check and Child Abuse and Neglect Registry Check (DFPS)

In accordance with 45 CFR section 1356.30 (a) and (b), unless an election provided for in paragraph (d) of this section is made; the State must provide documentation that criminal record checks have been conducted with respect to prospective foster and adoptive parents. The State may not approve or license any prospective foster or adoptive parent, nor may the State claim federal financial participation for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the State finds that, based on a criminal records check conducted in accordance with paragraph (a) of this section, a court of competent jurisdiction has determined that the prospective foster or adoptive parent has been convicted of a felony involving:

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| Questioned Cost: | \$1,900 |
| U.S. Department of Health and Human Services | |

1. Child abuse or neglect
2. Spousal abuse
3. A crime against a child or children (including child pornography), or a crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.
4. In addition, the foster family home provider must satisfactorily have met a child abuse and neglect registry check with respect to prospective foster and adoptive parents and any other adult living in the home who has resided in the provider home in the preceding 5 years. The requirement applies to foster care maintenance payments for calendar quarters beginning on or after that date. (42 USC 671(a)(20)(C); Pub. L. No. 109-248, section 152(c)(2) and (3)).

The Department of Family and Protective Services (DFPS) has implemented procedures to ensure that background checks and child abuse and neglect registry checks are completed in accordance with federal regulations. In accordance with the Texas Administrative Code (TAC) 745 Subchapter F "Requesting Background Checks," management has implemented ongoing monitoring activities to address compliance with the background check requirements found in TAC 745 Subchapter F. DFPS has implemented periodic monitoring activities of criminal background checks to ensure that all individuals have met the requirement. The procedures implemented by DFPS include but is not limited to the following:

- DFPS has established minimum standards that include time frames for the submission of a person's background check request.
- If the results of the background check are not received within two working days of submission to DFPS, the requestor may obtain a criminal history check on the person through the Department of Public Safety (DPS) at <http://records.txdps.state.tx.us/>.
- DFPS does not allow the person to provide direct care or have direct access to a child in care until the results of the person's background check are received.

- DFPS requires an FBI criminal history check on persons who live outside of Texas or about whom there is reason to believe other criminal history exists. In these situations, the individual must submit FBI fingerprint cards.
- DFPS requires the receipt of results from the background checks before issuing a permit to operate a licensed child-care home, a registered child-care home, a listed family home, an independent foster home, or a foster group home.
- DFPS conducts investigations at operations due to reported cases of abuse or neglect, a deficiency in licensing statute, rule, or minimum standard.
- DFPS requires an update of the criminal background checks at least once every two years.

A sample of 40 children for whom Foster Care payments were made during fiscal year 2009 was selected for review. For each child, we selected one foster care provider and verified that the provider satisfactorily met the criminal records check. For each foster care provider, we obtained a listing of employees for a selected month and verified that a criminal background check or neglect registry check was performed for one employee within the two-year required period. Our review disclosed one instance in which the background check was overdue by seven months.

Re-determination of Eligibility (DFPS)

Per the Texas Administrative Code, Rule 700.324, *Re-determination of Foster Care Eligibility*, DFPS must re-determine a child's eligibility for foster care assistance:

- (1) At least every 12 months;
- (2) Whenever changes in the child's circumstances affect his eligibility; and
- (3) If a move affects the child's eligibility, or the rate of foster care payment.

For a sample of 40 children for whom Foster Care payments were made during fiscal year 2009, one instance was found where the eligibility re-determination was overdue by one month. The re-determination process is a manually worked process by the case workers. A computer generated list is produced of all children requiring re-determination several months prior to the end of the eligibility period. The child was determined to be eligible to continue to receive Foster Care assistance so there are no questioned costs.

Child-Care (TWC)

Foster Care maintenance payments are allowable only if the foster child was removed from the home of a relative specified in Section 406(a) of the Social Security Act, as in effect on July 16, 1996, and placed in foster care by means of a judicial determination, as defined in 42 USC 672(a)(2), or pursuant to a voluntary placement agreement, as defined in 42 USC 672(f), (42 USC 672(a)(1) and (2) and 45 CFR section 1356.21). Funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the State's Foster Care maintenance payment rate schedule, 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 the 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 (42 USC 672(b)(1) and (2), (c)(2), and 675(4)).

For a sample of 40 children for whom Foster Care payments were made during fiscal year 2009, one instance was found where a child who was not eligible for federal foster care funds. Two additional instances were found where the documentation to support the child care related payments could not be obtained at a sufficient level of detail. DFPS works with another state agency, Texas Workforce Commission (TWC), who passed the child care funding through to the Texas Local Workforce Development Boards. Neither DFPS nor TWC are currently able to provide a billing detail of children with their associated period of service to support the federal expenditures submitted under Foster Care, CFDA 93.658. The amount paid to one child determined to be ineligible was approximately \$1,900 of Foster Care, CFDA 93.658 funding. The total amount of Foster Care CFDA 93.658 expenditures in fiscal year 2009 related to child care services was approximately \$3,786,500.

Recommendation:

Criminal Record Check and Child Abuse and Neglect Registry Check and Re-determination of Eligibility

DFPS should continue its efforts to ensure staff are monitoring all operations for compliance with applicable eligibility and the background and child abuse and neglect registry check requirements. Supervisor review of files should include a completeness determination that all required documentation is included and a review of the re-determination lists to ensure all timely re-determination of eligibility.

Child Care

DFPS and TWC need to modify existing data collection efforts to create supporting documentation for the eligible children receiving child care services through Foster Care CFDA 93.658 funding.

Management Response and Corrective Action Plan:

DFPS - Criminal Record Check and Child Abuse and Neglect Registry Check

The DFPS licensing program will continue to ensure that all operations are evaluated for compliance with the background check requirements found in TAC 745 Subchapter F. In addition to weighting this standard as high-risk and therefore increasing the impact of any non-compliance on further regulatory action, RCCL monitors this minimum standard every time it inspects a program, including inspections conducted in order to investigate abuse/neglect investigations. This is the highest level of monitoring any regulatory requirement receives. Furthermore, RCCL staff now use mobile technology in their monitoring of this standard, which allows inspectors to reconcile background check records at a licensed operation with automation records in the DFPS system.

Implementation Date: Ongoing

Responsible Person: Sasha Rasco

DFPS – Re-determination of Eligibility

CPSHB 1541 Foster Care Assistance Application and Review Policies was updated in October 2009. This policy clarifies the roles of eligibility specialist and the child's caseworker to clarify that the caseworker must initiate the foster care review. Regional processes are in place to ensure eligibility supervisors or managers are involved in following up with caseworkers to get the reviews turned in within required time frame. The eligibility supervisor or manager that supervises eligibility staff have been provided a report on the status of pending reviews or any that may be delinquent.

Due to turnover with our direct delivery caseworker and supervisor staff, we may continue to have situations where, despite the prompts provided by our eligibility staffs, an eligibility re-certification is not initiated on a timely basis.

Implementation Date: October 31, 2009

Responsible Person: Max Villarreal

DFPS – Child Care

DFPS agrees that it made payments for Child Care Day Care services using Title IVE Foster Care funds for a child that was not eligible under Title IVE Foster Care. Adjustments have been made by TWC and these adjustments will be claimed on the Quarter Ending March 31, 2010 Title IVE Report.

DFPS has developed procedures to help ensure that day care services are charged to the Title IVE Foster Care program appropriately. These procedures require that a reconciliation process is completed on each monthly detail file provided by TWC. Once the review and reconciliation process is completed, the Title IVE Foster Care program is charged for eligible services.

Implementation Date: August 31, 2010

Responsible Person: James R. Wall III

TWC - Child Care

TWC expanded the client data set to include the child's social security number beginning with the June 2009 (SFY09) data. The June 2009 client data media was provided to DFPS on August 13, 2009. The client data file is sent to DFPS within 10 business days from the child care data entry deadline, the 24th of each month.

Implementation Date: August 13, 2009

Responsible Person: Varshna Narumanchi-Jackson

Health and Human Services Commission

Reference No. 10-12

Eligibility

(Prior Audit Issues - 09-17, 08-12, and 07-13)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - G0902TXTANF, G0802TXTANF, G0702TXTANF

Supplementary Nutrition Assistance Program Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX400105

Medicaid Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - 0905TX5028, 0905TX5048, 0805TX5028, 0805TX5048, 0705TX5028, and 0705TX5048

Medicaid Cluster - ARRA

Award year - October 1, 2008 to September 30, 2009

Award number - 05-0905TXARRA

Type of finding - Material Weakness Control and Material Non-Compliance

Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Medicaid, Temporary Assistance for Needy Families (TANF), and Supplementary Nutrition Assistance Program (SNAP formerly known as the Food Stamp Program) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and Texas Integrated Eligibility Reporting System (TIERS).

Questioned Cost: \$118,033

U.S. Department of Health and
Human Services
U.S. Department of Agriculture

Per review of the regulations and State Plan documents for Medicaid, TANF, and SNAP benefits, individuals must generally meet the following criteria to be eligible for any of the three forms of aid, 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 12 months for Medicaid (42 CFR 435.916(a)), TANF (per State Plan), and 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, and 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 effective July 1, 2006; cash TANF by State Policy; and 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 all programs by State Policy and additionally for SNAP 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).

TIERS

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 following were noted with regard to the general control procedures performed:

- Developers with access to the production environment through the “wasadmin” account.
- The Oracle database password policy is not enforced.
- Two individuals had TIERS Security Administrator role and provisioning role in the application. In addition, four individuals had a provisioning role in the TIERS application. The provisioning role was disabled upon notification.
- Inactive user accounts with administrative access and generic access existed on the operating systems for the Web, database, and application servers. Five inactive generic accounts were noted on the Oracle database. Two inactive user accounts were noted on Oracle database for one selected server. A terminated vendor employee’s account with SUDO access still existed in the selected servers. All accounts were removed upon notification.
- The URL for the TIERS login screen is available on the internet and while a User ID and password are required, it does not require authentication through a VPN to the HHSC network. In addition, improvements were noted for the administration and configuration of the firewall during the fiscal year.

In addition, 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, social security number, 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 three 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 toward benefit issuance until verification is obtained. A manual system override by a supervisor would be necessary in the limited circumstances 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 caseworker to investigate. However, TIERS is not designed nor are their 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 Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant’s income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission (TWC). Through IEVS, applicants’ social security numbers are matched to respective agencies’ records to verify earned and unearned sources of income. The IEVS interface process for TIERS was implemented into production during fiscal year 2009; however, some federal files had not been processed by year-end. Specifically: (1) The TWC wage process was fully implemented in March 2009 and the TWC unemployment insurance benefit process was fully implemented in April 2009; (2) The SSA production response file was received by HHSC in August 2009; and (3) HHSC has received the IRS token file but the IRS response file was not expected until October 2009. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for SNAP (7 CFR 272.8).

- Certain fields are noted as required on various screens within TIERS. Within a set of “logical unit of work” screens, a caseworker is not able to advance to the next input screen without entering information into all the required fields. The system design requires caseworkers to pend from the “questions” page that precedes the logical unit of work when all of the required detail information is not available. However, once the caseworker unpends the question page, they are committed to the logical unit of work. At this point, system design requires selected fields to be completed in order to advance to the remaining screens to enter information the case worker has obtained. If the caseworker does not have the information for these required fields, “placeholder” information can be entered in order to advance to the screens. TIERS is not designed to pend these “placeholder” inputs nor does it require the caseworker to return and validate the inputs.
- The design of TIERS does not provide an easily accessible case history for each case action, including changes made to the client’s file. Therefore, when it is necessary to recreate eligibility determinations made at a certain point in time and to assess whether the benefits amounts were appropriate, users must view history on various screens and certain information for each recipient must be pulled from archive records located in the Data Collections Table in the database. Associated database time and date stamps are also required to recreate the case history.
- The design of TIERS does not allow the processing of various sanctions through the Mass Update process or deemed eligible transactions for Foster Care and Adoption eligible children. Instead Mass Update only processes requests with active EDGs.

Forty files processed through TIERS were reviewed for SNAP and TANF, and fifty files were reviewed for the Medicaid program. The following table summarizes the results of this file review. Details regarding these summarized exceptions follow the table.

| | <u>SNAP</u> | <u>TANF</u> | <u>Medicaid</u> |
|---|-------------|-------------|-----------------|
| Number of files reviewed ** | 40 | 40 | 50 |
| Benefits paid to/on behalf of households reviewed | \$ 169,716 | 56,453 | 45,025 |
| Number of files with over/(under) payments | 14 | 2 | NA |
| Total calculated overpayments | \$ 1,172 | 233 | NA |
| Total calculated (underpayments) | \$ (4,001) | (36) | NA |
| Number of files with insufficient documentation | 2 | 10 | 11 |
| Benefits associated with files with insufficient documentation* | \$ 19,400 | 21,492 | 27,087 |

* Eligibility and/or accuracy of benefits received could not be verified due to lacking supporting documentation.

** Certain files included both over/under payments and insufficient documentation. Those files are reflected once in the summary below as an over/under payment file.

For 40 files reviewed receiving SNAP, 16 files were found to be incomplete or the benefits were calculated in error as noted below. The sixteen files paid benefits of \$80,115 for the fiscal year of which \$16,571 resulted in net questioned costs.

- For 14 files, there was insufficient support for income or incorrect income used. Benefit overpayments of \$1,172 in five files and benefit underpayments of \$3,761 in seven files were noted. The remaining two files with benefits of \$19,400 had insufficient documentation.
- For two files, benefits were increased late after a new allotment chart became effective. Benefits under paid were \$240.
- For one file, there was no support for Texas residency. The benefit amount paid to this household during the fiscal year is included in the fourteen file analysis above.

For 40 files reviewed receiving TANF, 12 files were found to be incomplete or had benefits calculated in error as noted below. The 12 files paid benefits of \$24,171 for the fiscal year of which \$21,689 resulted in net questioned costs.

- For three files, there was no support for Texas residency. The benefit amount paid to these households during the fiscal year was \$4,947.
- For two files, the support of US Citizenship was not available. The benefit amount paid to these households during the fiscal year was \$6,526.
- For four files, the SSA verifications were not available. The benefit amount paid to these households during the fiscal year was \$4,233.
- One file, support was not available for either US Citizenship or SSA verifications. The benefit amount paid to this household during the fiscal year was \$5,786.
- For one file, the Cost of Living Adjustment (COLA) was not processed timely due to the case file being in a pending status. TIERS is designed to not process updates to files if the file is in pending status. As a result, the benefit amount calculated by TIERS was based on outdated information. Additionally, one child received benefits under a different EDG number. Benefit overpayments were \$233.
- For one file, unearned income was incorrectly used in determining the benefit amount. Benefit underpayments were \$36.

For 50 files reviewed receiving Medicaid, eligibility for 11 files was found to be incomplete or had benefits calculated in error as noted below. The 11 files paid benefits of \$27,087 for the fiscal year.

- For one file, there was no support for Texas residency documented in the file during field work. Evidence of Texas residency was subsequently provided. No benefits were paid on behalf of the household during the fiscal year.
- For one file, there was no validation of citizenship documented in the file during fieldwork. Validation was subsequently performed and a birth certificate was provided. Benefits paid on behalf of the household during the fiscal year were \$3,940.
- For one file, the eligibility redetermination was not performed in a timely manner. Client was terminated two months after required redetermination date for not submitting an application. Benefits paid on behalf of the household during the fiscal year were \$88.
- For one file, the application was not signed by the client. Benefits paid on behalf of the household during the fiscal year were \$11,652.
- For four files, the current application could not be provided; therefore current eligibility and benefits could not be reviewed. Benefits paid on behalf of the households during the fiscal year were \$2,467.
- For one file, no SSN validation was noted. Benefits paid on behalf of the household during the fiscal year were \$8,940.
- For one file, an incorrect income amount was used. The amount was greater than 60 days old while policy requires information to be less than 60 days old. No benefits were paid on behalf of the household during the fiscal year.
- For one file, there was no support for Texas residency or support for income used in determining eligibility. No benefits were paid on behalf of the household during the fiscal year.

SAVERR

Forty files processed through SAVERR were reviewed for SNAP and TANF and 50 files were reviewed for the Medicaid program. The following table summarizes the results of this file review. Details regarding these summarized exceptions follow the table.

| | <u>SNAP</u> | <u>TANF</u> | <u>Medicaid</u> |
|---|-------------|-------------|-----------------|
| Number of files reviewed** | 40 | 40 | 50 |
| Benefits paid to/on behalf of households reviewed | \$ 168,072 | 47,543 | 76,353 |
| Number of files with over/(under) payments | 10 | 1 | NA |
| Total calculated overpayments | \$ 2,456 | 4 | NA |
| Total calculated (underpayments) | \$ (2,638) | 0 | NA |
| Number of files with insufficient documentation | 6 | 8 | 10 |
| Benefits associated with files with insufficient documentation* | \$ 35,465 | 11,208 | 6,191 |

* Eligibility and/or accuracy of benefits received could not be verified due to lack of supporting documentation.

** Certain files included both over/under payments and insufficient documentation. Those files are reflected once in the summary below as an over/under payment file.

For 40 files reviewed receiving SNAP benefits, 16 files were found to be incomplete or the benefits calculated in error as noted below. The 16 files paid benefits of \$72,310 for the fiscal year of which \$35,283 resulted in net questioned costs.

- Two files were not made available for review. Therefore, eligibility could not be verified. Per HHSC one of these files was destroyed in the storage facility by Hurricane Ike. The benefit amount paid to these households during the fiscal year was \$14,053.
- For one file, a signed application was not available. The benefit amount paid to these households for fiscal year was \$276.
- For one file, the current application could not be provided. The benefit amount paid to this household during the fiscal year was \$4,938.
- For five files, net income was calculated incorrectly. For one of these files, the household was incorrectly denied benefits for three months. The benefit overpayments were \$1,243 for four files and the fifth file resulted in an underpayment of \$884.
- For one file, there was no support for Texas residency and income was calculated incorrectly. Benefits were overpaid of \$189.
- For two files, income was calculated incorrectly and was not adequately supported. The benefit overpayment was \$900 for one file and the second file resulted in an underpayment of \$333.
- For two files, income was not adequately supported. The benefit amount paid to these household during the fiscal year was \$16,198.
- For one file, income was calculated incorrectly and benefits were incorrectly denied. The benefit underpayment was \$1,421.
- For one file, proof of income was not available for one certification period and income was calculated incorrectly for a second certification period. Benefit overpayments were \$124.

For 40 files reviewed receiving TANF, nine files were found to be incomplete or had benefits calculated in error as noted below. The nine files paid benefits of \$11,753 for the fiscal year of which \$11,212 resulted in net questioned costs.

- For two files, the current application could not be provided thus there was no support for income or Texas residency. The benefit amount paid to these households for the fiscal year was \$1,290.
- For three files, there was insufficient support for income or incorrect income was used. Benefit overpayment for one file was \$4. The benefit amount paid to the remaining two households was \$3,304.
- For one file, there was no support for Texas residency. The benefit amount paid to this household for the fiscal year was \$469.
- For one file, there was no proof of US Citizenship. The benefit amount paid to this household during the fiscal year was \$1,134.
- For one file, redetermination for eligibility was not done timely. The benefit amount paid to this household for the fiscal year was \$4,043.
- For one file, no support for income used in determining eligibility and no support for Texas residency were found. The benefit amount paid to this household for the fiscal year was \$968.

For 50 files reviewed receiving Medicaid, eligibility for ten files was found to be incomplete or had benefits calculated in error as noted below. The ten files paid benefits of \$6,191 for the fiscal year.

- For one file, the application was not available for review. No benefits were paid on behalf of the household during the fiscal year.
- For one file, the application was not signed and US Citizenship documentation was missed. Benefits paid on behalf of the household during the fiscal year were \$171.
- For one file, there was no evidence of validation of social security number and no current application. Benefits paid on behalf of the household during the fiscal year were \$208.
- For two files, there was missing citizenship validation. Benefits paid on behalf of the households during the fiscal year were \$2,979.
- For one file, there was no application and no support for income used in determining eligibility. No benefits were paid on behalf of the household during the fiscal year.
- For one file, the income used for determining eligibility was not calculated correctly. The family was not eligible for benefits. Benefits paid on behalf of the household during the fiscal year were \$1,363.
- For one file, the incorrect income amount was used in determining eligibility. The household was still eligible for benefits using the correct income amount.
- For one file, there was no application and incorrect income was used; however, the household remained eligible.
- For one file, there was missing US Citizenship documentation and incorrect income was used. The household was not eligible. Benefits paid on behalf of the household during the fiscal year were \$1,470.

In addition, access controls are inappropriately designed for the SAVERR database. User identification numbers with production update access have not been limited to the database based on the principle of least access. Seventy-four user IDs have full demand access to update both the production and development SAVERR databases on the Unisys mainframe. These IDs belong to developers, IT support staff, and contractors.

With full update access, the user ID can be used to provide system access to add, update, or delete data such as pricing data or eligibility data in SAVERR. The complexity of the databases and associated systems is such that personnel without in-depth knowledge of specific applications and schema could not perform changes without detection through either end-user identification of errors or problems occurring in operation. However, sophisticated users or contractors, especially those with broad HHSC enterprise skills and experience, might have the knowledge to violate the requirement for appropriate segregation of duties. Users or contractors with excessive rights to modify pricing, eligibility, and other tables across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

Qualified aliens, as defined by 8 USC 1641, who entered the United States on or after August 22, 1996, are not eligible for Medicaid for a period of five years. At the application level of SAVERR, the five-year wait period is not automatically enforced. Each caseworker is required to make the appropriate determination for aid.

Summary

The following analysis provides perspective for the above three programs:

| | <u>SNAP</u> | <u>TANF</u> | <u>Medicaid</u> |
|---|------------------|-------------|-----------------|
| Approximate amount of benefits paid for clients processed through TIERS for Fiscal year 2009 | \$ 895,507,212 | 17,298,809 | 1,750,598,681 |
| Approximate amount of benefits paid for clients processed through SAVERR for Fiscal year 2009 | \$ 3,398,343,524 | 79,582,033 | 14,043,228,865 |
| Approximate amount of benefits paid for clients processed through non-HHSC eligibility system for Emergency Assistance (EA) | \$ 0 | 94,898,455 | 0 |
| Approximate administrative expenditure for Fiscal year 2009 | \$ 204,561,864 | 398,888,851 | 910,729,262 |
| Approximate total expenditures per 2009 federal Schedule | \$ 4,498,412,600 | 590,668,148 | 16,704,556,808 |
| Approximate total number of clients served through TIERS in August 2009 | 751,240 | 25,152 | 615,581 |
| Approximate total number of clients served through SAVERR in August 2009 | 2,362,730 | 83,341 | 2,391,916 |
| Approximate total number of clients served in August 2009, excluding EA | 3,113,970 | 108,493 | 3,007,497 |

Recommendation:

The State’s policies of what is “required” documentation to support the eligibility determinations should be refined and documented in a manner that will increase the efficiency of the caseworkers and provide concise, consistent guidance. Documentation does not need to be redundant but sufficient to support the eligibility determinations based on the information maintained in the client file or readily accessible through other State systems. When refining the State policies, consideration should be given to the existing eligibility quality control program that Texas has in place. Documentation standards should be sufficient to enable the quality control personnel to accomplish their task without having to obtain additional documentation from the client, even if a face-to-face interview is required by the quality control policies. Also, HHSC should modify their quality control reporting to include the percentage of cases that required HHSC personnel to obtain additional documentation from the client to comply with State plan documentation requirements. Currently, the quality control reporting only informs management of incorrect benefit calculations, which does not address the quality of documentation. In addition, HHSC should continue to focus on their training of case workers with regard to State policy, which will further enhance the consistent use of TIERS. HHSC should retain all required documentation supporting the verification of eligibility.

TIERS

HHSC should continue to address the requirement issues as defined by the eligibility process supported by TIERS for:

- the automated control functions and interfaces
- the consideration of additional data validation and/or eligibility rules in TIERS,
- the consideration of additional manual compensating controls for the eligibility process.

SAVERR

HHSC management should implement procedures in accordance with their security access policies that provide database access security controls based on the individual's demonstrated need to view, add, change, or delete data. Additionally, IT and functional management, in a cooperative effort, should have a control process in place to review and confirm Unisys database access rights periodically.

Management Response and Corrective Action Plan:

Documentation:

The Office of Family Services completed a review and revision of verification and documentation policies with the results published in the Texas Works Handbook Revision, #08-3, effective July 1, 2008. As part of its review and revision of verification and documentation policies, HHSC identified TIERS automation changes to support the revised business processes, which included system controls to ensure key support documents are properly verified and maintained. Automation changes were implemented in TIERS in April 2009. Included in the automation changes is a requirement that staff re-verify information in accordance with Texas Works Policy.

To further address documentation issues, the Office of Eligibility Services will draft a corrective action plan for statewide action by March 31, 2010. To target specific issues identified in certain areas of the state, each region will develop corrective actions tailored to address their particular circumstances and challenges. A final plan, including regional plans, will be completed by May 31, 2010.

In addition, HHSC will evaluate methods to efficiently monitor the quality and completeness of documentation to support verification of eligibility for SNAP, TANF, and Medicaid. As part of this evaluation, HHSC will consider expanding quality control processes and management reporting, to include a detailed review of documentation supporting eligibility decisions, within the following existing processes:

- *Office of Family Services Quality Control*
- *Office of Family Services Quality Assurance*
- *Office of Eligibility Services Case Readings*

The results of quality control and assurance efforts will be considered by the Office of Eligibility Services as it periodically assesses whether additional modifications are needed to improve processes and procedures, automated systems, or the training curriculum for eligibility caseworkers.

*Implementation Date: Deployment of automation changes to support revised processes - Completed April 2009
Development of Office of Eligibility Services corrective action plan - March 2010
Assessment of opportunities to improve monitoring processes - March 2010
Implementation of corrective actions and expanded processes - May 2010*

Responsible Persons: Elisa Garza and Kirsten Jumper

TIERS

HHSC has taken the following actions to further strengthen eligibility processes and controls:

- Enterprise IT implemented a tool to automate the code deployment process in April 2009, which will minimize the need for developers to access the wasadmin account. There is a business need for developers to use the wasadmin account in rare situations where problems with the automated code deployment process are encountered and manual deployment is required.
- Provisioning access to the TIERS application was removed for all six employees who had temporary rights to perform associated functions. Two of the employees retained Security Administrator access, which is required to perform their job duties.
- Enterprise IT has processes in place to periodically review operating system and database user accounts, and disable or remove accounts no longer needed. All Oracle database user IDs were reviewed and obsolete accounts de-activated/removed. HHSC's password policies, which require the use of complex passwords and regular, forced password changes will be implemented for the non-compliant Oracle database.
- HHSC has examined the feasibility of using VPN access for external TIERS users and determined that this method is too costly, and is not practical or efficient. Alternatively, automated access control software has been implemented to provide web-based entry into TIERS. This service facilitates statewide access by authorized parties who are not part of the HHSC network, such as HHSC's trading partners. A number of corresponding controls to offset potential vulnerabilities associated with placing the TIERS portal on the public Internet are in place, including: (a) logging and analyzing all unsuccessful web portal log-ins through automated reporting mechanisms, (b) screening logs for evidence of any brute force password attacks, and (c) promptly disabling all accounts that have been inactive in excess of 90 days.
- HHSC has improved processes and training of case workers to ensure timely follow up with clients when an automated alert from SSA is received. When a notice from SSA is received indicating that the social security number is un-verified, a task is created in the State Portal and routed to the Customer Care Center for processing and disposition.
- In fiscal year 2009, Enterprise IT and Commission IT implemented the IEVS interface for TIERS cases. Enterprise IT and Commission IT are continuing their efforts to ensure that federal files are processed timely.
- By August 2011, TIERS users (case workers) will be provided a more easily accessible case history to assist in recreating prior eligibility determinations and assessing whether benefit amounts were appropriate.
- TIERS was designed on the foundation that cases must be in Ongoing mode in order for automated actions, such as sanctions, to be applied correctly. If a case is not in Ongoing mode, then the actions being taken by a case worker are incomplete and applying sanctions on incomplete data could result in erroneous benefit issuance. HHSC is exploring (a) ways to reduce the number of cases that are not in Ongoing mode and (b) automation changes to handle specific automated actions when a case is not in Ongoing mode.

It should be noted that although updates associated with sanctions are not applied timely, updates are applied at the time the case worker disposes the action they are working on. In most situations, the client is not overpaid because the sanction is applied to a different month and the same amount of benefits is withheld. In situations where the client is overpaid because the case is ultimately denied, an overpayment is filed for the recoupment of benefits.

With regard to Foster Care/Adoption Assistance transactions, there are many reasons for a transaction to fail to process. Normally, process "exceptions" result from inconsistent data received on the interface file from the Department of Family and Protective Services (DFPS), rather than from the mode the case is in. Staff are assigned to work through the exceptions each day to ensure timely updates are made to the cases. HHSC and DFPS continue to work together to improve data exchanges.

*Implementation Date: Implementation of automated code deployment process - Completed April 2009
 Implementation of IEVS interface - Completed October 2008
 Availability of historical case report to TIERS users - August 2011*

Responsible Persons: Leah Burton and Kirsten Jumper

SAVERR

HHSC currently has processes in place to periodically review access rights to the production and development environments. Access to both the production and development environments is granted through a request process that requires approval by supervisors in the development area as well as approval by Enterprise IT management responsible for maintaining the production environment. Access within the production environment is restricted by allowing access to production batch runstreams only to the personnel that have the responsibility to that particular set of batch runs.

HHSC will re-assess the current listing of individuals with logical access to both production and development environments and take appropriate actions to (a) further limit the number of individuals with access to both environments based on business need, (b) ensure access has been removed for individuals no longer employed by the agency or whose job duties no longer require access, and (c) ensure required approvals and documentation is maintained. To further ensure appropriate access is established, Enterprise IT has migrated SAVERR production from the old mainframe to a new mainframe, thereby separating the platforms for the development and production environments. Implementation was completed in March 2009. This change now facilitates enforcement of security in SAVERR.

Implementation Date: *Establishment of additional security controls - Completed March 2009*
Re-assessment of logical access to production and development - April 2010

Responsible Persons: *Lupita Padilla and Kirsten Jumper*

Reference No. 10-13

Special Tests and Provisions - Provider Eligibility

(Prior Audit Issues -09-22 and 08-19)

Medicaid Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - 0905TX5028, 0905TX5048, 0805TX5028, 0805TX5048, 0705TX5028, and 0705TX5048

Type of finding - Significant Deficiency and Material Non-Compliance

Per 42 CFR Sections 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. 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 | |

A sample of 50 providers receiving Medicaid payments during fiscal year 2009 were selected for review and 33 files were noted to have the following exceptions. Of the 33 files, 32 were enrolled prior to fiscal year 2004 when HHSC contracted with their current vendor who operates under current HHSC policies and procedures.

- For 32 providers, a search to ensure the provider was not on the Medicaid exclusion list was not conducted.
- For one provider, page 1 of the "Disclosure of Ownership and Control Interest Statement" was missing; however, page 2 was included with signatures.
- For nine providers, the file had a Provider Agreement available for review but a signed and notarized copy of the Provider Information Form was not available.

- For five providers, there were no signed disclosure of ownership and control interest statement available for review.
- For one provider, there was no evidence of completed Provider Agreement signed by the provider.
- For one provider, there was no evidence that HHSC verified suspension and debarment. Upon review of the EPLS, the providers were not suspended or debarred.
- For three providers, there was no evidence that providers met the criteria for an Out-of-State provider.

Recommendation:

The Health and Human Services Commission (HHSC) should implement procedures to ensure federal requirements and State plan requirements regarding provider eligibility are met. As noted above, the majority of the exceptions relate to older provider agreements. 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:

The records that were reviewed during the audit date back to 1997 and many changes have occurred since that time. The contracted Medicaid claims administrator implemented new policies and procedures, beginning in 2004, to ensure proper enrollment and eligibility requirements are met prior to enrollment into the Texas Medicaid Program. Other improvements were made as recently as September 2007.

In the current process, all applications are checked against HHSC and HHSC OIG exclusion lists (performed since January 2004) and screened by OIG against its Open Investigations List (performed since January 2006). These processes were automated in September 2007.

The process includes a two-tier quality analysis process for provider enrollment applications. First, TMHP enrollment staff conduct a 100% review of all applications that have been checked and screened, and are determined to be ready for enrollment. Second, the TMHP Quality Division performs daily and monthly post-enrollment reviews on a sample of provider applications finalized for enrollment.

In addition, TMHP accesses all appropriate licensure boards via the Internet to confirm valid licensure prior to enrollment of new providers and to review licenses set to expire within 60-days for all currently enrolled providers. For enrolled providers, if a current license cannot be located or obtained from the Website, a payment denial code is placed on the provider's file to ensure no payments are made to the provider after the license expires.

Using this process, the monthly quality rating has averaged around 99% since May 2008 and has remained at that level to date.

In order to ensure that all providers meet the federal and state requirements for enrollment, HHSC will have to work with TMHP to either re-enroll all providers that were originally enrolled by the previous vendor or conduct a 100% audit of all enrollment files with an enrollment date prior to January 1, 2004. HHSC had planned to develop a final solution and begin the contract amendment process to implement the solution no later than Spring 2009; however, staff focused their efforts on the reprourement for the new claims administrator contract and were unable to develop a solution during the original time frame. The timeline for completing implementation will be dependent upon which solution is selected. HHSC anticipates that a recommendation will be finalized and selected no later than spring of 2010. The implementation may be completed within three to six months from the execution of a contract amendment.

Implementation Date: In process

Responsible Person: Billy Millwee

Reference No. 10-14

Special Tests and Provisions - Issuance Document Security

(Prior Audit Issues - 09-19, 08-16, and 07-16)

Supplementary Nutrition Assistance Program Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX400105

Type of finding - Significant Deficiency and Material Non-Compliance

The State is required to maintain adequate security over, and documentation/records for, Authorization to Participate (ATP) cards, other documents authorizing issuance, Electronic Benefit Transfer (EBT) cards (7 CFR Section 274.12(h)(3)), and the food stamp coupons themselves to prevent: couple theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use of coupons and alternating or counterfeiting of coupons and other documents authorizing issuance (7 CFR Section 274.7(b) and 274.11(c)).

| | |
|--------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

Security over EBT Food Stamp cards (i.e., Lone Star cards) was reviewed for 40 local intake offices. Health and Human Services Commission (HHSC) policy is that logs are maintained at each office to denote receipt, issuance, and destruction of EBT cards. Daily reconciliations are prepared of EBT cards issued (including the recipient's name) between cards issued to clients and cards remaining. In addition, monthly inventories of the EBT cards are required to be conducted by management of the office and reconciled to the daily logs. HHSC regional offices perform reviews of selected offices for which the office must respond with a corrective action plan. HHSC policy is to perform these audits once every five years. Per review of 40 sites, 14 sites were identified with the following exceptions:

- For two sites, the daily reconciliation was not prepared and/or reviewed by management.
- For three sites, the EBT cards and/or PIN packet inventory were not maintained in a secure location.
- Two sites did not have adequate segregation of duties in place between access to the EBT cards and PINs to activate the cards.
- For one site, there was no signature on the log maintained for various cards that were mailed to the recipients.
- For three sites, the log of voided cards was missing required information.
- For six sites, either the recipient or the staff did not sign the log maintained for physical receipt of EBT cards.
- For one site, one monthly inventory report for PINs was missing.
- For one site, there was no corrective action plan.
- For one site, EBT cards were kept physically secured and PIN packets were not located.
- For one site, the PIN packets could not be located.

Recommendation:

HHSC should enforce existing procedures at the various in-take offices to ensure compliance with federal regulations.

Management Response and Corrective Action Plan:

Currently, regional directors conduct one EBT office review to ensure compliance with EBT policies and procedures. To address current findings, the scope of the review will be expanded to include the review of a minimum of three days of reconciliation reports, voided logs, mail logs, and card/pin security.

This function will be moved from the regional director to the EBT Regional Coordinator for a more in-depth review by a subject matter expert.

Implementation Date: March 2010

Responsible Person: Debra Smith-Anderson

Reference No. 10-15

Eligibility

(Prior Audit Issues - 09-16, 08-11, and 07-12)

CFDA 93.767 - Children's Health Insurance Program

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006

Award numbers - 0905TX5021, 0805TX5021, 0705TX5021, and 0605TX5021

Type of finding - Significant Deficiency and Non-Compliance

States have flexibility in determining eligibility levels for individuals for whom the state will receive enhanced matching funds within the guidelines established under the Social Security Act. Generally, a state may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their state plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

Questioned Cost: \$623

U.S. Department of Health
and Human Services

Specifically, Texas CHIP Administrator Business Rule 370.42, *Eligibility Applicant Children*, SCHIP children are eligible if they are: birth through age 18 live in a household with a Federal Poverty Level (FPL) of at or below 200 percent and are not otherwise eligible for Medicaid, citizens or legal immigrants, and uninsured for at least 90 days. Additionally, families with gross income above 150% FPL and less than or equal to 200% FPL must pass a resource test to qualify for CHIP. Resource limit is \$10,000 or less in countable liquid value plus excess vehicle value.

Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Medicaid - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and Texas Integrated Eligibility Reporting System (TIERS). Frequently cases are referred from Medicaid to CHIP. The original design of the TIERS application did not include resource tests for CHIP eligibility. HHSC determined to rely on the caseworkers to manually identify the affected SCHIP cases. CHIP eligibility is generally determined by MAXe, which has system edit checks to verify resource limitations. However for cases that originate in TIERS, TIERS only denied the clients for Medicaid and does not verify the resource limits for CHIP. These children are "deemed eligible" without verification of the resource limits and interfaced into MAXe bypassing the resource edit checks.

For children under the age of one when the family FPIL level is between 150% and 185% and the family resources are between \$2,000 and \$10,000, TIERS does not automatically determine eligibility. HHSC has identified this design issue and has created a manual workaround for case workers to override the MAXe. However, the use of a work around does not allow for adequate identification of eligible children possibly resulting in children under one being improperly denied benefits.

For one of 40 cases, the child's eligibility for Medicaid was redetermined prematurely based on state policy of continuous eligibility for six months. As a result of the redetermination, the child was properly determined to no longer be eligible for Medicaid and transferred to CHIP for September 2008. However, based on state policy of Medicaid eligibility for six months, CHIP funds were incorrectly used when Medicaid was the proper funding source. Subsequent to September 2008, the child was CHIP eligible; however, no cost share was applied resulting in no collection of the \$350 CHIP premium.

HEALTH AND HUMAN SERVICES COMMISSION

Additionally, for a second case that was transferred to CHIP from Medicaid, the eligibility file was not available for verification of the child's benefits. The benefits paid for this child for the fiscal year were approximately \$623.

Recommendation:

HHSC should ensure that an application is maintained for every individual receiving benefits. Additionally, HHSC should consider automating the process for children under one with the parameters noted above.

Management Response and Corrective Action Plan:

HHSC will direct MAXIMUS to update the CHIP system to automatically determine children under the age of one eligible for CHIP when the families' Federal Poverty Income Level is between 150% and 185%; and family assets are between \$2,000 and \$10,000.

Implementation Date: March 2010

Responsible Person: Blanche Rosas

To address the finding of missing documentation/verification, the Office of Eligibility Services will draft a corrective action plan for statewide action. A statewide corrective action plan will be drafted by March 31, 2010.

Implementation Date: March 2010

Responsible Person: Debra Smith-Anderson

HHSC's pending migration of CHIP into TIERS will include functionality to verify resource limitation within the TIERS application. The migration, originally planned during 2009, is now scheduled for January 2011.

Implementation Date: January 2011

Responsible Persons: Kirsten Jumper, Leah Burton, and Mary Catherine Bailey

Reference No. 10-16

Eligibility

CFDA 97.050 – Presidential-Declared Disaster Assistance to Individuals and Households - Other Needs
Award years - Declared 9/24/05 (#1606); 5/1/07 (#1697); 6/29/07 (#1709); 7/24/08 (#1780); 9/13/08 (#1791)
Award numbers - FEMA-1606-DR; FEMA-1697-DR; FEMA-1709-DR; FEMA-1780-DR; FEMA-1791-DR
Type of finding - Significant Deficiency

Per 44 CFR 206.120, "(d) State administrative plan requirements. The State shall develop a plan for the administration of the Other Needs assistance that describes, at a minimum, the following items: (iv) Eligibility determinations. (A) *Under a cooperative agreement:* The procedure for eligibility determinations when the FEMA application and inspection systems are used by the State but additional eligibility criteria are necessary to make State eligibility determinations." Per the State of Texas Administrative Plan for CFDA 97.050, "An applicant must...meet the citizenship requirements set forth in the Welfare Reform Act. This is verified when the applicant signs the registration form (90-69B FEMA Form)."

| | |
|---|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Homeland Security | |

For one sample item of 40 reviewed, the 90-69B FEMA Form was incomplete as the certification of the applicant acknowledging US citizenship was lacking. HHSC followed up with the applicant and obtained a revised copy of the 90-69B FEMA Form, which included the required citizenship certification. Based on discussions with management, the 90-69B FEMA Form was obtained multiple times but not verified by HHSC as being scanned into the Department of Homeland Security's NEMIS database. The applicant was determined to be eligible so there is no questioned cost.

Recommendation:

Management should strengthen processes and controls to ensure that they maintain a copy of the documents until verified they are properly retained in the NEMIS system.

Management Response and Corrective Action Plan:

On January 21, 2010, HHSC Office of Social Services management implemented new processing procedures for handling of Original Documents as approved in the State Plan Administrative Plan for 2010.

Implementation Date: January 2010

Responsible Person: Allen Bledsoe

HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 10-17

Allowable Costs/Cost Principles

Period of Availability of Federal Funds

Major Programs:

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award number - G0902TXTANF, G0802TXTANF, and G0702TXTANF

CFDA 93.667 - Social Services Block Grant

Award years - October 1, 2008 to September 30, 2010 and October 1, 2007 to September 30, 2009

Award numbers - G0901TXSOSR and G0801TXSOSR

CFDA 93.767 - Children's Health Insurance Program

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006

Award numbers - 0905TX5021, 0805TX5021, 0705TX5021, and 0605TX5021

CFDA 97.050 - Presidential-Declared Disaster Assistance to Individuals and Households - Other Needs

Award years - Declared 9/24/05 (#1606); 5/1/07 (#1697); 6/29/07 (#1709); 7/24/08 (#1780); 9/13/08 (#1791)

Award numbers - FEMA-1606-DR; FEMA-1697-DR; FEMA-1709-DR; FEMA-1780-DR; FEMA-1791-DR

Medicaid Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - 0905TX5028, 0905TX5048, 0805TX5028, 0805TX5048, 0705TX5028, and 0705TX5048

Non-Major Programs:

CFDA 93.006 - State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program

CFDA 93.110 - Maternal and Child Health Federal Consolidated Programs

CFDA 93.566 - Refugee and Entrant Assistance - State Administered

CFDA 97.088 - Disaster Assistance Projects

Type of finding - Significant Deficiency and Non-Compliance

In accordance with OMB Circular A-87, attachment B, section 8h(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 firsthand knowledge of the work performed by the employee."

Questioned Cost: \$5,236,392

U.S. Department of Health
and Human Services

U.S. Department of
Homeland Security

Health and Human Services Commission (HHSC) noted an error with the SQR query used to identify the list of employees working solely on a single award and thus requiring certifications. The query improperly excluded all employees who either terminated or transferred during the certification period. Specifically, the following items were noted. In each of these instances, certifications were prepared upon request during the audit.

- For Social Service Block Grants, CFDA 93.667, one employee certification of four was not prepared as the employee was either terminated or transferred during the certification period.
- For the CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs program, 10 employees of 24 requiring certification were not prepared.

Total payroll and benefits expenditure incurred during fiscal year 2009 related to employees working solely on a single award were:

| Federal Program | Amount Charged to the Federal Program | Amount Certified | Amount Not Certified |
|--|---|---------------------|-------------------------|
| 93.558 - Temporary Assistance for Needy Families | \$ 835,511 | \$ 776,905 | \$ 58,606 |
| 93.667 - Social Services Block Grant | 205,931 | 186,138 | 19,793 |
| 93.767 - Children’s Health Insurance Program | 406,606 | 397,512 | 9,094 |
| 93.777 - State Survey and Certification of Health Care Providers and Suppliers | 565,129 | 544,737 | 20,392 |
| 93.778 - Medical Assistance Program | 57,682,877 | 53,879,832 | 3,803,045 |
| 97.050 – Presidential-Declared Disaster Assistance to Individuals and Households - Other Needs | 3,129,085 | ,827,527 | 1,301,558 |
| Total Major Programs | \$62,825,139 | \$57,612,651 | \$5,212,488 |
| 93.006 - State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program | 43,784 | 39,149 | 4,635 |
| 93.110 - Maternal & Child Health Federal Consolidated Programs | 54,634 | 52,323 | 2,311 |
| 93.566 - Refugee and Entrant Assistance - State Administered | 620,729 | 603,771 | 16,958 |
| 97.088 - Disaster Assistance Projects | 58,294 | 58,294 | 0 |
| Total Non-Major Programs | 777,441 | 753,537 | 23,904 |
| Total | \$63,602,580 | \$58,366,188 | \$5,236,392 |

Recommendation:

HHSC should revise the SQR query to include all employees that were transferred or terminated from HHSC and obtain semi-annual certification signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee going forward. Further, we recommend that HHSC rerun the queries for the current year and have all payrolls appropriately certified.

Management Response and Corrective Action Plan:

HHSC is currently reviewing this SQR report to determine the necessary coding changes to ensure that all employees working on a single award are identified for a certification period and so that a certification can be obtained. Once the SQR report is revised, HHSC will rerun the report for state fiscal year 2009 and have all payrolls appropriately certified.

To further enhance the accuracy of the query, as well as the delivery, tracking, and receipt of certifications, the FSS IT Development Team staffed by Commission IT developers and Financial Management personnel is developing a Web-based tool for employee certification that will be incorporated into the recently launched CFO automated Services and Reports system. When completed in the summer of 2010, it will extract relevant employee data from the Data Warehouse utilizing an updated and thoroughly tested query, generate, and digitally present employee certifications to the appropriate supervisors, as well as track, receive, authenticate certifications received. In addition, it will follow up on certifications not yet received. The tool will significantly improve the process accuracy and efficiency by enabling supervisors to receive, review, comment, and certify employee time and effort after logging into the CFO system. Supervisors will receive certification notifications and reminders via e-mail. The physical addressing of envelopes and mailing of certifications to supervisors will be eliminated.

Implementation Date: August 2010

Responsible Person: Debbie Brewer

Reference No. 10-18

Special Tests and Provisions - EBT Reconciliation

(Prior Audit Issue - 09-23)

Supplementary Nutrition Assistance Program Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX400105

Type of finding - Significant Deficiency

Per 7 CFR 274.12 (j) (5), the state agency must obtain an examination by an independent auditor of the transaction processing of the State Electronic Benefits Transfer (EBT) service provider regarding the issuance, redemption, and settlement of Supplementary Nutrition Assistance Program (SNAP) benefits. The examination must be done at least annually and the report must be completed within 90 days after the examination period ends. Subsequent examinations must cover the entire period since the previous examination. Examinations must follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70, Service Organizations (SAS 70), requirements for reports on controls placed in operation and tests of the operating effectiveness of the controls, as amended.

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| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

A service auditors' report covering the period September 1, 2008 through August 31, 2009 (covering the full 12 months of the fiscal year 2009) was issued for the EBT general controls environment. A qualified opinion was issued on the following control objectives:

Controls provide reasonable assurance that the EBT system functions in a manner consistent with its policies, and complies with applicable laws and regulations (Food Stamp Act of 1977, as amended (7 USC 2016(i) and 7 CFR Section 274.12). Specifically for this control objective, the following exceptions were noted:

- Evidence was not provided that the corporate orientation class was completed for 12 of 30 selected newly hired employees.
- Evidence was not provided that 30 newly hired employees and 25 current sampled employees completed the "Agreement Regarding Confidential Information, Intellectual Property, and Other Matters" form.
- Criminal background checks were not completed for 12 of 30 sampled employees.
- Evidence was not provided that 30 of 30 sampled employees completed, read, and certified to the anti-drug statement provided by IBM.
- New hire checklists were not provided 3 of 30 sampled newly hired employees.
- Termination checklists were not provided for 4 of 25 sampled employees.

Controls provide reasonable assurance that the EBT system is protected against unauthorized physical and logical access to production EBT systems. Specifically for this control objective, the following exceptions were noted:

- Auditing of activity was not enabled for database administrator accounts.
- All Windows servers were using shared (multi-user) accounts, which do not meet security best practices for auditability.
- Four of five Windows servers did not have antivirus protection installed as required by IBM Information Security Controls (ISeC).
- One of five Windows servers had an Administrator account that has not been renamed.
- One of five Windows servers (Transfer) had a shared folder that was accessible by all users on the Texas EBT network (Everyone group had full control of folder).
- Three of five Windows accounts had accounts that are not compliant with requirements that passwords be changed every 60 days as required ISeC.

- Three of three OpenVMS servers had accounts present with excessive system privileges, which create a risk of unauthorized access.
- The TIERS account on the BIGTX2 and BIGTX5 servers had the SETPRV privilege, which allowed the account to set privileges for other users.
- One account on the LILTX2 server for a programmer had system privileges (full control of host).
- Two of three VMS servers (BIGTX2 and BIGTX5) were configured with broad proxy rights, allowing users to connect from any host. In addition, proxy rights were granted to a host (LILAL2) that is no longer in use.
- Passwords for database accounts were not changed during the audit period. Changing passwords every 60 days is required by ISeC Technical Specifications Section 12 (Sybase Adaptive Server Enterprise) section 1.1 (Password Requirements).
- Systemwide password expiration was not activated on a database.
- Router's access control lists (ACL) permitted third-party providers who provide their own data circuits to access all parts of the EBT network.
- The Cisco 3640 router did not restrict traffic to the report server network. Users who accessed the Texas EBT network can pass through the 3640 router.
- Telnet, which is an insecure protocol, was allowed to access routers internally.
- There were firewall rules in place for hosts or groups that no longer required access, and therefore, the rules should be removed.
- There was one firewall administrative account in place that was shared (including the password) with two other administrators. They did not perform work related to Texas EBT. In addition, the password was shared with other network devices, again not related to Texas EBT.

General controls over the information technology environment should be operating effectively to help ensure the proper functioning of the EBT systems. No compliance issues were noted regarding EBT reconciliation procedures performed.

Recommendation:

HHSC management should work with Texas EBT and their third-party vendors to ensure information technology general controls are operating effectively.

Management Response and Corrective Action Plan:

HHSC requested and received a Corrective Action Plan from the service providers to address the weaknesses identified in this finding. HHSC is working through the Department of Information Resources to obtain final agreement on the timeline.

Implementation Dates: June 2010

Responsible Persons: Kay Jones and Ron Weiss

Reference No. 10-19

Subrecipient Monitoring

CFDA 93.667 - Social Services Block Grant

Award years - October 1, 2008 to September 30, 2010 and October 1, 2007 to September 30, 2009

Award numbers - G0901TXSOSR and G0801TXSOSR

Type of finding - Significant Deficiency and Non-Compliance

Health and Human Services Commission (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 to HHSC within 9 months of the subrecipient's fiscal year. HHSC is to review the report and to issue a management decision within six months, if applicable.

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |

The Emergency Disaster Relief Funds (Disaster) portion of CFDA 93.667 - Social Services Block Grant does not perform any site visits of their six Council of Government (COG) subrecipients. Additionally, for two of six COGs selected for Disaster test work, there were no quarterly progress or expenditure reports. For four of the six COGs, there was no specific support or calculation for administrative expenditures as required by the Disaster monitoring policy. Federal grant funds passed through to COGs during fiscal year 2009 totaled approximately \$15,215,000.

Additionally, the standard subrecipient contracts utilized by HHSC for Family Violence and Disaster subrecipients do not contain the required notification of the CFDA number.

Recommendation:

With regard to the Disaster funds, HHSC should formally document their Disaster monitoring process including a risk assessment to identify the COG subrecipients with potential risk. The Disaster policy should include the use of site visits or desk reviews that involve the review of detail supporting documents for allowable expenditures. HHSC also should ensure that a CFDA number is included in all contracts with subrecipients to clearly identify the federal award.

Management Response and Corrective Action Plan:

HHSC will formally document the Disaster monitoring process including a risk assessment to identify the COGs with potential risk. The Disaster policy will include the use of site visits or desk reviews that involve the review of detail supporting documents for allowable expenditures. All new Emergency Disaster Relief contracts as well as any contract renewals or amendments effective January 1, 2010 will contain the CFDA number.

Implementation Date: May 2010

Responsible Person: Larry Fisher

All new Family Violence contracts as well as any contract renewals or amendments effective September 1, 2010 will contain the CFDA number.

Implementation Date: September 2010

Responsible Person: Chan McDermott

Reference No. 10-20

Earmarking**CFDA 93.667 - Social Services Block Grant****Award years - October 1, 2008 to September 30, 2010 and October 1, 2007 to September 30, 2009****Award numbers - G0901TXSOSR and G0801TXSOSR****Type of finding - Significant Deficiency and Scope Limitation**

The State shall use all of the amount transferred in from CFDA 93.558 - Temporary Assistance for Needy Families (TANF) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42USC604(d)(3)(A) and 9902(2)).

Questioned Cost: \$0

U.S. Department of Health
and Human Services

Health and Human Services Commission (HHSC) passes certain of its CFDA 93.667 - Social Services Block Grant (SSBG) funds received as transfer from TANF through to subrecipients through the Family Violence Program. The subrecipients use the monies to aid in the cost of operating shelters. A form is filled out for all clients served to document income eligibility for receipt of funds transferred from TANF, however, all income information is self-reported and no validation mechanism for the reported income exists. Therefore audit evidence is not available to determine whether the expenditures meet the earmarking requirements established related to funds transferred from TANF to SSBG. Total TANF transfer monies passed through to subrecipients during fiscal year 2009 were approximately \$8,360,000.

Annually, HHSC submits the Intended Use Report to the Department of Health and Human Services (HHS), which denotes the use of the TANF transfer funds for family violence services. The Intended Use Report also indicates that “families with a caretaker and dependent child(ren) with income at or below 200% of poverty, based on self declaration, are the eligible population served primarily through shelters. “

Recommendation:

Since the Intended Use Report is not officially approved, HHSC should obtain an official waiver from HHS acknowledging that self-declaration is an acceptable method of HHSC to verify eligibility.

Management Response and Corrective Action Plan:

HHS has indicated that it reviews the Intended Use Report HHSC submits each year, and if the description of program administration outlined in the report is acceptable, it approves funding. This process suggests tacit approval of HHSC's proposed approach, but does not result in written approval. To address the absence of specific official approval from HHS, HHSC will request HHS to acknowledge that self-declaration, as communicated in HHSC's Intended Use Report, is an acceptable method for HHSC to determine eligibility and support the earmarking requirement for TANF to SSBG transfers.

Implementation Date: When HHS response is received

Responsible Person: Chan McDermott

Reference No. 10-21

Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Medicaid Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - 0905TX5028, 0905TX5048, 0805TX5028, 0805TX5048, 0705TX5028, and 0705TX5048

Type of finding - Significant Deficiency and Non-Compliance

The State Medicaid agency pays for inpatient hospital services and long-term care (LTC) facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR Section 447.253).

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |

The Office of Inspector General's (OIG) division of Health and Human Service Commission (HHSC) executes a review of long-term care facility costs reports. Per review of 50 cost reports, one audit had no documentation of inquiry on how the provider ensures staff met professional certification or licensure requirements. A second audit file was noted as closed yet upon review of the federal tax summary, worker's compensation summary, benefits summary, and the report maintained in the file were draft documents. OIG was unable to provide final versions of these documents utilized by rate analysis in their final settlement procedures.

Recommendation:

HHSC should strengthen processes and controls to help ensure that long-term care cost report audits are completed in accordance with policies and procedures including maintenance of required documentation.

Management Response and Corrective Action Plan:

The Office of Inspector General fully supports a strengthened long-term care cost report audit process. Audit review processes have been improved through additional staff training for new and existing auditors to ensure a thorough understanding of the review checklist. The cited certification/licensure verification had been performed by the auditor, but the documentation did not clearly reflect the work. Enhanced review processes will provide greater assurance that all work is adequately documented.

An Audit Section-wide quality assurance review of project close-out procedures was performed by the Quality Assurance Team to evaluate the completion nature of projects for which final reports had been issued. The scope of this quality assurance review included projects completed by the Cost Report Review Unit (CRRU). While no significant issues were noted in the quality assurance review of CRRU completed projects, recommendations were made by the Quality Assurance Team to further strengthen CRRU's work processes. The implementation of Quality Assurance Team recommendations, along with the strengthened training and review processes, will provide greater assurance that projects are not closed until documentation has been finalized.

Implementation Date: February 2010

Responsible Person: Mark Poehl

Reference No. 10-22

Allowable Costs/Cost Principles

(Prior Audit Issues - 09-14, 08-09, and 07-11)

CFDA 93.767 - Children's Health Insurance Program

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award numbers - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006

Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048

Type of finding - Significant Deficiency

Funds can only be used for Medicaid benefit payments (as specified in the State plan, federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR sections 435.10, 440.210, 440.220, and 440.180). Also, states must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability is established after the claim is paid, reimbursement from the third party should be sought (42 CFR Sections 433.135 through 433.154).

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |

The Health and Human Services Commission (HHSC) currently utilizes the First Health Services Corporation (FHSC) First Rebate Application to validate and bill drug manufacturers for rebates. Access to the First Rebate production server AZPH-SRV-DB09 and the First Rebate database is not restricted appropriately as an excessive number of employees have administrative access rights to the Windows server and a developer has been granted administrative access in the application and database. In addition, password controls are not in accordance to policy. Specifically:

- Approximately 24 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB09 at CVTY\CVTY-SE-Sever-Admin group. There are five generic IDs in this group.
- Approximately 21 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB09 at CVTY\Domain Admin group. There are nine generic IDs in this group.
- Approximately 46 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB09 at RICNTDOM0 Domain admin group. There are nine generic IDs in this group.
- Two user IDs with administrative access to the production database were considered inactive and removed upon notification.
- Windows is the operating system for First Rebate Application. The security policy requires passwords to contain at least 8 characters, however, only six characters are configured.

With full update access, user IDs can be used to provide system access to add, update, or delete data. Sophisticated users with broad enterprise skills and experience might have the knowledge to violate the requirement for appropriate segregation of duties. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

No compliance exceptions for vendor drug expenses were noted related to the allowable costs/cost principles related to the major programs noted above.

Recommendation:

Access to administrative IDs should be restricted to a limited number of authorized employees. Unused generic IDs should be locked or monitored. Finally, passwords should be brought into compliance with policy.

Management Response and Corrective Action Plan:

Bullets 1, 2, and 3

These user IDs are specific to Domain Users with administrator privileges. Domain administrators have access to the physical box, but are no longer part of the SQL Administration group (data) for the First Rebate server; therefore, the risk to program data is low.

Removal of SQL administrator access from Domain administrators was completed via the Change Management process in fall 2009. New administrators that are given server access no longer inherit access to the applications and data bases housed on the servers. Data base access requires the System Access Request with multiple levels of approval. All approval is based upon job function and follows the Minimum Necessary requirement under HIPAA.

Bullet 4

FHSC has reiterated current policy to hiring managers and supervisors to ensure notification procedures are followed.

Bullet 5

Access to all applications residing behind the Coventry firewall require CITRIX logons; that is., 8 byte strong passwords. After investigation, FHSC found once inside CITRIX and the firewall, some Texas users are under the previous 6 byte password policy. FHSC will have all the passwords for Texas compliant with the documented policy by February 15, 2010.

FHSC has implemented strong consequences (employee termination) related to their change management process. HHSC feels this will deter users from making system modifications or unauthorized changes.

Implementation Date: February 15, 2010

Responsible Person: Andy Vasquez

Reference No. 10-23

Special Tests and Provisions - Child Support Non-Cooperation

(Prior Audit Issues - 09-18, 08-15, and 07-15)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - G0902TXTANF, G0802TXTANF, and G0702TXTANF

Type of finding - Significant Deficiency and Non-Compliance

Per 45 CFR Sections 264.30 (b) and (c), if the IV-D agency (i.e., Texas Attorney General) determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with Section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with Section 260.52 of this chapter, then Texas Attorney General's agency must notify Health and Human Services Commission (HHSC) agency promptly. HHSC must then take appropriate action by; (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program. Per A2140, the State policy is to reduce benefits 100% for non-cooperation.

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| Questioned Cost: | \$486 |
| U.S. Department of Health and Human Services | |

Health and Human Service Commission (HHSC) currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and Texas Integrated Eligibility Reporting System (TIERS).

A sample of 40 beneficiaries who should have had their benefits reduced was selected for review - 20 from SAVERR and 20 from TIERS. Our review noted the following:

- Of the 20 cases reviewed in SAVERR, benefits were not reduced timely for two cases. For one of the cases, benefits were reduced one month late due to a 'C' that should have been input on the client screen for child support non-cooperation but was not, resulting in an error of \$216. The second case benefits were not reduced 100% for non-cooperation resulting in overpayment of benefits in the amount of \$21.
- Of the 20 cases reviewed in TIERS, benefits were reduced three months late for one case due to the continuing on-going mode system design issue resulting in an overpayment of \$249. The design of TIERS does not allow the processing of various sanctions through the Mass Update process or deemed eligible transactions for Foster Care and Adoption eligible children. Instead Mass Update only processes requests with active EDGs.

Recommendation:

HHSC should implement procedures to ensure case files are properly classified when in sanction status. Also, HHSC management should continue to monitor the proper functioning of identifying and restricting benefits for individuals through TIERS. HHSC management should implement procedures to ensure manual sanctions are applied timely.

Management Response and Corrective Action Plan:

HHSC formed a workgroup to address the issue of mass updates to TIERS cases in modes other than ongoing. The workgroup includes representation from OES operations, OFS policy, and Enterprise Applications. The workgroup is in the process of reviewing the options provided by Enterprise Applications to determine the impact of these changes on the system and operations. Once a selection is made, this change will be prioritized along with other system changes to determine a final implementation date.

It should be noted that although these changes are not applied in a timely manner, the update is applied at the time that the worker disposes the action they are working on. In most situations, the client is not overpaid because the sanction is applied to a different month and the same amount of benefits is withheld. In situations where the client is overpaid because the case is ultimately denied, an overpayment is filed for the recoupment of benefits. HHSC will review the exceptions reported by the auditors to determine whether benefits were later withheld or recouped. In instances where benefits were not properly withheld or recouped, appropriate action will be taken and processes will be revised, as needed, to minimize overpayments resulting from delays in applying sanctions.

*Implementation Date: Process and automation changes to address cases not in Ongoing mode - January 2011
Review of exceptions and enhancement of processes to address delays in applying sanctions – May 2010*

Responsible Person: Kirsten Jumper

**Health and Human Services Commission
Department of Aging and Disability Services
Department of Assistive and Rehabilitative Services
Department of State Health Services**

Reference No. 10-24

Allowable Costs/Costs Principle

(Prior Audit Issue - 09-26)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007
Award number - 6TX700506

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States
Award years - October 1, 2007 to September 30, 2009, October 1, 2007 to September 30, 2009, October 1, 2006 to September 30, 2008, October 1, 2005 to September 30, 2007, October 1, 2005 to September 20, 2007, and October 1, 2004 to September 30, 2006
Award numbers - H126A080064, H126A080065, H126A070064, H126A060064, H126A060065, H126A050065,

CFDA 93.558 - Temporary Assistance for Needy Families
Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006
Award numbers - G0802TXTANF, G0602TXTANF, and G0602TXTANF

CFDA 93.667 - Social Services Block Grant
Award years - October 1, 2006 to September 30, 2008 and October 1, 2007 to September 30, 2009
Award numbers - G0701TXSOSR and G0801TXSOSR

CFDA 93.767 - Children's Health Insurance Program
Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005
Award numbers - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008
Award numbers - 08B1TXSAPT and 07B1TXSAPT

CFDA 97.050 - Presidential-Declared Disaster Assistance to Individuals and Households - Other Needs
Award years - Declared 9/24/05 (#1606); 5/1/07 (#1697); 6/29/07 (#1709); 7/24/08 (#1780); 9/13/08 (#1791)
Award numbers - FEMA-1606-DR; FEMA-1697-DR; FEMA-1709-DR; FEMA-1780-DR; FEMA-1791-DR

Supplementary Nutrition Assistance Program Cluster
Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006
Award number - 6TX400105

Medicaid Cluster
Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006
Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Non-Major Programs:

- CFDA 10.559 - Summer Food Service Program for Children
- CFDA 10.568 - Emergency Food Assistance Program (Administrative Costs)
- CFDA 10.560 - State Administrative Expenses for Child Nutrition
- CFDA 93.052 - National Family Caregiver Support, Title III, Part E
- CFDA 93.110 - Maternal and Child Health Federal Consolidated Programs
- CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
- CFDA 93.556 - Promoting Safe and Stable Families
- CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs
- CFDA 93.575 - Child Care and Development Block Grant
- CFDA 93.590 - Community-Based Child Abuse Prevention Grants

CFDA 93.599 - Chafee Education and Training Vouchers Program (ETV)
CFDA 93.645 - Child Welfare Services - State Grants
CFDA 93.674 - Chafee Foster Care Independence Program
CFDA 93.779 - Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations
CFDA 93.994 - Maternal and Child Health Services Block Grants to the States
 Aging Cluster
 Disability Insurance/SSI Cluster

Type of finding - Non-Compliance

During fiscal year 2008, the Texas State Auditor’s Office (SAO) performed an audit on the Human Resources Management at Health and Human Services Agencies. Part of the audit included verifying that when employees are terminated the payroll system is updated timely to prevent terminated employees from receiving paychecks. The SAO-issued report No. 08-047 in August 2008 noted the Health and Human Services Commission (HHSC) continued to pay 1,229 individuals whose employment at the Enterprise agencies had been terminated in fiscal year 2007 and 2008. HHSC was able to provide updated information as of August 31, 2009, which reflects recoupments received and all affected employees for 2009 and preceding years. As of August 31, 2009, each agency analyzed total outstanding overpayments to terminated employees and determined the portion that was paid with federal dollars as noted below.

| | |
|--|-----------|
| Questioned Cost: | \$301,586 |
| U.S. Department of Health and Human Services | |
| U.S. Department of Agriculture | |
| U.S. Department of Education | |
| U.S. Department of Homeland Security | |
| Social Security Administration | |

| <u>Agency</u> | Balance Outstanding at August 31, 2009 | Federal Portion of Balance Outstanding at August 31, 2009 |
|---|---|--|
| Department of Aging and Disability Services | \$ 356,999 | 213,000 |
| Department of Assistive and Rehabilitative Services | 15,304 | 13,754 |
| Department of State Health Services | 147,438 | 15,840 |
| Health and Human Services Commission | 120,859 | 58,992 |
| Total | <u>\$ 640,600</u> | <u>301,586</u> |

Recommendation:

The above finding was originally noted in fiscal year 2008. The above agencies should continue to attempt to recoup the funds and/or prepare a method of finance adjustment to reflect the above expenses as state funding.

Management Response and Corrective Action Plan:

HHS is pursuing overpayment collections through the financial area of each respective agency.

Implementation Date: Ongoing

Responsible Person: Mike Markl

**Health and Human Services Commission
Texas Workforce Commission**

Reference No. 10-25

Special Tests and Provisions - Penalty for Refusal to Work

(Prior Audit Issues - 09-21 and 08-18)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - G0902TXTANF, G0802TXTANF, and G0702TXTANF

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.

| | |
|---|-------|
| Questioned Cost: | \$482 |
| U.S. Department of Health and Human Services | |

Health and Human Service Commission (HHSC) currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and Texas Integrated Eligibility Reporting System (TIERS). HHSC works with the Texas Workforce Commission (TWC) to administer the program at the Texas Local Workforce Development Boards (LWDBs). TWC's role is to transmit information from the LWDBs to HHSC who impose the sanctions.

A sample of 40 beneficiaries who should have had their benefits reduced was selected for review - 20 from SAVERR and 20 from TIERS. Our review noted the following exceptions for TIERS and no exceptions were noted for SAVERR. Of the 20 cases reviewed in TIERS, benefits were not reduced timely for two cases. For one of the cases, the case in the system was not in the correct mode for TIERS to identify the changes to benefits as the case shows 'Change Mode' when it needs to be in 'Ongoing' mode for changes to be implemented resulting in one extra month of benefits of \$232. The design of TIERS does not allow the processing of various sanctions through the Mass Update process or deemed eligible transactions for Foster Care and Adoption eligible children. Instead Mass Update only processes requests with active EDGs.

For the other case, benefits were not reduced timely due to lag time in receipt of the non-cooperation date from the LWDBs resulting in one month overpayment of \$250.

Recommendation:

HHSC should implement procedures to ensure case files are properly classified when in sanction status and that they are processed timely. TWC provided additional guidance to the LWDBs in March 2009 entitled "CHOICES: New Seven Day Timely and Reasonable Attempt Policy" to address the above issue. TWC should continue to monitor the LWDBs for compliance of the policy.

Management Response and Corrective Action Plan - TWC:

TWC's Workforce Policy and Program Assistance staff, through case review readings, is monitoring the LWDBs to ensure that sanctions are initiated in accordance with the state's timely and reasonable attempt policy. In addition, TWC's Subrecipient Monitoring Department continues to monitor the implementation of the new Choices policy on timely basis and reasonableness through on-site visits. The seven day requirement for notification to HHSC was incorporated in the monitoring procedures in September 2009. Prior to September 2009, subrecipient monitoring had been monitoring non-cooperation using the LWDB's policy and a 15-day reasonable notification.

Implementation Date: September 1, 2009

Responsible Persons: Luis Salas-Tull and Nicole Verver

Management Response and Corrective Action Plan - HHSC

HHSC formed a workgroup to address the issue of mass updates to TIERS cases in modes other than ongoing. The workgroup includes representation from OES operations, OFS policy, and Enterprise Applications. The workgroup is in the process of reviewing the options provided by Enterprise Applications to determine the impact of these changes on the system and operations. Once a selection is made, this change will be prioritized along with other system changes to determine a final implementation date.

It should be noted that although these changes are not applied in a timely manner, the update is applied at the time that the worker disposes the action they are working on. In most situations, the client is not overpaid because the sanction is applied to a different month and the same amount of benefits is withheld. In situations where the client is overpaid because the case is ultimately denied, an overpayment is filed for the recoupment of benefits. HHSC will review the exceptions reported by the auditors to determine whether benefits were later withheld or recouped. In instances where benefits were not properly withheld or recouped, appropriate action will be taken and processes will be revised, as needed, to minimize overpayments resulting from delays in applying sanctions.

Implementation Date: Process and automation changes to address cases not in Ongoing mode - January 2011
Review of exceptions and enhancement of processes to address delays in applying sanctions - May 2010

Responsible Person: Kirsten Jumper

Reference No. 10-26

Special Tests and Provisions - Adult Custodial Parent of Child Under Six When Child Care is not Available

(Prior Audit Issue - 09-24)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - G0902TXTANF, G0802TXTANF, and G0702TXTANF

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

Questioned Cost: \$1,727

U.S. Department of Health
and Human Services

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 non-cooperation.

Health and Human Service Commission (HHSC) currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and Texas Integrated Eligibility Reporting System (TIERS). HHSC works with the Texas Workforce Commission (TWC) to administer the program at the Texas Local Workforce Development Boards (LWDBs). TWC's role is to transmit information from the LWDBs to HHSC who impose the sanctions.

A sample of 40 beneficiaries who should have had their benefits reduced was selected for review - 20 from SAVERR and 20 from TIERS. Our review noted the following exceptions for TIERS and no exceptions were noted for SAVERR. Of the 20 cases reviewed in TIERS, benefits were not reduced timely for four cases.

- For one case, the case in the system was not in the correct mode for TIERS to identify the changes to benefits resulting in one month overpayment of \$300. The design of TIERS does not allow the processing of various sanctions through the Mass Update process or deemed eligible transactions for Foster Care and Adoption eligible children. Instead Mass Update only processes requests with active EDGs.
- For two cases, benefits were not reduced timely due to lag time in receipt of the non-cooperation date from the LWDBs resulting in monthly overpayments for both of \$334 and \$216.
- For one case, the benefit was reduced three months late for \$877 overpayment.

Recommendation:

HHSC should implement procedures to ensure case files are properly classified when in sanction status and that they are processed timely. TWC provided additional guidance to the LWDBs in March 2009 entitled "CHOICES: New Seven Day Timely and Reasonable Attempt Policy" to address the above issue. TWC should continue to monitor the LWDBs for compliance of the policy.

Management Response and Corrective Action Plan - TWC:

TWC's Workforce Policy and Program Assistance staff, through case review readings, has been monitoring the LWDBs since October 2006 to ensure that sanctions are initiated in accordance with the state's timely and reasonable attempt policy. TWC's Subrecipient Monitoring Department has been monitoring this compliance requirement since January 2007 and will continue to monitor this compliance requirement as part of the testing of TANF Choices.

Implementation Date: Case review readings began in October 2006. Subrecipient Monitoring began monitoring this compliance requirement in January 2007.

Responsible Persons: Luis Salas-Tull and Nicole Verver

Management Response and Corrective Action Plan - HHSC:

HHSC formed a workgroup to address the issue of mass updates to TIERS cases in modes other than ongoing. The workgroup includes representation from OES operations, OFS policy and Enterprise Applications. The workgroup is in the process of reviewing the options provided by Enterprise Applications to determine the impact of these changes on the system and operations. Once a selection is made, this change will be prioritized along with other system changes to determine a final implementation date.

It should be noted that although these changes are not applied in a timely manner, the update is applied at the time that the worker disposes the action they are working on. In most situations, the client is not overpaid because the sanction is applied to a different month and the same amount of benefits is withheld. In situations where the client is overpaid because the case is ultimately denied, an overpayment is filed for the recoupment of benefits. HHSC will review the exceptions reported by the auditors to determine whether benefits were later withheld or recouped. In instances where benefits were not properly withheld or recouped, appropriate action will be taken and processes will be revised, as needed, to minimize overpayments resulting from delays in applying sanctions.

*Implementation Date: Process and automation changes to address cases not in Ongoing mode - January 2011
Review of exceptions and enhancement of processes to address delays in applying sanctions - May 2010*

Responsible Person: Kirsten Jumper

**Health and Human Services Commission
Department of Family and Protective Services**

Reference No. 10-27

Procurement and Suspension and Debarment

(Prior Audit Issues - 09-25, 08-21, 07-19, 06-15, 06-14, 06-13, 05-17, 05-14, and 05-05)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - G0902TXTANF, G0802TXTANF, and G0702TXTANF

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G0901TX1401 AND G0801TX1401

CFDA 93.667 - Social Services Block Grant

Award years - October 1, 2008 to September 30, 2010 and October 1, 2007 to September 30, 2009

Award numbers - G0901TXSOSR and G0801TXSOSR

CFDA 93.767 - Children's Health Insurance Program

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006

Award number - 0905TX5021, 0805TX5021, 0705TX5021, and 0605TX5021

Supplementary Nutrition Assistance Program Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX400105

Medicaid Cluster

Award years - October 1, 2008 to September 30, 2009, October 1, 2007 to September 30, 2008, and October 1, 2006 to September 30, 2007

Award numbers - 0905TX5028, 0905TX5048, 0805TX5028, 0805TX5048, 0705TX5028, and 0705TX5048

Type of finding - Significant Deficiency and Non-Compliance

States shall use the same State policies and procedures used for procurements from non-federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations. U.S. Department of Health and Human Services requires the following for procurement (45CFR 92.36):

| | |
|---|----------|
| Questioned Cost: | \$25,900 |
| U.S. Department of Health and Human Services U.S. Department of Agriculture | |

- Verify the contract file documents the significant history of the procurement.
- Verify the procurements provide full and open competition.
- Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.
- Contracts greater than \$25,000 must be reviewed to ensure the vendor is not suspended or debarred.

In addition, under the Texas Government Code, Chapter 2155, subchapter A General Provisions, Section 2155.005(a), a bidder offering to sell goods or services to the state shall certify on each bid submitted that neither the bidder, nor the person represented by the bidder, nor any person acting for the represented person has:

- (1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws; or
- (2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

Lastly, the Health and Human Services Commission Procurement Manual requires that purchases or other acquisitions that will cost more than \$5,000 are to be competitively bid unless the purchasing of goods or services are exempt from competitive bidding in which case the exemption must be documented in the purchasing documentation. Health and Human Services Commission (HHSC) requires a signed bid document and a signed purchase to execute a contract with a vendor.

The Health and Human Services Commission (HHSC) has a cost allocation plan for its federal programs. Therefore, expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Upon review of 50 selected vendor files for the Medicaid Cluster at HHSC, and 40 selected vendor files for Temporary Assistance for Needy Families (TANF) CFDA 93.558, Supplementary Nutrition Assistance Program (SNAP) Cluster, and Children's Health Insurance Program (CHIP) CFDA 93.767, one vendor procurement file affecting all four programs did not have documentation of bids submitted by vendors and one vendor procurement file affecting only SNAP Cluster and CHIP did not have documentation of bids submitted by vendors. The total of the two contracts was approximately \$25,900.

The Department of Family and Protective Services (DFPS) has a cost allocation plan for its federal programs. Therefore, expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Upon review of 40 selected vendor files for Foster Care CFDA 93.658, Temporary Assistance for Needy Families (TANF) CFDA 93.558, and Social Services Block Grant CFDA 93.667, one vendor procurement file affecting all three programs had no documentation of emergency justification approval at the time of purchase. However, subsequent to the purchase, documentation was completed noting approval of the purchase; therefore, there are no questioned costs. A second vendor procurement file also affecting all three programs did not contain documentation of the EPLS review to ensure the vendor was not suspended or debarred. Per review of EPLS, the vendor was not suspended or debarred, so there are no questioned costs.

Recommendation:

The Enterprise Contract and Procurement Services Division (ECPS) of the Health and Human Services Commission (HHSC) is responsible for the centralized procurement activity for vendors. ECPS should ensure that contracts include all required documentation and that an accurate record of the procurement history of each vendor is maintained. Consideration should be given to going back and updating old procurement files that remain in active status.

Management Response and Corrective Action Plan:

The Enterprise Contract and Procurement Services Division (ECPS) has completed process improvements to address documentation for new procurements. ECPS continues to review existing and legacy contracts to ensure the purchase was conducted in accordance with state and federal laws; and that the purchase was conducted in accordance with agency policy and procedures; and to determine appropriate action.

Implementation Date: Ongoing

Responsible Person: Wayne Wilson

Texas Department of Housing and Community Affairs

Reference No. 10-28

Reporting

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Award year - N/A since disaster-based only

Award number - B-06-DG-48-0002

Type of finding - Non-Compliance

The requirements for submission of a Performance Evaluation (PER) pursuant to 42.U.S.C. 12708 and 24 CFR 91.520 are waived for Community Development Block Grant (CDBG) Disaster Recovery Grantees Under 2008 CDBG Appropriations. However, the alternative requirement is that each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following each calendar 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 uses 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 numbers of low- and moderate-income persons or households benefiting. Quarterly report to HUD must be submitted using HUD's Internet based 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)

| | |
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| Questioned Cost: | \$0 |
| U.S. Department of Housing and Urban Development (HUD) | |

The performance reports for quarters ending December 31, 2008, March 31, 2009, June 30, 2009, and September 30, 2009, were not posted to Texas Department of Housing and Community Affairs' (TDHCA) Website. Since notification, management of TDHCA has posted the above noted performance reports to their Website.

Recommendation:

TDHCA should ensure that someone is responsible for the posting of the above noted performance reports on a timely basis.

Management Response and Corrective Action Plan:

Controls have been established to ensure posting of the DRGR reports to TDHCA's Website no later than three days after the report has been submitted to HUD via their internet based DRGR system.

Implementation Date: January 31, 2010

Responsible Person: Kelly Crawford

Reference No. 10-29

Cash Management

Earmarking

Reporting

Subrecipient Monitoring

(Prior Audit Issue - 09-27)

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Award year - N/A since disaster-based only

Award number - B-06-DG-48-002

CFDA 93.568 - Low-Income Home Energy Assistance

Award years - October 1, 2008 to September 30, 2010, October 1, 2007 to September 30, 2009, October 1, 2006 to September 30, 2008, and October 1, 2005 to September 30, 2007

Award numbers - G-09B1TXLIEA, G-08B1TXLIEA, G-07B1TXLIEA, and G-06B1TXLIEA

Type of finding - Significant Deficiency

Texas Department of Housing and Community Affairs (TDHCA) utilize the following Community Affairs contract systems for monitoring contracts with subrecipients: the legacy Genesis Community Affairs Contract System, the TDHCA Community Affairs Contract System (CACS), and a Housing Contract System (HCS). In addition, TDHCA utilizes PeopleSoft for its general ledger system. These systems reside on the production Windows domain (network) and users are required to authenticate through the network to gain access to the applications, servers, and databases. It was noted that in some of these systems, duties are not appropriately segregated between the application administrators, database administrators, and developers. Also, specific developers have access to move changes into the production environment of the individual systems. Users with inappropriate rights to modify applications create a risk of unauthorized changes to the production environment and/or risks of unintentional errors or omissions in processing.

| | |
|--|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |
| U.S. Department of Housing and Urban Development | |

Specifically, the following items were noted:

- Genesis - Four users have administrative privileges that allow them the ability to have access to application and database administrator roles and to migrate application code changes into production. In addition, two of these four users are developers. It was also noted that two generic IDs are accessed by programmers. Application was retired April 2009.
- PeopleSoft - One developer/analyst has database administrator privileges, application administrator rights, and access to migrate code changes into production as of January 2009. TDHCA's Director of Information Systems performs a quarterly review of a PeopleSoft report that includes all changes made to the application. However, the developer/analyst has the ability to alter the report with his high-privilege access rights which are assigned so he can migrate changes into production. The access for this developer was removed as of May 2009.
- At the network level, one developer has domain administrative privileges. This impacts the PeopleSoft reporting server, as the reporting server is Windows-based and on the network.

No material compliance issues were noted with regard to the major programs noted above.

Recommendation:

Duties should be segregated between application administrators, system administrators, database administrators, and developers. In addition, developers who have programming responsibilities should not have access to migrate changes to production. In cases where such condition is necessary, management should implement a monitoring control to help ensure that changes implemented to production are appropriate. Privileged access should only be granted to developers in the test environment. If monitoring controls such as report reviews are put in place, developers should not have access to modify the report.

Management Response and Corrective Action Plan:

The three items noted in this finding were previously noted in SAO Report 09-033, "Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2008." The Department responded with its corrective action plan in February 2009. In that response, the Department stated that it would take the following actions:

- Reduce the number of users with admin privileges from 1) two developers and four user account administrators (six total) to 2) two developers and two user account administrators (four total).
- Retire the Genesis version of the Community Affairs Contract System from all but historical entry in April 2009.
- Remove application and database administrator access from the PeopleSoft developer/analyst by March 31, 2009.
- Leave domain administrator privileges in place for the ISD employee identified as a developer with Windows domain administrator privileges, because these privileges are assigned for backup ISD Network and Technical Support section purposes and the employee performs no development duties in the Windows environment.

The Department completed all corrective actions as stated in the SAO Report 09-033 response, with the exception of removing application and database administrator access from the PeopleSoft developer/analyst in May 2009 instead of by March 31, 2009.

Regarding the developer with domain admin administrator privileges, the Department plans to continue to leave these privileges in place because this ISD employee performs no development duties in the Windows or PeopleSoft environments and assists Network and Technical Support section staff in providing Windows computer support to Department employees.

Implementation Date: Completed in April and May 2009

Responsible Person: Curtis Howe

Reference No. 10-30

Allowable Costs/Cost Principles

Special Tests and Provisions - Environmental Reviews

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Award year - N/A since disaster-based only

Award number - B-06-DG-48-0002

Type of finding - Significant Deficiency and Material Non-Compliance

Access to migrate code changes into production as well as system administrator privileges should be restricted appropriately based on job function to help ensure adequate internal controls are in place and segregation of duties exist. Access to deploy and develop code changes should be segregated. Similarly, system administrative access should also be restricted to non-developers. Texas Department of Housing and Community Affairs (TDHCA) outsource both WorlTrac and Portfolio maintenance and operations to multiple third-party providers. Portfolio's primary function is applicant eligibility while WorlTrac is the primary source of the financial transactions. During the performance of general controls test work for the WorlTrac and Portfolio applications, the following items were noted:

| | |
|--|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Housing and Urban Development | |

- Three developers have access to the administrative server-level IDs for the Portfolio application server, while one developer also has direct administrative access on the application server. These three developers also have DBA rights on the production database server. Overall, the three developers could also deploy code changes into production. In addition, there is no policy restricting the use of generic IDs. Generic IDs are in use by the

above developers that allows them access to administrative functions on the servers. Additionally, user access reviews as it relates to Portfolio are not defined and/or performed periodically. If performed, evidence of access review is not retained.

- Of 25 Portfolio changes selected, 4 exceptions were noted in that evidence of authorization. Testing and approval were not consistently retained and in one case, approvals were obtained after code was deployed into production.
- Access to the disbursement file is open to all ACS Domain users as it is placed on a shared drive. Access should be restricted only to the disbursements team and the ACS Finance team.
- Three application developers have access to migrate WorlTrac code changes into production and were intentionally assigned this access as part of their daily job functions; however, no additional monitoring control was put in place to mitigate the associated risk. Also, three developers were noted to have administrative access on the WorlTrac application and one developer has administrative access on the production database.
- For 40 selected WorlTrac changes, no end-user testing had been performed prior to deployment. As a policy, QA testing of WorlTrac changes is not performed by the end user prior to deployment, unless specifically requested. Also, 13 of 40 WorlTrac changes did not contain any approval before or after deployment into production. In addition, the generic ID with DBA privileges on the WorlTrac database is accessed by two System Administrators, and one Developer.
- No policy document exists to define user access review requirements for the WorlTrac application. Also, no user access privileges review was performed for the WorlTrac application during the audit period. Further, a password policy was not adequately defined for the WorlTrac application. Its underlying systems did not have password requirements defined. Lastly, no Information Security Policies and Procedures exist for the WorlTrac application specific to the Texas HAP/SPRP project.

Developers were granted access to production to assist in troubleshooting, end user support, and application changes. However, developer access to administrative functions on any production system results in the risk of unauthorized changes to applications and data. Additionally, developer access to move their code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment.

During the performance of application controls test work for the WorlTrac and Portfolio applications, the following items were noted:

- During review of disbursements to contractors, 14 of 40 disbursement files did not contain all the required documentation to support the expenditures. Each of the 14 files had some of the required documentation. This function is performed by the primary contractor. (24 CFR Section 570.482)
- With regard to the environmental inspection process, 1 of 40 files reviewed did not contain the required environmental inspection and environmental clearance documents. Environmental files are maintained in WorlTrac (24 CFR Section 58.4(b)(1), 58.34, and 58.35).

Recommendation:

Management should implement robust information technology general controls over all key applications and underlying systems. Information technology general controls should be in place to restrict high-privileged access to applications, servers and databases, enforce generic ID policies, periodic access review controls, and strong change management controls including authorization, testing and final approval of changes. Developer access to administrative functions on any production system results in the risk of unauthorized changes to applications and data. Additionally, developer access to move their code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment. Developer access to production should also be segregated. Further management should remove system administrative privileges granted to the developers. TDHCA should monitor their contractors to ensure compliance with the program's policies and procedures as to processing transactions and maintaining documentation.

Management Response and Corrective Action Plan:

TDHCA agrees with the finding and is committed to effecting corrective actions. TDHCA has been in consultation with the vendor, ACS, on enhancing IT controls in place and defining and implementing additional IT controls to address the issues in this finding. The IT controls and implementation dates are detailed below. TDHCA, ACS, and two subcontractors, Reznick and Worley Company, will be involved in these corrective actions. TDHCA has been monitoring IT controls for Portfolio and WorlTrac since October 2009 and will increase the level of monitoring for the remainder of the contract.

Detailed Responses for Each Audit Issue:

- *Developers no longer have administrative or DBA access to production servers and data and can no longer deploy code changes into production. To ensure the proper separation of duties, effective January 30, 2010, an individual different from the developers is required for production deployment. As of February 1, 2010, database mirroring was implemented for Portfolio, which causes a copy of the live database to be in a separate instance. This allows the developers to have full control over a snapshot of the live data without accessing the production environment, so they can complete reporting, troubleshooting, and other requirements. Developers are now limited to read-only access to the production data.*

Generic IDs are required for the execution of services and scripts and are utilized to connect applications to databases securely. Administrators cannot utilize their own usernames because it will give the false impression that an administrator has executed the script, service, or application in question. As of January 30, 2010, all generic IDs have lost their administrative level access, except for the account 'aisrunner' which is currently required for the operation of Portfolio. Ways to limit this account's access are being tested with a planned implementation date of February 28, 2010. In addition, a Generic ID policy was created that restricts the account knowledge, management, and administration to the senior systems administrator and the Reznick IT manager and implements separation of duties by requiring any use or management of these IDs to be documented and approved in writing.

At the time of the audit, the Reznick Information of Technology was not recording regular user account audits due to the size of the entity. Reznick recognizes that documentation should have been gathered and stored for review purposes of regularly scheduled account audits, so regularly scheduled account audits will be conducted from this point forward.

- *Regarding obtaining evidence of testing and approval, this process follows a documented change policy. The Reznick IT manager must approve changes before designated employees can deploy code to production. In two of the four cases noted, a hard drive crash erased the e-mails that documented the authorization, testing and approval prior to January 2009, and the evidence for those cases was unavailable. In another case, changes were approved prior to deployment, but were not tested. The deployment contained other items that had been tested. The item in question was tested the morning after deployment, in compliance with the standard practice to review all deployments immediately after they are released in the production environment. For the remainder of the Texas Homeowner Assistance Program/Sabine Pass Restoration Program (HAP/SPRP) contract, IT management will ensure that testing and approval actions for code changes are performed and documented prior to deployment to production.*
- *As of December 2, 2009, the Solomon financial system folder that contains the disbursement files has been restricted to individuals requiring access to perform their required job functions. As a mitigating control prior to the time of this change, an individual would also have required access to the Solomon financial system in order to import a disbursement file. In addition, the disbursement files are write-protected. The ACS Finance team reviews all disbursement files to ensure the proper payment amount and payee prior to their import into Solomon.*
- *Administrator access and access to migrate code change were removed from developers on January 30, 2010.*
- *Only modifications or additions requested by ACS in writing are considered by Worley. Effective January 30, 2009, user acceptance testing (UAT) and approval is performed and documented before promoting WorlTrac changes into production. Worley will enforce the TDHCA password policy for the generic ID used by the Database Administrator (DBA). Use of this ID and knowledge of this password will be limited to the WorlTrac DBA and Worley Project Manager.*

- *Every effort is made to ensure that access to the WorlTrac system is kept current for all individuals that require such access. When an employee separates from the program, notification is sent to the Call Center Manager who then submits a Mantis ticket to have the individual's access deactivated immediately. Confirmation of this deactivation is sent through the Mantis ticket response. Effective February 1, 2010, a monthly review process of all active user accounts is performed by extracting a report of all active users from WorlTrac by company. A list of all active users is e-mailed to a designated member of management from each company to review their subset of the report and identify any errors. Confirmation that verification of report has been completed is returned by e-mail. Any problems are immediately addressed. Worley will document its IT security policies and procedures for WorlTrac specific to the Texas HAP/SPRP project by February 28, 2010. The written policies will include WorlTrac password requirements for all WorlTrac accounts. The password requirements will be enforced on the WorlTrac server.*
- *We agree that at the time of the draw request, 14 of the 40 Disbursement files did not contain all the required documentation to support the draw. Prior to the last day the auditor was on site, documentation had been received in 11 of the 14 cases. Subsequently, the documentation was received for the three remaining cases. While the process to verify the draw documentation was not consistently followed, there exist a number of other controls to ensure funds are not disbursed to the wrong contractors. These controls are both system enforced (for example, an accepted inspection work order must be complete in WorlTrac before any disbursement can be made) and manual (for example, the contractors to whom payments are made are set up in Solomon by an individual completely outside the draw process). Since October 5, 2009, no payments have been released to any contractor without the proper documents having been verified by ACS staff.*
- *The environmental inspection process consists of two components, an on-site inspection and the completion of a Site Specific Check List (SSCL). With respect to the application identified in this audit finding, the on-site environmental inspection was performed on December 29, 2008, in conjunction with the program initial inspection. The SSCL was, however, not submitted to TDHCA for approval. On October 7, 2009, ACS identified that the environmental work order was accepted without approval from TDHCA and took immediate measures to prevent this from occurring again. In November 2009, system modifications were implemented, which do not allow the claim state of Environmental Work Orders to be changed to "Accepted" without an approved SSCL.*

Implementation Date: February 28, 2010

Responsible Person: Curtis Howe

Lamar State College - Port Arthur

Reference No. 10-31

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 P268K094241, CFDA 84.063 P063P084241, CFDA 84.007 P007A086986, CFDA 84.033 P033A086986, and CFDA 84.375 P375A084241

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notices

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 students' right or parents' 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).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

To help ensure compliance with federal disbursement notification requirements, Lamar State College - Port Arthur (College) staff use a voucher summary report from the previous night's refund process to identify loan disbursements. However, students who receive loans but who do not receive refunds are not on that report. Based on the review of the voucher summary report, the College creates and sends a disbursement notification to the student. However, it is possible that a student could have a loan disbursement that covered only tuition and fees. In these instances, identifying the disbursement would require checking the detailed disbursement report, rather than the refund report. The College's current process for disbursement notification does not include this review. Auditors did not identify any instances of non-compliance as a result of this control weakness.

In addition, the College's loan disbursement notifications for all seven students tested who received federal direct student loans did not include some of the required information. Specifically, the notifications did not inform the students or parents of their right to cancel loans, either in full or in part, including corresponding procedures by which the students or parents must notify the College that they wish to cancel the loan. The College sent the loan notifications within the required time frame, and the notifications contained the correct information about the disbursement amounts and dates. The College began offering Direct Loans during the Spring 2009 semester, and College staff assert that the notifications lacked required information as a result of an unintentional omission.

Common Origination and Disbursement System Reporting

An institution makes a disbursement of Title IV, Higher Education Act (HEA) program funds on the date that the institution credits a students' account at the institution or pays a student or parent directly with (1) funds received from the U.S. Secretary of Education; (2) funds received from a lender under the Federal Family Education Loan Programs; or (3) institutional funds used in advance of receiving Title IV, HEA program funds (Title 34, Code of Federal Regulations, Section, 668.164(a)). Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of 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 2 (5 percent) of 40 student records tested (associated with 2 of 69 disbursements) at the College, the actual date of the Pell Grant disbursement did not match the disbursement date the College reported to the COD System. There was a difference of one day in the disbursement dates. The College explained that there was a malfunction in its computer system in both instances that prevented the information from being correctly transmitted from the College's system to the COD System.

The College is testing its system so that this error does not occur in the future. The College's total Pell Grant expenditures for 2008-2009 school year were \$1,969,923.00.

Recommendations:

The College should:

- When making disbursement notification determinations, ensure that it reviews information necessary to identify all federal aid disbursements to student accounts, even if such disbursements would not result in a refund to the student.
- Ensure that it includes all required loan disbursement information in disbursement notifications sent to students and parents.
- Improve controls to ensure that it reports actual disbursement dates to the COD System in accordance with federal requirements.

Management Response and Corrective Action Plan:

#1. *When making disbursement notification determinations, ensure that it reviews information necessary to identify all federal aid disbursements to student accounts, even if such disbursements would not result in a refund to the student.*

Management Concur -

Upon learning of the omission of the instructions on what a student or parent needs to do to cancel all or a portion of their loan the revision was made to the disbursement notification letter immediately.

Implementation Date: Completion of corrective action was by July 24, 2009. These changes were made while the auditors were still on campus.

Responsible Person: Diane Hargett

#2 *Ensure that it includes all required loan disbursement information in disbursement notifications sent to students and parents.*

Management Concur –

Immediate changes were made to the process of determining who was to receive a disbursement notification letters after the telephone conversation with auditors concerning the process by which we were using. Auditors brought to our attention of the fact that potential student, under very specific circumstances might not be identified for a disbursement letter. Changes were made immediately to ensure that all loan borrowers would receive a disbursement notification letter. The combination of the loan worksheet and the internal report of disbursements of loans identify the student and/or parent.

Implementation Date: Completion of corrective action was by July 9, 2009. These changes were made immediately after this issue was noted by an audit team phone contact July 8, 2009.

Responsible Person: Diane Hargett

#3 *Improve controls to ensure that it reports actual disbursement dates to the COD System in accordance with federal requirements*

Management Concurs -

Upon notice from the audit team who uncovered this discrepancy, the college investigated the error and discovered that our software vendor was aware of the program glitch that caused the incorrect disbursement date being reported to COD. They had not notified Lamar State College - Port Arthur of this problem until pressed to resolve the issue. It has been resolved and as of today the correct dates are being reported to COD.

Implementation Date: Completion of corrective action was by November 9, 2009.

Responsible Person: Diane Hargett

Office of the Attorney General

Reference No. 10-32

Allowable Costs/Cost Principles

Cash Management

Matching

Period of Availability of Federal Funds

Reporting

CFDA 93.563 - Child Support Enforcement

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award numbers - G9909CS and G9908CS

CFDA 93.563 - Child Support Enforcement - ARRA

Award year - October 1, 2008 to September 30, 2009

Award number - G9909CI

Type of finding - Significant Deficiency

Changes to applications should be appropriately documented and authorized prior to deployment into the production environment. Controls should be in place to ensure that changes are authorized, tested, and approved prior to implementation. Office of Attorney General (OAG) has an informal process of authorizing, testing and approving change requests. Changes are not consistently documented and not formally authorized or tested by appropriate personnel. The accounting personnel and information technology support (ITS) are small departments and often work as a team to implement changes. Therefore management does not emphasize the need to formally document minor projects. The risk exists that a change will go into production that has not been fully tested, thus affecting the functionality of the system.

Questioned Cost: \$0

U.S. Department of Health
and Human Services

No compliance issues were noted with regard to the major programs noted above.

Recommendation:

Management should implement a requirement that all changes made to the accounting system are entered into the ITS Data Services Request System. Also, each change should be tested in a non-production environment to minimize risk. Furthermore, integrated user acceptance testing and management signoff should take place for all changes.

Management Response and Corrective Action Plan:

Even though minor modifications and system maintenance have been made in the past without formally documenting all actions, management is confident in the accuracy of the system changes and the data. Management concurs with the recommendations regarding the change management issue. The Information Technology Support Division (ITS) will immediately implement the following mainframe application change in management procedures:

- 1 *Major projects - continue to document changes using the ITS Data Services Request (DSR) system.*
- 2 *Minor projects - begin to require that all non-major project work, including maintenance, will now be documented by an individual DSR for each work request. These DSRs may be created either by Accounting or by ITS, but will contain notes detailing the request, resolution, testing, and approval processes.*
- 3 *Production problems will be documented with their own DSR that will be generated by ITS. Accounting will be asked to acknowledge that they are aware of the problem and the measures taken by ITS to resolve the issue.*

Implementation Date: These processes were implemented in December 2009.

Responsible Person: Rudy Montoya

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

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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |
| U.S. Department of Health and Human Services | |

Prairie View A&M University (University) did not maintain appropriate user access for Banner, its financial aid application. Auditors identified several areas within Banner that enabled employees to have excessive access privileges for modification. Specifically:

- 16 users had inappropriate access to the super user security class, which allowed them to modify all screens or objects within Banner.
- 23 users had inappropriate access to modify the setting up of financial aid budgets in Banner, as well as the creation of budgets in Banner.
- 9 users had excessive access to modify the fund packaging rules tables in Banner.
- 24 users had excessive access to modify the structured query language for all Banner global rules.
- 23 users had excessive access to modify the satisfactory academic progress rules in Banner.
- 22 users had inappropriate modify access to the RBRCOMP screen. This screen is where the various components to a budget are set up.
- 8 users had inappropriate modify access to the RFRMGMT screen. This screen is where the minimum maximum amounts are set up for each fund.
- 25 users had inappropriate modify access to the RFRDEFA screen. This screen is where the disbursement dates are set up for each fund.
- 23 users had inappropriate modify access to the RORPOST screen. This screen is where the batch posting rules are set up, which includes loading of required documents on the document required screen based on the Institutional Student Information Record (ISIR) comment codes.
- 24 users had inappropriate modify access to the RORTPRD screen. This screen is where the start and end dates for each semester are set.

Additionally, the University has not performed a review of user access to Banner, the Oracle database, or its network. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five University employees shared the user ID and password used by the University's database administrator, which provided them with excessive access to migrate code into Banner's production environment

The University did not have formal system development policy and procedures in place when it implemented Banner. The University implemented its current system development policy and procedure in May 2009. Having a policy and procedures helps to ensure that the changes that are made will be able to meet user needs, that the controls in place adequately cover the risks to the University, and that the new system will be able to integrate with the University's existing system.

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)).

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.

Awards of Pell Grants

The Federal Pell Grant Program awards grants to help financially needy students meet the cost of their post-secondary education (Title 34, Code of Federal Regulations, Section 690.1). In selecting among 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, 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, Code of Federal Regulations, Section 609.75 (a)(2)). In selecting eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to three students who did not receive Pell Grants. These three students were eligible for Pell Grants, but incorrect changes to their student classification data in the University's financial aid system had removed their Pell Grant eligibility in error. The students' classification status was undergraduate when initially awarded, but the students' classification status changed to graduate and Pell funds were removed from the students' funding. When auditors brought this to the University's attention, the University corrected the three students' award packages so they would receive the Pell Grants to which they were eligible. The amount of the new Pell funds awarded totaled \$4,238.

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 1087II).

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.

Recommendations:

The University should:

- Restrict access to Banner and the Oracle database based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Restrict access to migrate code into production to the appropriate personnel.
- Review COA budget component amounts prior to packaging of student financial assistance to prevent errors in COA calculations.
- Improve controls over processes it uses to update its financial aid system when a student's status changes to ensure that it does not incorrectly remove funding eligibility.

- Improve controls over the manual process used to update the financial aid system to reflect the current status of students' satisfactory academic progress policy appeals.
- Improve controls over manual calculations of COA.

Management Response and Corrective Action Plan:

We agree that access to the Banner system and Oracle database should be based on job duties and responsibilities. The University is replacing its part-time information security position with a full-time, dedicated position. The University hopes to have the new Information Security Officer in place by March 1, 2010. The University's Information Security Officer's first task will be to implement a quarterly review of access to Banner and Oracle. Components of this review will include a written report that summarizes the findings of the review, documentation of the currently assigned privileges, and recommended changes required to ensure that system access and job responsibilities are properly aligned.

Implementation Date: June 1, 2010

Responsible Person: Lydia Cavanaugh

We also agree that access to migrate code into production should be restricted to appropriate personnel. Ability to migrate these changes into production is already removed from IT user liaisons and a new procedure for ensuring code changes in production is properly documented, tested, and authorized and implemented by the Banner Project Management and Information Technology offices at the end of December. A copy of the "ITS Change Management" form that is used in this process is attached.

Implementation Date: January 1, 2010

Responsible Person: Jim Fritz

We agree with this finding. In order to prevent further occurrences, a report will be created to monitor yearly and semester loan fees to determine compliance. This report will then be reviewed by financial aid staff on a weekly basis.

Implementation Date: May 1, 2010

Responsible Person: Dr. Carlos Clark

Management will develop a process to: 1) identify students that are transitioning from Undergraduate to Graduate status; 2) use the Federal Pell Reconciliation process in Banner to isolate exceptions and ensure that changes to classification do not affect previous awards.

Implementation Date: March 31, 2010

Responsible Person: Dr. Carlos Clark

We agree with this finding. In order to prevent further occurrences, a report will be created to monitor whether aid has been disbursed to students that do not meet the Satisfactory Academic Progress Policy. This report will then be reviewed by financial aid staff on a weekly basis.

A program will be developed to accurately review budget components prior to packaging. A report will be generated to ensure that students are given the proper budgets and counselor updates are correct. This report will then be reviewed by financial aid staff on a weekly basis and certified by the Assistant Provost or one of the Associate Directors.

Implementation Date: May 1, 2010

Responsible Person: Dr. Carlos Clark

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

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)).

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| Questioned Cost: | \$0 |
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| U.S. Department of Education U.S. Department of Health and Human Services |
|---|

Prairie View A&M University (University) did not maintain appropriate user access for Banner, its financial aid application. Auditors identified several areas within Banner that enabled employees to have excessive modify access privileges. For example:

- 16 users had inappropriate access to the super user security class, which allowed them to modify all screens or objects within Banner.
- 23 users had inappropriate access to modify the setting up of financial aid budgets in Banner, as well as the creation of budgets in Banner.
- 9 users had excessive access to modify the fund packaging rules tables in Banner.
- 24 users had excessive access to modify the structured query language for all Banner global rules.
- 23 users had excessive access to modify the satisfactory academic progress rules in Banner.
- 22 users had inappropriate modify access to the RBRCOMP screen. This screen is where the various components to a budget are set up.
- 8 users had inappropriate modify access to the RFRMGMT screen. This screen is where the minimum maximum amounts are set up for each fund.
- 25 users had inappropriate modify access to the RFRDEFA screen. This screen is where the disbursement dates are set up for each fund.
- 23 users had inappropriate modify access to the RORPOST screen. This screen is where the batch posting rules are set up, which includes loading of required documents on the document required screen based on the Institutional Student Information Record (ISIR) comment codes.
- 24 users had inappropriate modify access to the RORTPRD screen. This screen is where the start and end dates for each semester are set.

Additionally, the University has not performed a review of user access to Banner, the Oracle database, or its network. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five University employees shared the user ID and password used by the University's database administrator, which provided them with excessive access to migrate code into Banner's production environment.

The University did not have formal system development policy and procedures in place when it implemented Banner. The University implemented its current system development policy and procedure in May 2009. Having a policy and procedures helps to ensure that the changes that are made will be able to meet user needs, that the controls in place adequately cover the risks to the University, and that the new system will be able to integrate with the University's existing system.

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).

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.

Recommendations:

The University should:

- Restrict access to Banner and the Oracle database based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Restrict access to migrate code into production to the appropriate personnel.
- Maintain controls to ensure that it sends disbursement notification notices within 30 days before or after crediting a student's account with a Direct Loan.
- Improve its oversight of the Pell reporting process to ensure that student information that Banner does not retrieve during the process for reporting to the COD System is captured and reported to the COD System in a timely manner.

Management Response and Corrective Action Plan:

We agree that access to the Banner system and Oracle database should be based on job duties and responsibilities. The University is replacing its part-time information security position with a full-time, dedicated position. The University hopes to have the new Information Security Officer in place by March 1, 2010. The University's Information Security Officer's first task will be to implement a quarterly review of access to Banner and Oracle. Components of this review will include a written report that summarizes the findings of the review, documentation of the currently assigned privileges, and recommended changes required to ensure that system access and job responsibilities are properly aligned.

Implementation Date: June 1, 2010

Responsible Person: Lydia Cavanaugh

We also agree that access to migrate code into production should be restricted to appropriate personnel. Ability to migrate these changes into production is already removed from IT user liaisons and a new procedure for ensuring code changes in production is properly documented, tested, and authorized and implemented by the Banner Project Management and Information Technology offices at the end of December. A copy of the "ITS Change Management" form that is used in this process is attached.

Implementation Date: January 1, 2010

Responsible Person: Jim Fritz

Though management respectfully acknowledges we did not send fall Disbursement Notification Letters in the required 30 days, we have already corrected this issue. Prior to December 2008, the process for generating the letters was completely manual. Management determined the aforementioned process as neither efficient nor effective. An AppWorx consultant was hired to reengineer and automate the Disbursement Notification Letter process. Beginning spring 2009, disbursement data was derived from Banner using AppWorx and e-letters distributed to students via Form Fusion.

Implementation Date: January 31, 2009

Responsible Person: Dr. Carlos Clark

Management acknowledges that one (1) individual was not reported to COD and was later manually corrected. In order to prevent this situation from occurring again, a federal Pell Reconciliation List will be requested at the beginning of each week via the Common Origination and Disbursement (COD) System. This list will be imported into Banner. Using an existing Banner report, the Pell Reconciliation List (Disbursement Data) will be compared to existing federal Pell disbursements in Banner. Exceptions will be reviewed and corrected.

Implementation Date: March 1, 2010

Responsible Persons: 1) Dr. Carlos Clark will request and import data from COD; 2) Mark Deaver will import federal Pell Reconciliation data into Banner; and 3) Vera Moore will review Banner report for exceptions and make necessary corrections.

Department of Public Safety

Reference No. 10-35

Activities Allowed or Unallowed

Allowable Costs/Cost Principles

Period of Availability of Federal Funds

(Prior Audit Issue - 09-38)

Homeland Security Cluster

Award years - see below

Award numbers - see below

Type of finding - Material Weakness and Material Non-Compliance

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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: \$1,302,103

U.S. Department of
Homeland Security

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

Allocation of Costs

In accordance with Title 2, Code of Federal Regulations, 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 program for the period covered by the certification. These certifications must be prepared at least semi-annually and signed by the employee 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.
- Are prepared at least monthly and must coincide with one or more pay periods.
- Is signed by the employee.

Budget estimates that are developed before the 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 amounts 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.

Additionally, according to Title 2, Code of Federal Regulations, Chapter 225, to be allowable under federal awards, costs must be adequately documented.

According to the Department, it uses a revenue allocation methodology to charge time for employees who work on multiple grant programs. If an employee works on only one program, then 100 percent of that employee's time will be charged to that specific program. For employees who work on multiple grants, the Department charges time to multiple programs, but not according to the number of hours that the employees worked on each program. Department staff maintains a spreadsheet that details grant management and administration amounts by year in order to calculate the percentage of total revenue that each program represents. If an employee works on multiple programs and one of those programs is one of the smaller programs, the Department uses the smaller program's percentage of total revenue and applies it to the employee's salary. Any salary amounts not covered by the smaller program are applied to one of the larger programs until all of the funds for that program have been expended, then the Department moves on to the next largest program and repeats the process until all funds are expended.

For all 12 payroll expenditures tested, the Department did not properly allocate payroll expenses to various grants. All 12 payroll expenditures tested totaling \$37,923 were charged to one grant when the supporting timesheets showed that the employees worked on multiple grants. Total salaries charged to the Homeland Security Cluster for fiscal year 2009 were \$1,950,439.

Activities Allowed or Unallowed, Allowable Costs, and Period of Availability

Office of Management and Budget (OMB) Circular A-87, Attachment A, Part C, requires that costs be (1) necessary and reasonable for proper and efficient performance and administration of federal awards and (2) allocable to federal awards under the provisions of the circular. When a funding period is specified for a grant, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency. 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 44, Code of Federal Regulations, Section 13.23).

Six (21 percent) of 28 non-payroll expenditure items tested were transfers from one Homeland Security program budget to another. The Department was unable to provide sufficient supporting documentation of the original expenditures to support that the costs were allowable, were allocable, and were obligated and liquidated within the period of availability of federal funds. These expenditures totaled \$4,316.

During cash management testing, auditors noted two draws for which the Department did not provide adequate documentation to support the draw amount. Specifically:

- One (8 percent) of 12 draws tested did not have sufficient supporting documentation to support the draw amount. This draw was for \$1,045 and the supporting documentation summed to \$0.
- One (3 percent) of 34 draws tested lacked sufficient supporting documentation to determine whether the costs supporting the draw equaled the draw amount. The draw's supporting documentation summed to \$1,583,293, while the total draw amount was \$2,842,112, a difference of \$1,258,819.

The key controls identified over Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Period of Availability do not appear to have been in place over non-payroll expenses during fiscal year 2009. Direct non-payroll expenses go directly from vendors to accounting and are not reviewed by State Administrative Agency management. There was no documentation of review and approval of expenditures by the State Administrative Agency Manager as specified on the Department's payment vouchers.

Additionally, the Department stated that it uses a revenue-based process to allocate management and administration costs among the grants each month. However, it could not provide auditors with an explanation of that allocation process.

The Homeland Security Cluster has the following awards:

| <u>Grant Number</u> | <u>Beginning Date</u> | <u>End Date</u> |
|---------------------|-----------------------|--------------------|
| 2005-GE-T5-4025 | October 1, 2004 | December 31, 2009 |
| 2006-GE-T6-0068 | July 1, 2006 | December 31, 2009 |
| 2007-GE-T7-0024 | July 1, 2007 | June 30, 2010 |
| 2007-SG-N6-0002 | November 1, 2006 | October 31, 2009 |
| 2007-SG-N6-0006 | November 1, 2006 | September 30, 2008 |
| 2007-TU-XM-0009 | October 1, 2007 | March 31, 2010 |
| 2008-GE-T8-0034 | September 1, 2008 | August 31, 2011 |
| 2008-SG-T8-0009 | September 1, 2008 | August 31, 2011 |

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Allocate payroll costs to federal awards based on the actual activity of each employee.
- Maintain sufficient documentation to support the costs charged to the Homeland Security Cluster.
- Ensure that costs it charges to Homeland Security Cluster are for allowable activities and costs and are obligated and liquidated within the period of availability.
- Maintain documentation to support review and approval for non-payroll expenses.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendations:

- *Allocate payroll costs to federal awards based on the actual activity of each employee.*
- *Maintain sufficient documentation to support the costs charged to the Homeland Security Cluster.*
- *Ensure that costs it charges to Homeland Security Cluster are for allowable activities and costs and are obligated and liquidated within the period of availability.*
- *Maintain documentation to support review and approval for non-payroll expenses.*

DPS Management agrees with the recommendations. The SAA will hire additional budget analysts to assist in allocation of payroll costs to specific homeland security funds based on employee work activities and develop improved processes to maintain documentation to support review and approval of non-payroll expenses.

Implementation Date: May 2010

Responsible Person: Edwin Staples

Reference No. 10-36

Reporting

Cash Management

Matching, Level of Effort, Earmarking

Procurement and Suspension and Debarment

Homeland Security Cluster

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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 Homeland Security | |

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award. Recipients use the *Financial Status Report (FSR)*, SF-269 (Office of Management and Budget (OMB) No. 0348-0039), or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 44, Code of Federal Regulations, Section 13.41).

Three (50 percent) of six reports tested for the Homeland Security Cluster were not adequately supported by data in the Department's accounting system. Specifically:

- Two of the quarterly reports did not reconcile to the Department's accounting records because of a data entry error. For one of the reports, the Department corrected the error in the subsequent quarterly report. For the other report, the Department did not recognize the error until after the deadline to file an amended report.

- One of the quarterly reports did not reconcile to the Department's accounting records because the quarterly costs at the time the report was created were estimated instead of actual costs. For the account associated with this error, the actual costs are not allocated until the following quarter.

Department management reviewed all reports tested prior to submission, but this review was not sufficient to ensure that all information in the reports was accurate. The total difference in the reported amounts when compared to the accounting system data was \$42,999.

The Homeland Security Cluster has the following awards:

| <u>Grant Number</u> | <u>Beginning Date</u> | <u>End Date</u> |
|---------------------|-----------------------|--------------------|
| 2005-GE-T5-4025 | October 1, 2004 | December 31, 2009 |
| 2006-GE-T6-0068 | July 1, 2006 | December 31, 2009 |
| 2007-GE-T7-0024 | July 1, 2007 | June 30, 2010 |
| 2007-SG-N6-0002 | November 1, 2006 | October 31, 2009 |
| 2007-SG-N6-0006 | November 1, 2006 | September 30, 2008 |
| 2007-TU-XM-0009 | October 1, 2007 | March 31, 2010 |
| 2008-GE-T8-0034 | September 1, 2008 | August 31, 2011 |
| 2008-SG-T8-0009 | September 1, 2008 | August 31, 2011 |

Cash Management; Matching, Level of Effort, Earmarking; and Procurement and Suspension and Debarment

Although the general control weaknesses described above apply to cash management; matching, level of effort, earmarking; and procurement and suspension and debarment, auditors identified no compliance issues regarding those compliance requirements.

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Ensure that it enters correct costs into accounts used to generate Homeland Security Cluster quarterly expenditure reports, and ensure that any errors are corrected on a timely basis.
- Maintain records of Department accounting system support that it uses to generate Homeland Security Cluster quarterly reports.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendations:

- *Ensure that it enters correct costs into accounts used to generate Homeland Security Cluster quarterly expenditure reports, and ensure that any errors are corrected on a timely basis.*
- *Maintain records of Department accounting system support that it uses to generate Homeland Security Cluster quarterly reports.*

Management agrees with this finding. The SAA is in the process of hiring two additional budget analysts to provide additional capabilities to monitor the allocation of costs to specific grant budgets. The budget analysts will work closely with the Department's accounting staff to ensure that any errors are identified early in the accounting process and corrections that may be needed are made in a timely manner.

Implementation Date: September 2010

Responsible Persons: Edwin Staples and Janet Espinosa

Reference No. 10-37

Subrecipient Monitoring

(Prior Audit Issue - 09-43)

Homeland Security Cluster

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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: | \$130 |
| U.S. Department of Homeland Security | |

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

The Department uses its grant management system, the State Preparedness Assessment and Reporting Service (SPARS), for subrecipients to submit proposed projects, expenditures, reimbursement requests, and reports for review and approval. SPARS provides automated controls over subrecipient project approvals, budgets, and period of availability.

There was a gap in contractual agreements between the Department and the SPARS vendor, K2Share, LLC from April 1, 2009, to June 9, 2009, which resulted in SPARS being unavailable to the Department and subrecipients during that time. This meant that the Department could not rely on automated controls in SPARS to ensure that subrecipient expenditures were allowable, allocable, and obligated and liquidated within the period of availability of federal funds during that time. According to the Department, manual controls similar to those in SPARS were in

place during that time, including review of expenditure requests by grant coordinators and reimbursement requests by grant technicians. The only difference was that subrecipients were limited to emergency requests and had to make requests by telephone, fax or mail (and not through SPARS). The Department input all of the expenditures handled outside SPARS into SPARS when it signed the new contract agreement and SPARS was once again available.

During-the-Award Monitoring

A pass-through entity is responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (OMB Circular A-133 Compliance Supplement, Part 3, Section M).

The Department did not always maintain sufficient documentation of during-the-award monitoring activities and management review of those activities. Specifically:

- For 1 (3 percent) of 40 subrecipients tested for the Homeland Security Cluster, the Department did not provide supporting documentation showing that it reviewed and approved the subrecipient's expenditures for compliance with federal requirements including allowability, period of availability, and cash management. The expenditures without support totaled \$130.
- For all 40 subrecipients tested, the Department did not ensure the subrecipients submitted quarterly status reports as required by grant rules.
- Two (5 percent) of 40 subrecipients tested were not included on the list of active subrecipients the Department used to determine the subrecipients for which the Department would perform site visits in fiscal year 2009.
- For 12 other subrecipients tested, the Department did not obtain evidence from the subrecipients that expenditures were paid prior to the subrecipients' requesting reimbursement.

A-133 Audit Compliance Monitoring

According to OMB Circular A-133, Compliance Supplement Part 3, Section M, the Department must ensure that subrecipients that expend \$500,000 or more in federal funds obtain an A-133 Single Audit and provide a copy of the audit report to the Department. The Department is required to review the audit report, issue a management decision on audit findings within six months, and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Auditors could not always determine whether the Department ensured that subrecipients had obtained required audits, whether the Department issued a management decision on audit findings within six months after receipt, or whether the Department ensured that subrecipients took timely and appropriate corrective action on audit findings. The Department does not have any formal or informal policies and procedures for the methodology it uses to compile the list of subrecipients that require A-133 monitoring. Therefore, auditors could not determine whether the Department appropriately monitored all subrecipients. Eight (20 percent) of 40 subrecipients tested did not have any documentation related to A-133 Single Audits in the Department's A-133 monitoring files.

Two subrecipients tested that submitted A-133 audit reports to the Department had audit findings related to Homeland Security. One other subrecipient had a control finding that could affect Homeland Security grant funds. However, there was no evidence that the Department issued a management decision or followed up on those findings.

The Department does not have a process for reviewing subrecipients' A-133 audit reports and making management decisions on findings. In addition, the Department follows up on A-133 audit findings only when it makes site visits to subrecipients; however, the process the Department uses to determine which subrecipients to visit does not take A-133 findings into consideration. The Department makes a limited number of site visits each year. For example, according to the Department's records, its monitors visited 21 (6 percent) of the 350 subrecipients with Homeland Security expenditures in fiscal year 2009. Consequently, subrecipients with A-133 audit findings are unlikely to be visited within six months of the issuance of the audit report.

The Homeland Security Cluster has the following awards:

| <u>Grant Number</u> | <u>Beginning Date</u> | <u>End Date</u> |
|---------------------|-----------------------|--------------------|
| 2005-GE-T5-4025 | October 1, 2004 | December 31, 2009 |
| 2006-GE-T6-0068 | July 1, 2006 | December 31, 2009 |
| 2007-GE-T7-0024 | July 1, 2007 | June 30, 2010 |
| 2007-SG-N6-0002 | November 1, 2006 | October 31, 2009 |
| 2007-SG-N6-0006 | November 1, 2006 | September 30, 2008 |
| 2007-TU-XM-0009 | October 1, 2007 | March 31, 2010 |
| 2008-GE-T8-0034 | September 1, 2008 | August 31, 2011 |
| 2008-SG-T8-0009 | September 1, 2008 | August 31, 2011 |

During fiscal year 2009, the Department passed \$71,194,165 through to subrecipients for the Homeland Security Cluster.

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Maintain proper supporting documentation for reimbursement vouchers and invoices in the subrecipient files.
- Ensure that all subrecipient reports are submitted in a timely manner.
- Develop a methodology to track A-133 Single Audits and related activity of all active subrecipients for the Homeland Security Cluster.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendations:

- *Maintain proper supporting documentation for reimbursement vouchers and invoices in the subrecipient files.*
- *Ensure that all subrecipient reports are submitted in a timely manner.*

DPS management agrees with the recommendations and will implement them. The SAA will hire additional budget analysts to assist in maintaining proper documentation for reimbursement vouchers and invoices in subrecipient files. A new electronic grant management system contract has recently been put in place. The updated system will include capabilities for subrecipient progress reporting and status checks to ensure reports are submitted on time.

Implementation Date: July 2010

Responsible Person: Edwin Staples

Recommendation:

- *Develop a methodology to track A-133 Single Audits and related activity of all active subrecipients for the Homeland Security Cluster*

DPS management agrees with the recommendations. TDEM has recently hired a Standards and Compliance Auditor who will work with Division Management and Section Administrators to update our Grant Administrative Guide to include risk assessment procedures, more detailed A-133 audit monitoring and tracking procedures, and documentation requirements. In addition, TDEM will continue to work with DPS IT to develop a Grant Management System that will include A-133 audit monitoring.

Implementation Date: September 2010

Responsible Person: Denita Powell

Reference No. 10-38

Activities Allowed or Unallowed

Allowable Costs/Cost Principles

Cash Management

Period of Availability of Federal Funds

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Award years - see below

Award numbers - see below

Type of finding - Material Weakness and Non-Compliance

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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 Homeland Security | |

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Office of Management and Budget (OMB) Circular A-87, Attachment A, Part C, requires that costs be (1) necessary and reasonable for proper and efficient performance and administration of federal awards and (2) allocable to federal awards under the provisions of the circular. For the Public Assistance Program, allowable costs must be for the federally approved project as described on the project worksheet and supporting documentation.

The Department did not always charge allowable direct costs to the Public Assistance Program. One (2 percent) of 50 direct costs tested were unallowable. Specifically, a cost for \$2 was for another federal program that the Department incorrectly charged to the Public Assistance program.

The Department charged a total of \$50,629,285 in direct expenditures to the Public Assistance Program during fiscal year 2009.

Additionally, the Department did not always establish new budget codes in a timely manner, which resulted in the Department charging non-Public Assistance Program expenditures to budget codes assigned to Public Assistance Program grants. For example, the Department initially charged nine items originally selected for audit testing to a Public Assistance Program budget code and later transferred those expenses into a non-federal budget after it established new budget codes. Auditors verified that all of the identified expenditures were correctly transferred out of the Public Assistance Program budget. The Department asserted that it implemented this practice to expedite payment to vendors for disaster relief activities. However, auditors were unable to determine whether the Department transferred all expenditures it incorrectly charged to Public Assistance program out of the Public Assistance Program budget codes. Therefore, auditors were unable to determine whether the direct cost population represents, with a reasonable degree of certainty, expenses solely for the Public Assistance Program.

Awards that had expenditures for the Public Assistance Program during fiscal year 2009 were:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 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 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 1780 | FEMA-1780-DR | July 24, 2008 |
| 1791 | FEMA-1791-DR | September 13, 2008 |
| 3216 | FEMA-3216-EM | September 2, 2005 |
| 3261 | FEMA-3261-EM | September 21, 2005 |
| 3277 | FEMA-3277-EM | August 18, 2007 |
| 3290 | FEMA-3290-EM | August 29, 2008 |
| 3294 | FEMA-3294-EM | September 10, 2008 |

Cash Management and Period of Availability of Federal Funds

Although the general control weaknesses described above apply to cash management and period of availability of federal funds, auditors identified no compliance issues regarding those compliance requirements.

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Maintain documentation to support the allowability of activities and costs it charges to the Public Assistance Program.

- Ensure that costs it charges to Public Assistance Program are for allowable activities and costs and are obligated and liquidated within the period of availability.
- Establish budget codes in a timely manner and charge only expenditures for assigned programs to those budget codes.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and/ Janet Espinosa

Recommendations:

- *Maintain documentation to support the allowability of activities and costs it charges to the Public Assistance Program.*
- *Ensure that costs it charges to Public Assistance Program are for allowable activities and costs and are obligated and liquidated within the period of availability.*
- *Establish budget codes in a timely manner and charge only expenditures for assigned programs to those budget codes.*

DPS management agrees with these recommendations. DPS Accounting and TDEM will develop procedures to ensure distinctive budget codes for vendor payments are put into place as soon as the need becomes apparent. TDEM will maintain supporting documentation on all costs charged to Public Assistant Programs.

Implementation Date: June 2010

Responsible Person: Denita Powell

Reference No. 10-39

Matching, Level of Effort, Earmarking**CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially-Declared Disasters)**

Award years - see below

Award numbers - see below

Type of finding - Material Weakness

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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 Homeland Security | |

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use. Non-federal entities may be required to share in the cost of programs.

Matching

The specific program regulations, general agency award guidance, or individual federal award specifies applicable matching requirements, including the minimum amount or percentage of contributions or matching funds provided by the entity (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 5, Section G). The matching contributions must also comply with the requirements of Title 44, Code of Federal Regulations, Section 13.24, including the allowable cost principles of OMB Circular A-87. These requirements include that matching contributions must be verifiable, from allowable sources, and composed of allowable costs.

The Department was not able to provide auditors with a complete population of costs it used to meet matching requirements for the Public Assistance Program. During fiscal year 2009, the Department charged costs with matching requirements to budget codes that were assigned to costs with no matching requirements. This could prevent the Department from ensuring that costs it uses to meet matching requirements for the Public Assistance Program met required percentages. The Department was also unable to identify all active Department projects for the Public Assistance Program because the Department does not have a formal tracking system for projects. This prevents the tracking of projects with associated matching requirements.

During cash management testing, auditors were able to identify 14 Department projects that included matching requirements. Based on testing of these 14 Department projects, auditors did not identify any instances of non-compliance related to matching requirements for the Public Assistance Program.

Disasters that had expenditures for the Public Assistance Program during fiscal year 2009 were:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 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 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 1780 | FEMA-1780-DR | July 24, 2008 |
| 1791 | FEMA-1791-DR | September 13, 2008 |
| 3216 | FEMA-3216-EM | September 2, 2005 |
| 3261 | FEMA-3261-EM | September 21, 2005 |
| 3277 | FEMA-3277-EM | August 18, 2007 |
| 3290 | FEMA-3290-EM | August 29, 2008 |
| 3294 | FEMA-3294-EM | September 10, 2008 |

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Develop a system of tracking Department projects and their associated matching requirements.
- Ensure that it charges expenditures for costs with matching requirements to appropriate budget codes.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendations:

- *Develop a system of tracking Department projects and their associated matching requirements.*
- *Ensure that it charges expenditures for costs with matching requirements to appropriate budget codes.*

DPS Management agrees with these recommendations. Ideally, tracking the status of thousands of grant-funded projects and related match requirements for some projects would be accomplished using a secure electronic grants management system. The Department has been attempting to obtain such a system, which some other large states are using for financial management for disasters. The Department of Public Safety has requested ERP approval from the Comptroller of Public Accounts to contract for a grant management system. The Department is currently reviewing Grant Management Systems owned by other State Agencies that could possibly be modified to work with our grants. In the absence of a system, TDEM will develop a spreadsheet to accomplish these functions. TDEM Support Services will ensure that expenditures are charged to appropriate budget codes.

Implementation Date: September 2010

Responsible Persons: Ben Patterson and Denita Powell

Reference No. 10-40

Procurement and Suspension and Debarment

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

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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 Homeland Security | |

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department’s network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

Procurement and Suspension and Debarment

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 Federal Regulations, Section 180.300). Covered transactions include procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all non-procurement transactions (i.e., subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.220 and 180.970).

The Department of Public Safety (Department) did not ensure that the vendors associated with procurements it made using emergency procurement processes were not suspended or debarred from the Public Assistance Program during fiscal year 2009. Specifically, for 7 (44 percent) of 16 vendors tested, the Department did not verify that the vendors were not suspended or debarred. Of those seven procurements, five were procurements of shelters/emergency services, one was a mutual aid agreement, and the other one was an agreement to allow a local entity to procure services on the behalf of the State.

The Department did not have a process to ensure that vendors providing shelter/emergency services and mutual aid services during emergencies for the State were not suspended or debarred. Failure to verify the suspension and debarment status of all vendors could lead to the Department granting a procurement contract to a vendor that has been suspended or debarred.

Auditors conducted an EPLS search for each vendor for which the Department did not have a suspension and debarment certification and determined that none of the vendors were suspended or debarred.

The issue discussed above affected the following awards:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 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 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 1780 | FEMA-1780-DR | July 24, 2008 |
| 1791 | FEMA-1791-DR | September 13, 2008 |
| 3216 | FEMA-3216-EM | September 2, 2005 |
| 3261 | FEMA-3261-EM | September 21, 2005 |
| 3277 | FEMA-3277-EM | August 18, 2007 |
| 3290 | FEMA-3290-EM | August 29, 2008 |
| 3294 | FEMA-3294-EM | September 10, 2008 |

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Develop and implement a process to verify the suspension and debarment status of all vendors procured under emergency procurement procedures.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendation:

- Develop and implement a process to verify the suspension and debarment status of all vendors procured under emergency procurement procedures.

DPS management agrees with this recommendation. TDEM will develop procedures to check the EPLS for suspension or debarment for vendors. However, in researching this requirement, we have been given conflicting information pertaining to debarment of cities and counties on this system. The Comptroller of Public Accounts maintains that cities and counties are not listed on this system unless they are franchised and listed as a development corporation. TDEM will work with federal partners to attempt to obtain further information on the requirement to check for suspension and debarment of cities, counties, and states.

Implementation Date: June 2010

Responsible Person: Denita Powell

Reference No. 10-41

Reporting

(Prior Audit Issues - 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

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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 Homeland Security | |

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award. Recipients use the *Financial Status Report* (FSR) SF-269 (Office of Management and Budget (OMB) No. 0348-0039) or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 44, Code of Federal Regulations, Section 13.41).

In lieu of submitting FSR SF-269 reports, OMB Circular A-133 Compliance Supplement, Part 4 97.036-8, allows recipients to report financial information for each approved disaster using the FEMA 20-10 form (OMB No. 1660-0025).

The Department did not always ensure that financial reports it submitted for the Public Assistance Program were adequately supported by data in the Department's accounting system. Specifically:

- 46 (92 percent) of 50 FEMA 20-10 financial reports tested did not have support for the subrecipient share of outlays and, consequently, the total outlays.
- 5 (10 percent) of 50 FEMA 20-10 financial reports tested did not have support for the federal share of outlays.

Department management reviewed all reports tested, but this review was not sufficient to ensure that all information in the reports was adequately supported. The errors noted in the subrecipient share of outlays were due to the lack of a grant management system to track actual amounts spent by subrecipients on small projects. The Department estimates the state/local share amount using the approved local share percentage, rather than the actual amount spent.

The Department uses SmartLink, the federal drawdown system, to complete the federal share of outlays section of the 20-10 reports. However, the Department does not perform a regular reconciliation between SmartLink and the Department's accounting system, MSA. In addition, MSA includes several budget codes that were assigned to multiple disasters for the Public Assistance Program. This increases the risk that supporting information for the reported amounts could not be extracted from the accounting system. This also could cause FEMA to miscalculate program forecasting, cause Department management to make incorrect decisions, and cause the Department to generate incorrect project reports.

Disasters that were active for the Public Assistance Program during fiscal year 2009 were:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1257 | FEMA-1257-DR | October 21, 1998 |
| 1274 | FEMA-1274-DR | May 6, 1999 |
| 1287 | FEMA-1287-DR | August 22, 1999 |
| 1323 | FEMA-1323-DR | April 7, 2000 |
| 1356 | FEMA-1356-DR | January 8, 2001 |
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 1425 | FEMA-1425-DR | July 4, 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 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 1780 | FEMA-1780-DR | July 24, 2008 |
| 1791 | FEMA-1791-DR | September 13, 2008 |
| 3216 | FEMA-3216-EM | September 2, 2005 |
| 3261 | FEMA-3261-EM | September 21, 2005 |
| 3277 | FEMA-3277-EM | August 18, 2007 |
| 3290 | FEMA-3290-EM | August 29, 2008 |
| 3294 | FEMA-3294-EM | September 10, 2008 |

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Develop a process that facilitates the collection of Public Assistance Program information related to actual expenses incurred by the jurisdictions as of the report date.
- Ensure that budget codes within the accounting system are assigned to a unique disaster number.
- Perform regular reconciliations between SmartLink and MSA.

Management Response and Corrective Action Plan:*Recommendation:*

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendation:

- *Develop a process that facilitates the collection of Public Assistance Program information related to actual expenses incurred by the jurisdictions as of the report date.*

DPS management partially agrees with this recommendation. However, the TDEM does not have the means to implement some of the recommendations.

TDEM Recovery Section will change their internal reporting documentation for large projects to require local governments to report actual match expenditures. It is not feasible to change previous reports. However, identifying actual match on small projects presents a huge burden for TDEM as well as local governments due to the following reasons:

1. *FEMA does not require quarterly reporting for small project;, therefore, TDEM does not require them from local governments. For Hurricane Ike alone, for the two most impacted communities, Galveston and Galveston County, this would mean an additional 1,063 quarterly reports would need to be produced for the life of the projects, which could be several years.*
2. *Small projects vastly outnumber large projects in most disasters. For Hurricane Ike, there are currently 2,827 large projects as compared to 12,250 small projects.*
3. *Even at closeout a jurisdiction does not always report exact numbers. Some jurisdictions will round the numbers to the nearest thousand dollars and may overmatch. To ensure they were reported correctly TDEM would be forced to audit every small project which FEMA does not currently require, for obvious reasons.*
4. *FEMA is not concerned about our “good faith” estimate of local match for small projects. In fact, they have indicated that they are very happy with our quarterly reports.*

TDEM has conducted an analysis to determine how we would comply with the requirement to report exact match for small projects and we have determined that we will need at least 5 additional Recovery Public Assistance Officers at a cost of approximately \$213,780 per year to review and collate information for exact match on small projects. In addition, to determine whether this amount is correct, before closeout, we would be forced to audit all small projects in addition to large. This would take an additional 10 auditors at an approximate cost of \$427,650 per year. The State pays 25% of Management costs for each disaster. In addition, state management funds for each disaster is capped at a certain percentage and total, which means that it is entirely possible that the State will be responsible for more than 25% of the cost. We believe this is unacceptable. We have no way of determining precisely the cost to local governments but it will be enormous for the most impacted cities and counties.

Implementation Date: TDEM will make changes to the Public Assistance large project quarterly reports not later than March 2010.

Responsible Persons: Denita Powell and Ben Patterson

Recommendations:

- *Ensure that budget codes within the accounting system are assigned to a unique disaster number.*
- *Perform regular reconciliations between SmartLink and MSA.*

DPS management agrees with these recommendations. DPS Accounting and TDEM will work together to ensure unique budget codes are assigned to disasters and regular reconciliations between SmartLink and MSA are conducted.

Implementation Date: April 2010

Responsible Persons: Denita Powell and Janet Espinosa

Reference No. 10-42

**Subrecipient Monitoring
Special Tests and Provisions - Project Accounting**
(Prior Audit Issue - 09-48)

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

General Controls

Agencies shall maintain internal control over federal programs that provides reasonable assurance that the 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
Homeland Security

The Department of Public Safety (Department) did not maintain appropriate segregation of duties for high-profile users in its accounting system, Management Science of America (MSA). Specifically, six employees had administrator access to MSA that allowed them to set up users, but setting up users was not part of their job duties. Two of these employees were also MSA programmers, and this is an inappropriate segregation of duties because a programmer could introduce code changes to MSA that the programmer could then exploit as an accounting user. Additionally, the Department does not perform reviews of user access to MSA on a regular basis or formally document reviews of user access.

In addition, the administrator listings for the Department's network and mainframe security show that the Department uses 16 generic users IDs for the network and 6 generic users IDs for the mainframe that are not descriptive enough to determine appropriateness or accountability for use.

Subrecipient and Special Tests and Provisions Population

With respect to subrecipient monitoring, Office of Management and Budget (OMB) Circular A-133, Subpart D, requires pass-through entities 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."

For large projects, the Department of Public Safety (Department) must make an accounting to the Region Director (RD) of eligible costs for each approved large project. The Department must certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the Federal Emergency Management Agency (FEMA)-State Agreement, and that payments for that project have been made in accordance with Title 44, Code of Federal Regulations, Section 13.21 (Title 44, Code of Federal Regulations, Section 206.205).

The Department was unable to identify all active subrecipient and Department projects for the Public Assistance Program. The Department does not have a formal tracking system for subrecipients that includes information for all subrecipients, such as risk assessment information, information on monitoring activities (for example, reviews of financial and performance reports), and information from other contacts with its subrecipients. The Department also does not have a system to actively track Department projects. The Department's accounting system is not able to maintain records that identify expenses for specific projects, nor does the Department have a grants management system that is capable of tracking those projects. Therefore, the Department could not ensure that it monitored all subrecipient projects that it was required to monitor. During fiscal year 2009, the total amount of funding the Department passed through to non-state subrecipients was \$744,793,544 and the total amount the Department passed through to other state agencies and higher education institutions was \$218,808,098.

Award Notification

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 award name and number, and the name of federal awarding agency (OMB Circular A-133 Compliance Supplement, Part 3, Section M).

For all 50 subrecipient projects tested, the Department did not include the CFDA number on the award documentation it provided to the subrecipient. The Department uses a standard template for subrecipient awards, but it did not include the CFDA number in that template. This increases the risk of subrecipients misreporting Public Assistance Program expenditures on their schedule of expenditures of federal awards.

During-the-award Monitoring and Special Tests and Provisions

A pass-through entity is responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (OMB Circular A-133 Compliance Supplement, Part 3, Section M). Additionally, grantees must submit progress reports to the RD on a quarterly basis. These reports describe the status of those projects on which a final payment of the federal share has not been made to the grantee and outline any problems or circumstances expected to result in non-compliance with the approved grant conditions (Title 44, Code of Federal Regulations, Section 206.204).

To comply with the requirement to make an accounting of all large projects, the Department (1) requires subrecipients to submit status reports for all active large projects during the award and (2) performs a project audit on all large projects after a subrecipient has informed the Department that all project objectives are complete. The purpose of the project audit is to ensure that the subrecipient complied with all applicable federal and state requirements prior to final payment of any remaining project funds and closure of the project. The results of this audit are submitted to the federal oversight agency, FEMA, prior to project closure.

The Department did not always maintain sufficient documentation of during-the-award monitoring activities and management review of those activities. Specifically:

- For 1 (11 percent) of 9 subrecipient large projects tested, the Department did not provide evidence that the subrecipient submitted quarterly status reports. These reports are required by the *Disaster Recovery Manual*, published by the Texas Division of Emergency Management to assist the Department in preparing quarterly reports for the RD. There are no federal reporting requirements for subrecipients; however, FEMA's *Public Assistance Guide*, Chapter 5, states that "the State is expected to impose some reporting requirements on applicants so that it can prepare quarterly reports."
- For 5 (10 percent) of 50 subrecipient large project audits tested, the Department did not provide evidence that it provided the results of the audits to the subrecipients in a timely manner.
- For 2 (4 percent) of 50 subrecipient large project audits tested, there was no evidence that Department management approved the project audit report.

The weaknesses discussed above may cause instances of subrecipient non-compliance to go undetected.

A-133 Audit Compliance Monitoring

According to OMB Circular A-133, Compliance Supplement Part 3, Section M, the Department must ensure that subrecipients expending federal funds of \$500,000 or more have an OMB Circular A-133 Single Audit performed and provide a copy of the audit report to the Department. The Department is required to review the audit report and to issue a management decision, if applicable.

For 16 (48 percent) of 33 subrecipients tested, the Department did not verify whether the subrecipient was required to have an A-133 Single Audit. According to the Federal Audit Clearinghouse, 11 (68 percent) of 16 subrecipients tested obtained A-133 Single Audits for their 2008 fiscal years. The Department does not have procedures to ensure that all active subrecipients who receive at least \$500,000 in federal funds during a year obtained an A-133 Single Audit. Instead, the Department inquires about subrecipient A-133 Single Audits only if the Department passed through any amount of federal funds to the subrecipient in the prior year. Additionally, as discussed above, the Department cannot identify a list of all active subrecipients for which it should inquire about A-133 Single Audits.

The Department does not have an official process to issue management decisions on findings from A-133 Single Audits within six months of receipt of an audit report or follow up on the status of audit findings applicable to the Public Assistance Program. In addition, the Department does not have a formal sanction policy to address instances of non-compliance by subrecipients. This may cause risks applicable to the Public Assistance Program to go unaddressed.

Disasters that were active for the Public Assistance Program during fiscal year 2009 were:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1257 | FEMA-1257-DR | October 21, 1998 |
| 1274 | FEMA-1274-DR | May 6, 1999 |
| 1287 | FEMA-1287-DR | August 22, 1999 |
| 1323 | FEMA-1323-DR | April 7, 2000 |
| 1356 | FEMA-1356-DR | January 8, 2001 |
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 1425 | FEMA-1425-DR | July 4, 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 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 1780 | FEMA-1780-DR | July 24, 2008 |
| 1791 | FEMA-1791-DR | September 13, 2008 |
| 3216 | FEMA-3216-EM | September 2, 2005 |
| 3261 | FEMA-3261-EM | September 21, 2005 |
| 3277 | FEMA-3277-EM | August 18, 2007 |
| 3290 | FEMA-3290-EM | August 29, 2008 |
| 3294 | FEMA-3294-EM | September 10, 2008 |

Recommendations:

The Department should:

- Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Establish a process to track all active subrecipient and Department projects.
- Maintain documentation of its during-the-award monitoring activities.
- Ensure that subrecipient award documentation includes all program identification information, including items such as CFDA number and program title.
- Establish a process to issue a management decision on findings within 6 months of receipt of a subrecipient's A-133 Single Audit report.
- Establish a process to follow up on the status of findings from a subrecipient's A-133 Single Audit report that is applicable to the Public Assistance Program.
- Establish a process to follow up with all active subrecipients to verify whether the subrecipients obtain an A-133 Single Audit.
- Establish a formal sanction policy to address instances of non-compliance by subrecipients.

Management Response and Corrective Action Plan:

Recommendation:

- *Restrict access to MSA, the mainframe, and the network based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.*

Management agrees with this finding. Criteria for network access will be developed. Only staff that require MSA access to perform their duties will be given access to the system. Comptroller requires semi-annual review of access to the state wide accounting system. System access levels in the MSA system will be incorporated in this semi-annual review. DPS Information Technology Division will provide reports of MSA and network access.

Implementation Date: September 2010

Responsible Persons: Teresa Schoenfeld and Janet Espinosa

Recommendation:

- *Establish a process to track all active subrecipient and Department projects.*

DPS management agrees with this recommendation. Currently, Public Assistance staff utilizes the FEMA information management systems NEMIS or EMMIE (dependent upon disaster) for current information related to every project for each disaster. The interactive program tracks individual projects on a quarterly basis. The system does not perform risk assessments. The State's Administrative Plan approved by FEMA stipulates that TDEM will perform site inspections on all large projects and at least 20 percent of the small projects. TDEM attempts to perform 100 percent site inspections on all small projects, but sometimes falls back on the minimum requirement of 20 percent. The information management systems do contain information on monitoring activities. The Public Assistance branch of the Recovery Section has been attempting to obtain a grant management system as a pilot program to better manage all documentation related to projects for each of the disasters it currently oversees. The system would allow better monitoring of grants by providing reports on applicants as well as accurately track documents and the status of grants, both on the State side and for the grant recipients. Most large states have such a system. Until we can develop or obtain a grant management system, our only option is to use the systems provided by FEMA.

Implementation Date: Cannot be determined.

Responsible Person: Ben Patterson

Recommendation

- *Maintain documentation of its during-the-award monitoring activities.*

The Public Assistance branch of the Recovery Section has been attempting to obtain a grant management system as a pilot program to better manage all documentation related to projects for each of the disasters it currently oversees. The system would allow better monitoring of grants by providing reports on applicants as well as accurately track documents and the status of grants, both on the State side and for the grant recipients. This would simplify the process of recovering documents specific to these requirements.

All applicants during the initial grant package award process sign what is referred to as a "Package Pickup Checklist" which includes a section stating "Large PWs that have not received final payment will be reviewed quarterly by TDEM representatives upon receipt of the Quarterly Review form from the applicant". This is one of the items that are stressed to the applicant during the signing of this document.

As part of the audit process, the auditor and PA Specialist will discuss the initial findings of the audit with the applicant during the exit briefing concluding the on-site audit. This allows the applicant time to gather any additional documentation necessary to resolve any findings prior to submittal of the final audit report to FEMA. After the final audit report is prepared by the auditor, it goes through a review process with a minimum of 3 levels of supervisory review prior to submittal to the PA branch. At that point, it is reviewed by the PA Specialist assigned to the applicant who prepares the letter to be submitted to FEMA, which goes through 2 more levels of supervisory review prior to submission to FEMA.

Implementation Date: June 2010

Responsible Person: Ben Patterson

Recommendation:

- *Ensure that subrecipient award documentation includes all program identification information, including items such as CFDA number and program title.*

DPS management agrees with this finding. Although the CFDA # is usually included on the SF 424 template, some forms could have been sent to jurisdictions without the number. TDEM will take measures to ensure that local governments are notified of the CFDA # for all disasters.

Implementation Date: June 1, 2010

Responsible Person: Ben Patterson

Recommendations:

- *Establish a process to issue a management decision on findings within 6 months of receipt of a subrecipient's A-133 Single Audit report.*
- *Establish a process to follow up on the status of findings from a subrecipient's A-133 Single Audit report that are applicable to the Public Assistance Program.*
- *Establish a process to follow up with all active subrecipients to verify whether the subrecipients obtain an A-133 Single Audit.*
- *Establish a formal sanction policy to address instances of non-compliance by subrecipients.*

DPS management agrees with the recommendations. TDEM has recently hired a Standards and Compliance Auditor who will work with Division Management and Section Administrators to update our Grant Administrative Guide to include risk assessment procedures, A-133 monitoring procedures, and documentation requirements. In addition, TDEM will continue to work with DPS IT to develop a grant management system that will include A-133 audit monitoring functions.

Implementation Date: September 2010

Responsible Person: Denita Powell

Sam Houston State University

Reference No. 10-43

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable, 84.007 P007A084110, 84.033 P033A084110, 84.038 Award Number Not Applicable, 84.063 P063P082301, 84.376 P3765082301, and 84.379 P379T092301

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)).

| | |
|------------------------------|---------|
| Questioned Cost: | \$2,946 |
| U.S. Department of Education | |

Sam Houston State University (University) did not maintain appropriate user access to the SIS Plus Financial Aid Management (FAM) system, its financial aid application. Specifically, University programmers have access to production code, and one programmer is responsible for migrating code from test to production. The University should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. Additionally, the University does not perform formal, periodic reviews of user access rights in FAM. Allowing employees inappropriate or excessive access to areas in FAM that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregations of duties.

Aggregate Loan Limits

For students who have not already received an undergraduate degree, the aggregate unpaid principal amount of all subsidized Stafford Loan Program loans in combination with loans received by the student under the Federal Direct Stafford/Ford Loan Program, but excluding the amount of capitalized interest, may not exceed \$23,000 (Title 34, Code of Federal Regulations, Section 682.204(b)).

The University has an automated process that prevents the disbursement of a student’s awards when an award would exceed the student’s aggregate subsidized Stafford loans. The University also has a manual process that financial aid counselors can use to determine whether the student is eligible for any subsidized Stafford loan and the amount of subsidized Stafford loan to offer that would not exceed the aggregate limit.

For 1 (2.7 percent) of 37 students tested, a University counselor determined the proper loan amount to offer but did not change the loan amount in the system prior to clearing the hold, which released the funds for disbursement. As a result, the University awarded that student a loan under the subsidized Stafford Loan Program that caused the aggregate unpaid principal amount of the student’s subsidized Stafford Loans to exceed the \$23,000 maximum. The student was awarded \$2,946 in excess of the maximum. The student was eligible to receive this amount under the Unsubsidized Stafford Loan program.

Recommendations:

The University should strengthen controls to ensure that it:

- Implements separation of duties between programmers and server administrators so that programmers do not have direct access to production code.
- Performs periodic formal reviews of user access to its systems.
- Does not award Stafford loans in excess of aggregate limits.

Management Response and Corrective Action Plan:General Controls - Management Response and Corrective Action Plan:

Sam Houston State University acknowledges the ability for programmers to promote code to production without automated technology enforced review. SHSU has previously identified this problem and in 2007, as a short-term solution, implemented management-enforced processes that require code to be reviewed by a code review manager before it may be promoted to production. These code reviews are documented within the Information Resources Work Order system, along with any related programming changes. Spot checks are randomly performed by the Director of this group to identify any failures to follow procedure.

For a long-term solution, further segregation of the legacy production environment is being designed and implemented, which will allow improved code control. These enhanced restrictions are estimated to be completed by September 1, 2010. At this point, policy requires all mainframe code changes to be promoted by the designated code review manager (or backup); only after successful code review is completed. A similar environment and process is being designed and implemented with the implementation of SunGard Higher Education's Banner Unified Digital Campus (UDC) software.

Implementation Date: September 2010

Responsible Person: Jacob Chandler

Sam Houston State University acknowledges that user access within the SIS/PLUS Financial Aid Management software was not formally reviewed for in relation to employee job assignments. SIS/PLUS software was discontinued after the completion of the academic year 2008-2009. SHSU is currently implementing Banner (UDC) software; implementation of the Financial Aid module was achieved in February 2009 for the financial aid application year 2009-2010. With Banner, the user security procedure significantly changed. User access levels are managed through the Banner security matrix. The process of submitting the security matrix through the work order system began in June 2009. The Financial Aid Office Director is responsible for maintaining the matrix for the FAO. Within the matrix, form or screen level access is determined and assigned to each business process role, such as Financial Aid Counselor and Data Entry Assistant. Each employee is entered into the matrix and assigned one or more roles based on job functions. An updated matrix is sent to the Information Resources through the Work Order system. Information Resources updates employee access based on the provided matrix. The FAO is notified of completion through the Work Order system.

The security matrix is updated upon employment changes within the FAO and concurrent with the annual regulatory update of New Year specific forms. A thorough review of user form level access is conducted to ensure the security is tailored to meet the needs of the department. This review is consistent with the Information Resource recommendation of an annual review of granted access.

Implementation Date: June 2009

Responsible Person: Lisa Tatom

Aggregate Loan Limits - Management Response and Corrective Action Plan:

SHSU agrees with the recommendation that Stafford Loan awards are to be awarded within the aggregates loan limits set forth in the Code of Federal Regulations. The FAO has established departmental procedures for determining proper loan award amounts. Aggregate loan training sessions were held in December 2009 with the appropriate staff to ensure accurate calculation and awarding of Stafford Loans. Additionally, the University is currently testing an upgraded version of the Banner software that includes an enhancement that loads data received from the National Student Loans Data System (NSLDS), including historical subsidized and unsubsidized loan information. The NSLDS information is being received on the Institutional Student Information Record (ISIR)

processed by the Central Processing System and received electronically through COD transmissions. The software enhancement will allow for loading of NSLDS data into Banner along with other ISIR currently being loaded. The new version of Banner will be promoted into production by February 1, 2010. This NSLDS information will be used by the Banner award processes verify the loans awards do not exceed annual and aggregate loan limits.

Implementation Dates: December 2009 and February 2010

Responsible Person: Lisa Tatom

Reference No. 10-44

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable, 84.007 P007A084110, 84.033 P033A084110, 84.038 Award Number Not Applicable, 84.063 P063P082301, 84.376 P3765082301, and 84.379 P379T092301

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Sam Houston State University (University) did not maintain appropriate user access to the SIS Plus Financial Aid Management (FAM) system, its financial aid application. Specifically, University programmers have access to production code, and one programmer is responsible for migrating code from test to production. The University should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. Additionally, the University does not perform formal, periodic reviews of user access rights in FAM. Allowing employees inappropriate or excessive access to areas in FAM that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregations of duties.

Pell 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 (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)).

The University’s financial aid system automatically reports Pell disbursements to the COD system. However, the financial aid system reports the estimated disbursement amount and the estimated disbursement date. The estimated disbursement date used to report to the COD System is defined separately from, and is unrelated to, the date the financial aid system is scheduled to actually disburse Pell awards. The financial aid system does not update the disbursement information in the COD System when the actual disbursement is made. As a result, the University reported incorrect disbursement dates to the COD System for all 18 students tested.

Recommendations:

The University should strengthen controls to ensure that it:

- Implements separation of duties between programmers and server administrators so that programmers do not have direct access to production code.
- Performs periodic formal reviews of user access to its systems.
- Establishes a process to correct Pell disbursement data in the COD System after the University updates estimated disbursement dates with actual disbursement dates.

Management Response and Corrective Action Plan:General Controls - Management Response and Corrective Action Plan:

Sam Houston State University acknowledges the ability for programmers to promote code to production without automated technology enforced review. SHSU has previously identified this problem and in 2007, as a short-term solution, implemented management enforced processes that require code to be reviewed by a code review manager before it may be promoted to production. These code reviews are documented within the Information Resources Work Order system, along with any related programming changes. Spot checks are randomly performed by the Director of this group to identify any failures to follow procedure.

For a long-term solution, further segregation of the legacy production environment is being designed and implemented, that will allow improved code control. The estimated completion for these enhanced restrictions is September 1, 2010. At this point, policy requires all mainframe code changes to be promoted by the designated code review manager (or backup); only after successful code review is completed. A similar environment and process is being designed and implemented with the implementation of SunGard Higher Education's Banner Unified Digital Campus (UDC) software.

Implementation Date: September 2010

Responsible Person: Jacob Chandler

Sam Houston State University acknowledges that user access within the SIS/PLUS Financial Aid Management software was not formally reviewed for in relation to employee job assignments. SIS/PLUS software was discontinued after the completion of the academic year 2008-2009. SHSU is currently implementing Banner (UDC) software; implementation of the Financial Aid module was achieved in February 2009 for the financial aid application year 2009-2010. With Banner, the user security procedure significantly changed. User access levels are managed through the Banner security matrix. The process of submitting the security matrix through the work order system began in June 2009. The Financial Aid Office Director is responsible for maintaining the matrix for the FAO. Within the matrix, form or screen level access is determined and assigned to each business process role, such as Financial Aid Counselor and Data Entry Assistant. Each employee is entered into the matrix and assigned one or more roles based on job functions. An updated matrix is sent to the Information Resources through the Work Order system. Information Resources updates employee access based on the provided matrix. The FAO is notified of completion through the Work Order system.

The security matrix is updated upon employment changes within the FAO and concurrent with the annual regulatory update of New Year specific forms. A thorough review of user form level access is conducted to ensure the security is tailored to meet the needs of the department. This review is consistent with the Information Resource recommendation of an annual review of granted access.

Implementation Date: June 2009

Responsible Person: Lisa Tatom

Pell Grant Reporting - Management Response and Corrective Action Plan:

Sam Houston State University acknowledges the limitations of the SIS/PLUS Financial Aid Management with regard to reporting the actual disbursement dates of Pell Grants. The solution is the implementation of SunGard's Banner Unified Digital Campus (UDC) software which will provide integration between the campus business areas, including all departments involved in student account activity such as the offices of Undergraduate Admission, Graduate Admissions, Registrar, Bursar and Financial Aid. The implementation of the Financial Aid module for academic year 2009-2010 was the initial step toward SHSU's goal of a unified digital campus.

The Financial Aid module is currently operating as a stand alone system with interface software created in SHSU Information Resources. The functionality of processes that request, track, and release Pell Grant disbursements through Banner and into Student Receipt System result in a median difference of one day between the date of actual disbursement and the reported disbursement date. Upon implementation of the Student Accounts Receivable and Cashiering modules of Banner, University departments will be integrated resulting in improved electronic communication and reporting. The scheduled implementation dates for these modules are January 2011 and June 2011.

Banner UDC software is widely utilized in higher education and has proven results in the Pell Grant reporting area. The processes and procedures through which Pell Grant disbursement data is gathered and reported through COD are established. The disbursement dates and amounts reported to COD will reflect the actual dates and disbursements reflected in student account records and regular functionality will be verified by FAO personnel.

Implementation Date: June 2011

Responsible Person: Lisa Tatom

Department of State Health Services

Reference No. 10-45

Special Tests and Provisions - Food Instrument Disposition

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award number - 6TX700506

Type of finding - Significant Deficiency and Non-Compliance

Prior to March 27, 2007, a State agency was required to account for the disposition of all Food Instruments (FIs) within 150 days of the FI's first valid date for participant use. That time frame was reduced to 120 days for all FIs issued on or after March 27, 2007. The State agency must identify all FIs as either issued or voided; and identify issued FIs as either redeemed or unredeemed. Redeemed FIs must be identified as one of the following:

(1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records. State agencies generally do this by analyzing computer reports that provide detailed issuance and redemption information on each FI (7 CFR Section 246.12(q)).

| | |
|--------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

Upon review of the monthly food instrument disposition reconciliations performed, the Department of State Health Services (DSHS) procedures include sending letter signed by a Food Issuance and Redemption Services (FIRS) Manager to the WIC regional offices to determine the appropriate disposition of any vouchers that have not been recorded as used or voided. The WIC regional office then responds and provides documentation for DSHS personnel to update their records accordingly. Upon review of 40 letters to WIC providers, it was noted that one of the letters was not signed by the DSHS manager. Additionally, one of the vouchers noted in a disposition letter was not resolved until 126 days. As such, the compliance requirement to account for disposition of all FIs within 120 days was not met. No questioned cost as voucher was properly reconciled.

Recommendation:

DSHS should continue to follow up procedures with the WIC regional offices to resolve vouchers not used or voided within the appropriate time frame. If a delay in response time from WIC regional offices continues, consider sending letters earlier to allow more time for follow up in case of delay by the WIC regional offices.

Management Response and Corrective Action Plan:

The unsigned/uninitialed February 26, 2009 Reconciliation of Unmatched Food Voucher Memo from Ray Krzesniak to Ms. Meliza Gutierrez, WIC Director LA #51 requested the Local Agency provide documentation of the disposition of three vouchers. The memo was faxed to Ms. Gutierrez on February 27, 2009, with a reminder faxed March 3, 2009. Ms. Gutierrez faxed the supporting documentation to our offices on March 5, 2009, showing the vouchers were validly issued. Although the memo was sent unsigned to the local agency, the State Agency received the documentation requested.

With over three million issuances a month, DSHS recognizes it occasionally failed to meet the federal mandate of 100% reconciliation within 120 days due to one voucher. DSHS will continue to make every effort to reconcile within the 120-day requirement with reminder fax and phone calls to local agencies to provide the necessary documentation.

Implementation Date: October 20, 2009

Responsible Person: Mary Alice Winfree

Reference No. 10-46

Special Tests and Provisions - Review of Food Instruments to Enforce Price Limitations and Detect Errors

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award number - 6TX700506

Type of finding - Significant Deficiency and Non-Compliance

A State agency operating a retail food delivery system must take the following actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor agreement:

| | |
|--------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |

- a. *Food Instruments (FI) Review Process* - The State agency must have in place a process for reviewing all, or a representative sample of, FIs submitted by vendors for redemption. The review is done on an aggregate basis rather than on a vendor basis. Because of the wide disparity in the number of FIs processed by State agencies, there are no criteria for determining what constitutes a representative sample, other than that it must be a representative sample of FIs submitted. At a minimum, this process must be able to detect:
 - (1) Redeemed monetary amounts that exceed the maximum monetary purchase amounts established by the State agency for each type of FI.
 - (2) Other errors, including purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; FIs transacted or redeemed after the specified time period; and altered purchase price.
 - (3) Questionable FIs, which while they may not clearly contain errors, nevertheless require follow-up to determine whether an error has occurred.
- b. *Follow-up on Erroneous or Questionable FIs* - The State agency must follow up on FIs containing errors and other questionable FIs detected through this process within 120 days following detection. Regulations at 7 CFR Sections 246.12(k)(2) through (k)(5) describe appropriate follow-up actions (7 CFR section 246.12(k)).

The Department of State Health Services (DSHS) selects a "box" at random of paper food instruments submitted on a monthly basis. A box typically contains 20 to 25 claims from multiple vendors. Each food voucher is audited for countersignature, redemption date, vendor name and address, written prices (alterations, white-out, etc.) and verification of paid amount. Upon review of 40 food instruments from three different months' box audits, two food instruments containing price alterations were not identified in the box audit or included as a note in the summary folder. As such, no follow-up procedures were performed on the food instruments as required by the regulations. Both the exceptions were from the same box audit.

Recommendation:

DSHS should review box audit procedures with personnel responsible for performing the box audit to ensure that procedures are adhered to.

Management Response and Corrective Action Plan:

In reference to the two vouchers with alterations identified in the Box Audits of December 2008, January, March, and May 2009, on one voucher, the price for 1½ gallon of milk was changed downward from \$6.63 to \$4.68. On the other voucher, the price for Evaporated Milk was changed downward from \$4.98 to \$4.56 by the grocer. Staff believed this to be a non-malicious business correction since the grocer in both cases was lowering the reimbursement requested from DSHS. Box Audit procedures were reviewed with responsible personnel to indicate that all alterations should have been noted. Since DSHS has completely converted to EBT, box audits of paper vouchers are no longer performed. The last box audit of paper vouchers was conducted for process month August 2009. In addition, the box audits for June, July, and August 2009 have been cross verified by alternate staff to assure all alterations were identified in the summary folder.

Implementation Date: October 20, 2009

Responsible Person: Mary Alice Winfree

Reference No. 10-47

Allowable Costs/Cost Principles

Special Tests and Provisions - Food Instrument Disposition

Special Tests and Provisions - Review of Food Instruments to Enforce Price Limitations and Detect Errors

Special Tests and Provisions - Authorization of Above-50-Percent Vendors

(Prior Audit Issues - 09-30, 08-25, and 07-31)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children

Award years - October 1, 2008 to September 30, 2009 and October 1, 2007 to September 30, 2008

Award number - 6TX700506

Type of finding - Significant Deficiency

The Department of State Health Services (DSHS) utilizes the WIC EBT (Lone Star cards) and WIC TX WIN (paper voucher) systems to process the food vouchers for the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 (WIC). Development Team Leads have access to migrate changes to the production environment for both systems. 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. In addition, as of September 2008, a periodic review of users is performed; however, this review is only of active users and does not include user privilege levels within WIC EBT or WIC TX WIN.

Questioned Cost: \$0

U. S. Department of Agriculture

No system compliance exceptions were noted related to this test work for the major program above.

Recommendation:

DSHS management should restrict access based on the individual's job responsibility, including restricting developer access from migrating code into production. In addition, management's periodic review of users should include user privilege levels.

Management Response and Corrective Action Plan:

WIC IT and Program staffs have implemented measures to strengthen security controls for the WIC IT systems. We have restricted and removed access where possible; and currently monitor query access to confirm and validate user identity. Use of the Release Migration Documentation Form (RMDF) and process continues, which provides a method for documentation and management approval for any and all software releases. In addition, a Configuration Manager, hired in April 2009, is responsible for verifying that RMDFs have the required management approval, as well as being responsible for performing the actual release of software into production.

The WIC Program management considers and accepts the steps outlined above as adequate to mitigate the current limitations of the WIC EBT system security and the known and accepted risks for providing sufficient production support of the system. The WIC Program will continue working towards improving system security where possible, using incremental steps, with the staff resources and time available. These issues should no longer be a concern after implementation of system redesign and upgrades, currently in the planning stages, which have an anticipated time frame of fiscal year 2013.

The WIC Program, along with WIC IT Support, acknowledges that the current periodic review is for active users, which was based on the recommendations by the KPMG 2007 Audit Finding. Based on this new recommendation, the WIC Program and WIC IT Support plan to analyze WIC Systems user security methodology. Currently developed protocols will be reviewed and validated for applicability to enhance security measures. In order to find ways to strengthen the user review options, including user privilege levels, each WIN application will be reviewed. The WIC Program accepts the current limitations and known risks of the periodic user access reviews performed in the WIC Systems, but will work toward identifying improvements to security and appropriate user access reviews within the WIC legacy system.

Implementation Date: December 2009

Responsible Person: Everett Lamb

Stephen F. Austin State University

Reference No. 10-48

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.007 P007A084129, CFDA 84.033 P033A084129, CFDA 84.063 P063P082315, CFDA 84.375 P375A082315, CFDA 84.376 P376S082315, and CFDA 84.379 P379T092315

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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Stephen F. Austin University (University) did not maintain appropriate user access to PLUS, its financial aid application. Auditors identified several areas within PLUS that enabled employees to have excessive modify access privileges. Specifically:

- Eleven users had excessive access to modify the minimum/maximum aid limits for the various federal funds.
- One user had excessive access to modify the disbursement date tables.

Additionally, the University has not performed a review of user access to PLUS or its Enterprise Resource Platform (ERP). Allowing employees inappropriate or excessive access to areas in PLUS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate PLUS code changes to the production environment based on an individual's job function to help ensure that adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 20 users, including programmers, have access to an application that provides them excessive access to migrate code into PLUS's production environment. The University's current change management procedures do not promote segregation of duties and do not comply with the University's change management policy. The University also does not maintain consistent documentation of authorization, testing, and approval of changes to PLUS.

Calculation of the 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 1087I).

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, Sections 673.5, 673.6 and 682.603).

For 1 (2.5 percent) of 40 students tested, the University calculated COA incorrectly based on the wrong residency status. The University has tuition rates for Texas residents, non-residents, and Arkansas and Louisiana residents. This student was not on the Office of Admission's change in residency report submitted to the Financial Aid office for determining residency status for COA. Consequently, the student was classified as a non-resident for the COA calculation when the student was actually a Louisiana resident. As a result of this misclassification, the student's COA was overstated, and the student was overawarded \$4,456 in subsidized Stafford loans.

Recommendations:

The University should:

- Restrict access to PLUS based on job duties and responsibilities, and periodically review PLUS access levels to ensure that appropriate access is granted.
- Ensure that all changes to PLUS are authorized, tested, and approved and that it maintains supporting documentation for these changes.
- Perform formal, documented, and periodic reviews of users on the ERP.
- Ensure change management procedures are in place to promote segregation of duties and comply with the University's change management policy.
- Establish additional procedures to verify that a student's change in residency is captured so that the University calculates COA correctly when determining award amounts.

Management Response and Corrective Action Plan:

PLUS access and changes:

The University is converting from PLUS to Banner in February 2010. Access in Banner will be restricted based on job duties and responsibilities. A procedure to periodically review access will be implemented. The University has implemented procedures to ensure that all changes to Banner are authorized, tested and approved with supporting documentation maintained in accordance with record retention guidelines.

Implementation Date: August 31, 2010

Responsible Person: Paul Davis

Reviews of ERP access:

The University currently performs reviews of access to the ERP platform, but no formal documentation is maintained. Procedures will be implemented to formally document the reviews.

Implementation Date: August 31, 2010

Responsible Person: Paul Davis

Change Management Procedures:

The University has enacted change management procedures that comply with our policy.

Implementation Date: January 31, 2010

Responsible Person: Paul Davis

Cost of Attendance:

The University has established automated procedures in Banner to ensure that changes in residency are captured to appropriately calculate cost of attendance. For the student identified in the audit, the questioned cost of \$4,456 has been resolved by retroactively transferring the amount from a subsidized to an unsubsidized loan.

Implementation Date: August 31, 2010

Responsible Person: Mike O'Rear

Reference No. 10-49

Special Tests and Provisions - Disbursements To or On Behalf of Students**Student Financial Assistance Cluster**

Award year – July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.007 P007A084129, CFDA 84.033 P033A084129, CFDA 84.063 P063P082315, CFDA 84.375 P375A082315, CFDA 84.376 P376S082315, and CFDA 84.379 P379T092315

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)).

Questioned Cost: \$4,456

U.S. Department of Education

Stephen F. Austin University (University) did not maintain appropriate user access to PLUS, its financial aid application. Auditors identified several areas within PLUS that enabled employees to have excessive modify access privileges. Specifically:

- Eleven users had excessive access to modify the minimum/maximum aid limits for the various federal funds.
- One user had excessive access to modify the disbursement date tables.

Additionally, the University has not performed a review of user access to PLUS or its Enterprise Resource Platform (ERP). Allowing employees inappropriate or excessive access to areas in PLUS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate PLUS code changes to the production environment based on an individual's job function to help ensure that adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 20 users, including programmers, have access to an application that provides them excessive access to migrate code into PLUS's production environment. The University's current change management procedures do not promote segregation of duties and do not comply with the University's change management policy. The University also does not maintain consistent documentation of authorization, testing, and approval of changes to PLUS.

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 (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)).

The University did not accurately report the disbursement dates for Pell awards to the COD System. PLUS has an automated procedure that reports estimated disbursement information, including the date and amount of the award, to the COD System electronically. Due to changes in PLUS, the system had an incorrect estimated disbursement date for the Spring 2009 semester, and the University was not aware of this prior to the PLUS system reporting the estimated disbursement date to the COD System. Additionally, the PLUS system does not update the COD System with the actual disbursement date.

As a result of this issue, the University reported incorrect Pell disbursement dates reported to the COD System for 13 (65 percent) of 20 students tested. Twelve students had incorrect disbursement dates caused by the changes that were made to the PLUS system and one had an estimated disbursement date reported that could not be corrected when the actual disbursement was delayed.

Recommendations:

The University should:

- Restrict access to PLUS based on job duties and responsibilities, and periodically review PLUS access levels to ensure that appropriate access is granted.
- Ensure that all changes to PLUS are authorized, tested, and approved and that it maintains supporting documentation for these changes.
- Perform formal, documented, and periodic reviews of users on the ERP.
- Ensure change management procedures are in place to promote segregation of duties and comply with the University's change management policy.
- Establish a process to correct Pell disbursement data in the COD System after the University updates estimated disbursement dates with actual disbursement dates.

Management Response and Corrective Action Plan:

PLUS access and changes:

The University is converting from PLUS to Banner in February 2010. Access in Banner will be restricted based on job duties and responsibilities. A procedure to periodically review access will be implemented. The University has implemented procedures to ensure that all changes to Banner are authorized, tested, and approved with supporting documentation maintained in accordance with record retention guidelines.

Implementation Date: August 31, 2010

Responsible Person: Paul Davis

Reviews of ERP access:

The University currently performs reviews of access to the ERP platform, but no formal documentation is maintained. Procedures will be implemented to formally document the reviews.

Implementation Date: August 31, 2010

Responsible Person: Paul Davis

Change Management Procedures:

The University has enacted change management procedures that comply with our policy.

Implementation Date: January 31, 2010

Responsible Person: Paul Davis

COD System Disbursement Dates:

The University's financial aid software provider issued a Time-of-Solution Modification on February 12, 2009 to correct the software problem with COD disbursement dates. The University implemented the software update on February 17, 2009.

Implementation Date: February 17, 2009

Responsible Person: Mike O'Rear

Tarleton State University

Reference No. 10-50

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable

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 the student’s cost of attendance (COA) minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) that is 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 financial need (Federal Work Study and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations (CFR), Section 673.5; Federal Family Education Loans (FFEL), Title 34, CFR, Section 682.603(d)(2)).

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| Questioned Cost: | \$2,405 |
| U.S. Department of Education | |

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).

Furthermore, Title 34, CFR, Section 668.2, defines a full-time student 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. The student’s workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. However, for an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours or 12 quarter hours per academic term for a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters). Additionally, 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 1 (3 percent) of 40 students tested, Tarleton State University (University) overestimated the student’s COA. The University uses full-time COA budgets to determine COA for students receiving loans, regardless of students’ expected enrollment according to their ISIRs. Therefore, if a student indicates on the ISIR that he or she expects to enroll half-time or three-quarter time, the University still uses the COA associated with a full-time COA budget. Using a full-time COA budget to estimate the COA for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need. For the one student for whom the University overestimated COA, the ISIR showed that the student expected to attend half-time for the 2008-2009 school year. The University estimated this student’s COA at \$17,180 (which includes tuition and fees of \$5,590) based on full-time enrollment. Based on the University’s published estimated cost of tuition and fees schedule, the COA for half-time enrollment (in 6 hours) would be \$13,469 (which includes tuition and fees of \$2,438). The difference between the tuition and fees for full-time enrollment and a half-time enrollment is \$3,152.

It is important to note that for the 40 student files tested, the University’s estimated COA did not lead the University to award student financial assistance that exceeded financial need for the 2008-2009 school year. Therefore, there were no questioned costs. A total of 5,630 students at the University received federal student financial assistance for the 2008-2009 school year. Of those 5,630 students, 181 (3 percent) indicated on their ISIRs that they expected to enroll half-time. The University’s total loan expenditures for the 2008-2009 school year were \$39,656,259.

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, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). Additionally, an institution is required to have specific policies defining the effect of course incompletes, withdrawals, repetitions, and non-credit remedial courses on satisfactory progress and to provide specific procedures under which a student may appeal a determination that the student is not making satisfactory progress (Title 34, CFR, Section 668.16(d)).

The University did not have sufficient controls to ensure that it consistently awarded student financial assistance to students who made satisfactory academic progress. As a result, the University overawarded FFEL subsidized and unsubsidized loans to 1 (2.5 percent) of 40 students tested. The student received \$2,405 more in awards than the student was eligible to receive. The University has a standard, undocumented method of reviewing student withdrawals in the Fall semester. In this case, the student withdrew from all Fall 2008 semester classes before that semester was complete. The University initially categorized the student as not eligible for student financial assistance for the upcoming Spring 2009 semester and notified the student so that she had an opportunity to appeal before the semester began. The student appealed and was granted an appeal to be eligible for Spring 2009 semester assistance if she enrolled in and completed 12 hours in that semester. However, the student enrolled in only 6 hours for the Spring 2009 semester and, therefore, was not eligible to receive student financial assistance for the Spring 2009 semester.

Recommendations:

The University should:

- Determine each student's COA and financial need based on the student's expected enrollment.
- Improve internal controls so that it re-evaluates students' eligibility for student financial assistance if changes in students' enrollment status affect students' loan disbursements.
- Document standards that it uses to measure students' satisfactory academic progress to ensure that it achieves its objectives.

Management Response and Corrective Action Plan:

For the 2010-2011 award year, the Student Financial Aid Office will change the process by which we calculate the cost of attendance for part-time students based on the recommendations from auditors in reference to our previous system of pro-rating grants for part-time students. We will initially populate the cost of attendance based on the expected enrollment status as indicated by the student on the FAFSA form. All students needing to change their enrollment status will be processed manually by staff either through an enrollment change form submitted by the student or at census date for each semester. For 2010-2011, we will develop full-time cost of attendance for the entire year, part-time cost of attendance for the entire year, and a mixed cost of attendance for students that attend full-time in one semester and part-time in another semester.

As of January 2010, the Office of Student Financial Aid has updated the Financial Aid Office procedures manual and the Student Financial Aid University Web page with the current Satisfactory Academic Policy and the current acceptable requirements for student appeal requests.

Implementation Date: June 2010

Responsible Person: Betty Murray

Reference No. 10-51

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 through June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

If an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan (FPL), Federal Family Education Loan Program (FFELP) loan, or 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 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 or loan disbursement (Title 34, Code of Federal Regulations, Section 668.165).

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| Questioned Cost: | \$0 |
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| U.S. Department of Education |
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For 1 (3.1 percent) of 32 students tested who received loans, Tarleton State University (University) did not notify the student of the date and amount of the Fall 2008 semester FFELP disbursement within 30 days before or after the disbursement. The student received an award letter stating that she needed to complete a loan application, but the University did not send the student a loan disbursement notification. In this case, the University's automated notification process was interrupted because the student received additional, non-federal scholarships after the packaging of student financial assistance but prior to disbursement, which resulted in the manual adjustment of student financial assistance to avoid overawarding federal assistance. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

Recommendation:

The University should develop monitoring or other controls to ensure that it sends adequate notification of federal loan disbursements to recipients within 30 days before or after the date of disbursement, even in cases in which the University makes manual adjustments to awards.

Management Response and Corrective Action Plan:

As of January 19, 2010, the University has revised its process for notifying FFELP loan recipients to include students with manual adjustments, within the required time period. Additional automation to enhance the process is in progress and is expected to be completed by the Fall 2010.

Implementation Date: January 2010

Responsible Person: Ms. Betty Murray

Reference No. 10-52

**Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Period of Availability of Federal Funds**

Research and Development Cluster

Award years – March 1, 2009 to February 28, 2010

Award numbers - CFDA 10.450 09IE08700026 and CFDA 15.000 08IE08710054

Type of finding - Significant Deficiency and Non-Compliance

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 costs 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(J)(10)).

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| Questioned Cost: | \$10,166 |
| U.S Department of Agriculture | |
| U.S. Department of Interior | |

Office of Management and Budget (OMB) Circular A-133, Section 300(b), requires entities to 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 that could have a material effect on each of its federal programs. A properly designed and implemented internal control system includes written policies governing A-133 compliance areas. OMB Circular A-110 requires that recipients shall have “written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award” (OMB A-110, Section 21(b)(6)). In addition, Texas A&M University System policy 15.01.01 “Administration of Sponsored Agreements - Research and Other,” Section 7.5, states that “each system member shall have written procedures for determining the allowability of costs of federally sponsored agreements and monitor those procedures according to OMB Circular A-110.”

Tarleton State University (University), which is a member of the Texas A&M University System, did not complete after-the-fact confirmations of effort certifications for 2 (25 percent) of 8 employees tested. Monthly salary charges to the federal program for those two employees totaled \$10,166. Two departments at the University, the Center for Agribusiness Excellence (CAE) and Common Information Systems (CIMS), paid these two employees from federal grants when the employees did not commit 100 percent effort to projects funded by the federal grants (i.e., the employees were not “dedicated personnel”). The University asserts that most employees who contribute effort to these projects are dedicated personnel, and therefore, it did not complete after-the-fact confirmations. Failure to certify effort can result in required adjustments to accounts funded by federal research and development grants going undetected. During fiscal year 2009, the University charged \$764,087 in payroll-related costs to the CAE and CIMS programs.

Three University departments manage federally funded research and development programs. These departments include CAE, CIMS, and the Texas Institute for Applied Environmental Research (TIAER). Each department performs its own grant and contract administration, including time and effort certification. As a result, these departments do not administer grants and contract in a consistent manner. For example, CAE and CIMS do not perform after-the-fact confirmations of effort certifications while TIAER performs these confirmations.

In addition, the University did not have a sufficient policy that addressed federal grant administration related to allowable costs and cost principles. For example, the University’s policy did not specify the types of costs that are allowed or unallowed when funded by federal grants, did not address funding periods, and did not distinguish between direct and indirect costs. The policy also did not reference monitoring procedures according to OMB Circulars A-21 and A-110. Failure to have adequate policies increases the risk of non-compliance with federal requirements, which may lead to unallowable and questioned costs.

Recommendations:

The University should:

- Develop and implement a centralized process to require employees who do not contribute 100 percent of their effort to a single federal program but who are paid from federal research and development grants to complete effort certification reports.
- Develop and implement a policy that references appropriate OMB circulars and includes information on the types of expenditures allowed and unallowed, funding periods, and descriptions of direct and indirect costs.

Management Response and Corrective Action Plan:

As was reported in the findings, there are three University departments that manage federally funded research and development programs: CAE, CIMS, and TIAER. TIAER administers a uniform process for after-the-fact time and effort reporting. CAE and CIMS will refine its processes for after-the-fact confirmation of time and effort reporting for its relevant employees.

TIAER will continue its process. Since the audit, CAE and CIMS have been communicating with Business Services toward a better process of documenting their time and effort for any employee that is not being paid 100% from a single grant, which will be no less frequently than every six months in accordance with Title 2, Code of Federal Regulations, Section 220(J)(10). These documents will be forwarded to the Business Office for filing purposes. Tarleton State University will meet with the three departments to determine whether a more consistent, uniform process can be utilized either within TimeTraq or another available technology to be able to more centrally keep track of time and effort reporting.

As for the second recommendation, Tarleton State University will review existing policies and regulations through the A&M System and will develop a Standard Administrative Procedure that compliments existing A&M System policies and regulations. It will contain reference to the relevant OMB circulars, and will be updated as necessary.

Implementation Date: March 2010

Responsible Persons: Dr. Bert Little, Mr. Dan Hunter, and Ms. DeAnna Powell

Reference No. 10-53

Cash Management

Research and Development Cluster

Award year - March 1, 2009 to February 28, 2010

Award numbers - CFDA 10.450 09IE08700026 and CFDA 15.000 08IE08710054

Type of finding - Significant Deficiency and Non-Compliance

A federal program agency must limit a funds transfer to a state to the minimum amount needed by the state and must time the disbursement to be in accordance with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project. 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. States should exercise sound cash management in funds transfers to subgrantees in accordance with Office of Management and Budget (OMB) Circular A-102 (Title 31, Code of Federal Regulations, Section 205.33).

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| Questioned Cost: | \$330 |
| U.S Department of Agriculture | |
| U.S. Department of Interior | |

Tarleton State University (University) submits invoices to funding agencies for its federal research and development contracts. Although the University has documented invoicing procedures, those procedures do not provide detailed guidance for how staff should prepare invoices. In addition, those procedures do not include a requirement that an individual other than the invoice preparer review the invoices for accuracy. Additionally, the University does not reconcile all invoice activity to its accounting system (FAMIS) as required by its invoicing procedures.

The University's Center for Agribusiness Excellence (CAE) administers a fixed-price, cost-reimbursement contract through which CAE invoices sponsors in equal, fixed amounts throughout the award year for the components for data warehouse and data mining. However, CAE is supposed to invoice for travel, equipment, software, supplies, and materials on a reimbursement basis. Five (38 percent) of 13 CAE invoices tested were for travel costs that were for an amount that differed from the amount the University actually paid for the travel. Specifically, for these five invoices, the amount invoiced for travel expenditures was \$330 more than the actual expenditures. It is the University's practice to request reimbursement for travel costs based on the maximum federal allowable rate, rather than based on actual expenditure amounts.

Additionally, the University does not maintain evidence that individuals other than the invoice preparers review invoices for either the CAE or Common Information Systems (CIMS) research programs. For all 13 invoices tested for the CAE and for all 13 invoices tested for the CIMS program, auditors could not verify that an individual other than the invoice preparer reviewed the invoices prior to processing. Without a documented review, the federal sponsors may receive invoices for unallowable costs or incorrectly calculated costs.

There are three departments that manage federally funded research and development programs at the University. These include the CAE and CIMS programs, as well as the Texas Institute for Applied Environmental Research (TIAER) program. Operations related to Grant and Contracts administration for the funds awarded to each program are performed separately in each of the three departments. This includes invoicing federal sponsors. In addition to the processes being decentralized, since they are performed separately in each program's department, they are also not performed consistently within the departments. The CAE and CIMS departments do not perform reviews of invoicing, and CAE does not prepare invoices based on actual costs. There is a review of invoices for TIAER and they are based on actual costs.

Recommendations:

The University should:

- Prepare invoices in accordance with sponsor guidelines and ensure that cost reimbursement items are based on the actual costs the University paid.
- Develop and implement procedures that reflect the invoice preparation process for federal research programs as they occur within the University. The procedures should include a requirement that an individual other than the preparer review the invoices prior to submission and a requirement to maintain evidence of that review.

Management Response and Corrective Action Plan:

As of September 2009, Business Services has been reviewing CAE and CIMS invoices for accuracy, allowability, ensuring compliance with sponsor guidelines, and providing documentation of the review prior to submission of the invoices to the federal government. It was already the practice of Business Services to review and provide approval of TIAER invoices. The University will document its procedures regarding the appropriate separation of duties as it relates to invoice preparation and approval and will provide it to relevant departments.

Implementation Date: March 2010

Responsible Persons: Dr. Bert Little, Mr. Dan Hunter, and Ms. DeAnna Powell

Reference No. 10-54

Procurement and Suspension and Debarment

Research and Development Cluster

Award year - March 1, 2009 to February 28, 2010

Award number - CFDA 10.450 09IE08700026

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 contracts for goods and services that are expected to equal or exceed \$25,000 and all non-procurement transactions (i.e., subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.220 and 180.970).

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| Questioned Cost: | \$0 |
| U.S Department of Agriculture | |

Tarleton State University's (University) process is to check the EPLS for the suspension and debarment status of the vendor for all procurements. However, it does not maintain any evidence of its EPLS verification. In addition, the University uses a procurement contract template containing a clause referencing the excluded parties list. However, for 1 (8 percent) of 12 procurements tested, the procurement contract did not contain a suspension and debarment clause, and the University retained no other evidence that it determined the suspension and debarment status of the vendor. The procurement totaled \$1,827,071.75. Auditors verified that the vendor was not suspended or debarred.

In addition, the University retained no evidence that it determined the suspension and debarment status for the vendor associated with one subaward, which was the only subaward initiated during the fiscal year that involved federal research and development funding. The subaward totaled \$2,046,225.92. Auditors verified that the entity associated with the subaward was not suspended or debarred.

Recommendation:

The University should perform suspension and debarment verifications for all covered transactions (procurements of \$25,000 or greater and all subawards) and maintain evidence of the verification.

Management Response and Corrective Action Plan:

Universities and agencies within The Texas A&M University System have been provided an opportunity to utilize a vendor software solution that allows users to run export control related checks on people (e.g., employees, students, and visitors), vendor companies, and the subject matter of research projects. Tarleton had a trial use of this software, but opted not to purchase the software solution this fiscal year. Instead, the Purchasing Department utilizes the Excluded Parties List System to check the suspension and debarment status of vendors prior to executing a purchase order. The Purchasing Department has changed its practice of solely documenting the file that the vendor is not suspended or debarred to one of printing the certification and attaching it to the paperwork.

Implementation Date: January 2010

Responsible Person: Ms. Beth Chandler

Texas A&M University

Reference No. 10-55

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issues - 09-51 and 08-45)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A074136, and CFDA 84.063 PO63J075286

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, 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 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, Sections 668.22(a)(3)-(4)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

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 or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

For 6 (15 percent) of 40 students tested, Texas A&M University (University) made errors in the return of Title IV fund calculations. For four of these six students, the errors did not affect the overall return amounts. However, for the remaining two students, the errors resulted in the University not returning the proper amount of Title IV funds. Specifically:

- For one student, the University returned \$1,596 and the student returned \$1,961. However, the University should have returned \$3,224 and the student should have returned \$333.
- For one student, the University returned \$3,847 and the student returned \$2,425, for a total of \$6,272. However, the University should have returned \$5,545 and the student should not have returned any funds. The difference between the total amount returned and the total amount that should have been returned is due to the University not including room and board charges in the institutional charges section of the Title IV worksheet.

For all six students, the University did not include room and board charges in the institutional charges section of the return of Title IV worksheet, which resulted in return calculation errors for students living on campus at the University. In addition to the six students associated with the errors identified during audit testing, this omission affected all students living on campus for whom a return of Title IV funds was required.

Recommendation:

The University should complete return of Title IV funds forms accurately by including all necessary institutional charges.

Management Response and Corrective Action Plan:

Scholarships and Financial Aid acknowledges and agrees with the finding. All 2008-2009 Return of Title IV withdrawal calculations have been revised to include institutional room and board charges and additional required funds have been returned according to those calculations.

Specifically, of the 386 students who were subject to the Return of Title IV calculation, 31 students had additional institutional charges (room and board) that were not previously included in the calculation. Following the recalculation, 16 students had no changes in the amount to return, 3 students were identified as the University having returned too much funding (totaling \$3,098.02), and 12 students required an additional net amount of \$14,458.20 to be returned to the respective Title IV programs. With the exception of issuing a check to the Department of Education for the excess cash in the Pell Grant program, all returns have been completed, including reporting Federal Pell Grant changes to the Common Origination and Disbursement (COD) System under requested administrative relief. The excess cash will be returned within the next week.

Further, Texas A&M University implemented a new student information system, SunGard Banner, beginning with the 2009-10 award year. Banner automatically includes all institutional charges in the Return of Title IV withdrawal calculation. All calculations are reviewed by the Assistant Director responsible for processing withdrawal calculations to ensure compliance with the regulations.

Implementation Date: February 2010

Responsible Person: Joseph P. Pettibon II

Reference No. 10-56

Special Tests and Provisions - Student Loan Repayments

(Prior Audit Issue - 09-53)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.038 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, Section 674.42(c)(2)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

For borrowers in default status, Texas A&M University (University) made the required contacts, but it did not make all of the required contacts in a timely manner. Specifically:

- For all 40 borrowers in default tested, the University did not make first contact with the borrowers on or within 90 days after the start of their grace period.
- For all 40 borrowers in default tested, the University did not make second contact with the borrowers on or within 150 days after the start of their grace period.
- For all 40 borrowers in default tested, the University did not make third contact with the borrowers on or within 240 days after the start of their grace period.

The University interpreted the requirements discussed above to mean that contacts should not be made until after 90 days, 150 days, and 240 days, instead of on these days or within these time periods. As a result, it made contact at 105 days, 165 days, and 255 days, respectively.

An institution is also 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, Code of Federal Regulations, Section 674.43(b) and (c)).

- For 2 (5.0 percent) of 40 borrowers in default tested, the University did not send a second overdue notice within 30 days after the first overdue notice. The University did, however, send a second overdue notice to these borrowers 35 days after the first notice. For each of these borrowers, the normal process for generating a second overdue notice did not take effect because the University flagged the overdue loan being tested as a collections loan due a University process designed to take collections action against previous loans by the borrower.
- For all 40 borrowers in default tested, the University did not send a final demand letter within 15 days after the second overdue notice. The University did send final demand letters, but configured its system so that the system generated the final demand letters approximately 30 days after the second overdue notice, rather than within 15 days after the second overdue notice.

Recommendations:

The University should:

- Ensure that it sends grace period contact letters and the initial billing notices to borrowers within the required time frames.
- Ensure that it sends Perkins Loan overdue notices and final demand letters within the required time frames to all borrowers who do not make the first payment or make a request for deferment, postponement, or cancellation.
- Maintain sufficient documentation to demonstrate that it contacts borrowers at required intervals.

Management Response and Corrective Action Plan:

Following the reporting of this issue in the prior audit, changes were made in the timing of grace notifications in July 2008 while changes were implemented in the timing of billing statements in March 2009. These changes resolved all findings included in this audit report. They are not reflected in the tested students because each of them entered repayment prior to the changes taking effect. The majority of the students tested, entered repayment in September 2008 and therefore would have received the required grace notifications prior to July 2008 and the initial billing and due diligence statements prior to March 2009.

Implementation Date: March 2009

Responsible Person: Bob Piwonka

Texas A&M University - Commerce

Reference No. 10-57

Eligibility

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084016, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084016, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P080384, CFDA 84.268 P268K090384, CFDA 84.375 P375A080384, CFDA 84.376 P376S080384, and CFDA 84.379 P379T090384

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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Auditors identified the following weaknesses related to general controls over information systems at Texas A&M University-Commerce (University):

- The University did not have adequate segregation of duties in place at the application level for Banner, the University’s student financial assistance system. Specifically, 9 of the 11 system users in the Office of Financial Aid have the ability to create and set up budgets and budget components. These employees can also set up disbursement dates, minimum and maximum amounts for federal awards, and financial assistance packaging rules, and they have access to other high-risk configuration screens. Additionally, one user in the Bursar’s Office has access to modify structured query language. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and impedes segregation of duties. Performing periodic, documented reviews of employees’ access to Banner would help ensure the University maintains appropriate segregation of duties.
- The University did not have controls to ensure that high-profile roles are limited to appropriate personnel, and it did not maintain segregation of duties at the server and database levels. Specifically:
 - Two database administrators shared 18 high-profile user IDs for the Oracle database in which the University stores student financial assistance information. Sharing user IDs reduces accountability for changes when users access the database.
 - University database administrators perform system administrator functions while using high-profile user IDs. This lack of segregation of duties increases the risk of potential conflicts associated with permitting high-level access to databases that house student financial assistance information and high-level access to servers and systems. Compensating controls can help reduce this risk. However, this weakness, combined with the issue regarding individuals sharing high-profile user IDs, increases the risk of inappropriate access and manipulation of data that affects disbursements of student financial assistance.
 - Eighteen active Oracle user IDs are inappropriately assigned the database administrator role. This increases the risk that student financial assistance production data could be modified without proper authorization.
 - The University does not perform formal periodic reviews of user access to Banner, the Oracle database, the server, or its network. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.
 - System patches were installed on the Banner system, but the University did not follow its change management policy when installing the patches.

Eligibility and Calculation of the 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 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 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 assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, 682.603, and 685.301).

For 2 (5 percent) of 40 students tested, the University incorrectly calculated the COA budget. Specifically, it incorrectly calculated the COA budget for two students who attended the Summer semester as a percentage of the Fall and Spring semesters combined. When the students attended only the Fall or Spring semester, and then attended the Summer semester, their COA budgets were inflated. In these instances, the COA equaled the budget for the Fall semester plus the Spring semester, rather than for only one semester (Fall or Spring, as applicable) plus the Summer semester. For these two students combined, the COA budgets were overstated by \$5,903. Although University staff assert that they use an automated overaward program on a daily basis to ensure that each student’s total award does not exceed his or her need, it was unable to produce an archived copy of the report generated by that program with evidence that appropriate University personnel reviewed that report. When COA budgets are inflated for students who attend only the Fall or Spring semester (but not both) and the Summer semester, this increases the risk of overawarding financial assistance to these students. However, the COA errors auditors identified did not result in financial assistance that exceeded financial need for these two students.

Special Tests and Provisions—Disbursements to or On Behalf of Students

Although the general control weaknesses described above apply to disbursements to or on behalf of students, auditors identified no compliance issues regarding disbursements of student financial assistance.

Recommendations:

The University should:

- Periodically review and document Banner access for all student financial assistance staff, ensure assigned roles are commensurate with assigned duties, and segregate assigned roles as appropriate. For example, the University should consider limiting access to rules and configuration screens to the director and one back-up staff member.
- Ensure that each user has a unique user ID to access the Oracle database and server.
- Restrict the access of high-profile user IDs to appropriate personnel at the database and server levels.
- Correct COA budget calculations for students who attend only the Fall semester and the Summer semester or students who attend only the Spring semester and the Summer semester.
- Document and maintain its review of the report generated by its automated overaward program to ensure that it calculates COA correctly.
- Ensure that it follows its change management policy when making system changes.

Management Response and Corrective Action Plan:

The Financial Aid Office, working in conjunction with the Information Technology Office, has identified all Banner Financial Aid Screens and determined the access needs for all financial aid staff members. Financial aid staff members are being assigned viewing and/or update capabilities in accordance with their job functions. Access to financial aid rules and configuration screens is limited to the Director of Financial Aid and the Financial Aid Assistant Director for Technology.

The cycle of reviewing and assessing security starts when preparatory work for a new academic year begins; February/March time frame. Additional reviews will be done whenever updates to financial aid Banner occur and/or when changes in assigned duties are done in the office. Reviews will be signed off by the Information Technology Office representative, Financial Aid Assistant Director for Technology, with final signoff by Director of Financial Aid.

Technology Services will test the application of software packages and upgrades using individual logins as opposed to sharing the 18 high profile accounts noted. This testing will be complete by March 31, 2010.

Testing of budget calculations will occur during the setup of a new academic year. Budget calculations will be tested for the following combinations; Fall and Spring, Fall only, Spring only, Fall-Summer, and Spring-Summer terms. Each will be reviewed in the Banner test system and signed off by an Information Technology Office representative, Assistant Financial Aid Director for Technology, with final signoff by Director of Financial Aid prior to moving to Banner production. Upon migration to Banner production, a final review by Assistant Director for Technology with signoff by Director of Financial Aid will occur. This process will be utilized for this summer 2010 term.

Beginning February 1, 2010, all financial aid exception reports will be archived in the financial aid shared drive; folder "Exception Reports".

Technology Services will adhere to its change management policy for any future system changes.

Implementation Date: April 30, 2010

Responsible Persons: Maria Ramos and Mike Cagle

Texas A&M University - Kingsville

Reference No. 10-58

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

Research and Development Cluster - ARRA

Non-Major Programs - TRIO Cluster

Award years - June 4, 2009 to September 30, 2010, and October 1, 2004 to September 30, 2009

Award numbers - CFDA 93.701 3P40RR018300-07S1, and CFDA 84.217A P217A040040

Type of finding - Significant Deficiency and Non-Compliance

Certification of Effort

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(J)(10)).

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| Questioned Cost: | \$915 |
| National Institutes of Health | |
| U.S Department of Education | |

Texas A&M University - Kingsville (University) follows the Texas A&M University System time and effort certification policy, which requires, at a minimum, that time and effort certifications be completed on a semi-annual basis, but it is recommended that the certifications be processed on a semester basis. In addition, the policy states that “once the reports are made available in the system, the individuals have a maximum of 45 days to sign or submit their certifications in the system.” The University did not complete an after-the-fact effort certification for 1 (3 percent) of 32 payroll transactions tested until 95 days after the pay period ending August 31, 2009. The effort certification was signed on December 4, 2009, after auditors requested evidence of the certification. The effort certification, which involved effort paid from American Recovery and Reinvestment Act (ARRA) funds, was not completed in a timely manner because the certification report was not programmed to include the new ARRA accounts. Total salaries and wages affected by the programming issue were \$16,385. Delays in certifying effort can result in adjustments to accounts funded by federal research and development grants not being made in a timely manner.

Direct Costs

Office of Management and Budget (OMB) Circular A-21, Sections C.2 and C.3 establish principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. According to that circular, for costs to be allowable they must (a) be reasonable; (b) be allocable to sponsored agreements under the principles and methods in the circular; (c) be given consistent treatment through application of the generally accepted accounting principles and methods in the circular; and (d) conform to any limitations or exclusions set forth in the principles or in the sponsored agreement regarding the types or amounts of cost items.

One (2 percent) of 50 charges to federal awards tested at the University was unallowable. The University incorrectly charged \$915 in travel costs for a summer study abroad program to the TRIO Cluster - Ronald E. McNair Scholars Program for fiscal years 2008-2009. Although provisions in the grant agreement allowed certain travel costs, they did not allow foreign travel costs. As a result, the University spent federal award funds for costs that were not allowable under provisions of the grant agreement.

Recommendations:

The University should:

- Update the query it uses to generate the effort certification reports so that the ARRA accounts are included.
- Establish controls that ensure accurate accounting of costs charged to federal awards in accordance with the cost principles of OMB Circular A-21 and the provisions of grant agreements.

Management Response and Corrective Action Plan:

We concur with the findings regarding time and effort certification noted above. The effort certification involving the American Recovery and Reinvestment Act (ARRA) funds was not completed in a timely manner. As the ARRA program was newly established during 2009, various steps were taken by the University to segregate ARRA funds for identification and reporting purposes. As such, a new fund group was created as mandated by the state of Texas, and a new range of accounts was established as well. The University, at the time of and prior to the audit, used a manual system of effort certification, relying on monthly certification reports generated by The Financial Accounting Management Information System (FAMIS). The newly created account range did not appear on this monthly report and, therefore, did not generate a monthly effort certification for that account range. The omission on the report was noted during the course of the audit, and corrective action was taken, requesting a change in the range of accounts on the FAMIS report.

Implementation Date: December 4, 2009 (Change of date range on FAMIS report)

Responsible Person: Maggie Juarez

Direct Costs

We concur with the findings related to foreign travel in the amount of \$915. The University currently implements a system of checks and balances, throughout all departments, to ensure that allowable and unallowable costs are reviewed. In this instance, numerous students were traveling to Spain, and all were listed on the support documentation. A clerical error indicated one student travel be paid out of a federal account, and all other students were to pay out of a non-federal account for the same trip. The transaction was processed, and the foreign travel for the one student was paid out of the federal award. The transaction was noted during the course of the audit, and corrective action implemented to reimburse the federal account. In addition, further emphasis will be placed on the system of checks and balances to ensure that current and new employees are attentive to all costs expensed to federal accounts.

Implementation Date: September 8, 2009

Responsible Person: Maggie Juarez

Texas Department of Rural Affairs

Reference No. 10-59

Procurement and Suspension and Debarment

CFDA 14.228 - Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii

Award years - February 1, 2009 to January 31, 2010 and February 1, 2008 to January 31, 2009

Award numbers - B-09-DC-48-0001 and B-08-DC-48-0001

Type of finding - Significant Deficiency and Non-Compliance

States shall use the same State policies and procedures used for procurements from non-federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by the federal statutes and executive orders and their implementing regulations. Department of Rural Affairs (TDRA) requires the following for procurement:

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| Questioned Cost: | \$0 |
| U.S. Department of Housing and Urban Development | |

- Verify the procurements provide full and open competition
- Verify that contracts are not awarded to suspended or debarred parties by checking Excluded Parties List System (EPLS)
- Verify that there is written justification if the purchase was limited to one vendor
- Verify that solicitations include a clear and accurate description of the requirements

In addition, under the Texas Government Code, Chapter 2155, subchapter A General Provisions, Section 2155.005(a), a bidder offering to sell goods or services to the state shall certify on each bid submitted that the bidder, nor the person represented by the bidder, or any person acting for the represented person has:

- (1) Neither violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws;
- (2) Nor directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

During our test work, two out of four vendor files did not include verification that the vendors were not suspended or debarred per review of EPLS. In addition, for samples of 24 Council of Government (COG) contracts, all were not checked for suspension or debarment as TDRA’s procurement policy does not require COGs to be verified. Upon review of the EPLS, the vendors were not suspended or debarred so there are no questioned costs.

Additionally, the terms and conditions associated with TDRA’s vendor contracts and purchase orders and COG contracts do not include certification for anti-trust laws as required by the State of Texas.

Recommendation:

TDRA should implement a procurement checklist to ensure that all required signatures and items, including EPLS and terms and conditions are included in the procurement file prior to the award being made. TDRA should also work with their legal department to develop a terms and conditions statement that includes the anti-trust certification.

Management Response and Corrective Action Plan:

TDRA recognized the need to improve our contract routing procedures and in fiscal year 2009 implemented routing procedures for all administrative contracts. We have now added the EPLS process to be included in the routing process to ensure that the EPLS is run before administrative contracts are awarded. TDRA also recognizes the need to improve file documentation and agrees with the recommendation to implement a procurement checklist for all procurement files to ensure that all required signatures and items, including EPLS and terms and conditions are included in the procurement file prior to the award being made.

The Disaster Recovery Division (DR) bids included Section 2155.55 of the Texas Government Code which requires state bids to certify compliance with state antitrust laws. TDRA will use the certification statement prepared by the Attorney General for all bidders offering to sell goods or services to the state.

Implementation Date: March 1, 2010

Responsible Persons: Sharon Page and Anne Reynolds

Reference No. 10-60

Reporting

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Award years - February 1, 2009 to January 31, 2010 and February 1, 2008 to January 31, 2009

Award numbers - B-09-DC-48-0001 and B-08-DC-48-0001

Type of finding - Significant Deficiency and Non-Compliance

The Texas Department of Rural Affairs (TDRA) is required by OMB Circular A-133 and A-102 to submit a Performance Evaluation Report (PER) (OMB No. 2506-0085) within 90 days after the close of its program year in a format suggested by Department of Housing and Urban Development (HUD). The report is to include a description of the use of the funds during the program year and an assessment of the grantee's use for the priorities and objectives identified in the plan. TDRA is also required to submit HUD 60002, Section 3 Summary Report, and Economic Opportunities for Low- and Very Low-Income Persons (OMB No. 2529-0043). For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit form HUD 60002.

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| Questioned Cost: | \$0 |
| U.S. Department of Housing and Urban Development | |

For disaster funds, the requirements for submission of a Performance Evaluation (PER) pursuant to 42.U.S.C. 12708 and 24CFR 91.520 are waived for Community Development Block Grant (CDBG) Disaster Recovery Grantees under 2008 CDBG Appropriations. However, the alternative requirement is that each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following each calendar 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 uses 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 numbers of low -and moderate-income persons or households benefiting. Quarterly reports to HUD must be submitted using HUD's Internet based 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)

PER Report

During our test work over the program year 2008 PER report that was submitted in state fiscal year 2009, the active program years of 2006, 2007, and 2008 were agreed to supporting documentation. The following exceptions by program year were noted:

2006

- A footing error of \$19,500 caused the Local Administration (line item #5) amounts reported of \$5,015,915 to be underreported.
- The Meet Urgent Community Development Needs improperly excluded one county of \$350,000.
- The Benefit to Low/Moderate Income Persons is overstated by \$369,500, a combination of the above two errors.

2007

- The Prevent/Eliminate Slum/Blight was overstated by \$50,000 for one county for administrative costs.
- The Benefit to Low/Moderate Income Persons reported was understated due to the error noted above.

2008

- The Prevent/Eliminate Slum/Blight was understated by \$143,600 for two counties improperly excluded plus all administration excluded.
- The Benefit to Low/Moderate Income Persons reported was overstated due to the error noted above.

HUD 60002

For three quarterly HUD 60002 reports, there were three translation errors when entering the supporting information into the on-line form. In addition, a manual error was noted in the creation of the supporting documentation when comparing the summary used to population the HUD 60002. These errors are noted below:

| <u>Key line item</u> | <u>Amount Reported</u> | <u>Amount per Supporting Documentation</u> |
|----------------------------------|------------------------|--|
| For Q2 for FY09 – part II, 1 (D) | \$ 135 | \$ 56 |
| For Q2 for FY09 – part II, 2 (A) | 638,200 | 691,480 |
| For Q4 for FY08 – part II, 1 (D) | 153 | 65 |
| For Q4 for FY08 – part II, 2 (D) | 92 | 2 |

Additionally, it was noted that TDRA does not enforce the policies and procedures in the subrecipients and contractors agreements to report the necessary information required for the HUD 60002. Specifically, part 1, Column C - Total number of New Hires that are Section 3 residents is not complete.

Disaster Report - Quarterly Performance Report

One of two quarterly reports reviewed was posted to TDRA’s Web site; however documentation was not available to determine if the report was posted within the three-day requirement noted above.

Recommendation:

TDRA management does a high level review of the PER report, however, we recommend that review of the Fund Balance Spreadsheets and other supporting documentation undergo a more detailed review.

TDRA management does a high level review of the HUD 60002 report; however, we recommend that the supporting documentation undergo a more detailed review. Also, TDRA should ensure that all contractors and subrecipients have submitted the required new hire information for the HUD 60002 report.

TDRA should maintain documentation that the quarterly disaster performance report was posted to their Website within the three day requirement.

Management Response and Corrective Action Plan:

TDRA will conduct further reviews of the PER report and the supporting documentation for future PER submissions. We understand that this finding is the lowest level and is required if any errors are found within the entire PER report. We agree that regrettably there were four errors within the PER, which contains approximately 1,000 pages of calculations, and understand they must be reported; however, it is important to put them into context. First, the errors did not place program out of compliance with the regulatory threshold for overall benefit to low and moderate persons. The regulatory requirement is an overall benefit of at least 70 percent and for the three years referenced the changes were one tenth of one percent or less, (e.g., for 2007, the benefit increased from 93.2% to 93.3%). Second, the calculation under discussion of overall benefit for these three open program years constantly changes with each new contract award of program year funds and is not the final calculation of overall benefit to satisfy the regulatory requirement. The calculation that is final and must comply with the regulatory requirement occurs only for the program years that are closed within a PER. None of the three program years, 2006, 2007, or 2008 were being closed in the PER, and therefore, the calculations of the percentages that are the subject of the finding will constantly be changing.

For the HUD 60002 report, TDRA will conduct a more detailed review of the supporting documentation. In addition, TDRA has undertaken a review of the submission requirements for all Texas CDBG grant recipients to ensure that we receive all the appropriate information that HUD requires on the 60002 report. We intend to provide further guidance to grant recipients on the information we need for HUD's 60002 report.

The quarterly disaster performance reports have been posted on the agencies web site within three days of its submittal. A file containing screen shots of the web page that show the link to the quarterly disaster performance report, the date and time of posting or copies of the server log showing date and time of posting will be maintained within the Division.

*Implementation Date: PER report - May 1, 2010
HUD 60002 report - September 30, 2010
Disaster Performance Reports - completed*

Responsible Persons: Mark Wyatt and Oralia Cardenas

Texas Education Agency

Reference No. 10-61

Allowable Costs/Cost Principles

CFDA 84.011 - Migrant Education - State Grant Program

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; and July 1, 2006 to September 30, 2008

Award numbers - S011A080044; S011A070044; and S011A060044

CFDA 84.048 - Career and Technical Education - Basic Grants to States

Award years - July 1, 2008 to September 30, 2009 and July 1, 2007 to September 30, 2008

Award numbers - V048A080043 and V048A070043

CFDA 84.287 - Twenty-First Century Community Learning Centers

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; and July 1, 2006 to September 30, 2008

Award numbers - S287C080044; S287C070044; S287C060044

CFDA 84.365 - English Language Acquisition Grants

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; and July 1, 2006 to September 30, 2008

Award numbers - T365A080043; T365A070043; T365A060043

Special Education (IDEA) Cluster

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; and July 1, 2006 to September 30, 2008

Award numbers - H027A080008 and H173A080004; H027A070008 and H173A070004; H027A060008 and H173A060008

Type of finding - Significant Deficiency

Access to the Budget Analysis Tool (BAT) application and/or supporting infrastructure is not restricted appropriately. All user IDs with access to the BAT application and/or supporting infrastructure should belong to identifiable, current employees whose job function specifications require the provisioned level of access. Over the past several years, management of Texas Education Agency's (TEA) servers has shifted from TEA-managed to IBM/Team for Texas managed. This coupled with the fact that a periodic review of application and supporting infrastructure users is being inconsistently performed, has led to inappropriate, unidentifiable, and terminated employee/account access for nine users/accounts within the BAT application and/or supporting infrastructure.

| | |
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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

No compliance exceptions were noted during the review of selected 2009 allowable cost transactions for the major programs noted above.

Recommendation:

TEA should conduct an annual periodic review of the users in the BAT application and on supporting infrastructure. To perform this review, TEA should request a list of users in the application, production server, database server, and database from Team for Texas to determine whether all TEA personnel with access are appropriate. Additionally as part of this review, Team for Texas should identify the name and title of each Team for Texas employee listed with access to the servers.

Management Response and Corrective Action Plan:

Management agrees with the findings. TEA will conduct an annual periodic review of the users in the BAT application as well as on supporting infrastructure.

Implementation Date: No later than 1 March 2010

Responsible Persons: Wendy Nather and Martha Reesing,

Reference No. 10-62

Reporting

Special Tests and Provisions - Sub grant Process

Special Tests and Provisions - Priority for Services

(Prior Audit Issue - 09-35)

CFDA 84.011 - Migrant Education - State Grant Program

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008

Award numbers - S011A080044; S011A070044; S011A060044

Type of finding - Material Weakness and Non-Compliance

Due to the size of the information technology organization within the Northrop Grumman group that manages, hosts, and administers the NGS application for Migrant Education, there is a lack of segregation of duties. Developers have server, database and application administration capabilities in production which also allows them access to deploy code changes into production. In 2009, a “Firecall” user account was created to serve as a primary user account to migrate changes into the production environment. The user IDs password is protected by the NGS Program Manager and the password is changed after every use to make sure no unauthorized access occurs. However, we noted that even though this “Firecall” user account is the primary user account migrating changes into the production environment, developers of the NGS application still maintained their system administrator privileges, which enables them to update the production environment without using the ‘Firecall’ user account.

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

No periodic reviews are performed for NGS to determine the appropriateness of privileges granted to individual user accounts within the application (segregation of duties). A periodic review of inactive IDs is performed and such IDs are deleted, however this still does not address the entire risk of inappropriate access.

Change management procedures for authorization, testing, and approval are followed informally. No formal approval is required prior to production moves and only informal discussion e-mails exist as evidence of approval prior to production deployment. For one out of two releases tested, no response of formal final approval was documented. In addition, no formal change management procedures have been documented. Northrop Grumman corrected the change management procedures subsequent to February 2009.

Texas Education Agency (TEA) utilizes the NGS application to produce the Consolidated State performance Report (CSPR). Also TEA defines priority for services but the LEAs are responsible for identifying and counting these children. The LEAs report the priority for services children to TEA through the NGS application. In addition, TEA utilized the information in the NGS application to the grants through the subgrant process. No compliance exceptions were noted during the review of selected reporting and special tests and provisions transactions for the major program noted above. TEA did not maintain the support from NGS for the CSPR report filed during fiscal year 2009 for the school year 2007-08. NGS is a fluid database so the numbers were reasonable but not exact due to updated data.

Recommendation:

Access to develop and deploy changes should be segregated. If access cannot be segregated, strong monitoring controls will need to be implemented in order to further mitigate the risk of unauthorized changes to production. A periodic review of all users should be performed at least annually. Additionally, TEA should maintain support for all reports filed.

Management Response and Corrective Action Plan:

During TEA's review of the previous audit with the KPMG auditors, we discussed the problem of disabling the programmer accounts entirely. Due to the small size of the team that maintains NGS and the security model employed by the NGS Website, staff members share multiple roles and require access to the production environment. TEA will work to segregate duties as much as possible where technically feasible. Change management procedures are in place (formal Change Requests are documented and approved), but no physical and/or logical security blocks development staff from making unauthorized changes to the production environment.

One of the NGS programmers functions as the DBA and disabling that account would make routine tasks performed on a daily basis very difficult to do. The KPMG auditors suggested that instead of using the Fire Call account we should look at implementing a Change Detection Process (CDP) whereby all changes made to the production system are monitored by the Project Manager so that any unauthorized changes will be detected on a daily basis.

The NGS staff will create Change Detection Software (CDS) that will reside on the Project Manager's workstation. That workstation is password protected and is not accessible to anyone through the NGS network. The CDS will perform a periodic (period to be determined) scan of the production system. The CDS will establish a baseline image of the production system and the periodic scan will match against that image to record all changes made in the prior period. When the detected changes have been approved or rejected by the Project Manager the scan then will become the baseline for the next scan. With this CDP, the auditors should be able to establish that all changes made to the production system were authorized changes approved by management.

Implementation Date: October 1, 2010

Responsible Person: Christina Villarreal

Reference No. 10-63

**Matching, Level of Effort, Earmarking
Reporting
Subrecipient Monitoring**

CFDA 84.011 - Migrant Education - State Grant Program

**Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S011A080044; S011A070044; and S011A060044**

CFDA 84.048 - Career and Technical Education - Basic Grants to States

**Award years - July 1, 2008 to September 30, 2009 and July 1, 2007 to September 30, 2008
Award numbers - V048A080043 and V048A070043**

CFDA 84.287 - Twenty-First Century Community Learning Centers

**Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S287C080044; S287C070044; and S287C060044**

CFDA 84.357 - Reading First State Grants

**Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S357A080045; S357A070045; and S357A060045**

CFDA 84.365 - English Language Acquisition Grants

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
 Award numbers - T365A080043; T365A070043; and T365A060043

CFDA 84.367 - Improving Teacher Quality State Grants

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
 Award numbers - S367A080041; S367A070041; and S367A060041

Special Education (IDEA) Cluster

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
 Award numbers - H027A080008 and H173A080004; H027A070008 and H173A070004; H027A060008, and H173A060008

Special Education (IDEA) Cluster - ARRA

Award year - February 17, 2009 to September 30, 2011
 Award numbers - H391A090008 and H392A090004

Title I, Part A Cluster

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
 Award numbers - S010A080043; S010A070043; and S010A060043

Title I, Part A Cluster - ARRA

Award year - February 17, 2009 to September 30, 2011
 Award number - S389A090043A
 Type of finding - Material Weakness

The collection of Public Education Information Management System (PEIMS) data is required of all school districts by TEC §42.006. The *Data Standards* provide instructions regarding the submission of PEIMS data from Local Education Agency (LEA) to Texas Education Agency (TEA). The LEA is responsible for reporting federal and local funds expended through PEIMS along with various types of demographic data and students served. During fiscal year 2009, TEA ran parallel processing with PEIMS - Mainframe (Legacy system) and PEIMS - UNIX. Subsequent to year-end, TEA converted all data to PEIMS - UNIX and no longer utilizes the Legacy System. Both PEIMS - Mainframe and UNIX were within the 2009 audit scope. TEA outsourced the development of PEIMS - UNIX application to a third-party consultant. The following was noted with regard to logical access and change management general controls.

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

- Formal TEA change management policies and procedures for PEIMS “application layer” (for PEIMS UNIX and Legacy systems) exist but are not being consistently followed, and no formal documentation of initial authorization, testing, and final approval of changes prior to deployment into production is maintained.
- Developers have access to deploy code changes into the PEIMS production environment for the application layer.
- Shared generic user IDs on the PEIMS_UNIX production application servers are accessible by the contractors whose primary roles were development, allowing them to migrate code changes into production.
- A process is not in place to identify and review users and groups with access to the PEIMS UNIX production environment for appropriateness.
- Thirteen generic shared administration accounts exist on the PEIMS - UNIX production database.

TEA uses the LEA submitted information for compliance with applicable compliance requirements under various components of Matching, Level of Effort, and Earmarking, Reporting, and Subrecipient Monitoring. No compliance exceptions were noted with regard to the use of PEIMS data.

Recommendation:

TEA should properly segregate duties so that developers do not have access to production. In addition, management should enforce the existing change management policies and procedures to request, authorize, document, test, and

approve all PEIMS changes prior to migration into the PEIMS production environment. Finally, management should periodically review the current job duties and appropriateness of access to the production environment for all users.

Management Response and Corrective Action Plan:

Management agrees with the findings. TEA will work to segregate duties as far as technically feasible to restrict developer access to production without significantly impacting the support of the application. TEA will also ensure that all PEIMS production changes are properly managed through the official change management process. TEA will also institute periodic reviews of access to the PEIMS production environment for all users.

Implementation Date: March 2010

Responsible Persons: Wendy Nather and Paige Tung

Reference No. 10-64

Subrecipient Monitoring

(Prior Audit Issues - 09-32, 08-32)

CFDA 84.011 - Migrant Education - State Grant Program

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S011A080044; S011A070044; and S011A060044

CFDA 84.048 - Career and Technical Education - Basic Grants to States

Award years - July 1, 2008 to September 30, 2009 and July 1, 2007 to September 30, 2008
Award numbers - V048A080043 and V048A070043

CFDA 84.287 - Twenty-First Century Community Learning Centers

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S287C080044; S287C070044; and S287C060044

CFDA 84.357 - Reading First State Grants

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S357A080045; S357A070045; and S357A060045

CFDA 84.365 - English Language Acquisition Grants

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - T365A080043; T365A070043; and T365A060043

CFDA 84.367 - Improving Teacher Quality State Grants

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S367A080041; S367A070041; and S367A060041

Special Education (IDEA) Cluster

Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - H027A080008 and H173A080004; H027A070008 and H173A070004; H027A060008, and H173A060008

Special Education (IDEA) Cluster - ARRA

Award year - February 17, 2009 to September 30, 2011
Award numbers - H391A090008 and H392A090004

Title I, Part A Cluster

**Award years - July 1, 2008 to September 30, 2010; July 1, 2007 to September 30, 2009; July 1, 2006 to September 30, 2008
Award numbers - S010A080043; S010A070043; and S010A060043**

Title I, Part A Cluster - ARRA

**Award year - February 17, 2009 to September 30, 2011
Award number - S389A090043A**

Non-Major Programs:

- CFDA 10.553 - School Breakfast Program
- CFDA 10.555 - National School Lunch Program
- CFDA 12.000 - Troops to Teachers
- CFDA 84.002 - Adult Education - Basic Grants to States
- CFDA 84.013 - Title I Program for Neglected and Delinquent Children
- CFDA 84.181 - Special Education - Grants for Infants and Families
- CFDA 84.186 - Safe and Drug-Free Schools and Communities - State Grants
- CFDA 84.196 - Education for Homeless Children and Youth
- CFDA 84.213 - Even Start - State Educational Agencies
- CFDA 84.282 - Charter Schools
- CFDA 84.298 - State Grants for Innovative Programs
- CFDA 84.318 - Education Technology State Grants
- CFDA 84.332 - Comprehensive School Reform Demonstration
- CFDA 84.334 - Gaining Early Awareness and Readiness for Undergraduate Programs
- CFDA 84.358 - Rural Education
- CFDA 84.366 - Mathematics and Science Partnerships
- CFDA 84.369 - Grants for State Assessments and Related Activities
- CFDA 84.377 - School Improvement Grants
- CFDA 84.387 - ARRA - Education for Homeless Children and Youth Recovery Act
- CFDA 84.938 - Hurricane Education Recovery
- CFDA 93.558 - Temporary Assistance for Needy Families
- CFDA 93.630 - Developmental Disabilities Basic Support and Advocacy
- CFDA 93.938 - Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems
- CFDA 94.004 - Learn and Serve America - School and Community Based Programs
- CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Type of finding - Significant Deficiency and Material Non-Compliance

The Texas Education Agency (TEA) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. The TEA 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, the TEA 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 to the TEA within 9 months of the subrecipient's fiscal year. The TEA is to review the report and issue a management decision within six months, if applicable.

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| Questioned Cost: | \$0 |
| U.S. Department of Agriculture | |
| U.S. Department of Education | |
| U.S. Department of Health and Human Services | |
| U.S. Department of Defense | |
| U.S. Department of Homeland Security | |
| Corporation for National and Community Service | |

The TEA's subrecipient monitoring procedures include use of standard contracts, technical assistance, a risk assessment process, program monitoring, and financial monitoring including compliance reviews, site visits, and A-133 audit report collection and review. In addition, TEA employs the use of certain edits within their computer system, TGIF, to assist with period of availability and reasonableness of monthly draw amounts based on total amounts awarded.

The monitoring of subrecipient compliance with fiscal requirements is performed primarily by the Grant Audits Section of the Division of Financial Audits. Specifically, this section uses a risk assessment process to identify subrecipients for financial monitoring. The risk assessment process includes the use of critical indicators, such as, "independent auditor identified an instance(s) of material non-compliance and/or material weaknesses in internal controls," that classify subrecipients as high risk grantees.

During 2009, the Division of Financial Audits completed a risk assessment which resulted in a total of 162 high risk subrecipients. From the high-risk subrecipients, the Division of Financial Audits assessed the Grant Awards to each subrecipient and assessed the risk for each Grant Award and identified 500 awards with high risk. Of the 500 awards, 46 grant awards had a high concentration of high risk subrecipient. The Division identified 21 high risk grant programs with total amounts expended that exceeded \$3 million or three tenths of one percent of the total amount expended from all of the grant programs with a high risk subrecipient. These 21 grants were selected for monitoring. No audits or site visits were completed for these 21 grants. The Division of Financial Audits closed three open grant audits; closed thirty-eight open grant reviews, and started an additional twenty grant audits and nineteen grant reviews during fiscal year 2009. In addition, the risk assessment does not incorporate the not-for-profit subrecipients.

For the 2007 and 2008 fiscal years combined, the section completed compliance reviews of 10 subrecipients that failed three or more critical indicators and an additional 43 subrecipients who failed 1 or 2 critical risk indicators. During the conduct of the compliance reviews, section auditors requested certain fiscal records from the subrecipient and reviewed these records to determine compliance with federal fiscal requirements. In fiscal year 2008, all the compliance reviews conducted were a completion of those started in fiscal year 2007.

In addition to the compliance reviews, the section also received complaints from external parties or referrals from TEA program personnel or grant administrators to perform an audit, investigation, review, or other monitoring activity of specific grantees and grants. In most instances, the audit, review or other monitoring activity was initiated as a correspondence or desk process. However, in certain instances, section auditors determined that an onsite visit was warranted due to the scope of the monitoring activity (e.g., multiple years, multiple grants) or the complexity of the issues identified. In 2007, section auditors initiated 11 audits or investigations pursuant to a complaint filed with the TEA or a referral from a TEA division. Of these 11, 8 were closed by August 31, 2009. In 2008, division auditors initiated 16 audits or investigations pursuant to a complaint or referral, of which 7 are currently closed by August 31, 2009. In 2009, division auditors initiated 11 audits or investigations pursuant to a complaint or referral. To the degree feasible, TEA program personnel and auditors coordinated efforts as to the deployment of resources to review selected subrecipients.

In addition to the work performed by the Grant Audits Section, the Investigations Section of the Division of Financial Audits performed on-site follow-up visits on selected corrective action plans submitted by grantees as part of the annual A-133 audit report. Section auditors exercised their professional judgment in assessing the severity of the compliance issues identified by independent auditors in the annual audit report to determine which issues warranted an in-depth onsite follow up visit. The on-site follow-up visits included the selection of sample items to ascertain if the subrecipient corrected the identified deficiency. Auditors conducted 3 on-site follow-up visits in 2007; 11 in 2008, and 12 in 2009.

Further, it was noted that the subrecipient sample selection included exceptions related to the review of A-133 reports received in fiscal year 2009 within 6 months of receipt in order to promptly issue a management decision on any applicable audit findings. Additionally, the Division did not monitor any of the not-for-profit organizations for the submission of the A- 133 audit reports.

Despite the coordination between program and fiscal personnel, TEA’s primary focus is on performance and program results with a limited number of resources available to monitor fiscal compliance. Of the approximately 1,370 subrecipients, 444 were assessed as high-risk in 2007. Of this number, a total of 84 subrecipients underwent a follow-up review, audit, investigation, or compliance review in the past two years (57 initiated in 2007 and 27 in 2008). These 84 subrecipients accounted for approximately 12.4% of the total funds passed through in 2007 and 2008. Of the approximately 1,400 subrecipients, 162 were assessed as high-risk in 2009. Of this number, none of the subrecipients underwent a follow-up review, audit, investigation, or compliance review during 2009.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2009 were:

| <u>Federal Program</u> | <u>Amount Charged to the Federal Program</u> |
|------------------------|--|
| 12.000 | \$ 223,191 |
| 84.002 | 41,735,244 |
| 84.011 | 53,577,556 |
| 84.013 | 3,736 |

| <u>Federal Program</u> | <u>Amount Charged to the Federal Program</u> |
|---|--|
| 84.048 | 58,847,544 |
| 84.181 | 71,507 |
| 84.186 | 18,005,872 |
| 84.196 | 6,256,133 |
| 84.213 | 5,755,695 |
| 84.282 | 6,312,606 |
| 84.287 | 84,090,810 |
| 84.298 | 1,197,913 |
| 84.318 | 23,754,683 |
| 84.332 | (1,219) |
| 84.334 | 1,037,823 |
| 84.357 | 59,761,615 |
| 84.358 | 7,219,370 |
| 84.365 | 89,909,933 |
| 84.366 | 961,484 |
| 84.367 | 231,011,883 |
| 84.369 | 4,360,676 |
| 84.377 | 14,070,484 |
| 84.387 - ARRA | 22,973 |
| 84.938 | (395) |
| 93.558 | 19,541,081 |
| 93.630 | 3,466,210 |
| 93.938 | (44) |
| 94.004 | 1,428,286 |
| 97.036 | (14,393) |
| Child Nutrition Cluster | 1,346,972,026 |
| Special Education (IDEA) Cluster | 944,264,561 |
| Special Education (IDEA) Cluster - ARRA | 33,190,448 |
| Title I, Part A Cluster | 1,269,679,846 |
| Title I, Part A Cluster - ARRA | <u>24,312,266</u> |
| Total | \$ <u>4,351,027,404</u> |

Recommendation:

TEA has developed a risk assessment process that does appear to identify the subrecipients with potential risk. They have allocated their resources between the required program audits, A-133 reviews, and financial monitoring components of their subrecipient monitoring process to incorporate not only federal requirements but state law as well. TEA needs to execute its planned monitoring process and increase the coverage of LEAs receiving targeted site visits or desk reviews especially considering the inclusion of ARRA awards. In addition, the \$3 million threshold that further delineates the population of high risk subrecipients to those that will be monitored would appear to be too limiting, considering the number of LEAs and the size of the average grant for each LEA. In addition, not-for-profit entities that TEA passes funds through to need to be incorporated into the agency's subrecipient monitoring process.

Management Response and Corrective Action Plan:

TEA auditors will continue to assess risk based on information from multiple sources of data including the annual financial and compliance reports submitted to the TEA. The audit plan for fiscal year 2010 will include a limited assessment of internal controls of all high-risk subrecipients to determine whether further review is warranted. High-risk subrecipients that fail to demonstrate basic compliance with the federal standards for financial management systems will be reviewed in further detail.

TEA auditors will evaluate the impact that using a \$3 million threshold to identify high risk grant programs has on its monitoring process to ensure that a potential area of risk is not overlooked and will consider using the size of average grants to focus its monitoring of high risk subrecipients.

Although TEA auditors have conducted audits and reviews of not-for-profit entities, they will identify indicators that will specifically identify not-for-profit entities for subrecipient monitoring activities.

TEA auditors will continue to evaluate the review process for the single audits to ensure they are reviewed in a timely manner. The agency completed 94.6% of the 2007-2008 A-133 audits within the 6 month time period. TEA is in the process of developing a plan to comply with the requirements of the A-133 for non-profits.

The Division of Financial Audits has established a monitoring section that is dealing strictly with monitoring ARRA funds. The section is composed off five auditors who will be doing on-site and desk reviews of the ARRA funds. They will be using a risk-based monitoring program to select subrecipients to monitor. Currently the section has three auditors and is in the process of hiring two additional auditors.

Implementation Date: March 1, 2010 through August 31, 2010

Responsible Persons: Ramón Medina and Rita Chase

Texas Higher Education Coordinating Board

Reference No. 10-65

Reporting

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness 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)).

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| Questioned Cost: | \$21 |
| U.S. Department of Education | |

The Texas Higher Education Coordinating Board (Coordinating Board) did not maintain appropriate user access to its Higher Education Loan Management System (HELMS). Specifically:

- Two users from the monitoring and reporting team had excessive access to update due diligence data for borrower records, process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to enter new repayment information.

Additionally, the Coordinating Board did not maintain appropriate user access to the server on which HELMS resides. Specifically:

- Two former employees of Team for Texas (a group of contractors establishing Texas state data centers) had access to the system administrator group on the server.
- One generic system user ID had access to the server.

Allowing employees inappropriate or excessive access to Coordinating Board systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Lender's Interest and Special Allowance Request and Report

To receive payments of interest benefits and special allowance payments, lenders must submit a quarterly *Lender's Interest and Special Allowance Request and Report* (LaRS report) to the U.S. Department of Education (Department). The LaRS report is also used to report origination fees collected on new loans. In addition, other information on the Federal Family Education Loan Program (FFELP) portfolio must be reported to assist the Department in proper management of the FFELP. Parts IV and V of the LaRS report contain information regarding the changes to the guaranteed loan balances during the quarter and the analysis of the status of ending balances of all applicable accounts, including past due accounts (*Compliance Audits [Attestation Engagements] For Lenders and Lender Servicers Participating in the Federal Family Education Loan Program*, Section II.1; Title 34, Code of Federal Regulations, Section 682.305(a); *Common Manual Unified Student Loan Policy*, Section A.3.B).

Auditors identified the following issues regarding the Coordinating Board's LaRS reports:

- In Part I (Loan Origination and Lender Loan Fees) of the LaRS report for the quarter ending September 30, 2008, the Coordinating Board incorrectly classified 6 loans. This affected 4 rows of the report. These loans were first disbursed after July 1, 2008, and they should have been reported in the 1 percent origination fee category but were instead reported in the 1.5 percent category. These errors occurred because these loans were guaranteed and originally scheduled to be disbursed before July 1, 2008. This resulted in an overcharge of 0.5 percent in loan origination fees to the borrowers. The total balance of these 6 loans was \$11,026.
- In Part III (Special Allowance) of the LaRS report for the quarter ending September 30, 2008, the Coordinating Board omitted 14 lines. In Part III (Special Allowance) of the LaRS report for the quarter ending December 31, 2008, the Coordinating Board omitted 12 lines. Both reports were filed manually, and these omissions appeared to be due to user errors.
- In Part V (Loan Portfolio Status) of the LaRS reports for multiple quarters, the Coordinating Board incorrectly included loan amounts for 5 (83 percent) of 6 judgmentally selected student loans in the "over 270 days past due" category. For these loans, no further collection efforts were required because a claim had already been paid. The Coordinating Board continued to report the loans as in repayment because it had not written them off. Loans that are not in the current due diligence cycle are not guaranteed. As a result, these loans should not have been reported. Although these accounts were correctly identified in HELMS, in "Claim paid" status, they continued to receive special allowance payments starting July 1, 2008, on the unpaid loan balances. The Coordinating Board has identified all accounts in "Claim paid" status with unpaid remaining balances and stated that it would report related special allowance payment adjustments for the quarter ending September 30, 2009. The 5 accounts in error had combined loan balances of \$3,397 as of the quarter ending June 30, 2009, which represented 65 percent of the total loan balance of the 6 accounts tested. The total loan balance for accounts in repayment status that were more than 270 days past due was \$8,374 as of the quarter ending June 30, 2009.
- In Part V of the LaRS reports for multiple quarters, the Coordinating Board incorrectly included loan amounts for 4 (80 percent) of 5 judgmentally selected student loans selected from the "Claims filed, but not yet paid" category that were more than 400 days past due. While these loans were automatically identified in HELMS in "Claim filed" status on the 270th past due date, the Coordinating Board did not actually file a claim with the guaranty agency. Lenders are required to timely file claims with the guaranty agency for payment of death, disability, closed schools, false certification, bankruptcy, and default claims. A timely filing violation occurs when lenders fail to submit default, death, disability, ineligible borrower, closed school, or false certification claims within the prescribed time frames prescribed. As of the quarter ending June 30, 2009, these loans were all in timely filing violation status and needed to be cured. A lender is prohibited from billing for federal interest benefits and special allowance payment on loans that are not eligible for federal reinsurance coverage. It is the lender's responsibility to repay immediately all federal interest benefits and special allowance payments on a loan that is, or was, ineligible to receive payments. These loans continued to receive special allowance payments as of the quarter ending June 30, 2009. The 4 accounts in error had a combined loan balance of \$73,348 as of the quarter ending June 30, 2009, which represented 87 percent of the total loan balance of the 5 accounts tested. The total loan balance for claims more than 400 past due days was \$124,706 as of the quarter ending June 30, 2009.
- The Coordinating Board does not reconcile the errors on an error report that is generated from the LaRS process prior to submitting the LaRS report. Not reconciling these errors could result in students not being reported and the submission of an incomplete LaRS report.

With the exception of the issue noted above regarding Part I of the LaRS, information was not available to enable auditors to calculate questioned costs related to the other errors.

Recommendations:

The Coordinating Board should:

- Review user access to ensure appropriate segregation of duties is in place.
- Return the origination fee amount it overcharged to six borrowers and process related adjustments in HELMS.

- Process special allowance prior period adjustments for the quarter ending September 30, 2009 for the 26 missing lines of Part III of 2 LaRS reports. The Coordinating Board should also implement a reconciliation process between its LaRS report and lender search reports to ensure it submits complete information.
- Review all accounts in “Claim paid” status with remaining unpaid balances and process special allowance payment adjustments in the quarter ending September 30, 2009, retroactive to the claim paid date. The Coordinating Board should also implement additional controls to ensure that it writes off unpaid loan balances promptly after a claim is paid.
- Review all accounts in pending claim status to determine whether timely filing violations have occurred and void accounts are no longer eligible for special allowance payments. The Coordinating Board also should process special allowance payment adjustments in the quarter ending September 30, 2009, retroactive to the timely filing violation date. In addition, the Coordinating Board should periodically review the analysis of pending claims report and other applicable exception reports to prevent timely filing violations.
- Ensure that it reviews the error report that is generated when it produces its LaRS report and reconcile errors prior to submitting its LaRS report.

Management Response and Corrective Action Plan:

- *We have implemented an annual process whereby the entire HELMS system access is reviewed and updated, as well as periodic review based on changing staff needs. Implemented January 2010.*
- *We are in the process of taking corrective action and the adjustments will be made for the quarter ending March 31, 2010 LaRS billing.*
- *The adjustments were completed for the two quarters ending September 30-2008 and December 31, 2008, and filed for the quarter ending September 30, 2009. We now file our LaRS electronically through EDConnect, which should eliminate manual errors. In addition we will implement a reconciliation process with the quarter ending December 31, 2009.*
- *Special Allowance adjustments were made for the quarter ending September 30, 2009. New controls were put into place in January 2010 to ensure that unpaid loan balances are promptly written off.*
- *Special Allowance adjustments were made for the quarter ending September 30, 2009. The Claims work group was reorganized in January 2010, and during this reorganization review of various Claims reports was reassigned to new Claims staff.*
- *We will implement a review of the LaRS error report for the quarter ending December 31, 2009.*

*Implementation Date: January 15, 2010
 March 31, 2010
 September 30, 2009 and March 31, 2010
 September 30, 2009 and January 2010
 September 30, 2009 and January 2010
 March 31, 2010*

Responsible Person: Katherine Carson

Reference No. 10-66

Special Tests and Provisions - Due Diligence by Lenders or Servicers in the Collection of Delinquent Loans
(Prior Audit Issues - 09-59 and 08-53)

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender
Award year - July 1, 2008 to June 30, 2009
Award number - CFDA 84.032 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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The Texas Higher Education Coordinating Board (Coordinating Board) did not maintain appropriate user access to its Higher Education Loan Management System (HELMS). Specifically:

- Two users from the monitoring and reporting team had excessive access to update due diligence data for borrower records, process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to enter new repayment information.

Additionally, the Coordinating Board did not maintain appropriate user access to the server on which HELMS resides. Specifically:

- Two former employees of Team for Texas (a group of contractors establishing Texas state data centers) had access to the system administrator group on the server.
- One generic system user ID had access to the server.

Allowing employees inappropriate or excessive access to Coordinating Board systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Lender Due Diligence in Collecting Guaranty Agency Loans

A lender is required to maintain complete and accurate records of each loan that it holds. In determining whether the lender meets the due diligence compliance requirements pertaining to collection of delinquent loans, the documentation an institution maintains must include a collection history showing the date and subject of each communication between the lender and the borrower or endorser related to collection of a delinquent loan; each communication (other than regular reports by the lender showing that an account is current) between the lender and a credit bureau regarding the loan; each effort to locate a borrower whose address is unknown at any time; and each request by the lender for default aversion assistance on the loan (Title 34, Code of Federal Regulations, Section 682.414(a)(4)).

For loans that are 1-15 days delinquent, the lender should send the borrower one written notice or collection letter informing the borrower of the delinquency and urging the borrower to make payments sufficient to eliminate the delinquency. For loans that are 16-180 days delinquent, the lender must engage in at least 4 diligent efforts to contact the borrower by telephone and send at least 4 collection letters urging the borrower to make the required payments on the loan (Title 34, Code of Federal Regulations, Section 682.411(c) and (d)).

For 1 (2.4 percent) of 41 loans tested, the Coordinating Board did not send the borrower 3 written collection letters for a loan that was 68 days delinquent. According to federal regulations, the first collection letter should have been sent by the 15th date of delinquency. For this loan, the Coordinating Board also did not follow its internal policy and

procedures for sending a collection letter on the 10th, 50th, and 60th day of delinquency. The Coordinating Board's policy is designed to comply with the federal requirement to perform 4 due diligence efforts for loans that are 16 - 180 days delinquent. However, because the Coordinating Board made required phone calls to the borrower, there was not a gap of 45 days or more between collection activities.

According to the Coordinating Board, it did not send the collection letters in a timely manner because of a manual processing error. The borrower's record in HELMS had a return mail code that prevented HELMS from automatically generating the required collection letters. The Coordinating Board did not remove the return mail code after it received the borrower's correct address. The Coordinating Board manually corrected the error by removing the return mail code on February 18, 2009, which was 68 days after the borrower missed the payment. The Coordinating Board sent written collection letters to the borrower on the same date.

Recommendations:

The Coordinating Board should:

- Review user access to ensure appropriate segregation of duties is in place.
- Improve manual controls over collection notices to ensure that they are operating as designed and comply with federal laws and regulations.

Management Response and Corrective Action Plan:

- *This finding begins with a repeat of the first finding in Special Tests and Provision - LaRS, etc. We have implemented an annual process whereby the entire HELMS system access is reviewed and updated, as well as periodic review based on changing staff needs. Implemented January 2010.*
- *Staff training has been implemented and is ongoing to reinforce the controls needed to ensure timely collection processes.*

*Implementation Date: January 2010
 January 2010*

Responsible Person: Katherine Carson

Reference No. 10-67

- Special Tests and Provisions - Timely Claim Filings by Lenders or Servicers**
- Special Tests and Provisions - Individual Record Review**
- Special Tests and Provisions - Loan Origination and Lender Loan Fees**
- Special Tests and Provisions - Interest Benefits**
- Special Tests and Provisions - Special Allowance Payments**
- Special Tests and Provisions - Enrollment Reports**
- Special Tests and Provisions - Payment Processing**

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lenders
Award year - July 1, 2008 to June 30, 2009
Award number - CFDA 84.032 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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The Texas Higher Education Coordinating Board (Coordinating Board) did not maintain appropriate user access to its Higher Education Loan Management System (HELMS). Specifically:

- Two users from the monitoring and reporting team had excessive access to update due diligence data for borrower records, process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to enter new repayment information.

Additionally, the Coordinating Board did not maintain appropriate user access to the server on which HELMS resides. Specifically:

- Two former employees of Team for Texas (a group of contractors establishing Texas state data centers) had access to the system administrator group on the server.
- One generic system user ID had access to the server.

Allowing employees inappropriate or excessive access to Coordinating Board systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Timely Claim Filing

An institution shall demonstrate to the Secretary of the U.S. Department of Education (Secretary) that the institution is capable of adequately administering Title IV programs under each of the standards established to continue its participation in any Title IV, Higher Education Act (HEA) program. The Secretary considers an institution to have that administrative capability if the institution meets several standards, including that the institution administers Title IV, HEA programs with adequate checks and balances in its system of internal controls (Title 34, Code of Federal Regulations, Section 668.16(c)).

A lender may file a claim against the Secretary’s guarantee on a federal guaranteed student loan if the borrower has defaulted on a loan (Title 34, Code of Federal Regulations, Section 682.511(a)(i)).

For 1 (2 percent) of 42 cases tested, the Coordinating Board incorrectly filed a \$769.36 claim on March 27, 2009, for a loan that was canceled prior to disbursement and was therefore not in default. On July 24, 2006, the Texas Guaranteed Student Loan Corporation notified the Coordinating Board that this loan was canceled prior to disbursement. The Coordinating Board updated HELMS to reflect a cancellation for the first disbursement, but not for the second disbursement. As a result, the Coordinating Board incorrectly billed the U.S. Department of Education for interest benefits and special allowance payments (SAP) for the second disbursement. The Coordinating Board asserted that this occurred because of a manual processing error.

The Coordinating Board made appropriate interest subsidy and origination fee adjustments in the amount of \$104.39 on the *Lender's Interest and Special Allowance Request and Report* (LaRS report) it submitted to the U.S. Department of Education for the quarter ending September 30, 2009. Furthermore, auditors were able to verify that the Coordinating Board correctly adjusted its average daily balance required for the U.S. Department of Education to calculate the SAP adjustment; therefore, there were no remaining questioned costs.

Special Tests and Provisions

The general control weaknesses described above apply to the following special tests and provisions; however, auditors identified no compliance issues regarding these compliance requirements:

- Special Tests and Provisions - Individual Record Review.
- Special Tests and Provisions - Loan Origination and Lender Loan Fees.
- Special Tests and Provisions - Interest Benefits.
- Special Tests and Provisions - Special Allowance Payments.
- Special Tests and Provisions - Enrollment Reports.
- Special Tests and Provisions - Payment Processing.

Recommendations:

The Coordinating Board should:

- Review user access to ensure appropriate segregation of duties is in place.
- Enhance internal controls to ensure that it captures, promptly processes, and reconciles claim filing data to maintain data accuracy and validity.

Management Response and Corrective Action Plan:

- *This finding begins with a repeat of the first finding in Special Tests and Provision - LaRS etc. We have implemented an annual process whereby the entire HELMS system access is reviewed and updated, as well as periodic review based on changing staff needs. Implemented on January 2010.*
- *This is a loan origination and Guarantor reporting issue. Staff training has been implemented and is ongoing to reinforce the controls needed to ensure timely cancellation of loans.*

Implementation Date: January 2010

Responsible Person: Katherine Carson

Reference No. 10-68

Special Tests and Provisions - Curing Due-Diligence and Timely Filing Violations

(Prior Audit Issues - 09-60, 08-54, 07-53, and 06-49)

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The Texas Higher Education Coordinating Board (Coordinating Board) did not maintain appropriate user access to its Higher Education Loan Management System (HELMS). Specifically:

- Two users from the monitoring and reporting team had excessive access to update due diligence data for borrower records, process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to process claims, enter new repayment information, and change payment schedules.
- One user from the monitoring and reporting team had excessive access to enter new repayment information.

Additionally, the Coordinating Board did not maintain appropriate user access to the server on which HELMS resides. Specifically:

- Two former employees of Team for Texas (a group of contractors establishing Texas state data centers) had access to the system administrator group on the server.
- One generic system user ID had access to the server.

Allowing employees inappropriate or excessive access to Coordinating Board systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Cures

A lender requests payment of interest benefits and special allowance payments for eligible loans by billing the U.S. Department of Education (Department) at the end of each calendar quarter. The lender does this by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report). A lender is prohibited from billing for federal interest benefits and special allowance payment on loans that are not eligible for federal reinsurance coverage. It is the lender's responsibility to repay immediately all federal interest benefits and special allowance payments on a loan that is, or was, ineligible to receive payments (Common Manual, Unified Student Loan Policy, Appendix A.3). A lender may have the guarantee on a loan reinstated by curing the applicable violation. Upon reinstatement of a loan's guarantee, the lender is again eligible to receive claim payments, interest benefits, and special allowance payments on the loan; the lender is ineligible to receive these payments from the date of the first unexcused violation to the date of the cure (Common Manual, Unified Student Loan Policy, Section 14.5). A lender must comply with the cure procedures in Title 34, Code of Federal Regulations, Part 682, Appendix D, for loans with due diligence or timely filing violations and related cure information must be accurately reported on the LaRS report.

For the quarter ending June 30, 2009, HELMS contained incorrect void start date information for 1 (9 percent) of 11 accounts tested. A timely claim violation caused this loan to lose its guarantee effective January 7, 2009; however, the void start date was manually entered into the Coordinating Board's system incorrectly. HELMS contained April 12, 2009, as the void start date which caused the Coordinating Board not to rebate funds for the associated loan for the 95 days between the actual void start date and the void start date recorded in HELMS.

Recommendations:

The Coordinating Board should:

- Review user access to ensure appropriate segregation of duties is in place.
- Ensure that it maintains accurate information related to cures in HELMS and reports accurate information on its LaRS report.

Management Response and Corrective Action Plan:

- *This finding begins with a repeat of the first finding in Special Tests and Provision - LaRS etc. We have implemented an annual process whereby the entire HELMS system access is reviewed and updated, as well as periodic review based on changing staff needs. Implemented January 2010.*
- *We are in the process of taking corrective action and the adjustment will be made for the quarter ending March 31, 2010 LaRS billing.*

*Implementation Date: January 2010
March 31, 2010*

Responsible Person: Katherine Carson

Reference No. 10-69

**Allowable Costs/Cost Principles
Period of Availability of Federal Funds**

**CFDA 84.048 - Career and Technical Education - Basic Grants to States
Award years - July 1, 2009 to September 30, 2010 and July 1, 2008 to September 30, 2009
Award numbers - V048A090043 and V048A080043
Type of finding - Significant Deficiency**

High-privileged access in 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 high-privileged access to the production environment. During the performance of general controls work for the Time Distribution Reporting application (TDR), it was determined that a Senior Web Developer had write access to the TDR Database. In addition, it was noted that there is no documented review of access to the TDR system to determine the appropriateness of access for existing users. This inappropriate access may allow the developer to inject SQL code through the backend or impact the production code indirectly.

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

No compliance issues were noted for payroll sample items selected with regard to the above major program. The related timesheets were properly certified and approved and the allocation of expenditures was recalculated without exception. Total salary charged to the major program for fiscal year 2009 was approximately \$895,000.

Recommendation:

Management should implement procedures to restrict high-privileged access on all systems, applications and databases to users with system administrative job functions. In addition, a periodic review by management of the users of critical systems and the responsibilities/privileges assigned to the users should be performed periodically and formally documented.

Management Response and Corrective Action Plan:

These permissions were incorrectly set to read/write rather than read only by the database administrator during a cleanup process to comply with industry best practices in November to implement role-based security rather than grant individual access. The permissions were removed immediately when reported. The agency will perform a review of access during the annual security risk assessment that is currently in progress and in future years.

Additionally, the TDR program's output is reviewed by two different parties (contract management staff and accounting staff) prior to application to the accounting system, mitigating the risk of data manipulation.

Implementation Date: January 26, 2010

Responsible Person: Darla Fent

Texas State University - San Marcos

Reference No. 10-70

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

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 - Student Status Changes

(Prior Audit Issue - 09-65)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.375 P375A080387, CFDA 84.007 P007A084122, CFDA 84.033 P033A084122, CFDA 84.038 P038A044122, CFDA 84.063 P063P080387, CFDA 84.268 P268K090387, CFDA 84.376 P376S080387, and CFDA 84.379 P379T090387

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)).

| | |
|------------------------------|-------|
| Questioned Cost: | \$650 |
| U.S. Department of Education | |

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009, that it has removed these three user IDs from having "ALL" access and that the users have been notified to log in with their University-assigned user IDs.

Academic Competitiveness Grant

The Academic Competitiveness Grant (ACG) program provides grants to eligible, full-time regular undergraduate students enrolled in their first or second academic years in an ACG-eligible program at a two- or four-year degree-granting institution. Grants are up to \$750 for first-year students and up to \$1,300 for second year students (Title 34, Code of Federal Regulations, Sections 691.6 and 691.62).

Based on a review of the full population of student financial assistance recipients, the University awarded one student \$650 in ACG funds when the student was not in the first or second academic year and, therefore, not eligible to receive the grant. The student met eligibility requirements at the end of the Spring 2008 semester but attended a Summer semester at a different institution. Upon completion of the Summer 2008 semester, the student was ineligible for the ACG award based on academic year requirements.

Activities Allowed or Unallowed, Cash Management, Period of Availability of Federal Funds, Special Tests and Provisions - Separate Funds, Special Tests and Provisions - Verification, Special Tests and Provisions - Disbursements To or On Behalf of Students, and Special Tests and Provisions - Student Status Changes

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, period of availability of federal funds, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - student status changes, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

The University should:

- Ensure that each user has his or her own unique user ID to access the financial aid system.
- Ensure segregation of duties is in place for users who have the ability to migrate code changes into the production environment.
- Perform formal periodic reviews of user access to production data and system administrator privileges on VMS.
- Ensure users do not have more than one user ID to access various systems.
- Improve procedures to ensure that ACG grant recipients are eligible prior to disbursement of funds.

Management Response and Corrective Action Plan:

Unique User ID to Access Financial Aid System

A review of computer operator duties has been conducted. Based on that review, each operator will be assigned their own unique user ID that will allow the appropriate access required to perform their job duties. The shared privileged account will no longer be used.

Implementation Date: February 2010

Responsible Person: Mark Hughes

Ensure Segregation of Duties for Users Who Migrate Code Changes to Production

An audit of programmer access to the Financial Aid system has been conducted and access has been removed from all but three people. Presently one programmer (William Jackson) is authorized to make source code changes. The code changes are then reviewed by either the Financial Aid Specialist (Mark Boucher) or the Assistant Director of Enterprise Systems (Randy Young). Code changes are migrated to the production environment only after they have been tested by the Financial Aid staff and reviewed by a second Enterprise Systems staff member.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Perform Formal Periodic Reviews of User Access to Production Data and System Administrator Privileges on VMS

Formal reviews of user and administrator access privileges on VMS will be conducted at the end of the Spring and Fall semesters. This review will be coordinated by Technology Resources' Infrastructure Services Director.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Ensure Users Do Not Have More than One User ID to Access Various Systems

End users will be assigned one user ID for system access. Individuals who perform system administrator roles will continue to have two user IDs: one for their standard end user access, and one to provide privileged access required to perform system administration duties. Two accounts are required to properly separate duties and track system access.

Implementation Date: N/A

Responsible Person: Mark Hughes

Academic Competitiveness Grant

An additional quality control component was added to the ACG procedures in order to identify students who have been awarded and disbursed an ACG award, but whose transcripts from other institutions (e.g., for summer coursework) are later transmitted to and received (post-disbursement) by Texas State University.

Implementation Date: September 2009

Responsible Person: Christopher Murr

Reference No. 10-71

Reporting

(Prior Audit Issue - 09-66)

Student Financial Assistance Cluster

Award year - July 1, 2008, to June 30, 2009

Award numbers - CFDA 84.063 P063P080387, CFDA 84.007 P007A084122, CFDA 84.038 P038A044122, CFDA 84.268 P268K090387, CFDA 84.033 P033A084122, CFDA 84.375 P375A080387, CFDA 84.376 P376S080387, and CFDA 84.379 P379T090387

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009 that it has removed these three user IDs from having "ALL" access and that the users have been notified to log in with their University-assigned user IDs.

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 45 (63 percent) of 72 Pell disbursements made to 40 students tested at the University, the disbursement date the University reported to the COD System did not match disbursement date in the University's financial aid system. However, the University did report the correct disbursement amount to the COD System for all Pell disbursements tested. The University commonly reports anticipated disbursements 30 days in advance of the actual expected date of disbursement. The batch process that reports disbursements to COD captures the anticipated disbursement date instead of the actual disbursement date. As a result, the date reported to the COD System may differ from the actual disbursement date if the disbursement occurred on a different date than anticipated.

Recommendations:

The University should:

- Ensure that each user has his or her own unique user ID to access the financial aid system.
- Ensure segregation of duties is in place for users who have the ability to migrate code changes into the production environment.
- Perform formal periodic reviews of user access to production data and system administrator privileges on VMS.
- Ensure users do not have more than one user ID to access various systems.
- Update actual disbursement dates and amounts in the COD System to ensure that it reports the proper dates.

Management Response and Corrective Action Plan:

Unique User ID to Access Financial Aid System

A review of computer operator duties has been conducted. Based on that review, each operator will be assigned their own unique user ID that will allow the appropriate access required to perform their job duties. The shared privileged account will no longer be used.

Implementation Date: February 2010

Responsible Person: Mark Hughes

Ensure Segregation of Duties for Users Who Migrate Code Changes to Production

An audit of programmer access to the Financial Aid system has been conducted and access has been removed from all but three people. Presently one programmer (William Jackson) is authorized to make source code changes. The code changes are then reviewed by either the Financial Aid Specialist (Mark Boucher) or the Assistant Director of Enterprise Systems (Randy Young). Code changes are migrated to the production environment only after they have been tested by the Financial Aid staff and reviewed by a second Enterprise Systems staff member.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Perform Formal Periodic Reviews of User Access to Production Data and System Administrator Privileges on VMS

Formal reviews of user and administrator access privileges on VMS will be conducted at the end of the Spring and Fall semesters. This review will be coordinated by Technology Resources' Infrastructure Services Director.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Ensure Users Do Not Have More than One User ID to Access Various Systems

End users will be assigned one user ID for system access. Individuals who perform system administrator roles will continue to have two user IDs: one for their standard end user access, and one to provide privileged access required to perform system administration duties. Two accounts are required to properly separate duties and track system access.

Implementation Date: N/A

Responsible Person: Mark Hughes

Pell Reporting

The issue with Pell reporting was identified previous to the 2008-2009 audit. At that time, the FA system vendor (SunGard) was contacted and a fix implemented in December of 2009 after: 1) the vendor developed the necessary program upgrade; 2) on-site beta-testing of the solution was conducted at Texas State; and 3) necessary programming by Texas State was undertaken to accommodate the fix's integration with other FA system (University- specific) modified programs.

Implementation Date: December 2009

Responsible Person: Christopher Murr

Reference No. 10-72

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue - 09-68)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 P268K090387, CFDA 84.063 P063P080387, CFDA 84.007 P007A084122, CFDA 84.038 P038A044122, CFDA 84.033 P033A084122, CFDA 84.375 P375A080387, CFDA 84.376 P376S080387, and CFDA 84.379 P379T090387

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAM) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009, that it has removed these three user IDs from having “ALL” access and that the users have been notified to log in with their University-assigned user IDs.

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 earned by the student 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 earned by the student is less than the amount that was disbursed to the student 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, Sections 668.22(a)(3)-(4)).

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 or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

For 1 (2.5 percent) of 40 students tested, the University did not return Title IV funds within the required 45-day time frame after the University determined the student withdrew. The University's process for initiating a return of Title IV funds is contingent on the Student Financial Aid Office receiving an official withdrawal form from the Registrar's Office. The Student Financial Aid Office was notified on October 15, 2008, through email that the student had died on October 13, 2008. However, the Student Financial Aid Office did not receive the official withdrawal form until August 4, 2009. The University returned the funds on August 17, 2009.

Recommendations:

The University should:

- Ensure that each user has his or her own unique user ID to access the financial aid system.
- Ensure segregation of duties is in place for users who have the ability to migrate code changes into the production environment.
- Perform formal periodic reviews of user access to production data and system administrator privileges on VMS.
- Ensure users do not have more than one user ID to access various systems.
- Improve policies and procedures related to initiating return of Title IV funds to ensure that it returns Title IV funds within the required time frames.

Management Response and Corrective Action Plan:

Unique User ID to Access Financial Aid System

A review of computer operator duties has been conducted. Based on that review, each operator will be assigned their own unique user ID that will allow the appropriate access required to perform their job duties. The shared privileged account will no longer be used.

Implementation Date: February 2010

Responsible Person: Mark Hughes

Ensure Segregation of Duties for Users Who Migrate Code Changes to Production

An audit of programmer access to the Financial Aid system has been conducted and access has been removed from all but three people. Presently one programmer (William Jackson) is authorized to make source code changes. The code changes are then reviewed by either the Financial Aid Specialist (Mark Boucher) or the Assistant Director of Enterprise Systems (Randy Young). Code changes are migrated to the production environment only after they have been tested by the Financial Aid staff and reviewed by a second Enterprise Systems staff member.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Perform Formal Periodic Reviews of User Access to Production Data and System Administrator Privileges on VMS

Formal reviews of user and administrator access privileges on VMS will be conducted at the end of the Spring and Fall semesters. This review will be coordinated by Technology Resources' Infrastructure Services Director.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Ensure Users Do Not Have More than One User ID to Access Various Systems

End users will be assigned one user ID for system access. Individuals who perform system administrator roles will continue to have two user IDs: one for their standard end user access, and one to provide privileged access required to perform system administration duties. Two accounts are required to properly separate duties and track system access.

Implementation Date: N/A

Responsible Person: Mark Hughes

Return of Title IV Funds

The Registrar's Office has refined its notification procedures to ensure Financial Aid and Scholarships is made immediately aware of deceased students in order to ensure the return of Title IV funds in accordance with applicable federal rules.

Implementation Date: May 2009

Responsible Persons: Christopher Murr and Lloyddean Eckley

Reference No. 10-73

Special Tests and Provisions - Student Loan Repayments

(Prior Audit Issue - 09-69)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.038 P038A044122

Type of finding - Material Weakness and Material 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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009 that it has removed these three user IDs from having "ALL" access and that the users have been notified to log in with their University-assigned user IDs.

Student Loan Repayments

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, Section 674.42(c)(2)).

Under the federal Perkins Loan Program, institutions are required to send borrowers a written notice and a statement of account at least 30 days before their first payment is due (Title 34, Code of Federal Regulations, Section 674.43 (a)(2)(i)).

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, Code of Federal Regulations, Section 674.43(b) and (c)).

The University did not consistently contact defaulted borrowers at required intervals. Specifically:

- For all eight defaulted students tested, the University did not make the three required grace period contacts within the required time frames. The University incorrectly calculated the initial grace period start date to be the first day of the following month after the borrower dropped below half-time enrollment, instead of the day after the borrower dropped below half-time enrollment. Additionally, the first grace period notice to the borrowers did not include the amount of principal and interest due on loan or the projected life of the loan.
- For all eight defaulted students tested, the University did not provide evidence that billing statements were sent to the students.
- For 5 (45 percent) of 11 defaulted loans tested, the University did not send the first overdue notices within 15 days. For an additional 2 (18 percent) of the 11 defaulted loans tested, the University did not provide evidence that it sent the first overdue notice.
- For 2 (33 percent) of 6 defaulted loans tested, the University did not send second overdue notices within 30 days after the first overdue notice. For an additional 1 (17 percent) of the 6 defaulted loans, the University did not provide evidence that it sent the second overdue notice.
- For 2 (50 percent) of 4 defaulted loan tested, the University did not send final demand letters within 15 days after second overdue notices. For an additional 1 (25 percent) of the 4 defaulted loans, the University did not provide evidence that it sent the final demand letter.
- For 2 (67 percent) of 3 defaulted loans tested, the University did not provide evidence that it attempted to contact the borrower twice after the final demand letter.

- For all three defaulted loans for which the University was required to contact credit bureaus, the University did not provide evidence that it made the required contacts. The University also did not provide evidence that it made the first effort to collect, initiate litigation, or make a second effort to collect on these loans.
- For two loans in default for more than one year, the University did not conduct a yearly attempt to collect.

University personnel use a monthly aging report to identify students to contact regarding Perkins billing. University personnel then manually create notices and contact students who are in default based on the aging reports. The above issues resulted from a breakdown in manual processes.

Recommendations:

The University should:

- Ensure that each user has his or her own unique user ID to access the financial aid system.
- Ensure segregation of duties is in place for users who have the ability to migrate code changes into the production environment.
- Perform formal periodic reviews of user access to production data and system administrator privileges on VMS.
- Ensure users do not have more than one user ID to access various systems.
- Send grace period contact letters and initial billing notices to borrowers within the required time frames.
- Send Perkins Loan overdue notices and final demand letters to all borrowers who do not make the first payment or make a request for deferment, postponement, or cancelation.
- Report an account to credit bureaus when a borrower fails to respond to the final demand letter or the following telephone contact.

Management Response and Corrective Action Plan:

Unique User ID to Access Financial Aid System

A review of computer operator duties has been conducted. Based on that review, each operator will be assigned their own unique user ID that will allow the appropriate access required to perform their job duties. The shared privileged account will no longer be used.

Implementation Date: February 2010

Responsible Person: Mark Hughes

Ensure Segregation of Duties for Users Who Migrate Code Changes to Production

An audit of programmer access to the Financial Aid system has been conducted and access has been removed from all but three people. Presently one programmer (William Jackson) is authorized to make source code changes. The code changes are then reviewed by either the Financial Aid Specialist (Mark Boucher) or the Assistant Director of Enterprise Systems (Randy Young). Code changes are migrated to the production environment only after they have been tested by the Financial Aid staff and reviewed by a second Enterprise Systems staff member.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Perform Formal Periodic Reviews of User Access to Production Data and System Administrator Privileges on VMS

Formal reviews of user and administrator access privileges on VMS will be conducted at the end of the Spring and Fall semesters. This review will be coordinated by Technology Resources' Infrastructure Services Director.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Ensure Users Do Not Have More than One User ID to Access Various Systems

End users will be assigned one user ID for system access. Individuals who perform system administrator roles will continue to have two user IDs: one for their standard end user access, and one to provide privileged access required to perform system administration duties. Two accounts are required to properly separate duties and track system access.

Implementation Date: N/A

Responsible Person: Mark Hughes

Perkins

Management concurs. Procedures are being implemented immediately to assure proper grace period and correct timing of subsequent grace notifications. Overdue notices on past-due accounts have already been addressed and implemented after 2007-2008 audit. Credit bureau reports are submitted by our outside collection agencies but the University will assure that proper default reporting is done until such time as the account is placed with an outside agency.

Implementation Date: January 2010

Responsible Person: Nancy Meeks

Reference No. 10-74

Special Tests and Provisions - Borrower Data Transmission and Reconciliation

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 P268K090387

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the

production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009 that it has removed these three user IDs from having “ALL” access and that the users have been notified to log in with their University-assigned user IDs.

Borrower Data Transmission and Reconciliation

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 that consists of a cash summary, cash detail, and (optional at the request of the school) loan detail records. The institution is required to reconcile these files to the institution’s financial records. Up to three Direct Loan program years may be open at any given time; therefore, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 685.303).

For 2 (5 percent) of 40 students tested (or 2 of 194 disbursements), the University did not report disbursement records to the DLSS within 30 days of disbursement. The University was late in reporting to the DLSS in October 2008, which was the reporting period for both of these disbursements. As a result, the University submitted these disbursements 32 days and 39 days after disbursement.

Recommendations:

The University should:

- Ensure that each user has his or her own unique user ID to access the financial aid system.
- Ensure segregation of duties is in place for users who have the ability to migrate code changes into the production environment.
- Perform formal periodic reviews of user access to production data and system administrator privileges on VMS.
- Ensure users do not have more than one user ID to access various systems.
- Report all disbursements to the DLSS within 30 days of disbursement.

Management Response and Corrective Action Plan:

Unique User ID to Access Financial Aid System

A review of computer operator duties has been conducted. Based on that review, each operator will be assigned their own unique user ID that will allow the appropriate access required to perform their job duties. The shared privileged account will no longer be used.

Implementation Date: February 2010

Responsible Person: Mark Hughes

Ensure Segregation of Duties for Users Who Migrate Code Changes to Production

An audit of programmer access to the Financial Aid system has been conducted and access has been removed from all but three people. Presently one programmer (William Jackson) is authorized to make source code changes. The code changes are then reviewed by either the Financial Aid Specialist (Mark Boucher) or the Assistant Director of Enterprise Systems (Randy Young). Code changes are migrated to the production environment only after they have been tested by the Financial Aid staff and reviewed by a second Enterprise Systems staff member.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Perform Formal Periodic Reviews of User Access to Production Data and System Administrator Privileges on VMS

Formal reviews of user and administrator access privileges on VMS will be conducted at the end of the Spring and Fall semesters. This review will be coordinated by Technology Resources' Infrastructure Services Director.

Implementation Date: January 2010

Responsible Person: Mark Hughes

Ensure Users Do Not Have More than One User ID to Access Various Systems

End users will be assigned one user ID for system access. Individuals who perform system administrator roles will continue to have two user IDs: one for their standard end user access, and one to provide privileged access required to perform system administration duties. Two accounts are required to properly separate duties and track system access.

Implementation Date: N/A

Responsible Person: Mark Hughes

Data Transmission

In September of 2008, Texas State University identified an FA system reporting feature had been manually deactivated. In October of 2008, the error was fixed and a manual review procedure established to serve as a quality control measure to ensure compliance with applicable federal reporting and reconciliation rules.

Implementation Date: October 2008

Responsible Person: Christopher Murr

Reference No. 10-75

**Activities Allowed or Unallowed
Allowable Costs/Cost Principles
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

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, Section 220(C)). 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 pre-award costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations, Section 215.28).

| | |
|---|---------|
| Questioned Cost: | \$1,743 |
| U.S. Department of Defense | |
| U.S. Department of Agriculture | |
| U.S. Department of Commerce | |
| U.S. Department of Interior | |
| U.S. National Science Foundation | |
| U.S. Department of Homeland Security | |
| U.S. Department of Education | |
| U.S. Environmental Protection Agency | |
| U.S. Department of Health and Human Services | |

Texas State University’s - San Marcos (University) wireless cellular communication services policy (UPPS No. 05.03.11) establishes University policy concerning the use, availability, and acquisition of wireless cellular communication services by University employees, including grant-funded employees. Under that policy, a department head is responsible for initiating the processing of an allowance for using an employee’s personal cellular instrument and service for business purposes. The allowance is processed through the University’s payroll system and is included as additional compensation on the employee’s remuneration statement.

The University also has established policies and procedures for delegating “authority to sign specific contracts, or specific types of contracts, to certain regular employees.” That policy states that “a contract signed by an unauthorized person is not binding on the University. A person who signs without proper authorization may be personally liable for any damages incurred by the University or the state.”

Auditors determined that 1 (3 percent) of 40 expenditures tested at the University was unallowable because the cost was not allocable to the sponsored agreement to which it was charged. In September 2008, the University paid a stipend of \$110 for personal cellular service to a University employee who was assigned as a principal investigator for several federal grants. The University charged this stipend to a sponsored agreement, but the University paid the employee’s base salary from non-federal funds. In addition, the University did not report effort for or receive compensation from services performed on any sponsored project for the time period associated with this expenditure.

Although the University has a policy for providing such an allowance for personal cellular service, the policy is unclear regarding when an employee who receives the allowance is or is not working and certifying effort on a federally sponsored project. The University has the responsibility for proper fiscal management, conduct of sponsored projects, and ensuring that all expenditures charged to a project are reasonable, allocable, and allowable. The expenditure discussed above resulted in questioned costs of \$110.

In addition, 4 (8 percent) of 51 grant agreements tested were signed by an unauthorized individual. The four grants totaled \$2.4 million. For these four grant agreements, the University did not follow its policy on contracting authority. This resulted in contracts being signed that may not be binding, and it could create a personal liability on the part of the individual who signed the grant agreements.

The issues discussed above affected the following awards:

| <u>CFDA</u> | <u>Award Numbers</u> | <u>Award Years</u> |
|-------------|----------------------|---|
| 12.300 | N00014-08-1-1107 | June 20, 2008 to December 31, 2009 |
| 10.200 | 2008-38869-19174 | July 15, 2008 to June 14, 2010 |
| 66.202 | EM-96634101-0 | September 6, 2006 to September 30, 2010 |
| 11.426 | NA06NOS4260118 | September 1, 2006 to August 31, 2010 |
| 15.921 | J2124080047 | August 1, 2008 to June 30, 2010 |

Indirect Costs

Facilities and administration (F&A) costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function 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 (regardless of the period covered by the 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. Other items may be excluded only where necessary to avoid a serious inequity in the distribution of F&A costs. For this purpose, an F&A cost rate should be determined for each of the separate F&A cost pools developed pursuant to federal requirements. The rate in each case should be stated as the percentage that the amount of the particular F&A cost pool is of the modified total direct costs identified with such pool (Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, Section G, Subsection 2).

For 3 (8 percent) of 40 indirect cost rate items tested at the University, the indirect cost the University charged was not in accordance with the University’s indirect cost rate agreement with the cognizant federal agency. Specifically:

- For two of these indirect cost rate items, the University initially undercharged the amount of indirect costs allowable per the indirect cost rate agreement. This occurred because project budgets were amended when additional federal funding was received; however, the indirect cost budget was not amended in the system the University uses to calculate indirect costs. As a result, the system ceased to apply the approved indirect cost rate once the original budget was exceeded. The University corrected this in a subsequent period by processing manual journal vouchers to recover the costs.
- For one of these indirect cost rate items, the University exceeded the approved indirect cost rate. During a two-month period, the University did not use its system to calculate the indirect costs associated with the grant and instead processed manual journal vouchers to recover the costs. When automated processing of the indirect cost resumed, the system did not recognize the amounts previously recovered by processing journal vouchers. As a result, the rate was applied to the same direct cost base twice for a two-month period. Indirect costs recovered exceeded the allowable amount by \$1,633.

The issues discussed above affected the following awards:

| <u>CFDA</u> | <u>Award Numbers</u> | <u>Award Years</u> |
|-------------|----------------------|--|
| 47.075 | SES-0729264 | November 1, 2007 to October 31, 2010 |
| 15.640 | 401817M112 | February 28, 2007 to February 28, 2012 |
| 12.300 | N00014-08-1-1107 | June 20, 2008 to December 31, 2009 |

Time and Effort Certification

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 costs 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(J)(10)).

The University’s time and effort certification policy in effect for fiscal year 2009 required that time and effort certifications be completed within 21 days of receipt.

For 16 (64 percent) of 25 aggregate payroll expenditures tested (consisting of 44 detailed payroll transactions) at the University, employees time and effort certifications for the applicable period were not completed in a timely manner (completion was considered to be timely if it occurred within 21 days of the end of the certification period). The late certifications were more prevalent for positions that were classified as other than professional. Of the 16 late certifications, 12 (75 percent) were for individuals in positions classified as other than professional. Although the University performed effort certifications for all employees tested, not completing the certifications within the time frame established in its policy can result in adjustments to accounts funded by federal research and development grants not being made in a timely manner.

The issues discussed above affected the following awards:

| <u>Award Numbers</u> | | <u>Award Years</u> |
|----------------------|--------------------|--|
| 10.200 | 2008-38869-19174 | July 15, 2008 to June 14, 2010 |
| 12.000 | NAN0982 | October 31, 2008 to August 15, 2009 |
| 12.300 | N00014-08-1-1107 | June 20, 2008 to December 31, 2009 |
| 47.075 | SES-0648278 | March 1, 2007 to February 28, 2010 |
| 97.077 | 2008-DN-A R1012-02 | September 15, 2008 to August 31, 2009 |
| 84.002 | 9410003711037.00 | October 1, 2008 to September 30, 2009 |
| 84.324 | R324B070018 | August 1, 2008 to July 31, 2010 |
| 84.031 | P031C080008 | September 1, 2008 to September 30, 2009 |
| 66.460 | 582-8-77060 | December 1, 2007 to November 30, 2009 |
| 47.076 | HRD-0402623 | November 1, 2007 to October 31, 2008 |
| 15.608 | 201818G902 | January 17, 2008 to August 31, 2009 |
| 47.074 | DEB-0816905 | September 1, 2008 to August 31, 2010 |
| 93.086 | 09FE0128/03 | September 30, 2008 to September 29, 2009 |

Recommendations:

The University should:

- Develop and implement procedures to ensure that employees who charge costs, particularly personal cellular service, to a sponsored agreement demonstrate that those costs are allocable to the project during the time period in which the costs are charged.
- Follow its published policies and procedures for contracts and grant administration and ensure that individuals who sign contracts have the appropriate authority to do so.
- Develop and implement procedures to ensure that it trains personnel on account setup procedures for grants and awards and that it charges indirect costs accurately and consistently to sponsored agreements.
- Ensure that employees complete time and effort certifications within the time frames established in its policy.

Management Response and Corrective Action Plan:

Management Concur. The University will draft and put in place policy and associated procedures to ensure that cellular costs (and certain other services) charged to sponsored programs are charged on a proportional basis to the amount of certified effort on a sponsored program.

Implementation Date: August 2010

Responsible Person: W. Scott Erwin

Management concurs. The University has begun to gather signatures from all parties relating to delegated signature authority. The University expects to be in full compliance by May 31, 2010.

Implementation Date: May 2010

Responsible Person: Bill Fly

Management Concurr. The University will draft and put in place procedures to ensure that sponsored programs are charged indirect costs accurately and consistently.

Implementation Date: March 2010

Responsible Person: W. Scott Erwin

Management Concurr. The University is currently configuring an electronic effort reporting system. This system should ensure that effort reports are completed within policy established time frames.

Implementation Date: September 2010

Responsible Person: W. Scott Erwin

Reference No. 10-76

Cash Management

Research and Development Cluster

Award years - June 20, 2008 to December 31, 2009 and October 1, 2008 to September 30, 2010

Award numbers - CFDA 12.300 N000174-08-1-1107 and CFDA 84.002 94100037110037

Type of finding - Significant Deficiency

Title 2, Code of Federal Regulations (CFR), Sections 215 and 220, require that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Specifically, institutions shall ensure that no one person has complete control over all aspects of a financial transaction (Title 2, CFR, Section 220(C)). In addition, Title 2, CFR, Section 215.22(b), requires federal award recipients to maintain procedures that minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the recipient.

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Defense | |
| U.S. Department of Education | |

Texas State University's - San Marcos (University) practice is to request federal funds only after it incurs expenses, thereby minimizing the time elapsing between transfer and disbursement. However, the University does not perform a consistent supervisory review of all types of requests for federal funds.

The University runs a report detailing federal award expenses and requests federal funds based on the amount of expenses it has incurred. The University reviews and approves both the report and the funds request to ensure amounts on those documents match amounts on drawdowns of federal funds and invoices the University has submitted to the awarding agency by mail. However, the University does not require review and approval for invoices submitted to the awarding agency electronically. Four (10 percent) of 40 federal funds requests tested were invoices submitted electronically and, therefore, were not reviewed and approved. The lack of supervisory review and approval for electronic invoices increases the risk of errors during the funds request process. However, auditors examined the four electronic invoices and did not identify any errors.

Recommendation:

The University should establish and implement procedures that require review and approval of federal funds requests it makes that are associated with electronic invoices.

Management Response and Corrective Action Plan:

Management Concur. The University has put in place procedures to ensure that the invoicing of sponsored programs are approved by management prior to submission to the funding agencies.

Implementation Date: Already implemented

Responsible Person: W. Scott Erwin

Reference No. 10-77

Procurement and Suspension and Debarment

Research and Development Cluster

Award years – see below

Award numbers – see below

Type of finding - Significant Deficiency and Non-Compliance

Procurement

Title 2, Code of Federal Regulations (CFR), Section 215, establishes uniform administrative requirements for federal grants and agreements awarded to institutions of higher education. 2 CFR Section 215.46 requires that 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.

| | |
|---|-----|
| Questioned Cost: | \$0 |
| National Oceanic and Atmospheric Administration | |
| U.S. Environmental Protection Agency | |
| National Science Foundation | |
| U.S. Department of Defense | |
| U.S. Fish and Wildlife | |
| U.S. Department of Justice | |

Texas State University - San Marcos (University) has established procedures for processing contracted services contracts and documented them in University Policies and Procedures Statement No. 03.04.01. Employees are required to select a contractor on the basis of “best value” or demonstrated competence and qualifications, and on the amount of the fee. For 1 (4 percent) of 26 procurements tested, the University did not retain documentation supporting the basis of its contractor selection. The University recorded the procurement as a professional and contract services contract for \$35,500. The University’s policy discussed above does not specifically address procurement file retention. Failure to fully record and retain documentation related to procurement transactions results in ineffective monitoring and increases the risk of entering into contractual agreements that do not provide the University with best value.

The University also requires employees to complete a “Justification for Proprietary, Sole Source or Brand Procurement” form when competitive bids or offers are not obtained. However, for 1 (11 percent) of 9 non-competitive procurements tested, the University did not retain the required form that sufficiently explained the rationale to limit competition. As a result, the University did not comply with its internal policy, which is intended to mitigate the risk of non-compliance with federal regulations.

In addition, the University uses its accounting system to initiate and approve requisitions. Auditors reviewed assigned roles within the accounting system and determined that 50 (5 percent) of 990 users could both initiate and approve requisitions during a portion of fiscal year 2009. In May 2009, the University significantly reduced the segregation of duty risk by editing assigned roles so that only nine users could both initiate and approve requisitions.

After fiscal year 2009, the University made further edits of the assigned roles and reduced the number of individuals with the dual roles to four users. The University’s information technology security policy requires the approval of the vice president before granting a user both of these roles. According to University staff, some grants do not have administrative support; therefore, one person has been assigned both roles. The lack of segregation of duties between requisitioner and approver increases the risk that federal funds will not be spent as intended.

The issues noted above are related to the following awards:

| <u>Federal Agency</u> | <u>Award Numbers (CFDA)</u> | <u>Award Years</u> |
|---|------------------------------------|--------------------------------------|
| National Oceanic and Atmospheric Administration | NA06NOS4260118 (11.426) | September 1, 2006 - August 31, 2010 |
| National Science Foundation | BCS-0820487 (47.075) | September 15, 2008 - August 31, 2010 |

Suspension and Debarment

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, CFR, Section 180.300). Covered transactions include procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all non-procurement transactions (that is, subawards to subrecipients) irrespective of award amount (Title 2, CFR, Sections 180.220 and 180.970).

The University did not maintain documentation confirming that suspension and debarment determinations were made for all seven covered procurement transactions tested. Although University policy is to conduct an EPLS search for each vendor name at the time of procurement, the University has not implemented procedures to document the search. As a result, auditors could not determine whether the University complied with federal requirements to verify that the entity is not suspended or debarred or otherwise excluded from federal contracts.

Auditors conducted an EPLS search for all entities for which the University did not have a suspension and debarment certification and determined that the entities were not suspended or debarred.

The issues noted above are related to the following awards:

| <u>Federal Agency</u> | <u>Award Numbers (CFDA)</u> | <u>Award Years</u> |
|---|------------------------------------|--|
| National Oceanic and Atmospheric Administration | NA05NOS4261162 (11.426) | September 1, 2005 - August 31, 2009 |
| | NA06NOS4260118 (11.426) | September 1, 2006 - August 31, 2010 |
| U.S. Environmental Protection Agency | EM-96634101-0 (66.202) | September 6, 2006 - September 30, 2010 |
| National Science Foundation | CHE-0821254 (47.079) | August 1, 2008 - July 31, 2011 |
| | BCS-0820487 (47.075) | September 15, 2008 - August 31, 2010 |
| U.S. Department of Defense | W911NF-07-1-0280 (12.431) | May 15, 2007 - May 14, 2009 |
| U.S. Fish and Wildlife | 201818G902 (15.608) | January 17, 2008 - August 31, 2009 |
| U.S. Department of Justice | 2008-DD-BX-0568 (16.580) | September 1, 2008 - August 31, 2010 |

Recommendations:

The University should:

- Implement policies and procedures to document the basis for contractor selection.
- Ensure that employees complete and retain the required justification forms for all non-competitive procurements.
- Implement segregation of duties between the roles associated with initiating requisitions and approving requisitions in its accounting system.
- Establish procedures to ensure that staff document suspension and debarment determinations.
- Maintain sufficient documentation to prove that it made suspension and debarment determinations at the time of procurement.

Management Response and Corrective Action Plan:

Recommendations:

- *Implement policies and procedures to document the basis for contractor selection.*
- *Ensure that employees complete and retain the required justification forms for all non-competitive procurements.*
- *Establish procedures to ensure that staff document suspension and debarment determinations.*
- *Maintain sufficient documentation to prove that it made suspension and debarment determinations at the time of procurement.*

University Management is in agreement with the recommendation.

The Purchasing Office has procedures in place, which require completion and retention of supporting purchasing documentation as noted in UPPS No. 03.04.01.

Additional mandatory training will be provided and documented for purchasing Staff in Central Purchasing and the College of Science Purchasing Office. Training will cover the importance of completing, evaluating, and retaining the appropriate documents into the requisition at the time of the purchase.

A procedure is in place to provide the correct documentation and explanation supporting the purchase in question. The Central Purchasing Office will reinforce the importance of including this documentation and make sure that all documentation is attached to the requisition. Additional mandatory training will be provided and documented for purchasing Staff in Central Purchasing and the College of Science Purchasing Office.

The Purchasing Office has a suspension and debarment determination procedure in place to verify and maintain sufficient documentation.

The Purchasing Staff will receive additional mandatory training and be made fully aware of the importance of this procedure. A report has been designed and will be initiated as a check/balance to prevent any oversight in the procurement process.

Implementation Date: Already implemented

Responsible Person: Jacque Allbright

Recommendation:

- *Implement segregation of duties between the roles associated with initiating requisitions and approving requisitions in its accounting system.*

Management Concur. The University will consistently enforce its policy such that all dual roles from all University staff are segregated. There are currently no individuals on campus that possess both security roles.

Implementation Date: Already implemented

Responsible Person: Dr. Gene Bourgeois

Texas Workforce Commission

Reference No. 10-78

Special Tests and Provisions - UI Benefit Payments

CFDA 17.225 - Unemployment Insurance

Award years - October 1, 2008 through September 30, 2011 and October 1, 2007 through September 30, 2010

Award numbers - UI-18049-09-55-A-48 and UI-16774-08-55-A-48

Type of finding - Significant Deficiency and Non-Compliance

State Workforce Agencies (SWAs) 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. The program estimates error rates, that is, numbers 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 SWA’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 (either in-person, by telephone, or by fax) to verify all the information pertinent to the paid or denied claim that was sampled. BAM investigators review cases for adherence to state law and policy. For claims that were overpaid, underpaid, or erroneously denied, the BAM investigator determines the amount of payment error or, for erroneously denied claims, the potential eligibility of the claimant; the cause of and the responsibility for any payment error; the point in the UI claims process at which the error was detected; and actions taken by the agency and employer prior to the payment or denial decision that is in error. Federal regional office staff members review a sub-sample of completed cases each year in each State. BAM covers State Unemployment Compensation, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service Members.

| | |
|--------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Labor | |

In accordance with *ET Handbook* No. 395, 4th Edition, Chapter VI, section 12 “Completion of Cases and Timely Data Entry,” a SWA is required to promptly complete and investigate the information being collected by questioning claimant and employers before the passage of time adversely affects recollections. Therefore, the following time limits are established for completion of all cases for the year. (The year includes all batches of weeks ending in the calendar year.):

- **Paid Cases** - A minimum of 70 percent of cases must be completed within 60 days of the week ending date of the batch, and 95 percent of cases must be completed within 90 days of the week ending date of the batch; and 98 percent of cases for the year must be completed within 120 days of the ending data of the calendar year.
- **Denied Cases** - A minimum of 60 percent of cases must be completed within 60 days of the week ending date of the batch, and 85 percent of cases must be completed within 90 days of the week ending date of the batch; and 98 percent of cases for the year must be completed within 120 days of the ending data of the calendar year.

A case is complete when the investigation has been concluded as required, all official actions for the Key Week (except appeals) have been completed, the supervisor has signed off, and the results have been entered into the computer.

Texas Workforce Commission (TWC) did not meet the stated criteria for the minimum paid or denied case reviews within the defined period by the *ET Handbook* No. 395, 4th Edition. Specifically the following results are noted for the calendar year 2008:

| Type of Review | 60-day Requirement | 90-day Requirement | 120-day Requirement |
|-------------------------------|--------------------|--------------------|---------------------|
| Paid cases | 55.3% | 79.62% | 92.51% |
| Denied cases - monetary | 57.31% | 81.87% | 91.23% |
| Denied cases - separation | Percentage met | 81.29% | 91.82% |
| Denied cases – non-separation | Percentage met | 83.81% | 93.06% |

Recommendation:

TWC should work with the Department of Labor to receive a waiver as allowed by the *ET Handbook* No. 395, 4th Edition, which states, “If a SWA’s rates for completion of cases sampled for investigation for the year are less than the requirements, and it believes that such failure was attributable to reasons beyond its control, the SWA may submit a documented analysis to the Department (Regional Office) requesting relief from Departmental actions.

Management Response and Corrective Action Plan:

The Texas Workforce Commission’s Benefits Accuracy Measurement (BAM) Unit did complete all Calendar Year 2008 cases; however, TWC agrees that they were not completed timely. The measures TWC’s BAM Unit has taken since then have enabled it to meet all DOL timeliness requirements for Calendar 2009 cases. Such measures included:

- *Shifting System Analyst duties, allowing the ability to convert a Systems Analyst position to a BAM auditor position.*
- *Implementation of an Access database for the results of the supervisory reviews of BAM cases.*
- *Created efficiencies by shifting clerical and administrative functions from the BAM auditors.*
- *Completion of an independent BAM National Directory of New Hires Cross-match.*

In the future, TWC will seek a waiver of timeliness requirements if warranted by reasons beyond its control.

Implementation Date: All measures were in place by January 1, 2009, with the exception of the completion of the independent BAM National Directory of New Hires Cross-match. The directory was finished by April 1, 2009.

Responsible Person: Jonathan Carson

Reference No. 10-79

Subrecipient Monitoring

Employment Services Cluster - ARRA
Award year - February 17, 2009 to June 30, 2011
Award number - ES-17590-08-55-A-48

Workforce Investment Act Cluster - ARRA
Award year - February 17, 2009 to June 30, 2011
Award number - AA-17150-08-55-A-48
Type of finding - Non-Compliance

The Texas Workforce Commission (TWC) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. Some of these funds were derived from the American Recovery and Reinvestment Act (ARRA) during fiscal year 2009. TWC is required by OMB Circular A-133 to determine whether the subrecipients have current Central Contractor Registration (CCR) registrations prior to making sub awards and performed periodic checks to ensure that subrecipients are updating information, as necessary. (2 CFR part 176.50)

| | |
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| Questioned Cost: | \$0 |
| U.S. Department of Labor | |

TWC informed the subrecipients that they were required to have a current registration with CCR under ARRA but due to the Department of Labor’s guidance to distribute ARRA funding, TWC did not require the subrecipients to have the CCR prior to disbursing funds. Therefore in fiscal year 2009, 12 of 28 subrecipients with ARRA Workforce Investment Act Cluster funding and 4 of 28 subrecipients with ARRA Employment Services Cluster funding did not have a current registration in the CCR prior to receiving their first disbursement of ARRA funds.

Recommendation:

Subsequent to the first ARRA disbursement, TWC continued to obtain documentation of the CCR registrations from all ARRA subrecipients. As of August 31, 2009, all 28 subrecipients had obtained active CCR registrations. TWC should ensure the registrations remain current for all subrecipients.

Management Response and Corrective Action Plan:

TWC agrees that subrecipients need to maintain current CCR registrations. TWC has put in place a process to notify the LWDBs and other subrecipients receiving ARRA funds two weeks prior to the expiration date of the CCR registration. If the subrecipient does not renew the CCR registration, ARRA funds are placed on hold until the registration is renewed.

Implementation Date: August 31, 2009

Responsible Persons: Juan Garcia and Kimberly Emmerich

Reference No. 10-80

Special Tests and Provisions - Match with IRS 940 FUTA Tax Form

CFDA 17.225 - Unemployment Insurance

Award year - October 1, 2006 through September 30, 2009

Award number - UI158270755

Type of finding - Significant Deficiency and Non-Compliance

The Texas Workforce Commission (TWC) is required to annually certify for each taxpayer the total amount of contributions required to be paid under the state law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the FUTA tax (26 CFR section 31.3302(a)-3(a)). In order to accomplish this certification, states annually perform a match of employer tax payments with credit claimed for these payments on the employer's IRS 940 FUTA tax form.

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| Questioned Cost: | \$0 |
| U.S. Department of Labor | |

For a sample of 30 employers, one employer was incorrectly certified to the Internal Revenue Service (IRS) by TWC. The TWC tax system had an incorrect date field, which affected tax years prior to 2007. TWC noted that the calendar year 2007 file submitted in January 2009 had approximately 3,900 incorrect employer records out of 414,474 total records. There is no impact on SUTA payments or the UI Trust fund; these payments were paid correctly. The certifications of the 3,900 employer records sent to the IRS incorrectly stated that the payments were timely, when in fact they were not.

As indicated above, the requirement in question reports to the IRS on how much and when an employer paid State Unemployment Taxes (SUTA). Annually, employers complete federal Form 940, Federal Unemployment Tax (FUTA), indicating on the form if they paid their SUTA taxes timely. Doing so provides the employer a 5.4% credit against the 6.2% FUTA tax. If they fail to pay their SUTA taxes timely, the credit against FUTA is reduced by 10 percent. To ensure the employer claiming the credit has, in fact, timely paid their SUTA taxes, the IRS requests a certification each year from TWC. The certification contains how much and when SUTA taxes were paid by each employer. Assuming the employers that were not properly certified still prepared their Form 940 correctly by indicating the late dates of payment of their SUTA; the inaccurate certification would have had no impact. However, if one of 3,900 employers indicated on their Form 940 that they had paid the SUTA taxes timely when they had not, the employer would have erroneously received full credit. TWC has no means of determining the net impact on the FUTA tax payments.

Recommendation:

TWC should correct the coding error in the UI tax system and recertify the correct amounts to the IRS for the 3,900 accounts.

Management Response and Corrective Action Plan:

The incorrect certifications were created by a coding error in a 940 certification program. The coding was corrected in September 2009. Application testing was performed to verify that the issue has been resolved. In January 2010, a list of employers with incorrect certifications was provided to IRS. TWC is coordinating with IRS to determine what recertifications are necessary.

Implementation Date: September 2009

Responsible Person: Joni Tollett

Department of Transportation

Reference No. 10-81

Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Special Tests and Provisions - Project Approvals

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)).

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| Questioned Cost: | \$0 |
| 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. These approvals are required prior to starting construction work on a project and expending federal funds.

The Department’s Finance Division manages the FPAA system, and that division does not enforce the same change management processes that the Department enforces for enterprisewide systems. As a result, adequate segregation of duties does not exist for making code changes for the FPAA system and migrating those changes to the production environment. One programmer had access to migrate code changes for the FPAA system to the production environment. For 2 (33 percent) of 6 code changes tested, that programmer both made the code change and moved the code change into the production environment. Additionally, that division does not maintain adequate documentation of changes it makes to the FPAA system, including documentation of testing, authorization, and migrating the changes to the production environment. Three (50 percent) of 6 code changes tested did not have adequate documentation of the changes made.

When a programmer has access to migrate code into the production environment, this increases the risk that unauthorized changes could be made to the system without proper approvals. Without adequate documentation of testing, authorization, and migration of code to the production environment, there is an increased risk that changes may have unintended effects on the reliability of data in the system.

Although the general control weakness described above applies to activities allowed or unallowed, allowable costs/cost principles, and special tests and provisions - project approvals, auditors identified no compliance issues regarding these compliance requirements

Recommendation:

The Department should establish and enforce change management procedures for systems the Finance Division manages, including eliminating programmers’ access to migrate code changes to the production environment and maintaining adequate documentation of changes made to systems.

Management Response and Corrective Action Plan:

The Department concurs with the recommendation and will implement corrective actions.

Implementation Date: April 1, 2010

Responsible Person: Brian Ragland

Reference No. 10-82
Davis-Bacon Act

Highway Planning and Construction Cluster

Award years - Multiple

Award numbers - Federal project IM 03564(410), STP 2008(148), IM 0448(14), STP 2009(171), STP 2005(675)MM, STP 2008(76), BR 2007(268), STP 2008(877)HES, STP 2009(554)ES, HP 2009(333), IM 0106(93), HP 2007(324), and NH 2008(293)

Type of finding - Significant Deficiency and Non-Compliance

When required by the Davis-Bacon Act, the U.S. Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by 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 DOL (Title 40, United States Code (USC), Sections 3141-3144, 3146, and 3147 (formerly Title 40, USC, Sections 276a to 276a-7)).

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|--|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Transportation - Federal Highway Administration | |

Non-federal entities shall include in construction contracts that are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (Title 29, Code of Federal Regulations, Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (Title 29, Code of Federal Regulations, Sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (Office of Management and Budget No. 1215-0149).

Additionally, the Department of Transportation's (Department) *Construction Contract Administration Manual* requires that the Department conduct at least three labor compliance interviews of contractor and subcontractor project employees for each project per quarter when work was performed during the quarter. The Department uses these interviews to identify non-compliance with the Davis-Bacon Act and to ensure that contractors and subcontractor employees are properly classified and are being paid the appropriate wage rate in accordance with the Davis-Bacon Act.

All projects tested had standardized contracts that contained the required prevailing wage rate clause. However, the Department does not have a statewide standard process for ensuring that it collects the weekly certified payrolls for all projects or that it conducts and documents the required wage rate interviews.

Auditors requested payroll certifications for all weekly payrolls in fiscal year 2009. The Department was not always able to provide documentation that it collected the certified payroll from its contractors and subcontractors or conducted wage rate interviews. Specifically:

- Four (10 percent) of 40 projects tested did not provide all payroll certifications for payroll submitted in the fiscal year. These four projects had total contractor payments, including payroll and non-payroll costs, of \$590,515.15 for fiscal year 2009.
- Eleven (37 percent) of 30 projects tested did not have documentation to show that the Department conducted employee interviews.

Without submission of the required payroll certification and documentation of these interviews, the Department cannot ensure that contractor and subcontractor employees are properly classified and being paid the appropriate wage rate in accordance with the Davis-Bacon Act.

Recommendations:

The Department should:

- Establish a statewide process to ensure that it collects payroll certifications with each payroll as required.
- Establish a statewide process to ensure that it conducts and documents employee interviews for each contractor and subcontractor as required.

Management Response and Corrective Action Plan:

We appreciate the intent of this audit and agree with the findings. Additional controls should be put into place to assure compliance with our policies and procedures regarding Davis-Bacon. Tracking mechanisms will be put into place to track our compliance with our Davis-Bacon procedures. This will be through the use of tools available in our SiteManager system.

Implementation Date: March 2010

Responsible Person: Ken Barnett

Reference No. 10-83

Reporting

Highway Planning and Construction Cluster

Award years - Multiple

Award numbers - Multiple

Type of finding - Significant Deficiency

The Department of Transportation (Department) is required by Office of Management and Budget (OMB) Circular A-133 to submit a PR-20, *Voucher for Work Under Provisions of the Federal-Aid and Federal Highway Acts, as Amended* (OMB No. 2125-0507). The PR-20 is required to report the total expenditures for a project that received federal aid from the Federal Highway Administration. The report should be completed and submitted promptly after the close-out of a project.

| | |
|--|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Transportation - Federal Highway Administration | |

The Department did not submit PR-20 reports in a prompt or orderly manner. The Department does not have a standard procedure for how it determines which reports to submit, and it asserted that a lack of dedicated staff over several years has contributed to this issue.

Auditors reviewed a list of projects that have been closed in the Department’s financial system, but for which the Department had not yet submitted a PR-20. Based on the information on that list, the Department had not submitted PR-20s for 1,914 projects with close-out dates as early as August 1998.

The Department provided to auditors 600 PR-20 reports that it submitted to the Federal Highway Administration in fiscal year 2009. Auditors tested a sample of 40 PR-20 reports and did not identify any compliance errors. However, because of the lack of a standardized process for submitting reports, auditors could not determine whether the reports provided represent all reports submitted for the fiscal year.

The Federal Highway Administration relies on the Department to submit PR-20 reports in order to close out funding and records on funded projects.

Recommendation:

The Department should develop a process that would facilitate its submission of PR-20 reports in an orderly and timely manner.

Management Response and Corrective Action Plan:

The Department has in place a process to facilitate the submission of PR-20 reports in an orderly manner. A tracking log is in place to identify projects that require submission of PR-20 reports and staff have instructions to first prepare PR-20 reports on those projects which would free up unused federal obligations that can be applied to other projects and then to work on the oldest projects in the tracking log for which they have the knowledge and skill to handle. The complexity of the funding on some projects requires a level of knowledge and experience that not all the staff preparing these reports possess. Timeliness in submission of the PR-20 reports will be addressed by allocating more resources to this function and through additional training of the staff. By May 28, 2010, the Department will have developed and implemented a plan to reduce the backlog of PR-20 reports requiring submission.

Implementation Date: May 28, 2010

Responsible Person: Brian Ragland

Reference No. 10-84

Subrecipient Monitoring

(Prior Audit Issue - 09-80)

Highway Planning and Construction Cluster

Award years - Multiple

Award numbers - Multiple

Type of finding - Material Weakness and Material Non-Compliance

As a pass-through entity, the Department of Transportation (Department) is required by Office of Management and Budget (OMB) Circular A-133, March 2009 Compliance Supplement Part 3, Section M Subrecipient Monitoring, to monitor subrecipients' use of federal awards through reporting, site visits, regular contact, or other means 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 Transportation - Federal Highway Administration | |

Identification of Subrecipients

The Department was not able to identify a complete and accurate list of subrecipients for the Highway Planning and Construction Cluster. The Department's Finance Division identifies subrecipients through reports it generates by querying the Uniform Statewide Accounting System (USAS) for payments for federal construction activities. The Department then manually removes payments to vendors and other state agencies and uses the resulting payments as its population of subrecipients to report on its Schedule of Expenditures of Federal Awards. However, this process incorrectly identifies some entities as subrecipients instead of vendors. For example, this process results in local entities that provide "force services" such as law enforcement presence at a road construction site being incorrectly identified as subrecipients instead of vendors.

Auditors were not able to quantify the number of entities the Department had incorrectly identified as subrecipients. However, auditors selected a sample for testing and determined that 5 (11 percent) of 47 entities selected were originally identified by the Department as subrecipients but were actually vendors. The payments to these vendors

were generally low-dollar transactions due to the nature of the services they provided. Therefore, the Department's incorrect identification of these vendors as subrecipients had a more significant effect on the number of subrecipients the Department reported than on the total dollar amount of subrecipient pass-through expenditures.

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 award name and number, and the name of federal awarding agency (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 3, Section M).

The Department did not properly identify federal award information and compliance requirements to the subrecipient. While the Department uses a standard template for award agreements with subrecipients, this template does not include identification of the federal award title and number or the CFDA title and number. It also does not identify the name of the federal awarding agency. The template does, however, refer to the Master Advanced Funding Template Agreement, which requires the subrecipient to comply with federal compliance requirements and provides other specific information regarding allowable costs and other requirements.

The template the Department uses requires the subrecipient to refrain from doing business with other entities that are suspended or debarred; however, it does not require the subrecipient to certify that it is not suspended or debarred.

Auditors identified the following:

- For 2 (5 percent) of 41 subrecipient agreements tested, the Department's district office overseeing the subrecipients provided no award documentation; as a result, auditors could not determine whether these awards contained required information.
- For the remaining 39 subrecipient awards tested, the award documentation the Department provided to the subrecipient did not identify the federal award or CFDA titles or numbers.

Inadequate identification of federal awards by the Department may lead to improper reporting of federal funding on the subrecipient's Schedule of Expenditures of Federal Awards. Additionally, when the Department does not verify that subrecipients are not suspended or debarred, this increases the risk that the Department will enter into an agreement with an entity that is not eligible to receive federal funding.

During-the-Award Monitoring

The Department does not have standardized processes to ensure adequate during-the-award monitoring by Department district offices. As a result, there are different levels and types of monitoring throughout the district offices. For example, some district offices provided documentation that included evidence of on-site monitoring visits, while other district offices used invoice reviews as their primary monitoring tool.

District offices provided documentation of their during-the-award monitoring for 41 subrecipients tested. This documentation included reviews of invoices for allowability, period of availability, and reporting. However:

- District offices that oversaw 2 (5 percent) of 41 subrecipients tested did not provide sufficient evidence of key monitoring, including review of invoices. Therefore, auditors could not determine whether the district offices monitored those subrecipients' compliance with federal requirements.
- For 3 (10 percent) of 29 subrecipients with matching requirements, the district offices did not provide evidence that they reviewed the invoices to ensure that the subrecipients complied with local matching requirements.

The Department also conducts other monitoring of subrecipients' compliance with the Davis-Bacon Act and requirements regarding equipment, procurement, real property acquisition, and quality assurance. However, the Department's documentation of this monitoring was not consistently provided to auditors. Specifically, based on the documentation the Department provided to auditors:

- For 15 (41 percent) of 37 subrecipients tested, the district offices did not provide documentation that they reviewed the subrecipients' cash management practices for compliance.
- For 9 (64 percent) of 14 subrecipients tested, the district offices did not provide documentation of monitoring the subrecipients' compliance with Davis-Bacon Act requirements.
- For 5 (45 percent) of 11 subrecipients tested, the district offices did not provide documentation of monitoring the subrecipients' compliance with equipment and real property management requirements.
- For 6 (19 percent) of 32 subrecipients tested, the district offices did not provide documentation of monitoring the subrecipients' compliance with federal and state procurement requirements.
- For 1 (50 percent) of 2 subrecipients tested, the district office did not provide documentation of monitoring the subrecipient's real property acquisitions.
- For 5 (45 percent) of 11 subrecipients tested, the district offices did not provide documentation of monitoring the subrecipients' quality assurance testing, project extensions, or project approvals.

Without a standardized process for during-the-award monitoring, the Department cannot determine whether its district offices adequately monitor the Department's subrecipients and, therefore, cannot determine whether subrecipients comply with federal requirements.

A-133 Single Audit Requirements

The Department must ensure that subrecipients expending federal funds of \$500,000 or more obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department. The Department is required to review the audit report and to issue a management decision, if applicable.

The Department does not have a standardized process to ensure that all subrecipients that expend more than \$500,000 in federal funding in a fiscal year obtain an A-133 Single Audit as required by OMB Circular A-133. The Department's External Audit Office, which monitors A-133 Single Audits, does not consistently receive certifications from subrecipients that do not provide A-133 Single Audit reports when they expended less than \$500,000 in federal funds in the fiscal year.

For 15 (37 percent) of 41 subrecipients tested, the Department did not provide an A-133 Single Audit report or a certification from the subrecipient that an audit was not required. For 7 (47 percent) of those 15 subrecipients, auditors determined that the subrecipient submitted an A-133 Single Audit report to the Federal Audit Clearinghouse, indicating that the Department should have received an A-133 Single Audit report from these subrecipients.

The External Audit Office tracks and reviews A-133 Single Audit reports submitted by subrecipients. It also uses an audit checklist to facilitate review of the audits and forwards issues that it identifies to the appropriate division when the External Audit Office determines that follow-up is necessary.

Auditors identified the following:

- For 13 (52 percent) of the 25 A-133 Single Audit reports received by the External Audit Office, the External Audit Office did not provide the review checklist it used to review the audit.
- For 1 (4 percent) of the 25 A-133 Single Audit reports received by the External Audit Office, the review did not identify an issue related to the subrecipient's reporting of Highway Planning and Construction Cluster reimbursements.
- For 1 (4 percent) of the 25 audits received by the External Audit Office, the External Audit Office did not provide documentation that it followed up on a finding regarding the subrecipient's compliance with Davis-Bacon Act requirements.

These issues increase the risk that the Department will not be able to determine whether subrecipients comply with federal requirements and whether subrecipients having issues not detected through the subrecipient monitoring process.

Recommendations:

The Department should:

- Modify its template for award agreements with subrecipients to include a statement that the subrecipient was not suspended or disbarred and to include the federal award title and number and the CFDA title and number.
- Develop and implement a statewide, standardized process for conducting during-the-award monitoring of all subrecipients.
- Develop and implement a process to ensure that it receives A-133 Single Audit reports from all subrecipients that are required to obtain an A-133 Single Audit, and ensure that it properly follows up on issues identified in those audit reports.

Management Response and Corrective Action Plan:

Identification of Subrecipients

The Department will develop policies and procedures to improve its processes for identifying and reporting subrecipients, which will include identifying all subrecipients payments in the Department's internal accounting system.

Implementation Date: May 1, 2010

Responsible Person: Brian Ragland

Pre-Award Monitoring

All contract templates for advance funding agreements have been modified to include the CFDA number and a certification that the subrecipient is not currently debarred, suspended, or otherwise precluded from or ineligible for participation in federal programs.

Implementation Date: Implemented

Responsible Person: Scott Burford

During the Award Monitoring

We appreciate the intent of this audit and agree with some of the findings. The department does not have a central standard process to insure adequate monitoring by department. In some isolated cases, no monitoring was performed. The project monitoring for projects reviewed by SAO varied from on-site inspections to only invoice reviews. Due to the wide variation of projects that we undertake with local entities and other subrecipients, no standardized monitoring process is possible. However, we do need to identify compliance monitoring appropriate for the project. We will address this finding in conjunction with the Local Government Project Procedures (LGPP) Manual and training courses. For future subrecipient projects, a checklist of federal requirements will be developed from the LGPP. For each project, the responsible district or division will complete the checklist to identify the federal requirements applicable to the project and what the compliance monitoring procedures will be for that project.

TRANSPORTATION, DEPARTMENT OF

Implementation Date: August 2010

Responsible Person: Ken Barnett

We agree with the recommendations for the pre-award and during the award monitoring findings. As a division of the department responsible for federal awards to metropolitan planning organizations (MPO), TPP will participate in the department's modification of award agreements and development and implementation of statewide, standardized process for conducting during-the-award monitoring of all subrecipients, including MPOs.

TPP already includes the federal award title and number and the CFDA title and number on work authorizations of federal awards for metropolitan planning funds for the MPOs. In addition, in February, 2010, TPP will release a revised document, TxDOT District Guidance for Administration of Transportation Planning Funds, to the districts for their use as a standardized process for conducting during-the-award monitoring of the MPOs.

Implementation Date: February 2010

Responsible Person: Jim Randall

A-133 Single Audit Requirements

The Audit Office will work with the Finance Division to develop a list of subrecipients that receive federal funding each FY. We will obtain the Single Audit Reports from the subrecipients that are required to have a Single Audit and a written certification from those subrecipients not receiving a Single Audit and the reason therefore.

The Audit Office will review all of these Single Audit Reports for the subrecipients and will keep a log of all audit findings contained in these reports and distribute these to the appropriate program manager for their handling. The program manager will follow up on these findings as appropriate.

Implementation Date: February 2010

Responsible Person: Owen Whitworth

Reference No. 10-85

Special Tests and Provisions - Use of Other State or Local Government Agencies

Highway Planning and Construction Cluster

Award years - Multiple

Award numbers - Various

Type of finding - Material Weakness and Material Non-Compliance

The Department of Transportation (Department) may use other public land acquisition organizations to conduct real property acquisitions for federal aid projects. The other organizations must comply with the Department's policies and practices for acquisition. The Department must monitor the real property acquisition activities of the other organizations to ensure compliance with state and federal law and requirements (Title 23, Code of Federal Regulations, Section 710.201(h)).

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| Questioned Cost: | \$0 |
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| U.S. Department of Transportation - Federal Highway Administration |
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To ensure that the other organizations comply with state and federal laws and regulations for real property acquisitions, the Department reviews land acquisition documentation and requires the other organizations to provide a certification of compliance to act in accordance with state and federal Laws prior to reimbursement.

The Department did not ensure that four local public agencies (LPA) conducted land acquisitions in accordance with the acquisition agreements prior to reimbursing the LPAs for the acquisition. The acquisition agreements state that the LPA must conduct the acquisition in accordance with federal and state acquisition laws. However, the Department was unable to provide documentation that it verified that the LPA complied with federal and state acquisition laws for 21 (53 percent) of the 40 acquisitions tested for 4 LPAs. The cost of those 21 acquisitions totaled \$1,794,539. However, auditors confirmed that these acquisitions were for real property used for highway construction. Specifically, auditors noted the following errors in the 21 projects:

- The Department was unable to provide the LPA’s certification of compliance and was unable to provide documentation that it reviewed the land acquisition documentation for 13 (33 percent) of the 40 acquisitions tested.
- The Department was unable to provide the LPA’s certification of compliance for 5 (13 percent) of the 40 acquisitions tested.
- The Department was unable to provide documentation that it reviewed the land acquisition documentation for 3 (8 percent) of the 40 acquisitions tested.

Without adequate monitoring, the Department cannot ensure that the LPA complies with state and federal laws and regulations.

Recommendations:

The Department should:

- Ensure that it collects and retains a certification of compliance from each LPA.
- Ensure that it conducts, documents, and retains acquisition reviews prior to reimbursement.

Management Response and Corrective Action Plan:

The Texas Department of Transportation currently utilizes Contractual Agreements for Right of Way Procurement - Local Government (Form ROW-RM-37) and also Local Transportation Project Advance Funding Agreement (example copies of both agreements being attached below) both of which require the Local Public Agency (LPA) to acquire all right of way in accordance with the TXDOT Right of Way Manual as well as all applicable federal and state laws governing the acquisition policies for acquiring real property.

Additionally, when making a request for reimbursement, LPAs are required to utilize Form ROW-N-20AB (a copy of which is attached hereto) which contains a certification by an official of the LPA “that such amounts are eligible for State cost participation under the terms of the Contractual Agreement and that documentation to this effect is available for audit by the State”. This is in effect, a certification by the LPA that the land was acquired in accordance with the terms of the contractual agreement, which as stated above, requires that land acquisitions be in accordance with applicable federal and state laws.

The TxDOT Right of Way Manual Collection includes a specific volume reference titled: Real Estate Guide for Local Public Agencies, and under Chapter 9. “Records” is the following provisions:

Title III Parcel Review Checklist

Form ROW-LPA-IIIIPR, Title III Parcel Review Checklist should be completed by the District and used to ensure that all Title III Parcel Review items have been covered prior to submission to ROW Division for payment and/or closure.

In summary,

1. *The above procedures are already in our manuals, which are approved by the FHWA.*
2. *We will send out a letter to districts (and now the Regional Service Centers) with guidance re-emphasizing the single audit requirement for oversight and monitoring subrecipients (Local Public Agencies).*

3. *Personnel within the Right-of-Way Division who are experts in compliance with real property acquisition, appraisal, and relocation in accordance with the Federal Uniform Act, assist the local office of FHWA in performing periodic field monitoring of files for projects with subrecipients. (LPAs).*

Implementation Date: February 2010

Responsible Person: John Campbell

Reference No. 10-86

Special Tests and Provisions - Project Extensions

Highway Planning and Construction Cluster

Award years - Multiple

Award number - MG 2004(394)

Type of finding - Significant Deficiency and Non-Compliance

The Department of Transportation (Department) is required by Office of Management and Budget Circular A-133 and Title 23, Code of Federal Regulations, Section 635.121, to obtain approval from the Federal Highway Administration (FHWA) for project extensions affecting project costs or the amount of liquidated damages, except in projects administered by the Department as identified by Title 23, United States Code, Section 106(c).

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| Questioned Cost: | \$777,931 |
| U.S. Department of Transportation - Federal Highway Administration | |

The Department uses change orders from SiteManager, its construction administration system, to initiate the process for submitting a federal letter of authority to obtain approval for a project extension from the FHWA.

Auditors tested change orders that required federal approval. For one of nine change order totaling \$777,931, the Department was not able to provide documentation that it completed the change order or obtained approval from the FHWA.

The FHWA requires timely, correct, and complete information from the Department on projects that the FHWA administers. When the Department does not submit the required approval requests to the FHWA, the FHWA is unable to make informed management decisions on projects.

Recommendation:

The Department should ensure that it completes project extensions and submits a federal letter of authority to obtain required FHWA approval for projects the Department does not administer.

Management Response and Corrective Action Plan:

We appreciate the intent of this audit and agree with the findings. Improvements can be made in coordinating approvals with FHWA. All approvals from FHWA should be conducted in writing. In addition, we will work with FHWA to develop a more robust tracking system to improve process for transmitting project extension documents to the FHWA.

Implementation Date: December 2010

Responsible Person: Ken Barnett

Reference No. 10-87

Special Tests and Provisions - Quality Assurance

Activities Allowed or Unallowed

Allowable Costs/Cost Principles

(Prior Audit Issue - 09-81)

Highway Planning and Construction Cluster

Award years - Multiple

Award numbers - Multiple

Type of finding - Significant Deficiency and Non-Compliance

Control Weaknesses in SiteManager

Agencies 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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Transportation - Federal Highway Administration | |

SiteManager, the Department of Transportation’s (Department) construction administration system, does not adequately ensure that appropriate Department personnel review and approve contractor transactions prior to payment. In addition, Department district offices are able to set up and define the personnel who are allowed to review and approve each transaction in SiteManager. SiteManager also allows assigned users to both approve an estimate and submit the estimate for payment. This increases the risk of payments to contractors for unallowable costs.

In addition, SiteManager does not have sufficient controls to ensure that (1) only authorized testers are able to enter test records and (2) deficiencies are cleared appropriately prior to contractor payment.

Special Tests and Provisions- Quality Assurance Program

Title 23, Code of Federal Regulations (CFR), Chapter 205, requires that each state transportation department “shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each federal-aid highway construction project on the [National Highway System] NHS are in conformity with the requirements of the approved plans and specifications, including approved changes. The program must meet the criteria in Section 637.207 and be approved by the FHWA.” Additionally, Title 23, CFR 637, Chapter 209, requires that only qualified personnel conduct sampling and testing to be used in the acceptance decision.

Although the Department had some controls in place for its quality assurance programs, it does not have a standardized process for documentation of sampling and testing. The Department’s district offices rely on SiteManager to document the results of its material sampling and testing. District offices do not consistently retain documentation of the testing information after data entry into SiteManager. Therefore, auditors relied on the information in SiteManager for testing but auditors also reviewed additional documentation the Department provided.

The Department did not always comply with the quality assurance program approved by the Federal Highway Administration. Specifically:

- 8 (20 percent) of 40 tests did not comply with the requirements for each type of material as specified in the Department’s *Guide Schedule for Sampling and Testing*. These eight tests included blank tests documented in SiteManager and projects in SiteManager for which the required test could not be found.
- 5 (13 percent) of 38 tests completed were conducted by an individual who was not a certified tester.

Additionally, for 5 (13 percent) of 40 projects that auditors reviewed in SiteManager, the Department did not have the “Deficient Sample Indicator” turned on. This indicator prevents payment to the contractor when a sample tested does not meet the Department’s material requirements. For these five projects, auditors could not determine whether the Department paid the contractor prior to resolving any deficiencies.

Control weaknesses in SiteManager and a lack of standardized process for adherence to the Department's approved quality assurance program increase the risk that the Department will not identify deficiencies that adversely affect the quality of federally funded highway projects.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Although the SiteManager control weaknesses described above apply to activities allowed or unallowed and allowable costs/cost principles, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

The Department should:

- Implement controls in SiteManager to ensure that there is appropriate segregation of duties between personnel approving estimates and submitting estimates for payment.
- Remove non-current contractor access to SiteManager.
- Implement statewide procedures to ensure consistency in the use of SiteManager, including prohibiting the use of blank tests.
- Implement controls in SiteManager to ensure that certified tested complete tests.
- Not allow users of SiteManager to turn off the "Deficient Sample Indicator."

Management Response and Corrective Action Plan:

Control Weaknesses in SiteManager

We appreciate the intent of this audit and agree with the findings. In some cases, districts have had only one individual in the approval process for an estimate. This process will be discontinued. Effective March 2010, at least two different individuals with the appropriate user access rights will be required to approve and process a pay estimate.

Implementation Date: March 2010

Responsible Person: Ken Barnett

Materials and Workmanship

We appreciate that the intent of this audit was on quality of construction through testing. Per 23 CFR 637 B TxDOT's Quality Assurance Program (QAP) requires that all testing be performed in accordance with the TxDOT Guide Schedule of Sampling and Testing (GS). This audit appears to focus on the use of SiteManager (SM) for tracking sampling and testing for quality assurance. To date, SM has been used as a tool for districts to use in conjunction with the GS to track and monitor testing requirements. Because the SM Materials module requires extensive management and entering data in SM may be redundant to other methods used in the field, the use of SM for this purpose is not currently a requirement.

A detailed project records review conducted in the spring of 2009 showed substantial compliance with the Guide Schedule. In some cases, districts were not able to readily demonstrate compliance with the Guide Schedule. However, detailed reviews of project records indicated that they were in compliance. The department recognizes the need to standardize our processes and adopt one auditable system. Therefore, the department will adopt SM as our official sampling and testing system. To accomplish this, system changes will be required and will be accomplished as follows:

Phase I will be to simplify test data input. The testing templates were developed to assist testing personnel with calculations. Their use is not required and in some cases is redundant. The test templates will be modified to allow the option to not use the template for calculation. With this change, the certified tester who performed the test must be entered into the test record. Phase I to be completed June 2010. In June 2010, SiteManager will become our official sampling and testing record. In June 2010, all sampling and testing data must be recorded in SiteManager.

Phase II will be to re-organize SiteManager sampling and testing procedures to simplify and more accurately reflect Guide Schedule. The process will be simplified, aligned with actual construction operations, and modified to improve consistency with Guide Schedule. Phase II will be completed by September 2011.

Implementation Date: Phase I - June 2010, Phase II - September 2011

Responsible Person: Ken Barnett

Reference No. 10-88

Subrecipient Monitoring

Highway Safety Cluster

Award years - Multiple

Award numbers - Multiple

Type of finding - Significant Deficiency and Material Non-Compliance

Award Identification

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 award name and number, and the name of federal awarding agency (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 3, Section M). Additionally, when a non-federal entity enters into a subaward agreement, 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 Federal Regulations, Section 180.300).

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| Questioned Cost: | \$0 |
| U.S. Department of Transportation - National Highway Safety Traffic Administration | |

For all 40 subrecipients tested for the Highway Safety Cluster, the Department of Transportation (Department) did not provide the CFDA title and number, the award name and number, the name of the federal agency, or the applicable compliance requirements to subrecipients at the time of award. The Department's standard grant agreement for fiscal year 2009 did not contain CFDA-related information.

For 4 (10 percent) of the 40 subrecipients tested for the Highway Safety Cluster, the Department also did not notify the subrecipient of OMB Circular A-133 audit requirements or verify that the subrecipient was not suspended or debarred from federal procurements. These four awards were for incentive grants awarded to law enforcement agencies for their participation in safety belt and impaired driving enforcement efforts. The Department's standard award agreement for this type of award did not contain clauses regarding OMB A-133 audit requirements or suspension and debarment.

In fiscal year 2009, the Department reported \$26,569,288 in federal pass-through to local entities. Not communicating the required award information and federal requirements to subrecipients increases the risk that subrecipients may not be informed and not comply with federal requirements. The absence of clear communication related to the federal award also increases the potential for misreporting of federal awards by the Department and the subrecipients on the Schedule of Expenditures of Federal Awards.

During-the-Award Monitoring

A pass-through entity is responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (OMB Circular A-133 Compliance Supplement, Part 3, Section M).

The Department monitors subrecipient grant performance to verify compliance with state and federal requirements, as well as to verify that project objectives and performance measures are being achieved. Project monitoring is conducted in a number of ways, including the regular review of project performance reports and request for reimbursements and on-site monitoring reviews of project operations, management, and financial records and system.

For 3 (9 percent) of 32 subrecipients tested that were required to receive on-site monitoring, the Department did not provide documentation that it conducted such monitoring. For one additional subrecipient tested, the Department did not have evidence in eGrants, the Web-based system the Department uses to manage grant projects, that it performed the required monitoring. For this subrecipient, the Department provided other documentation that it performed on-site monitoring. By the Department not maintaining documentation of on-site monitoring, there is no reasonable assurance that such monitoring occurred and that issues identified through monitoring are appropriately addressed to ensure subrecipient compliance with federal laws and regulations.

The Department's Traffic Safety Section has a policy that requires subrecipients to enter and submit a performance report for review by the Department prior to allowing the subrecipient to request reimbursement for all or a part of the report period. Due to a user misconfiguration of the eGrants setting meant to support this policy, in the sample of subrecipients tested, 1 (3 percent) of 37 subrecipients entered a performance report but did not submit the report for review. Although the report was not submitted, the subrecipient submitted the accompanying request for reimbursement and the Department approved the request for reimbursement. The entered performance report was substantially complete. The Department was in compliance with this requirement. While the misconfiguration was detected and corrected by the Department, 11 performance report submissions in 2009 (out of the 2,229 that had been submitted up to the time of correction) bypassed the policy due to the misconfiguration.

A-133 Single Audit Monitoring

According to OMB Circular A-133, Compliance Supplement Part 3, Section M, the Department must ensure that subrecipients expending federal funds of \$500,000 or more obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department. The Department is required to review the audit report and to issue a management decision, if applicable. OMB Circular A-133, March 2009 Compliance Supplement Part 3, Section M, requires the Department to issue a management decision on audit findings within six months after receipt of a subrecipient's audit report. In cases of continued inability or unwillingness of a subrecipient to obtain the required audits, the Department must take appropriate action using sanctions.

Twenty-nine (76 percent) of 38 subrecipients tested either did not have an A-133 Single Audit on record with the Department for fiscal year 2008 when an audit was required or did not have confirmation on file that the audit was not required. According to the Federal Audit Clearinghouse, 8 (28 percent) of these 29 subrecipients had submitted an A-133 Single Audit report for fiscal year 2008. The audit report for one of these entities contained a finding related to the data collection form not being submitted in a timely manner to the OMB-designated federal clearinghouse. The Department was not aware of the issue because it did not obtain the audit report from the subrecipient. The Department did not have a process to ensure that it maintained a log of audit reports received or audit findings that required follow-up. Additionally, the Department did not have a sanction policy for subrecipients of Highway Safety Cluster awards that do not adhere to A-133 Single Audit requirements. Weak monitoring results in diminished oversight and increases the potential of program funds not being spent as intended.

Recommendations:

The Department should:

- Communicate the required elements of award information and specifics related to federal compliance requirements by including that information in the award agreement.
- Develop and implement policies and procedures for monitoring projects to ensure that all required activities are conducted in a timely manner and included in the file of record.
- Ensure that all eGrants business rules match Department reporting and monitoring policies.
- Require subrecipients to certify that they will obtain an A-133 Single Audit if they meet the threshold or certify that they are not required to obtain an A-133 Single Audit.
- Create a list of subrecipients that submit A-133 Single Audit reports and subrecipients that are not required to submit A-133 Single Audit reports.
- Review A-133 Single Audit reports that subrecipients submit, keep a log of findings in those reports, and follow up as appropriate.
- Develop a sanctions policy for subrecipients that repeatedly do not submit required A-133 Single Audit reports and for subrecipients that do not correct findings in those reports.

Management Response and Corrective Action Plan:Award Identification FindingRecommendation:

“Communicate the required elements of award information and specifics related to federal compliance requirements by including that information in the award agreement.”

Corrective Action

- *By the end of March 2010, the eGrants system will include the Catalog of Federal Domestic Assistance (CFDA) information for the current grant lifecycle (FY 2010) projects and visible on the Proposal Task Number page.*
- *Starting with the upcoming grant lifecycle (FY 2011), the CFDA information will also be included on the Grant Agreements.*
- *Starting immediately, all new incentive grants awarded to law enforcement agencies participating in the safety belt and impaired driving enforcement efforts will contain clauses in the Terms and Conditions regarding OMB A-133 audit requirements or suspension and debarment as recommended.*

During-the-Award MonitoringRecommendation:

“Develop and implement policies and procedures for monitoring projects to ensure that all require activities are conducted in a timely manner and included in the file of record.”

Corrective Action

- *Starting immediately, the Traffic Safety Section will communicate with division and district traffic safety staff, via written notification and training sessions, to reinforce the requirement to document their project monitoring in the eGrants system (the official file-of-record for Traffic Safety grants).*

- By the end of 2010, the Traffic Safety Section will review and update the policies and procedures regarding monitoring in the Traffic Safety Program Manual to address this recommendation. These changes will be included in the 2010 update of the Traffic Safety Program Manual.

Recommendation:

“Ensure that all eGrants business rules meet Department reporting and monitoring policies.”

Corrective Action

The third recommendation was in response to the traffic safety business rule that a request for reimbursement (RFR) can only be submitted if a performance report (PR) has been submitted. There was a configuration error in the eGrants system and there were 11 instances out of 2,229 that the RFR was able to be submitted prior to the performance report being submitted. The configuration error occurred during the 2009 RFR rule setup. A few templates were configured incorrectly in a way that RFR submission required PR initiation but not PR submission even though the intended message was coded as “A Performance Report must be submitted for the month of QTI before you can submit your Request for Reimbursement for QTI”.

- The Traffic Safety Section has corrected this issue in eGrants and demonstrated this to the SAO audit team on November 18, 2009.

A-133 Single Audit Monitoring

The last four recommendations deal with A-133 Single Audit monitoring. Subrecipients are supposed to obtain an A-133 Single Audit if they meet the threshold or certify that they are not required to obtain an A-133 Single Audit.

Recommendation:

“Require subrecipients to certify that they will obtain an A-133 Single Audit if they meet the threshold or certify that they are not required to obtain an A-133 Single Audit.”

Corrective Action

- *Starting immediately, the Traffic Safety Section, in conjunction with the Audit Office, will utilize the eGrants system to notify subrecipients about A-133 Single Audit requirements.*
- *Starting with the upcoming grant lifecycle (FY 2011), the Traffic Safety Section, in conjunction with the Audit Office, will make modifications to the eGrants system to require subrecipients to certify that they will obtain an A-133 Single Audit if they meet the threshold or certify that they are not required to obtain an A-133 Single Audit.*

Recommendation:

“Create a list of subrecipients that submit A-133 Single Audit reports and subrecipients that are not required to submit A-133 Single Audit reports.”

Corrective Action

- *By the end of 2010, the Audit Office, in conjunction with the Traffic Safety Section, will create a list of subrecipients that submit A-133 Single Audit reports and subrecipients that are not required to submit A-133 Single Audit reports.*
- *By the end of 2010, the Traffic Safety Section, in conjunction with the Audit Office, will make modifications to the eGrants system to support this action.*

Recommendation

“Review A-133 Single Audit reports that subrecipients submit, keep a log of findings in those reports, and follow up as appropriate.”

Corrective Action

- Starting immediately, the Audit Office will review all Single Audit Reports for the Traffic Safety subrecipients and will keep a log of all audit findings contained in these reports.
- Starting immediately, the Traffic Safety Section will follow up on these audit findings as appropriate.
- By the end of 2010, the Traffic Safety Section, in conjunction with the Audit Office, will make modifications to the eGrants system to support this action.

Recommendation

“Develop a sanction policy for subrecipients that repeatedly do not submit required A-133 Single Audit reports and for subrecipients that do not correct findings in those reports.”

Corrective Action

- By the end of 2010, the Traffic Safety Section, in conjunction with the Audit Office, will develop a sanctions policy for subrecipients that repeatedly fail to submit the required A-133 Single Audit reports and for subrecipients that do not correct findings in those reports. This sanctions policy will be included in the 2010 update of the Traffic Safety Program Manual.

Responsible Person: Carol T. Rawson and Owen Whitworth

Reference No. 10-89

**Subrecipient Monitoring
Special Tests and Provisions - R3, Subrecipient Monitoring-Applicable to all Major Programs with
Expenditures of ARRA Awards**

**CFDA 20.106 - Airport Improvement Program
CFDA 20.106 - Airport Improvement Program - ARRA
Award years - Multiple
Award numbers - Multiple
Type of finding - Significant Deficiency and Material Non-Compliance**

As a pass-through entity, the Department of Transportation (Department) is required by Office of Management and Budget (OMB) Circular A-133, March 2009 Compliance Supplement Part 3, Section M Subrecipient Monitoring, to monitor subrecipients’ use of federal awards through reporting, site visits, regular contact, or other means 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. The Department must also identify to first-tier subrecipients the requirement to register in the Central Contractor Registration (CCR) system, including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number, and keep that information current (American Recovery and Reinvestment Act (ARRA), Section 1512(h), , and Title 2, Code of Federal Regulations, Section 176.50c).

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| Questioned Cost: | \$0 |
| U.S. Department of Transportation – Federal Aviation Administration | |

Pre-Award Monitoring

The Department attempts to comply with the requirements related to communicating award identification elements to its subrecipients by including the required information in its project participation agreements with subrecipients. However, those agreements did not always include the required information. Specifically, for 40 (95 percent) of 42 subrecipient files tested for the Airport Improvement Program, the Department was unable to provide evidence that it communicated the CFDA number to its subrecipients. The templates the Department used for award documentation did not contain CFDA numbers. This increases the risk that subrecipients could report program expenditures incorrectly on the schedule expenditures of federal awards and periodic reports required by the program. In addition, the lack of program identification may result in subrecipients not being informed of compliance requirements that are specific to the program, which increases the risk of non-compliance. For fiscal year 2009, the Department passed-through \$71,384,983 in federal funds.

In addition, for 1 (33 percent) of 3 subrecipients tested that received ARRA awards, the Department did not provide evidence that it verified the subrecipient's CCR registration prior to the award. The Department disbursed \$23,421.50 in ARRA funding to this subrecipient during fiscal year 2009. This could create inefficiencies in reporting ARRA information in a timely and accurate manner. In fiscal year 2009, the Department reported \$1,019,156.86 in federal pass-through ARRA funds to local entities.

During-the-Award Monitoring

The Department is required to monitor the activity of subrecipients that acquire real property. The Department's aviation unit has a land acquisition manager who handles the appraisal process, issues letters of intent, and performs site visits of the properties to speak with property owners.

For 1 (14 percent) of 7 subrecipients tested for the Airport Improvement Program, the Department did not provide evidence that it sent letters of intent or written appraisals to property owners. According to the Department, an outside firm was hired to conduct this service for one airport project due to the large number of property owners involved. However, the Department did not receive or retain copies of letters of intent or letters of written appraisals sent to property owners by the outside firm. This increases the risk that property owners are not provided information required by laws and regulations and exposes the Department to potential liability.

A-133 Audit Requirements

The Department must ensure that subrecipients that spend \$500,000 or more in federal funds obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department. The Department is required to review the audit report and to issue a management decision, if applicable. OMB Circular A-133, March 2009 Compliance Supplement Part 3, Section M, requires the Department to issue a management decision on audit findings within six months after receipt of a subrecipient's audit report. In cases of continued inability or unwillingness of a subrecipient to obtain the required audits, the Department must take appropriate action using sanctions.

For 32 (76 percent) of 42 subrecipients tested for the Airport Improvement Program, the Department did not provide evidence that it verified the subrecipients had obtained Single Audits.

The Department provides award documentation through project participation agreements. These agreements state that each airport should have an annual audit conducted. However, the agreements do not specify the requirement to obtain a Single Audit if the subrecipient has spent more than \$500,000 in federal funds. In addition, the Department has no process to track subrecipients' Single Audit reports. Some subrecipients send audit reports to the Department, but the Department does not track the reports or keep a list of subrecipients that do not provide audit reports. For subrecipients that submit Single Audit reports, the Department does not track audit findings and management responses, and it does not administer sanctions for continued non-compliance. In prior periods, the Department considered airports that received program benefits from the Department as vendors, as these relationships had both vendor and subrecipient characteristics. However, for fiscal year 2009, the Department classified the relationships with these entities as subrecipients. The reclassification of these entities as subrecipients contributed significantly to the control weaknesses described above. Weak monitoring results in diminished oversight and increases the potential of program funds not being spent as intended.

Recommendations:

The Department should:

- Require all subrecipients that receive ARRA funding to certify that they have obtained a DUNS number and are registered with the CCR, and verify and document the results.
- Ensure that award documentation templates contain CFDA number and federal award numbers.
- Ensure that award documents specify that subrecipients that spent more than \$500,000 in federal funds must obtain a Single Audit in accordance with OMB Circular A-133.
- Retain all copies of letters of intent and written appraisals sent to property owners.
- Require subrecipients to certify that they will obtain a Single Audit if they spend more the \$500,000 in federal funds or certify that they are not required to obtain a Single Audit.
- Create a list of subrecipients that are required to submit Single Audit reports and subrecipients that are not required to submit Single Audit reports.
- Review Single Audit reports that subrecipients submit, keep a log of findings in those reports, and follow up as appropriate.
- Create sanctions for subrecipients that repeatedly do not submit Single Audit reports as required, and create sanctions for subrecipients with findings that are not corrected.

Management Response and Corrective Action Plan:

Require all subrecipients to certify that they have obtained a DUNS number and are registered with the CCR, and verify and document the results.

TxDOT AVN will require all ARRA subrecipients of aviation grants to obtain DUNS numbers and register with CCR and will verify and document the results. TxDOT AVN administered federal ARRA funds to six subrecipients. One of the six subrecipients did not have a DUNS number and was not registered with CCR. AVN worked with the subrecipient to get the local government an assigned DUNS number and then personally registered them ourselves with CCR. There was and has been absolutely no delay or inefficiencies in the required reporting for the ARRA sub-grants since AVN does all required reporting for the subrecipients and all DUNS and CCR registration was completed before any reporting was required. Currently, it does not appear that TxDOT will have any additional ARRA funds to obligate.

Ensure that award documentation templates contain CFDA number and federal award numbers.

In June 2009, the AVN division began utilizing grant templates that provided the CFDA number for all federal sub-grants issues. This process was implemented before the audit began. AVN will continue to issue sub-grants with the CFDA number.

For the federal award number, under the federal State Block Grant Program, various and multiple grants are utilized for each subrecipient. It would not be possible to have that number listed on a template. It is not possible to predict the federal award number that would be used for each sub-grant draw since that number changes depending on the requirement to draw down old grants, utilize the funds for various grants as FAA requests, and fund projects from multiple grants. FAA Southwest Region is aware of the use of the various grants for each sub-grant since that is inherent in the State Block Grant program and its intended flexibility. AVN currently issues each subrecipient a final audit report which provides the specific federal award numbers utilized under each sub-grant. AVN will request written concurrence from FAA Southwest Region on this process that is already in place that ensures each subrecipient is aware of each federal award number utilized for a sub-grant.

Ensure that award documents specify that subrecipients that spent more than \$500,000 in federal funds must obtain a Single Audit in accordance with OMB Circular A-133.

The Airport Project Participation Agreement issued to each subrecipient will be amended to contain a clause that requires the subrecipient to certify by signature that they will obtain a Single Audit in accordance with OMB Circular A-133. Additionally, during the Project Implementation Meeting between the subrecipient and TxDOT that occurs before the grant is issued, this requirement will be brought to the subrecipient's attention, also.

Retain all copies of letters of intent and written appraisals sent to property owners.

AVN did have copies of all written appraisals sent to property owners but did fail to get copies of letters of intent from a private reliever airport subrecipient. Private airports perform all land acquisition independently of AVN. AVN will ensure that all needed documentation is obtained for each land file. A land acquisition document checklist will be developed by the end of February 2010 and will specifically list the letter of intent and written appraisal, along with the other required documentation, that must be included in the land file.

Require subrecipients to certify that they will obtain a Single Audit if they spend more the \$500,000 in federal funds or certify that they are not required to obtain a Single Audit.

The Airport Project Participation Agreement issued to each subrecipient will be amended to contain a clause that requires the subrecipient to certify by signature that they will obtain a Single Audit in accordance with OMB Circular A-133. Additionally, during the Project Implementation Meeting between the subrecipient and TxDOT that occurs before the grant is issued, this requirement will be brought to the subrecipient's attention, also.

Create a list of subrecipients that are required to submit Single Audit reports and subrecipients that are not required to submit Single Audit reports.

The Audit Office, in conjunction with AVN, will create a list of subrecipients that are required to submit Single Audit Reports and of subrecipients that are not required to submit Single Audit Reports.

Review Single Audit reports that subrecipients submit, keep a log of findings in those reports, and follow up as appropriate.

The Audit Office will review all Single Audit Reports for the AVN subrecipients and will keep a log of all audit findings contained in these reports and will follow up as appropriate.

Create sanctions for subrecipients that repeatedly do not submit Single Audit reports as required, and create sanctions for subrecipients with findings that are not corrected.

Before issuance of a sub-grant, AVN will contact AUD to determine if the subrecipient has unresolved findings from a Single Audit or if they have failed to submit audit reports. Since AVN cannot determine that a subrecipient is in non-compliance for receipt of federal funds, and the majority of funds administered by AVN are place named by FAA, TxDOT will not be able to impose sanctions independent of FAA. AVN will contact FAA and request FAA's direction on distribution of the grant funds to the subrecipient. The federal State Block Grant Program does not allow TxDOT to withhold any federal funds, find subrecipients in non-compliance, or impose sanctions outside of that which FAA would administer themselves. Additionally, this cannot apply to the private reliever airports as subrecipients since OMB A-133 is not applicable to these private entities. This will be applicable to only governmental entities' grants that are covered under OMB A-133.

Implementation Date: February 1, 2010

Responsible Person: David Fulton

Reference No. 10-90

Reporting

(Prior Audit Issue - 09-77)

CFDA 20.106 - Airport Improvement Program

Award years - Multiple

Award numbers - 348SBGP33-2005 and 348SBGP53-2008

Type of finding - Significant Deficiency and 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 *Financial Status Report (FSR)* SF-269 (Office of Management and Budget (OMB) No. 0348-0039) or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 49, Code of Federal Regulations, Section 18.41).

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| Questioned Cost: | \$0 |
| U.S. Department of Transportation - Federal Aviation Administration | |

The Federal Aviation Administration’s (FAA) *Airport Improvement Program Handbook* (Handbook) and Program Guidance Letters (PGL) provide specific guidance for the administration of the Airport Improvement Program block grants. According to the Handbook and PGL, grantees are required to submit the Standard Form 272 (SF-272) quarterly for each block grant and submit a final SF-272 when grants are completed (Handbook, Sections 1301 and 1314(a), and PGL 05-02).

Two (5 percent) of 40 reports tested for the Airport Improvement Program were not adequately supported by data in the Department of Transportation’s (Department) accounting system. The Department did not resolve these discrepancies. For both reports, the Department did not include one of its draws in the reported amounts. Department management reviewed all reports tested prior to report submission, but this review was not sufficient to ensure that all information in the reports was accurate. By not ensuring that all draws are included in the reports, the accuracy of reporting is affected, and adjustments may be required on subsequent reports. The total difference between the reported amounts and amounts in the Department’s accounting system data was \$9,900.

Recommendation:

The Department should establish controls that ensure accurate completion of the required reports and monitor the completion of required reports for accuracy prior to submission.

Management Response and Corrective Action Plan:

The Standard Form 272 submitted by AVN that contained the error is no longer utilized by the FAA. A new form is now required, Standard Form 425. AVN has reviewed the requirements of this new form and discussed the requirements with the FAA in January 2010, when the first submission of this report was required. To ensure accuracy, AVN has also worked with the FIN division to obtain the data through a report generated from FIMS. This eliminates the human error that occurred on the previous SF 272 report where a federal draw was inadvertently left off of the report when information was manually entered onto a spreadsheet. FIN has provided this information for the first submission of SF

Implementation Date: January 2010

Responsible Person: David Fulton

Reference No. 10-91

Reporting

CFDA 20.509 - Formula Grants for Other Than Urbanized Areas

Award year - October 1, 2008 to September 30, 2009

Award number - TX-18-X028-02, TX-18-X029-04, TX-18-X030-01, and TX-18-X031-02

Type of finding - Significant Deficiency and 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 *Financial Status Report* (FSR) SF-269 (Office of Management and Budget (OMB) No. 0348-0039) or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 49, Code of Federal Regulations, Section 18.41). Federal Transit Administration Circular 9040.1F requires recipients to submit an FSR annually on an accrual basis documenting costs incurred and available balances.

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| Questioned Cost: | \$0 |
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| U.S. Department of Transportation - Federal Transit Administration |
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For 5 (83 percent) of 6 FSRs tested for the Formula Grants for Other Than Urbanized Areas program, the Department of Transportation (Department) reported non-federal share amounts that were not supported by its accounting records. The Department did not use or have accounting records to determine non-federal outlays and the non-federal share of unliquidated obligations. The Department serves as a pass-through for this program and did not track the local source amount of the non-federal share. The Department is capable of tracking the state source amount of the non-federal share; however, it did not use state accounting records to determine the non-federal amounts it reported on its FSRs. The Department determined non-federal outlay and unliquidated obligation amounts by multiplying the federal outlay amounts by the mandated matching requirements, instead of using actual non-federal costs incurred.

Recommendation:

The Department should develop a process that would facilitate the collection of information related to actual non-federal costs incurred by subrecipients.

Management Response and Corrective Action Plan:

The Department will develop and implement a process by which it can collect information from its subrecipients regarding the reporting of the non-federal match on the FSRs. This collected information will be used in completing the FSRs. The Department will also work with the State Comptroller as it develops the new financial system ("Project One") for state agencies and notify the Comptroller of the requirement to collect this information.

Implementation Date: Within 12 months

Responsible Person: Eric Gleason

Reference No. 10-92

Subrecipient Monitoring

CFDA 20.509 - Formula Grants for Other Than Urbanized Areas

CFDA 20.509 - Formula Grants for Other Than Urbanized Areas - ARRA

Award year - October 1, 2008 to September 30, 2009

Award numbers - TX-18-X029-00, TX-18-X030-02, TX-18-X031-02, TX-18-X032-00, and TX-86-X001-01 (ARRA)

Type of finding - Material Weakness and Material Non-Compliance

The Department of Transportation (Department) as a pass-through entity is responsible for monitoring subrecipients' use of federal awards. The Department currently monitors 39 rural transit districts and several intercity bus providers to ensure they comply with the requirements for the Formula Grants for Other Urbanized Areas program. Monitoring is accomplished through the Department's 25 district public transportation coordinators who oversee various federal programs within their jurisdictions. Public transportation coordinators perform numerous duties including quarterly on-site visits, annual compliance on-site reviews, review of financial records, approval of monthly invoices, tracking of procurement activities, reviews of reports, issuance of improvement action plans when deficiencies are noted, discussion of problems encountered or need for technical assistance, and monitoring of compliance with federal regulations and provisions of grant agreements.

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| Questioned Cost: | \$10,840 |
| U.S. Department of Transportation - Federal Transit Administration | |

Pre-award Documentation

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 award name and number, and the name of federal awarding agency (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 3, Section M). However:

- For all 41 subrecipient agreements tested, the Department did not include the federal award number on the award documentation it provided to the subrecipient. The Department uses a standard template for subrecipient awards, but it did not include the federal award number in that template.
- For 6 (15 percent) of 41 subrecipient agreements tested, the Department also did not notify subrecipients of the federal awarding agency's name; for 4 of those 6, it also did not include the CFDA number for the grant. These subrecipient agreements were all for intercity bus providers. The standard agreement for this type of subrecipient did not contain the awarding agency's name or CFDA number.

These issues increase the risk of subrecipients misreporting program expenditures on their schedule of expenditures of federal awards.

During the Award Monitoring

The Department monitors its subrecipients compliance with federal requirements through several methods. As part of the monitoring process, the Department's Public Transportation Coordinators conduct monthly invoice reviews to ensure matching, cash management, period of availability, and program income requirements are being met. The review does not include a review for the allowability of items purchased with federal funds. However, the Department does conduct quarterly on-site visits, which include a limited review of transactions for allowable costs and activities. Additionally, the Department conducts an annual compliance review of its subrecipients, which includes nine program areas. A review of Charter Services and School Bus Operations to ensure compliance with applicable federal regulations related to this Special Test.

Public Transportation Coordinators perform additional duties, which include monitoring and documenting the subrecipients compliance with federal procurement guidelines multiple times throughout the year and performing biannual equipment inventories.

The Department does not consistently conduct annual compliance reviews and other periodic monitoring, including review of Charter Services or school bus operations. Specifically:

- For 8 (20 percent) of 41 subrecipients tested, the Department did not perform an annual compliance review or annual review of Charter Services and School bus operations for fiscal year 2009.
- For 15 (42 percent) of 36 subrecipients tested, auditors could not verify that the Public Transportation Coordinator had performed its required biennial equipment inventory due to insufficient documentation.
- For 3 (16 percent) of 19 subrecipients tested, the Department's Public Transportation Coordinator did not document the procurement of equipment by subrecipients to ensure compliance with federal requirements. Total cost of the three pieces of equipment was \$164,368.

The Department does not consistently perform quarterly on-site reviews to determine the allowability of the subrecipient's costs. Specifically:

- For 6 (15 percent) of 41 subrecipients tested, the Department did not perform any quarterly on-site reviews to review allowable costs for fiscal year 2009.
- For 2 (5 percent) of the 41 subrecipients tested, the Department did not perform its required second quarter review for allowable costs.
- Additionally, the Department's process for reviewing allowable costs in its quarterly review is to select two expenditures, to review for allowability. However, the Department does not perform a monthly review of all expenditures of the subrecipient.

The Department does not consistently review monthly invoices to determine its subrecipient's compliance with matching, cash management, program income, and period of availability requirements. Specifically:

- For 13 (32 percent) of 41 subrecipients tested, the federal match amount on monthly invoices could not be verified due to lack of supporting documentation.
- For 12 (32 percent) of 37 subrecipients tested, the program income amount on monthly invoices could not be verified due to lack of supporting documentation.
- For 1 (3 percent) of 41 subrecipients tested, farebox revenue was not subtracted from operating expense prior to determining the federal share amount for reimbursement. This resulted in an overcharge of \$1,312 to the federal share of operating expenses on the monthly invoice causing the miscalculation of the federal match amount.
- For 1 (2 percent) of 41 subrecipients tested, the subrecipient charged 70 percent of operating assistance expenses to the 5311 Rural and Small Areas program instead of the required 50 percent. This resulted in an overcharge of \$4,052 to the federal share of operating expenses on the monthly invoice.
- For 1 (2 percent) of 41 subrecipients tested, the subrecipient charged \$5,476 of expense incurred by the 5307 Large Urban Cities program to the 5311 Rural and Small Areas program. The total invoice amount of \$6,200 also was miscoded as well. The \$6,200 were operating expenses, however, the Public Transportation Coordinator charged the operating expenses to the administrative account since the operating account was fully expended.

By not reviewing monthly invoices for match and program income requirements, the Department could be charging the incorrect amount of federal funds to the 5311 program and subrecipients could profit at the federal government's expense. In addition, by not properly conducting on-site visits both quarterly and annually, the Department is increasing the risk of significant non-compliance with federal rules and regulations including non-compliance with allowable activities and special tests and provisions. Furthermore, the Department by not verifying subrecipients are following federal procurement guidelines and performing inventory of purchased equipment with federal funds could result in the subrecipient purchasing unallowable items or disposing of vehicles without the Department's approval and knowledge. Each of the issues identified above may also bring sanctions and recoup future payments to the Department.

Audit and Sanction Monitoring

The Department must ensure that subrecipients expending federal funds of \$500,000 or more obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Department. The Department is required to review the audit report and to issue a management decision, if applicable. However:

- One (3 percent) of 35 subrecipients tested that were required to obtain an audit did not obtain the audit completed within the required time frame.
- For 4 (67 percent) of 6 subrecipients that were not required to obtain an audit, the Department did not perform an annual compliance review of the subrecipients.
- For 2 (6 percent) of 32 subrecipient A-133 Single Audits reports the Department received, the Department did not forward the findings to the Public Transportation Division or External Audit, which is the office that monitors subrecipients' Single Audit reports, for management decision and follow up. One of these audit reports specifically listed a Davis-Bacon finding for the Formula Grants program, while the other audit report listed a finding that encompassed all major federal programs.

There is also a control weakness within the Single Audit report reviews that the Department's External Audit Office performs. External Audit is unaware of which subrecipients are required to submit Single Audit reports. Currently External Audit does not perform any type of confirmation with subrecipients to verify whether they are or are not required to submit a Single Audit report. Furthermore, External Audit's review practice is to only forward findings to divisions if it determines the findings should be forwarded. Auditors identified one instance in which External Audit did not forward a finding specifically for the Formula Grants for Other Than Urbanized Areas Program to a division for review and follow up. External Audit also does not formally document Single Audit report issues or how those issues were resolved.

These issues increase the risk that the Department will not be able to determine whether subrecipients comply with federal law and whether subrecipients having issues is not detected through the subrecipients monitoring process.

Recommendations:

The Department should:

- Follow established policy and procedures and perform complete annual compliance reviews for all subrecipients.
- Follow established policy and procedures and perform quarterly on-site monitoring visits for all subrecipients.
- Implement a monthly monitoring process to verify allowable activities and costs for subrecipients.
- Implement a monthly monitoring process to verify the subrecipients meet match and program income requirements.
- Follow established policy and procedures for documentation of inventories of equipment.
- Maintain adequate supporting documentation for the procurement of equipment and follow established policy and procedures for documentation of compliance with procurement requirements.
- Develop an annual monitoring process to determine whether subrecipients must obtain A-133 Single Audits and ensure subrecipients submit Single Audit reports within nine months of the end of the each subrecipient's fiscal year.
- Forwarded findings from subrecipients' Single Audit reports to the Public Transportation Division to ensure proper follow up and that management decisions are issued to the subrecipient.
- Include all required federal award information in award documentation provided to subrecipients.

Management Response and Corrective Action Plan:

The Department agrees with the recommendations and has already taken some action to correct. Prior to June 2009, the public transportation monitoring function was decentralized to TxDOT's 25 district offices. Staff assigned to these duties was in most cases also responsible for numerous other non-public transportation tasks. Effective June 1, 2009, TxDOT reorganized so that district personnel performing public transportation duties report directly to the division. The consolidation of the functions and staff into the Public Transportation Division provides direct oversight for the field functions including how policies and procedures are carried out.

In regard to monthly monitoring processes to verify allowable activities and costs and verification of match and program income requirements, the Department will seek out resources, such as the Texas Transportation Institute and TxDOT's Audit Office, to prepare a guidance document for the Department that will provide information on supporting documentation for billings and allowable expenditures for both TxDOT staff and subrecipients.

In regard to single audit items, the Audit Office will determine whether the subrecipients must obtain an A-133 Single Audit Report and will ensure that these subrecipients submit their Single Audit Reports with the required nine-month period. Any findings in the subrecipients Single Audit Reports will be submitted to the Public Transportation Division for proper follow up. The Audit Office will keep a log of the findings in these Single Audit Reports and will follow up as appropriate.

In regard to award documentation provided to subrecipients, for new grant agreements the Code of Federal Domestic Assistance (CFDA) number, federal agency and federal grant numbers will be identified in the project grant agreements. The standard template for federally funded agreements will be amended, if needed, to include any missing required information. No federally funded grant agreement will be executed without the required information.

Implementation Date: Completion dates will vary. For non-staff items, such as templates, work is anticipated to be fully implemented within six months. For staff related items, work will be ongoing. To date, the Department has already begun working with the field staff by bringing the entire division together in meetings, conference calls, and sharing information. All division personnel were recently informed regarding the findings of this audit and will work as a team to develop processes to address the items. For audit items, February 2010.

Responsible Person: Eric Gleason is responsible for oversight of the public transportation functions. Owen Whitworth is responsible for the audit functions, and Scott Burford is responsible for the standard templates.

Reference No. 10-93

Subrecipient Monitoring

Special Tests and Provisions - R3, Subrecipient Monitoring-Applicable to all Major Programs with Expenditures of ARRA Awards

CFDA 20.509 - Formula Grants for Other Than Urbanized Areas - ARRA

Award year - October 1, 2008 to September 30, 2009

Award number - TX-86-X001-01 and TX-86-X002-00

Type of finding - Significant Deficiency and Non-Compliance

The American Recovery and Reinvestment Act (ARRA) of 2009 required recipients to separately identify to each subrecipient--and document at the time of sub-award and at the time of disbursement of funds--the federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and amount of ARRA funds. In addition, recipients must require their subrecipients to (1) agree to maintain records that identify adequately the source and application of ARRA awards; (2) separately identify to each subrecipient and document at the time of subaward and disbursement of funds, the federal award number, CFDA number, and amount of ARRA funds; and (3) provide identification of ARRA awards in their schedule of expenditures of federal awards (SEFA) and require subrecipients to do the same (Title 2, Code of Federal Regulations, Section 176.210). Recipients of ARRA awards also are required to ensure subrecipients that receive ARRA funds maintain active registrations in the Central Contractor Registration (CCR) and obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number (Title 2, Code of Federal Regulations, Section 176.50). This information is needed to allow the recipient to properly monitor subrecipient expenditures of ARRA funds and for oversight by the federal awarding agencies, offices of inspector general, and the Government Accountability Office.

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| Questioned Cost: | \$0 |
| U.S. Department of Transportation - Federal Transit Administration | |

The Department of Transportation (Department) did not consistently comply with ARRA requirements with respect to its subrecipients for the Formula Grants for Other Than Urbanized Areas program. Specifically:

- For all 45 ARRA project grant agreements tested, the Department did not notify the subrecipient of the federal award number at the time of the award. The Department’s standard agreement for subrecipient awards did not contain the federal award number.
- For 39 (87 percent) of 45 ARRA project grant agreements tested, the Department did not notify the subrecipient at the time of award of the requirement that subrecipients provide identification of ARRA awards in their SEFAs. The Department executed the agreements prior to additional clarification from the U.S. Office of Management and Budget regarding ARRA requirements.
- For all five subrecipients who received ARRA disbursements during the fiscal year, the Department did not notify the subrecipient at the time of ARRA disbursement of the federal award number, CFDA number, amount of ARRA funds disbursed, requirement to maintain records that identify adequately the source and application of ARRA awards, and provide identification of ARRA awards in their SEFAs.

The Department was not aware of the ARRA requirement for pre-award identification and disbursement notification at the time of the initial execution of the ARRA grant agreements because it executed ARRA grant agreements prior to guidance being established for ARRA disbursement requirements. During fiscal year 2009, the Department executed 47 ARRA project grant agreements and passed through \$982,277 to five ARRA subrecipients.

Recommendations:

The Department should:

- Ensure ARRA project grant agreements with subrecipients contain all of the required federal award information.
- Provide subrecipients all of the required federal award notifications at the time of each disbursement of ARRA funds.

Management Response and Corrective Action Plan:

The Department agrees with the recommendations and has already taken some action to correct.

For new grant agreements the Code of Federal Domestic Assistance (CFDA) number, federal agency, federal grant numbers, and the SEFA requirements will be identified in the project grant agreements. For current grant agreements, amendments have been/will be processed adding missing information. Finally, the standard template for federally funded agreements will be amended, if needed, to include any missing required information. No federally funded grant agreement will be executed without the required information.

Staff will also update the billing reimbursement request form with the required information and provide subrecipients with the revised form. This may be done electronically for existing reimbursement forms already in use by the subrecipient, but will be included in any reimbursement forms not yet sent out. The subrecipient signature (required) on this form will serve as the notification.

Implementation Date: Six-month anticipation completion date. Work has already begun to implement changes. The SEFA requirements have already been added to newer grant agreements, and executed amendments to existing grant agreements are almost complete. Grant agreement templates are in the process of being reviewed for missing required information. If and when additional ARRA awards are made, staff will review templates to verify that required information is contained and if needed, will add required information until templates can be updated.

Responsible Person: Eric Gleason is responsible for execution and amendments of grant agreement and Scott Burford is responsible for the standard templates.

University of Houston

Reference No. 10-94

Reporting

Activities Allowed or Unallowed

Cash Management

Eligibility

Period of Availability of Federal Funds

Special Tests and Provisions - Separate Funds

(Prior Audit Issue - 9-83)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Pell Payment Data 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 18 (45 percent) of 40 students tested, the University did not report disbursement records to the COD System within 30 calendar days of the disbursement date. Specifically:

- For 14 of 18 students, their disbursement records were reported one day late due to a lack of understanding of the new student financial aid system. During the Fall 2008 semester, the student financial aid system was still in the process of being modified to prevent non-timely reporting of disbursement records, in response to the prior year audit issue.
- For 8 of 18 students, their disbursement records were reported late because the University did not recognize that the outgoing files did not contain the disbursement records from the financial aid system (4 of these were among the 14 discussed above that the University reported 1 day late). The University was unable to provide support or evidence to indicate why the outgoing files did not include these disbursement records. The University is developing controls to verify the completeness of files it creates from its financial aid system and then submits to the COD System.

The University does not have procedures to reconcile the data it submits to the COD System with the data in its financial aid system. This prevents the University from recognizing disbursement records that it does not submit to the COD System in a timely manner.

Activities Allowed or Unallowed, Cash Management, Eligibility, and Period of Availability of Federal Funds, and Special Tests and Provisions - Separate Funds

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, and special tests and provisions - separate funds, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Implement changes to its reporting procedures to ensure that it reports Pell disbursement records to the COD System in a timely manner.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access, accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have identified the source of the errors for the non-timely reporting of disbursement records and have implemented procedures to help ensure that these types of errors are not recurring. As referenced in the audit document for Pell Reporting, this issue was limited to the Fall semester of 2008 and was resolved as of the beginning of Spring of 2009. These procedures help ensure that we report Pell disbursement records to the COD System in a timely manner.

Implementation Date: December 2008

Responsible Person: Melanie Morgan and Izzy Anderson

Reference No. 10-95

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Usage of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid System. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Verification Policy

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with

Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

The University's verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University's policies and procedures do not contain:

- The time period within which an applicant shall provide the documentation.
- The method the University uses to notify students of verification results, if, as a result of verification, the applicant's expected family contribution changes and results in a change in the applicant's award or loan.
- Procedures stating the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirement and (2) the applicant's responsibilities with regard to the verification of application information.

Verification of Applicants

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, CFR, Section 668.56).

The University did not verify all required information on selected FAFSAs in accordance with federal regulations. For 1 (3 percent) of 40 verification cases tested, the University did not correctly update its records and the *Institutional Student Information Report (ISIR)* to reflect information on the student's household size. For 1 (3 percent) of 40 verification cases tested, the University did not correctly update its records and the ISIR to reflect information on the student's household members enrolled at least half-time in college. In each case, the student's eligibility was not affected by the error.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Ensure that its verification policy includes all required information.
- Ensure that controls are in place to correctly update its records and the ISIR upon completion of verification.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have developed and implemented written verification policies and procedures that contain the following elements:

- The time period within which an applicant shall provide the documentation.
- The method used to notify students of verification results, if, as a result of verification, the applicant's expected family contribution changes and results in a change in the applicant's award or loan.
- Procedures stating the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirement and (2) the applicant's responsibilities with regard to the verification of application information.

Procedures are in place to correctly update records and the ISIR upon completion of verification.

Implementation Date: January 2010

Responsible Person: Jessica Thomas

Reference No. 10-96

Special Tests and Provisions - Disbursements To or On Behalf of Students

(Prior Audit Issue - 09-85)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Disbursement Notifications

If an institution credits a student's 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) 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).

For 44 (50 percent) of 88 Perkins and Federal Family Education Loan Program (FFELP) disbursements to students tested, the University did not have documentation that it sent the required disbursement notifications within the required time frame. Prior to the Spring 2009 semester, the University did not track disbursement notifications in its financial aid system. As a result, for Fall 2008 disbursements, the University was unable to provide evidence that it sent the required notifications. For disbursements the University made in the Spring 2009 and Summer 2009 semesters, the University was able to provide evidence that it sent the notifications in a timely manner. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Retain documentation to support that it has provided disbursement notifications to students or parents.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access, accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have modified the Financial Aid System to send e-mails to students for all disbursements and to provide for an audit trail to document these notifications. This was done in response to a previous finding and was resolved as of the Spring semester of 2009. This resolution was referenced in the current audit.

Implementation Date: January 2009

Responsible Person: Sal Loria Jr.

Reference No. 10-97

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue - 09-86)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

Type of finding - Material Weakness and Material 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)).

| | |
|------------------------------|---------|
| Questioned Cost: | \$5,873 |
| U.S. Department of Education | |

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment of the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

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 earned by the student 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 earned by the student is less than the amount that was

disbursed to the student 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, Sections 668.22(a)(3)-(4)).

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 or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The University did not consistently return Title IV funds in a timely manner. Specifically:

- For 15 (38 percent) of 40 students tested, the University had not completed return of Title IV funds calculations as of auditors' first day of onsite work. Most of the students were unofficial withdrawals. The University subsequently provided its calculations to auditors for testing.
- For 13 (54 percent) of 24 unofficial withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of enrollment period as required.
- For 25 (83 percent) of 30 students tested for whom the University was required to return Title IV funds, the funds were not returned within 45 days after the date the University determined that the students withdrew.

Additionally, for 6 (15 percent) of 40 students tested, the University did not return the correct amount of Title IV funds. Specifically:

- For four of these six students, the University incorrectly omitted room and board charges from the return calculation.
- For one of these six students, the University used seven days instead of eight days for Spring break in the computation of enrollment period. The University also incorrectly omitted room and board charges from the return calculation, but this did not affect the return amount.
- For one of these six students, due to special circumstances, the University did not process a return of funds, even though all funds are required to be returned.

Questioned costs associated with these 6 errors totaled \$5,873. However, total questioned costs could not be determined because auditors could not estimate the number of unofficial withdrawals that still needed a return calculation. In addition, the Spring break calculation error affected all students with an official withdrawal that required a return of funds in Spring 2009. In addition, the error in institutional charges appears to affect all on-campus students because the University omitted room and board charges from all calculations that auditors tested. While this last issue does not affect the total funds to be returned, it resulted in an overestimation of the funds to be returned by the students and an underestimation of the funds to be returned by the University.

The University also did not make a post-withdrawal disbursement of \$1,183 to one student who required this disbursement.

None of the students tested was identified as not having begun attendance. The University's system is currently unable to differentiate among students who never began attending, received all "F" grades, or dropped all of their classes (unofficial withdrawals). This may result in the University's failure to notify lenders of students who do not attend classes.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Review its records for the 2008-2009 award year to identify all students for whom returns of Title IV funds still need to be made, and complete the necessary returns as soon as possible.
- Implement controls to ensure that it completes returns of Title IV funds in a timely manner and in accordance with federal regulations.
- Ensure that it can identify within its financial aid system students who unofficially withdraw and who received aid but did not begin attendance.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

As required by the Department of Education based upon the FY 2008 audit, we reviewed all records for the 2007-2008 award year for which returns of Title IV funds were required. We provided supplemental documentation to the Department of Education, which satisfactorily resolved this issue. We implemented the same procedures for the 2008-2009 award year. We have reviewed all records for the 2008-2009 award year to identify all students for whom returns of Title IV funds were required. We have implemented enhanced policies and procedures to help ensure that returns of Title IV funds are completed in a timely manner in accordance with federal regulations. We have identified students in the Financial Aid System who unofficially withdraw (students that receive all "W" grades) and who received aid but may not have begun attending classes (students receive all "F" grades). Students that receive all "F" grades are required to respond to the University, in writing, proving that they have attended classes. If this proof is not received in a timely manner, these students are treated as an unofficial withdrawal and a return of Title IV funds is processed. As referenced in the previous finding, this issue was identified and procedures were in place beginning in April 30, 2009.

Implementation Date: April 30, 2009

Responsible Person: Jessica Thomas

Reference No. 10-98

Special Tests and Provisions - Students Status Changes

(Prior Audit Issues - 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 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)).

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|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Usage of generic user ids and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Student Status Changes

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The 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, regardless of whether those students receive federal financial assistance. 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 1.3.1.1).

The University did not report student status changes to NSLDS accurately and in a timely manner. Specifically, for the 40 student status changes tested:

- The University did not report one student status change to NSLDS. The student withdrew, and the University did not report this to NSLDS.
- The University did not report five student status changes within the required time frame.
- The University did not report six student status changes to the lender/guarantor within the required time frame.
- The University reported the incorrect change type to NSLDS for two student status changes.
- The date of the student status change in the University's system did not match the date reported to NSLDS for four student status changes.

These errors were the result of manual data entry errors and delays in reporting. The University periodically reviews a judgmental sample of students and determines whether student status changes were accurately reported. However, this review process did not help to ensure the accurate and timely reporting of all the student status changes tested.

The University's policies and procedures do not specify time frames for updating student status for Federal Family Education Loan Program (FFELP) and Direct Loan Program recipients. Without a process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Implement changes to its reporting procedures to ensure that student status changes are accurately reported to NSLDS and lenders/guarantors within the required time period.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access, accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have implemented procedures to ensure that student status changes are identified and reported to NSLDS and the lender/guarantors within the required time period. The University does have documented policies and procedures for updating student status changes. As referenced in the previous audit, this resolution was put into place on April 1, 2009.

Implementation Date: April 2009

Responsible Persons: Melanie Snook and Sal Loria, Jr.

University of Houston - Clear Lake

Reference No. 10-99

Eligibility

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 PO63P20083465, CFDA 84.033 PO33A084160, CFDA 84.379 P379T093465, CFDA 84.007 PO07A084160, and CFDA 84.376 P376S083465

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)).

| | |
|------------------------------|---------|
| Questioned Cost: | \$8,458 |
| U.S. Department of Education | |

Nineteen users initially had the capability to migrate code objects (such as COBOL programs, SQL statements, pages, and forms) into the production environment of the financial aid application (PeopleSoft). Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Eligibility

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).

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, Section 685.301).

For the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts (Title 34, Code of Federal Regulations, Section 690.62). These 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. Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before a student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, Code of Federal Regulations, Section 685.200).

The University calculated financial need incorrectly for two students. As a result, the University:

- Overawarded Direct Subsidized loans to 1 (2.5 percent) of 40 students tested. The student registered full-time but attended half-time. The University adjusted the student’s COA after the student’s enrollment status changed, but it did not adjust the financial assistance award accordingly. The University awarded the student \$8,458 more in need-based awards than his COA and EFC allowed. The University did not have sufficient controls in place to ensure that it awarded the student the correct amount.

- Underawarded a federal Pell Grant award to 1 (8.3 percent) of 12 students tested. The University awarded the student \$841 in Pell Grant funds when the student was eligible to receive \$1,261. The student originally provided information to the University that specified that the student intended to graduate at the end of the Fall 2008 semester; therefore, the University reduced the student's 2008-2009 assistance package to include Fall 2008 semester attendance only. However, the student did not graduate at the end of the Fall 2008 semester and enrolled half-time for the Spring 2009 semester. The University then manually increased the student's assistance package to include Spring 2009 semester assistance. However, the University did not award this student Pell Grant funds for the Spring 2009 semester and awarded only federal Direct Subsidized and Unsubsidized loans to this student. The University corrected the federal Pell Grant award to this student on June 18, 2009.

Special Tests and Provisions - Disbursements to or On Behalf of Students

Although the general control weaknesses described above apply to disbursements to or on behalf of students, auditors identified no compliance issues regarding disbursements of student financial assistance.

Recommendations:

The University should:

- Restrict user access to only users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Improve its process to ensure that it adjusts financial assistance awards when changes in students' enrollment status affect COA determinations.
- Improve controls so that it re-evaluates students' eligibility for Pell Grants if changes in students' enrollment status affects students' loan disbursements.

Management Response and Corrective Action Plan:

Restrict User Access

We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.

Implementation Date: January 2010

Responsible Persons: Susie Winters and Stephen Webb

Adjusting Financial Assistances Due to Changes in COA

The PeopleSoft Project Team has created a query that will identify students with enrollment that does not correlate to the students' COA. This query will be run prior to the first disbursement of each semester, prior to the first day of classes of each semester, and after the census date of each semester. Any student with a mismatch will be corrected to ensure they are receiving the appropriate amount of financial assistance.

Implementation Date: February 2010

Responsible Person: Billy Satterfield

Pell Grant Eligibility

The Office of Student Financial Aid has strengthened procedures for determining Pell Grant eligibility when enrollment information changes. In addition, a series of queries have been developed, which identifies potential Pell Grant errors. These queries will be run during the enrollment periods of each semester to determine any Pell Grant mismatches due to enrollment changes. Any mismatches will be awarded aid (grants and loans) appropriately using federal methodology.

Implementation Date: January 2010

Responsible Person: Billy Satterfield

University of North Texas

Reference No. 10-100

Cash Management

Activities Allowed or Unallowed

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084085, CFDA84.033 P033A074085 and P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S072293, and P376S082293

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)).

Questioned Cost: \$0

U.S. Department of Education

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Cash Management

The U.S. Department of Education (ED) provides financial aid funds to institutions under the advance, just-in-time, reimbursement, or cash monitoring payment methods. The advance payment method permits institutions to draw down financial aid funds prior to disbursing funds to eligible students and parents. The institution's request for funds must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either student financial assistance funds or its own funds. The institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education. If an institution maintains excess cash for more than seven calendar days, the Secretary of the U.S. Department of Education may take actions such as requiring the institution to reimburse the Secretary for the costs incurred, or providing funds to the institution under the reimbursement payment method or the cash monitoring payment method described in Title 34, Code of Federal Regulations, Sections 668.163(d) and (e), respectively.

For 3 (7.5 percent) of 40 cash draws tested, the University of North Texas's (University) request exceeded the amount it immediately needed to disburse funds to students or parents. According to staff, on March 23, 2009, the University repeated a draw by drawing \$131,583.83 against expenditures that the University had previously drawn against on February 19, 2009. The repeated draw caused the excess in the three requests described above. The University's expenditures exceeded cumulative draws for more than 7 days. The interest on the funds held did not exceed \$250; therefore, the questioned cost was zero.

Activities Allowed or Unallowed, Period of Availability of Federal Funds, Reporting, and Special Tests and Provisions - Disbursements To or On Behalf of Students

Although the general control weaknesses described above apply to activities allowed or unallowed, period of availability of federal funds, reporting, and disbursements to or on behalf of students, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

The University should:

- Restrict access to EIS based on job duties and responsibilities, and restrict access to setup tables to key personnel.
- Ensure that generic user IDs are not used and that each user is assigned a unique user ID to maintain user accountability.
- Improve controls to ensure that its drawdowns of Title IV funds do not exceed the amount immediately needed to disburse funds to students or parents.

Management Response and Corrective Action Plan:

Management Response from Student Financial Aid and Scholarships (“SFAS”):

Management is attentive to the accountability requirements inherent in setting up security systems and understands the risks associated with maintaining internal controls.

Access to EIS setup tables was restricted by the Security Administrator for SFAS as of October 1, 2009. In addition, unique user IDs will be assigned to specific individuals in order to maintain user accountability.

Implementation Date: March 2010

Responsible Persons: Ed Turney and Carolyn Cunningham

Management Response from Student Financial Aid and Scholarships:

Management recognizes that the University repeated a draw by drawing \$131,583.83 against expenditures that the University had previously been drawn against.

To assure accurate future cash draw requests, Management has trained additional personnel in the preparation of cash draw requests and has modified the cash draw worksheet to include notations for each reviewer’s signature and date. A final review will be conducted and noted on the worksheet by the Assistant Director for Cash Management before notification is sent to Financial Reporting to request the correct cash draw amount.

Management will improve controls to ensure that drawdowns of Title IV funds do not exceed the amount immediately needed to disburse funds to students or parents.

Implementation Date: February 2010

Responsible Person: Barbara MacDonald

Reference No. 10-101

Eligibility**Student Financial Assistance Cluster****Award year - July 1, 2008 to June 30, 2009****Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293****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)).

Questioned Cost: \$2,500

U.S. Department of Education

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Federal Supplemental Educational Opportunity Grant Awards

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to one student who did not initially receive a Pell Grant. During the manual awarding of FSEOG, the University used the wrong EFC and cost of attendance for this student. As a result, the University determined the student's Pell eligibility incorrectly and erroneously awarded \$500 in FSEOG to this student.

National SMART Awards

For each award year, the Secretary of the U.S. Department of Education establishes and announces the National Science and Mathematics Access to Retain Talent (SMART) Grant scheduled awards depending on the availability of funds for all students who are eligible for a grant. The maximum National SMART Grant scheduled award for an eligible student may be up to \$4,000 for each of the third and fourth academic years of the student's eligible program (Title 34, Code of Federal Regulations, Section 691.62).

Based on a review of the full population of student financial aid recipients, the University awarded one student SMART grant funds in excess of the annual amount allowed. The student exhausted the \$4,000 maximum during the Fall and Spring semesters. The student enrolled for the Summer semester, and the University erroneously awarded \$2,000 of additional SMART funds to the student, thus exceeding the \$4,000 maximum.

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)). An institution's Satisfactory Academic Progress (SAP) policy should include a quantitative component that consists of a maximum time frame within which a student must complete his or her education (Title 34, Code of Federal Regulations, Section 668.16(e)). An eligible institution offering graduate programs must develop, disseminate, and consistently apply a policy defining the maximum time frame graduate students have to complete their programs (U.S. Department of Education, *Student Financial Aid Handbook*, Volume 2, page 2-126).

The University's SAP policy did not include a maximum time frame of attempted hours within which graduate students must complete their programs. The University's policy regarding the maximum time frame in which a student is expected to complete a program of study pertained only to undergraduate students.

Recommendations:

The University should:

- Restrict access to EIS based on job duties and responsibilities, and restrict access to setup tables to key personnel.
- Ensure that generic user IDs are not used and that each user is assigned a unique user ID to maintain user accountability.
- Implement controls to prevent awarding and disbursing FSEOG funds to students who are not eligible for Pell grants.
- Implement controls to prevent awarding and disbursing SMART Grants to students who have exhausted the maximum amount allowed.
- Revise its SAP policy to define a maximum time frame for each category of graduate student.

Management Response and Corrective Action Plan:

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the accountability requirements inherent in setting up security systems and understands the risks associated with maintaining internal controls.

Access to EIS setup tables was restricted by the Security Administrator for SFAS as of October 1, 2009. In addition, unique user IDs will be assigned to specific individuals in order to maintain user accountability.

Implementation Date: March 2010

Responsible Persons: Ed Turney and Carolyn Cunningham

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the U.S. Department of Education requirements associated with the Federal Supplemental Educational Opportunity Grant Awards (FSEOG) regarding awards to students with the lowest expected family contributions (EFC) who will also receive a federal Pell Grant in that year.

Management will review existing FSEOG manual awarding procedures to assure instructions are well documented. Additional refresher training will be provided to staff. SFAS will implement controls to address awarding and disbursing FSEOG funds to students who are not eligible for Pell grants.

Implementation Date: March 2010

Responsible Person: Lisa Goodman

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the U.S. Department of Education requirements associated with the National Science and Mathematics Access to Retain Talent (SMART) Grant regarding maximum total annual awards to students.

Management will review existing SMART manual awarding procedures to implement controls preventing awarding and disbursing SMART Grants to students who have exhausted the maximum amount allowed. Additional refresher training will be provided to staff. SFAS will implement controls to address awarding and disbursing SMART Grants to students who have exhausted the annual maximum amount allowed.

Implementation Date: March 2010

Responsible Person: Lisa Goodman

Management Response from Student Financial Aid and Scholarships:

Management acknowledges the necessity to revise its Satisfactory Academic Progress Policy according to the U.S. Department of Education requirements.

Management will amend its Satisfactory Academic Progress Policy to define a maximum time frame for categories of graduate students.

Implementation Date: February 2010

Responsible Person: Carolyn Cunningham

Reference No. 10-102

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293

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)).

Questioned Cost: \$0

U.S. Department of Education

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs, which according to the University, the senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Verification Policy

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

The University's verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University's policies and procedures do not contain:

- The consequences of an applicant's failure to provide required documentation within the specified time period.
- The method the University uses to notify an applicant of verification results if, as a result of verification, the applicant's expected family contribution changes and results in a change in the applicant's award or loan.
- The procedures the University requires an applicant to follow to correct application information determined to be in error.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- Procedures stating that the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of: (1) the documentation needed to satisfy the verification requirement and (2) the applicant's responsibilities in regard to the verification of application information.

As a result, the University may not:

- Ensure that it complies with all federal requirements when conducting student verification.
- Have the capability to identify and report instances of false or fraudulent information to the Office of the Inspector General of the U.S. Department of Education for investigation.

Verification of Applicants

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, CFR, Section 668.56).

The University did not verify all required information on selected applications in accordance with federal regulations. For 1 (2.5 percent) of 40 verification cases tested, the University did not correctly update its records and the *Institutional Student Information Report (ISIR)* to reflect the student's/parent's untaxed income and benefits reported on the 2007 U.S. income tax return. Specifically, the individual retirement account deduction amount was not reported. Due to the student's high estimated family contribution, the student's eligibility was not affected by the error.

Recommendations:

The University should:

- Restrict access to EIS based on job duties and responsibilities, and restrict access to setup tables to key personnel.
- Ensure that generic user IDs are not used and that each user is assigned a unique user ID to maintain user accountability.
- Develop and implement written policies and procedures containing all elements as required by Title 34, CFR, 668.53.
- Ensure that controls are in place to correctly update its records and the ISIR upon completion of verification.

Management Response and Corrective Action Plan:**Management Response from Student Financial Aid and Scholarships:**

Management is attentive to the accountability requirements inherent in setting up security systems and understands the risks associated with maintaining internal controls.

Access to EIS setup tables was restricted by the Security Administrator for SFAS as of October 1, 2009. In addition, unique user IDs will be assigned to specific individuals in order to maintain user accountability.

Implementation Date: March 2010

Responsible Persons: Ed Turney and Carolyn Cunningham

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the U.S. Department of Education requirements associated with Verifications.

Management will update its Verification Policy and Procedures containing all elements as required by Title 34, CFR, 668.53.

Implementation Date: February 2010

Responsible Person: Lacey Thompson

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the U.S. Department of Education requirements associated with the Verification Guidelines regarding the completion of verifications.

Management will review existing Verification procedures to assure instructions are well documented. Additional refresher training will be provided to staff. SFAS will implement controls to correctly update its records and the ISIR upon completion of verification.

Implementation Date: February 2010

Responsible Person: Lacey Thompson

Reference No. 10-103

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084085, CFDA84.033 P033A074085 and P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S072293 and P376S082293

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)).

| | |
|------------------------------|---------|
| Questioned Cost: | \$3,714 |
| U.S. Department of Education | |

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

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 earned by the student as of the student’s withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). When a recipient 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 or if it has to notify the lender or the Secretary of the U.S. Department of Education to issue a final demand letter. For remaining amounts of Federal Family Educational Loan and Direct Loan funds disbursed directly to the student for the payment period or period of enrollment, the institution must immediately notify the lender or the Secretary of the U.S. Department of Education, as appropriate, when it becomes aware that the student will not or has not begun attendance, so that the lender or the Secretary of the U.S. Department of Education will issue a final demand letter to the borrower (Title 34, Code of Federal Regulations, Sections 668.21(a)(1) and(2)). 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, Code of Federal Regulations, Section 668.21(b)).

In 2 (5 percent) of 40 cases tested, the University did not return the correct amount of Title IV funds. The University regarded the two students as unofficial withdrawals, even though the students did not begin attendance. As a result, the University calculated the amount to be returned as 50 percent of the \$12,489 disbursed to the students. However, the return calculations should have resulted in 100 percent of the funds disbursed to these students being returned. Questioned costs of \$3,714 represent the amount of Title IV funds the University is still required to return. Additionally, for these two students, the University did not notify the lender or the Secretary of the U.S. Department of Education of the students’ withdrawal. Furthermore, based on a review of the full population of students, the University appears to have treated an additional 18 students in the same manner. The University did not have a process for informing the lender or the Secretary of the U.S. Department of Education. As a result, the lenders were placed at risk of not being able to collect the debt in a timely manner.

Recommendations:

The University should:

- Restrict access to EIS based on job duties and responsibilities, and restrict access to setup tables to key personnel.
- Ensure that generic user IDs are not used and that each user is assigned a unique user ID to maintain user accountability.
- Develop a process to ensure that all Title IV funds disbursed to students who never begin attendance are returned in accordance with federal requirements and notify the lender if there are remaining funds to be returned. The University should cease using the guidelines for unofficial withdrawals when calculating returns of Title IV funds for students who never began attendance.
- For remaining amounts of Federal Family Educational Loan and Direct Loan funds disbursed directly to students, the University should develop a process for notifying the lender or the Secretary of the U.S. Department of Education and implement controls to ensure that the notification process is effective.

Management Response and Corrective Action Plan:**Management Response from Student Financial Aid and Scholarships:**

Management is attentive to the accountability requirements inherent in setting up security systems and understands the risks associated with maintaining internal controls.

Access to EIS setup tables was restricted by the Security Administrator for SFAS as of October 1, 2009. In addition, unique user IDs will be assigned to specific individuals in order to maintain user accountability.

Implementation Date: March 2010

Responsible Persons: Ed Turney and Carolyn Cunningham

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the U.S. Department of Education requirements associated with Return to Title IV Funds.

Management will develop a process to ensure that all Title IV funds disbursed to students who never begin attendance are returned in accordance with federal requirements. In addition, a process for notifying the Secretary of the U.S. Department of Education when returning Direct Loan funds disbursed directly to students will be developed and implemented.

Implementation Date: March 2010

Responsible Person: Barbara MacDonald

Reference No. 10-104

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic users IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Student Status Changes

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The 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, regardless of whether those students receive federal financial assistance. 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 1.3.1.1).

The NSLDS states that for an institution to be in compliance, a correct reporting of a “G” for graduated status rather than a “W” for withdrawn status assists the government in identifying an individual student’s completion of programs of study.

One of 40 (2.5 percent) student status changes tested at the University was not accurately reported to NSLDS. The student was reported as withdrawn when the student had actually graduated. The final file upload of graduated students to the NSC occurred prior to the date on which the student’s degree was posted. Therefore, the student was not included in the final degree file of Fall 2008 graduated students provided to the NSC. As a result, graduated students whose degrees are posted after the final degree file upload to the NSC may not be reported accurately.

Recommendations:

The University should:

- Restrict access to EIS based on job duties and responsibilities, and restrict access to setup tables to key personnel.
- Ensure that generic user IDs are not used and that each user is assigned a unique user ID to maintain user accountability.
- Improve its oversight of the student status changes reporting process to ensure that it accurately reports graduated students who have status changes that occur after the final degree file is provided to NSC.

Management Response and Corrective Action Plan:**Management Response from Student Financial Aid and Scholarships:**

Management is attentive to the accountability requirements inherent in setting up security systems and understands the risks associated with maintaining internal controls.

For SFAS, access to EIS setup tables was restricted by the Security Administrator for SFAS as of October 1, 2009. In addition, unique user IDs will be assigned to specific individuals in order to maintain user accountability.

The Registrar's Office does the Student Status Change function for UNT. The Registrar has never been allowed a user password from SFAS to gain access into SFAS batch accounts (only SFAS has that access). Therefore, the Registrar's Office personnel have not had inappropriate or excessive access to update financial aid tables in EIS.

Implementation Date: March 2010

Responsible Persons: Ed Turney and Carolyn Cunningham

Management Response from Registrar's Office:

Management is attentive to the U.S. Department of Education requirements associated with Student Status Changes.

Management has updated and implemented business controls to ensure accurate and timely reporting to the National Student Clearinghouse and the National Student Loan Data System for graduated students who have status changes that occur after the final degree file is provided to the NSC.

Implementation Date: September 2009

Responsible Person: Bobby Lothringer

Reference No. 10-105

Special Tests and Provisions - Institutional Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293

Type of finding - Significant Deficiency and Non-Compliance

Each institution's most recent *Eligibility and Certification Approval Report* (ECAR) lists the institution's main campus and any additional approved locations. For any other locations at which an institution offers 50 percent or more of an eligible program, the institution must 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, Sections 600.20(c) and 600.21(a)(3)).

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| Questioned Cost: | \$182,173 |
| U.S. Department of Education | |

The University of North Texas (University) met all but one of the applicable institutional eligibility requirements. For award year 2008-2009, the University disbursed a total of \$182,173 in Title IV funds to students taking classes at three unreported additional locations at which the University offered 50 percent or more of an eligible program. The University has been providing funding for the past nine years at unreported locations at which it offered 50 percent or more of an eligible program. The University expended a total of \$181,574,501 in student financial assistance funds for the fiscal year ended August 31, 2009.

As part of the process for reporting additional locations, the University's Office for Institutional Research and Effectiveness (IRE) is responsible for providing adequate notice to the University's Office of Student Financial Aid and Scholarships (SFAS) that a program will meet the 50 percent threshold at a new location. IRE did not provide timely notice to SFAS, which led to the University not reporting the additional locations.

Recommendation:

The University should improve its oversight of the ECAR reporting process to ensure that it reports additional locations where it offers 50 percent or more of an eligible program.

Management Response and Corrective Action Plan:

Management Response from Student Financial Aid and Scholarships:

Management is attentive to the U.S. Department of Education requirements associated with reporting additional locations on the ECAR reporting process. This compliance issue had been disclosed by UNT to the U.S. Department of Education prior to the A-133 Audit. During the audit Entrance Conference, UNT disclosed this issue to the lead auditor.

Management has developed coordinated procedures between IRE and SFAS to ensure that SFAS reports through the ECAR reporting process additional locations where UNT offers 50 percent or more of an eligible program.

Implementation Date: December 2009

Responsible Person: Carolyn Cunningham

University of North Texas Health Science Center at Fort Worth

Reference No. 10-106

Activities Allowed or Unallowed Allowable Costs/Cost Principles

Research and Development Cluster

Award year - March 20, 2009 to March 19, 2010

Award number - CFDA 12.431 W911NF-09-1-0086

Type of finding - Significant Deficiency and Non-Compliance

Allowable 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, Section 220(C)).

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| Questioned Cost: | \$1,006 |
| U.S. Department of Defense | |

The University of North Texas Health Science Center at Fort Worth's (Health Science Center) policy states that principal investigators are required to exercise oversight of the financial transactions and financial status of each grant and contract sufficient to ensure that charges are (1) reasonable and necessary; (2) allowable under the terms and conditions of the award; (3) properly allocated to and among multiple awards and funding sources; and (4) limited to the funds awarded for the project.

One (2 percent) of 54 expenditures tested at the Health Science Center was unallowable under the grant agreement. An administrative coding error caused the Health Science Center to charge \$1,006 for the care of laboratory pigs to the incorrect grant. The grant agreement specifically prohibited the use of grant funds for laboratory animals. The Health Science Center had received a waiver to use grant funds on goats, but that waiver did not extend to pigs. Although the principal investigator assigned to the grant reviewed and approved the expenditure, the review and approval did not identify that the expenditure was not associated with the grant to which it was charged. After auditors identified the unallowable cost, the Health Science Center corrected the error by reassigning the cost to the appropriate grant.

Recommendation:

The Health Science Center should improve review and approval processes to ensure that only allowable costs are charged to the appropriate grants.

Management Response and Corrective Action Plan:

The University of North Texas Health Science Center at Fort Worth (UNTHSC) will improve our process for charging laboratory animal expenditures to grants by implementing a report provided by the Office of Grant and Contract Management (OGCM) which will provide a list of all approved animal models on all projIDs (grant accounts) to the Department of Lab Animal Medicine (DLAM) for their review against associated charges prior to processing the journal entry expensing the charge. We will continue with the current process of DLAM providing a list of expenses charged to all projIDs to OGCM after the journal entry has processed as a secondary, after the fact review.

Implementation Date: March 2010

Responsible Persons: LeAnn Forsberg and Lou Williams

Reference No. 10-107

Procurement and Suspension and Debarment

Research and Development Cluster

Award years - May 10, 2008 to April 30, 2013

Award number - CFDA 93.837 5R25HL007786-17

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 Federal Regulations, Section 180.300). Covered transactions include procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all non-procurement transactions (i.e., subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.210 and 180.220).

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| Questioned Cost: | \$0 |
| National Institutes of Health | |

To ensure compliance with federal suspension and debarment requirements, the University of North Texas Health Science Center at Fort Worth (Health Science Center) has incorporated a federal procurement, suspension, and debarment certification clause into its invitation for bid document. Vendors are required to sign this document for purchases of \$25,000 or more, regardless of whether the procurement is proprietary or competitively bid. The Health Science Center then maintains the signed invitation for bid document in the contract file.

The Health Science Center did not consistently maintain documentation that supported its suspension and debarment determinations. For 1 (20 percent) of 5 covered procurement transactions tested, the Health Science Center did not retain a signed invitation for bid in the contract file. As a result, auditors could not confirm that the Health Science Center verified that the vendor was not suspended or debarred at the time of the procurement. Therefore, the Health Science Center did not comply with federal requirements or its internal policy.

Auditors reviewed the EPLS Web site for the vendor for which the Health Science Center did not have a suspension and debarment certification and determined that the vendor was not suspended or debarred.

Recommendation:

The Health Science Center should consistently maintain documentation to demonstrate that it makes suspension and debarment determinations at the time of all procurements in accordance with federal requirements and its internal policy.

Management Response and Corrective Action Plan:

The University of North Texas Health Science Center at Fort Worth (UNTHSC) will strengthen our procedures for maintaining suspension and debarment documentation by implementing a new automated EPLS Approver role in the EIS eProcurement module for any requisition on Federal Funds that is \$25,000.00 or more. The approvers will ensure that documentation regarding determination of suspension and debarment is on file with the requisition before the purchase order can be completed. Documentation may include a standard clause or condition in the bid document or contract, a certification from the vendor, and/or a printed copy of the vendor status from the Excluded Parties List System (EPLS).

Implementation Date: January 2010

Responsible Persons: LeAnn Forsberg and Lane Nestman

University of Texas at Arlington

Reference No. 10-108

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.376 P375A082335 and P376S082335, CFDA 84.007 P007A084172, and CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Financial Need

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 108711).

Questioned Cost: \$437,779

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 aid to ensure that total aid is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6 and 682.603).

The University of Texas at Arlington (University) incorrectly calculated the COA for 3 (8 percent) of 40 students tested, resulting in one overaward. Specifically:

- For one of these three students, the University incorrectly used non-resident status to calculate the student's COA, resulting in an overaward of \$2,005.76.
- For the other two students, the University understated the students' COA by not factoring the students' majors into the calculation. The University subsequently adjusted the students' COA, which did not result in any changes to their awards.

The University used an incorrect EFC to calculate financial need for 2 (5 percent) of 40 students tested, resulting in two overawards. Specifically:

- For one student, the University incorrectly used the difference between the student's 12-month EFC and the student's 3-month EFC to perform the student financial need calculation, instead of using the 9-month EFC. As a result, the student's need was overstated by \$4,185. Upon notification that the student would not enroll in the Summer 2008 term, the University failed to comply with its policy to recalculate the EFC.
- For the other student, the University incorrectly used the student's 3-month EFC instead of the 4-month EFC in the student's Spring 2009 financial need calculation due to a data entry error. As a result, the student's need was overstated by \$2,519.

Questioned costs for the three overaward situations were \$5,985 and were associated with FFEL subsidized loans.

FSEOG Awards

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest EFC who will also receive federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest EFC who will not receive federal Pell Grants (Title 34, Code of Federal Regulations, Section 676.10(a)). An institution may award an FSEOG grant for an academic year in an amount it determines a student needs to continue his or her studies; however, an FSEOG award may not be awarded for a full academic year that is less than \$100 or more than \$4,000 (Title 34, Code of Federal Regulations, Section 676.20(a)).

One (2.5 percent) of 40 students tested received an FSEOG award of \$3,010 even though the student's EFC did not qualify him as a student with the lowest EFC. Although the University received the student's ISIR early in the award cycle, the auditor identified another Pell recipient in the sample with an EFC of \$0 and a similar ISIR date who did not receive an FSEOG award.

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to 163 students who did not receive Pell Grants. Specifically:

- The University awarded 120 students FSEOG because their EFC range fell within the University's automated packaging parameters, which incorrectly included all students in the \$4,001-5,000 EFC range. Only students with an EFC up to \$4,041 were eligible for Pell Grants in the award year. As a result, students with an EFC in the \$4,042-\$5,000 range were incorrectly awarded FSEOG, even though they were not eligible for and did not receive Pell Grants.
- The University awarded 42 students FSEOG as part of manual awards that it made to meet matching requirement for TEXAS Grants, a State of Texas financial aid program. These students also were not eligible for and did not receive Pell Grants.
- The University manually awarded one student FSEOG through a change in grant type when the student was no longer eligible for the grant the student had previously received.

These 163 awards represented questioned costs of \$426,116.

Based on a review of the full population of student financial aid recipients, the University also awarded 13 students FSEOG awards below the \$100 minimum for the program. This was the result of an error in the University's financial aid system, PeopleSoft, which allowed disbursements below the minimum threshold for the grant. The University canceled all 13 awards on September 25, 2009 to ensure compliance. These awards totaled \$668.

National SMART Awards

Under the National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) program, a student who meets certain eligibility requirements is also eligible to receive an a National Smart Grant if the student is receiving a federal Pell Grant disbursement in the same award year (Title 34, Code of Federal Regulations, Section 691.15(a)).

Based on a review of the full population of student financial aid recipients, the University awarded one student a National SMART Grant for \$2,000, even though her Pell Grant had been canceled subsequent to the receipt of a corrected ISIR. The University canceled the National SMART Grant on September 9, 2009, after auditors identified the issue and brought it to the University's attention.

Recommendations:

The University should:

- Adjust its COA and EFC calculations for the five students associated with errors identified during audit testing and correct the resulting three overawards.

- Implement controls to ensure that its financial aid system disburses awards to students within the parameters defined for each financial aid program.
- Ensure that it selects FSEOG and SMART grant recipients properly and in compliance with federal eligibility requirements.

Management Response and Corrective Action Plan:

1. The COA and EFC corrections have been made, and the awards adjusted as appropriate. Funds were returned as required.
2. We have created a report to identify ineligible students in the future, and any necessary adjustments have been made for 2009-2010.
3. All of the 163 ineligible awards noted in the audit have been cancelled and funds have been awarded to eligible students. The automated packaging plans for 2010-2011 have been adjusted so that students who are ineligible for the Federal Pell Grant will be awarded FSEOG or SMART Grant funds in accordance with federal eligibility requirements.

Implementation Date: *Bullet point 1 - November 2009*
 Bullet point 2 - November 2009
 Bullet point 3 - January 2010

Responsible Person: *Karen Krause*

Reference No. 10-109

Reporting

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.063 P063P082335, CFDA 84.007 P007A084172, CFDA 84.033 P033A084172, and CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Pell Payment Data 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).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Arlington (University) complied with the reporting requirements for Pell payment data, with the following exceptions:

- For one (3 percent) of 40 students tested, the Summer 2008 disbursement date of July 1, 2008, the University reported to the COD System did not match the actual disbursement date of May 19, 2008, in the student’s account. The University indicated that it could not report disbursements for students enrolled in Summer 2008 until the start of the federal financial aid year on July 1, 2008. As a result, the University also did not report the disbursement record within 30 days of disbursement.

- For 7 (18 percent) of 40 students tested, the University did not successfully report disbursement records to the COD System within 30 days of disbursement. In six instances, the University made multiple attempts to transmit the students' disbursement information to the COD System in a timely manner. However, the University's financial aid system, PeopleSoft, produced error messages stating that the disbursements had not been made to the students' accounts yet, even though partial disbursements had already been credited to the students' accounts. The other instance was due to the issue noted above.
- For 4 (10 percent) of 40 students tested, the University reported the incorrect enrollment date to the COD System for the Spring 2009 semester. The University reported the enrollment date as December 15, 2008, even though the Spring semester began on January 20, 2009. This occurred because the University's Spring 2009 semester included a Winter inter-session that began on December 15, 2008. To correctly capture and report students who attend the Winter inter-session, the University recorded the Spring 2009 session start date as December 15, 2008, in PeopleSoft. This issue affected all students who began attendance in the Spring 2009 semester.

Fiscal Operations Report and Application to Participate (FISAP)

To apply for and receive funds for the campus-based federal student aid programs (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant), institutions must complete and submit a *Fiscal Operations Report and Application to Participate (FISAP)* by October 1 of each year. The U.S. Department of Education uses the information institutions provide in the FISAP to determine the amount of funds they will receive for each campus-based program. The institution must provide accurate data and must retain accurate and verifiable records for program review and audit purposes (Title 34, Code of Federal Regulations, Section 673.3).

The FISAP the University submitted on October 1, 2009 reported on the University's campus-based program participation for the 2008–2009 award year. Through this FISAP, the University also applied for campus-based program funding for the 2010 - 2011 award year. However, due to insufficient review procedures prior to submission, the FISAP the University submitted on October 1, 2009 contained the following errors:

- The \$10,715,947 amount the University reported for the Federal Perkins Loan program loan principal collected as of June 30, 2009, (Part III Section A Field 5) was incorrect. The correct amount was \$10,755,946. This error occurred because of a transposition error for the prior year FISAP amount used in the calculation.
- The \$549,317 amount the University reported for the loan principal canceled for all other authorized pre-K or K-12 teaching service (Part III Section A Field 9) was incorrect. The correct amount was \$554,748. This error occurred because of an incorrect calculation. This error and the error described above resulted in an understatement of the amount reported for cash on hand as of June 30, 2009 (Part III Section A Field 1.1) by a net amount of \$45,430 and an overstatement by the same amount of the principal amount outstanding of borrowers not in repayment status reported on Part III Section C Field 3.
- The numbers of borrowers the University reported under Part III, Section A Fields 4, 8, 9, and 26 were incorrect because of calculation errors, incorrect transposition of prior year FISAP numbers, or the inclusion of duplicate recipients in current year number. These errors also affected the calculated field in Part III Section C Field 1.1(b).
- The \$101,508 amount the University reported for institutional expenditures for the federal Work Study Job Location and Development Program (Part V, Section E, Field 21) was incorrect and did not agree with amounts in the University's accounting records. The correct amount was \$104,697. This error occurred because of the omission of an allowable expense. Total expenditures on Part V, Section E, Field 20 should have been \$154,697.

The University submitted a revised FISAP correcting these errors on December 2, 2009.

Recommendations:

The University should:

- Identify and resolve issues in its financial aid system to ensure that it reports disbursement records to the COD System in a timely manner or request a waiver from the U.S. Department of Education.

- Implement procedures to ensure that all elements it reports on its FISAP are accurate, and implement a formal review to reconcile amounts reported on its FISAP to supporting documentation.

Management Response and Corrective Action Plan:

1. We have put processes in place to resolve disbursement records that do not transmit properly within the 30 day time frame and will continue to monitor for records not meeting the 30-day window.
2. As noted in the findings, the errors in the FISAP report were corrected by submitting a revised FISAP report on December 2, 2009. To ensure that all elements in future FISAP reports are accurate, a process has been put in place to have a second person review the report and reconcile amounts reported to the supporting documentation.

Implementation Date: *Bullet point 1 - January 2010*
 Bullet point 2 - June 2010

Responsible Person: *Bullet point 1 Karen Krause*
 Bullet point 2 Pat Geist

Reference No. 10-110

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July, 1 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable

Type of finding - Non-Compliance

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Arlington’s (University) verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University’s policies and procedures do not contain:

- The time period within which an applicant shall provide the documentation.
- The consequences of an applicant’s failure to provide required 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 expected family contribution (EFC) changes and results in a change in the applicant’s award or loan.
- The procedures the institution requires an applicant to follow to correct application information determined to be in error.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- Procedures stating that the University shall furnish in a timely manner to each applicant selected for verification a clear explanation of the applicant’s responsibilities with regard to the verification of application information and the consequences of failing to complete any required action.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements.

Recommendation:

The University should ensure that its verification policies and procedures include the required provisions.

Management Response and Corrective Action Plan:

The University has consistently been in compliance with and has followed the verification procedures required by Title 34, Code of Federal Regulations (CFR), Section 668.53. All required policy elements are now formally included in the written verification policy on file in the Financial Aid Office.

Implementation Date: October 2009

Responsible Person: Karen Krause

Reference No. 10-111

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Early Disbursement of Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of class for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f)(1)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

In the Fall 2008 semester, the University disbursed funds more than 10 days before the first day of class for 18 (45 percent) of 40 students tested. In each case, the University disbursed the funds 11 days before the start of class, instead of the required 10 days before the start of class. According to University management, at the time these disbursements occurred, the University was manually disbursing funds to student accounts. The University disbursed these funds late in the evening 11 days before the start of classes, believing that the disbursement process would not be completed until after midnight and the funds would be correctly disbursed 10 days before the start of classes. However, the disbursement process completed early, resulting in the errors.

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 time by which the student or parent must notify the institution that he or she wishes to cancel the loan. (Title 34, Code of Federal Regulations, Section 668.165(a)(2)(3)).

The University could not provide evidence that it sent disbursement notification letters to 37 (100 percent) of 37 students tested. Additionally, the University provided a sample disbursement notification letter, but the notification letter did not include three required elements: (1) the date and amount of the disbursement, (2) a clause informing the student or parent of his or her right to cancel a portion of that loan and to have the loan proceeds returned to the holder of that loan, and (3) the time by which the student must notify the school that he or she wishes to cancel the loan or disbursement.

Recommendations:

The University should:

- Implement controls to disburse Title IV funds no earlier than 10 days before the first day of class for the payment period in effect.
- Includes all required information in disbursement notification letters.
- Retain documentation indicating that it sent all disbursement notification letters to all loan recipients within the required time frame.

Management Response and Corrective Action Plan:

- *This process is now on an automated scheduler, and the situation of the funds posting a few minutes before midnight should not be repeated.*
- *General notifications were being sent to students; however, the process has been revised so that the notifications now include all required elements.*
- *Correct notifications are now being sent routinely and the information is now being retained in the office.*

Implementation Date: September 2009

Responsible Person: Lea Ann Sikora

Reference No. 10-112

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable

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, 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 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, Sections 668.22(a)(3)-(4)).

Questioned Cost: \$9,362

U.S. Department of Education

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 or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

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, Code of Federal Regulations, Section 668.22(f)(2)(i)). When classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the return calculation. The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break (Title 34, Code of Federal Regulations, Section 668.22(f)(2)(i)).

For 12 (29 percent) of 42 students tested, the University of Texas at Arlington (University) incorrectly calculated the percentage of enrollment period completed, resulting in incorrect return calculations for 11 students. The University used 116 days for the length of the Spring 2009 semester instead of 108 days because the University's automated return calculation worksheet did not account for the scheduled Spring break days. The University's annual review of its worksheet calculations did not identify that the holiday schedule was incorrectly configured, and annual test calculations were only performed for the Fall 2008 semester. As a result of this error, the University returned \$426.65 in excess funds for 10 of 42 students tested. Six students tested also returned \$166.40 in excess funds. For 1 student, the incorrect calculation resulted in the University and the student not returning any funds, even though a return of \$3,764.18 was required. This issue affected a total of 109 students who withdrew during the Spring 2009 semester.

In addition, for 1 (33 percent) of 3 students tested who never began attendance and for whom \$6,187.50 in funds were required to be returned to the lender, the University did not capture tuition funds from the loans and return them to the lender. Instead, the University notified the lender that the student failed to attend any classes and that the lender should collect the disbursed funds immediately from the student.

Further, for 1 (3 percent) of 40 students tested for eligibility requirements, the University canceled the entire Spring 2009 semester Pell award, even though the return calculation reflected that the student earned a portion of the award. The student completed 6.5 percent of the enrollment period and earned \$45.83. When auditors brought this to the University's attention, the University credited the student's account \$42.30. The difference between these two amounts, \$3.53, is included as a questioned cost.

Recommendations:

The University should:

- Correct its return worksheet issue to ensure that the amount of Title IV funds to be returned is calculated correctly by accounting for breaks of at least five consecutive days in return calculations.
- Enhance its monitoring controls by running test calculations of the percentage of enrollment period completed and the amount of funds to be returned for all semesters.
- Returns funds to lenders in a timely manner for students who never began attendance.

Management Response and Corrective Action Plan:

- *Awards were calculated and necessary adjustments have been made. The Office of Financial Aid has established the spring schedule with the Office of Records and Registration, and will remove the 8 days of spring break from the total number of days in the term for future spring R2T4 (Return to Title IV) calculations. A file with the calendar information will be maintained in the Office of Financial Aid.*
- *Test calculations will be run on all terms of enrollment in the future.*

- The staff will continue to monitor the drop reports to calculate the correct dollar value that should be returned to the lender when the student never begins attendance. Written procedures are on file.

Implementation Date: October 2009

Responsible Person: Karen Krause

Reference No. 10-113

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Material Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| 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, regardless of whether those students receive federal financial assistance. 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 1.3.1.1).

For 7 (39 percent) of 18 students tested who graduated after the end of the Spring 2009 semester, the University did not notify the guaranty agency or lender within 30 days that the students had graduated. For these students, the University notified the guaranty agency or lender between 37 and 95 days late. Without timely reporting to guarantors, lenders, and servicers of student loans, the determination of a student's in-school status, deferment, grace period and repayment schedule, as well as the federal government's payment of interest subsidies, is inaccurate.

In addition, for 16 (40 percent) of 40 students tested, the status change type in the University's automated system, PeopleSoft, did not match the change type reported to NSLDS or the lender. All 16 students graduated from the University, but the NSLDS enrollment detail report showed the students as withdrawn. The NSLDS specifies that, for an institution to be in compliance, a correct reporting of a "G" for graduated status, rather than a "W" for withdrawn status, assists the government in identifying an individual student's completion of programs of study.

Further, for 17 (42 percent) of 40 students tested, the date of the enrollment change in the University's automated system did not match the date reported to NSLDS or the lender. For these students, the dates differed by between 1 and 40 days. Without reporting the correct date of an enrollment change to NSLDS, guarantors, lenders, and servicers of student loans, the determination of a student's in-school status, deferment, grace period, and repayment schedule, as well as the federal government's payment of interest subsidies, is inaccurate.

The University had not established policies and procedures for reporting and monitoring student status changes to ensure that the University notifies NSLDS, guaranty agencies, or lenders, of changes in student status in a timely and accurate manner. Without a process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues.

Recommendations:

The University should:

- Establish and implement policies and procedures for accurately reporting and monitoring the enrollment status of students who receive Title IV loans to the NSLDS.
- Establish controls to detect and prevent non-compliance with requirements related to student status changes and to ensure that changes in student status are reported to NSLDS, guaranty agencies, and lenders in a timely and accurate manner.

Management Response and Corrective Action Plan:

- *The audit identified shortcomings in using the National Student Clearinghouse exclusively to report status changes to the National Student Loan Data System. Issues identified in the first two student groups tested in the audit have been corrected through implementation of the “Graduate from DegreeVerify (G)” service function within the NSC system. The Office of Records staff has worked extensively with National Student Clearinghouse’s Audit Resource Team to identify a schedule that precludes the issues outlined in the audit from happening again. Among the issues that were identified in this process: the end-of-term date we supply to NSC must be on or after our conferral date, or the G-Degree service will not work to change a student’s status to Graduated. Additionally, training on reporting procedures that were not previously widely understood in the Office of Records has now been extended to four additional staff members, including the Associate Registrar, Assistant Registrar, Enrollment Services Officer and a staff member who supports transcript production. The following training resources are currently being used: National Student Clearinghouse Core User’s Guide; National Student Clearinghouse Programming & Testing Guide; and NSLDS Enrollment Reporting Guide. A policy and procedure will be written to ensure correct reporting of student status changes for Title IV Loans.*
- *In addition to the procedures identified above, internal discussions are underway to have direct reporting to NSLDS in place for summer sessions. Dialog is also underway to see how peer institutions handle this reporting issue.*

Implementation Date: June 2010

Responsible Person: Hans Gatterdam

University of Texas at Austin

Reference No. 10-114

Reporting

Activities Allowed or Unallowed

Cash Management

Eligibility

Period of Availability of Federal Funds

Program Income

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 - Student Status Changes

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084173, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084173, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P082336, CFDA 84.375 P375A082336, and CFDA 84.376 P376S082336

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)).

| | |
|------------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting and Office of Student Financial Services use. Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel making programming changes and migrating those changes 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 aid.

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 (2.5 percent) of 40 students tested (1 of 76 disbursements), the University did not report student disbursement data to the COD System within 30 days of the disbursement. The University reported this information to the COD System 103 days after the disbursement date. According to the University, this was due to a manual oversight.

Fiscal Operations Report and Application to Participate (FISAP)

To apply for and receive funds for campus-based federal student assistance programs (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant), institutions must have completed and submitted a Fiscal Operations Report and Application to Participate (FISAP) by October 1, 2009 (Title 74, Code of Federal Regulations, Chapter 11362).

The FISAP that was due on October 1, 2009, reported on the University's campus-based program participation for the 2008 – 2009 award year and applied for campus-based program funding for the 2010 – 2011 award year. That FISAP contained the following error: The amounts the University reported for Pell, Academic Competitiveness Grants (ACG), and Science and Mathematics to Retain Talent (SMART) grants were \$29,438,031, \$1,820,277, and \$1,539,261, respectively. The correct amounts were \$28,625,788, \$1,593,053, and \$1,190,843, respectively. For these funds, the University erroneously reported the amount awarded instead of the amount disbursed.

The University reviewed the FISAP prior to submission; however, that review was not adequate to identify all errors on the FISAP prior to report submission. The University corrected all errors identified prior to the December 15 deadline.

Other Compliance Requirements

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, program income, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - student status changes, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

The University should:

- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from performing code modifications and also migrating that code to the production environment.
- Report Pell grant disbursement records to the COD System within the required time frame.
- Implement procedures to ensure that its FISAP review process confirms that all elements of the FISAP agree with supporting documentation.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary. At present, there are logs that allow for post-deployment review and select, senior members of the Office of Accounting IT team are the only ones able to migrate code to production. Preventative controls that are being recommended in this audit finding will require a coordinated effort with IT staff across campus and the central IT organization to design, develop, and deploy tools that would be necessary to meet this finding. The design of such tools and processes will be complete by December 2010. Work to develop/purchase and deploy designed tools and processes will commence in 2011 with a release date to be determined in December 2010. It is assumed that the preventative measures would be in place for routine migrations and that emergencies would be handled differently.

The University concurs that information should be reported to the COD System within the required time frame. OSFS had a process in place for reviewing the batch jobs used for reporting student disbursement data to the COD system. However, inconsistency with meeting deadlines has caused us to establish strict guidelines as to the time frame when the disbursements must be updated. In addition, we have assigned an extra person to the process to ensure that more than one person is reviewing the entries and the required timelines. Revised procedures will be fully implemented in March 2010.

OSFS has implemented additional steps in the review process that will be completed before transmitting the FISAP.

Implementation Date: Design of software deployment tools and procedures - December 2010
 (Implementation date to be determined based on design and limited resources)
 COD System reporting procedural changes - March 2010
 FISAP Review Process - September 2010

Responsible Person: Design of software deployment tools and procedures - Glenn Friedrich
 COD System reporting procedural changes - Gloria De Leon
 FISAP review process - Diane Todd Sprague

Reference No. 10-115

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.063 P063P082336, CFDA 84.007 P007A084173, CFDA 84.033 P033A084173, CFDA 84.375 P375A082336, CFDA 84.376 P376S082336, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 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)).

| | |
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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting and Office of Student Financial Services use. Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel making programming changes and migrating those changes 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 programs.

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 earned by the student 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 earned by the student is less than the amount that was disbursed to the student 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), Sections 668.22(a)(3)-(4)).

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 or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, CFR, Section 668.173(b)).

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 (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (Title 34, CFR, Section 668.22(j)).

For 10 (53 percent) of 19 students tested who unofficially withdrew, the University did not determine the students' withdrawal date within 30 days of the end of the semester. This occurred because the University misinterpreted the regulations as allowing 30 days to mark a student as having a possible unofficial withdrawal and then 45 additional days to determine the withdrawal date and return the funds. The University agreed that it had not always determined the withdrawal date within 30 days of the end of the semester, but it returned the funds within 45 days of the date that it made the determination that a student had unofficially withdrawn.

Recommendations:

The University should:

- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from performing code modifications and also migrating that code to the production environment.
- Develop and implement a procedure to determine the withdrawal date for students with unofficial withdrawals within 30 days of the end of the semester.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary. At present, there are logs that allow for post-deployment review and select, senior members of the Office of Accounting IT team are the only ones able to migrate code to production. Preventative controls that are being recommended in this audit finding will require a coordinated effort with IT staff across campus and the central IT organization to design, develop and deploy tools that would be necessary to meet this finding. The design of such tools and processes will be complete by December 2010. Work to develop/purchase and deploy designed tools and processes will commence in 2011 with a release date to be determined in December 2010. It is assumed that the preventative measures would be in place for routine migrations and that emergencies would be handled differently.

Office of Student Financial Services centralized all responsibility for the return of Title IV funds (official and unofficial) with a small team of counselors and accountants in our office. This team reviews one another's work and meets on a monthly basis to ensure that the return of Title IV funds is completed within the required time frame for all students subject to such return. In November 2009, prior to the implementation date, the team received specialized training for performing the withdrawal calculations and for processing the refunds.

*Implementation Date: Design of software deployment tools and procedures - December 2010
(Implementation date to be determined based on design and limited resources)
Return of Title IV Funds procedural changes - Fully implemented*

*Responsible Persons: Design of software deployment tools and procedures - Glenn Friedrich
Return of Title IV Funds procedural changes - Diane Todd Sprague*

Reference No. 10-116

Special Tests and Provisions - Student Loan Repayments

(Prior Audit Issue - 09-91)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.038 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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting and Office of Student Financial Services use. Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel making programming changes and migrating those changes 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 programs.

Defaulted Borrowers

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, Section 674.42(c)(2)).

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, Code of Federal Regulations, Section 674.43(b) and (c)).

An institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution. As an alternative, in the case of a borrower enrolled in a correspondence program or a study-abroad program that the institution approves for credit, the borrower may be provided with written counseling material by mail within 30 days after the borrower completes the program. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required (Title 34, Code of Federal Regulations, Section 674.42 (b)(1)).

The University did not consistently conduct exit interviews or make all required contacts with defaulted borrowers, potentially delaying the University's efforts to collect loan repayment funds. Specifically:

- For 3 (7.5 percent) of 40 defaulted loans tested, the University did not conduct an exit interview or provide written counseling material to the borrower. This involved a manual process that the Office of Student Financial Services did not perform for these three students. Failure to consistently conduct exit interviews increases the risk that borrowers will be uninformed about their obligations and miss scheduled loan repayments.

- For all 29 defaulted loans with 9-month grace periods tested, the University did not make a second contact within 150 days of the start of the grace period. In addition to the loans tested, prior to March 2009, this issue affected all defaulted loans for students whose loans had 9-month grace periods. The University was unaware of the requirement to send the notification within this time frame. The University corrected this issue as of March 1, 2009. Not sending this required communication within the required time frame increases the risk that borrowers will be unprepared to begin making scheduled payments once the billing period begins.
- For all 40 defaulted loans tested, the University did not send the final demand letter within 15 days of the second overdue notice. The University currently sends final demand letters after a loan is five months overdue because it did not know the required time frame. Delays in sending the final demand letter could lead to increases in the amount of time required to collect overdue loans because borrowers may be unaware of the implications of a missed payment.

Loan Deferments and Cancellations

Title 34, Code of Federal Regulations, Section 674.34, outlines the requirements for deferments of repayments of federal loans. Deferments must be classified in a certain category and contain sufficient supporting documentation. For 1 (2.5 percent) of 40 deferments and cancellations tested, the University incorrectly listed the borrower as receiving an economic hardship deferment in its accounting system. However, the supporting documentation showed that the deferment was expired. The University subsequently provided documentation showing that the student should have had an in-school deferment because the student re-enrolled in school. The miscoding was caused by a programming error that did not properly update the student's status. Errors in status coding increase the risk that the University could experience a delay in contacting borrowers and collecting on loans.

Recommendations:

The University should:

- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from performing code modifications and also migrating that code to the production environment.
- Send all required notices to borrowers within the required time frames.
- Conduct exit interviews with borrowers or provide written counseling materials to borrowers.
- Properly update the statuses and types of deferments for borrowers in its accounting system when borrowers' statuses change.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary. At present, there are logs that allow for post-deployment review and select, senior members of the Office of Accounting IT team are the only ones able to migrate code to production. Preventative controls that are being recommended in this audit finding will require a coordinated effort with IT staff across campus and the central IT organization to design, develop and deploy tools that would be necessary to meet this finding. The design of such tools and processes will be complete by December 2010. Work to develop/purchase and deploy designed tools and processes will commence in 2011 with a release date to be determined in December 2010. It is assumed that the preventative measures would be in place for routine migrations and that emergencies would be handled differently. The University concurs that all required notices to borrowers be within the prescribed time frames. Changes were implemented March through November 2009 to fully comply with the required notices and time frames.

The University concurs with the finding that exit interviews be conducted or written counseling materials be provided to borrowers. OSFS has reviewed all students who should have been notified of exit counseling in 2008-2009 and verified that the exit counseling has been provided to them. The OSFS staff member responsible for exit counseling is currently working with OSFS IT to streamline the process so that no exit types are inadvertently

missed. An exit calendar has been created so that all required exit counseling programs are run and all students needing exit counseling are notified.

As noted above, a loan was found to have an incorrect deferment status due to a programming error specifically impacting economic hardship deferments. Procedures have been implemented to review and correct, if necessary, the deferment dates of all students in economic hardship status. These procedures have been fully implemented.

Implementation Date: Design of software deployment tools and procedures - December 2010
 (Implementation date to be determined based on design and limited resources)
 Required notices to borrowers and loan deferment changes - Fully implemented
 Exit procedural changes - March 2010

Responsible Persons: Design of software deployment tools and procedures - Glenn Friedrich
 Required notices to borrowers and loan deferment changes - Karen DeRouen
 Exit procedural changes - Christine Gauger

Reference No. 10-117

Cash Management
Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Period of Availability of Federal Funds
Procurement and Suspension and Debarment

Research and Development Cluster

Award years – June 15, 2007 to August 31, 2009, December 1, 2008 to November 30, 2009, September 18, 2008 to November 30, 2008, November 15, 2008 to November 14, 2009, September 15, 2008 to September 14, 2009, May 15, 2005 to October 14, 2009, June 1, 2007 to February 28, 2010, and June 1, 2007 to November 30, 2009.

Award numbers - CFDA 12.800 FA9550-07-1-0502, CFDA 12.800 FA9550-08-1-0453, CFDA 12.800 FA9550-08-1-0471, CFDA 12.800 FA9550-08-1-0394, CFDA 12.800 FA9550-08-1-0463, CFDA 12.800 FA9550-05-1-0341, CFDA 12.431 W911NF-07-1-0330, and CFDA 12.800, FA9550-07-1-0480

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)).

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|----------------------------|-----|
| Questioned Cost: | \$0 |
| U.S. Department of Defense | |

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting uses. Specifically, the Office of Accounting has not segregated duties for personnel making programming changes and migrating those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer federal research and development grants.

Cash Management

Recipients shall maintain advances of federal funds in interest bearing accounts. For those entities where 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 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, Code of Federal Regulations (CFR), Section 215.22(K)). 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).

The University of Texas at Austin (University) receives scheduled payments on grants funded by the U.S. Department of Defense. These funds may be considered advanced funds if expenditures are not paid prior to receiving the funds.

Auditors reviewed 13 awards for which the University did not draw down funds on a reimbursement basis because of the funding technique required by the federal agency. For eight of these awards, the contracts or grants did not exempt the University from calculating and remitting interest to the federal government. All eight of these awards were funded by scheduled quarterly payments. However, the University did not calculate or remit interest on funds received in advance of expenditures for these eight awards. University management asserted that the University maintains an overall negative cash position for federally funded sponsored projects; therefore, the University does not calculate and remit interest. However, the University did not provide evidence to enable auditors to verify University management's assertion or to calculate questioned cost.

Allowable Costs/Cost Principles, Period of Availability of Federal Funds, and Procurement and Suspension and Debarment

Although the general control weaknesses described above apply to activities allowed or unallowed, allowable costs/cost principles, period of availability of federal funds, and procurement and suspension and debarment, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

- Establish a formal change management process that prevents programmers in the Office of Accounting from performing code modifications and also migrating that code to the production environment.
- Establish formal departmental procedures for managing change requests for information systems.
- The University should 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:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary. At present, there are logs that allow for post-deployment review and select, senior members of the Office of Accounting IT team are the only ones able to migrate code to production. Preventative controls that are being recommended in this audit finding will require a coordinated effort with IT staff across campus and the central IT organization to design, develop, and deploy tools that would be necessary to meet this finding. The design of such tools and processes will be complete by December 2010. Work to develop/purchase and deploy designed tools and processes will commence in 2011 with a release date to be determined in December 2010. It is assumed that the preventative measures would be in place for routine migrations and that emergencies would be handled differently.

The Office of Accounting has departmental procedures for managing change requests. The recent addition of an incident and change management tool in the Office of Accounting will allow the office to enhance our change request process. The existing change request process will be enhanced to add in additional documentation steps by April 2010. The new portions of the change request process will go into effect in May 2010 in the Office of Accounting.

The University is reviewing the applicability of cited regulations and analyzing the cash position of federal contracts. Once reviewed, and if interest is required, a procedure will be developed and implemented by the end of the current fiscal year.

Implementation Date: Design of software deployment tools and procedures and change request enhancements - December 2010
(Implementation date to be determined based on design and limited resources)
Review and analysis of cash balances and related regulations - September 2010

Responsible Person: Design of software deployment tools and procedures and change request enhancements - Glenn Friedrich
Review and analysis of cash balances and related regulations - Glenn Friedrich

Reference No. 10-118

Equipment and Real Property Management

(Prior Audit Issues - 09-94 and 08-79)

Research and Development Cluster

Award years - see below

Award numbers - see below

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)).

Questioned Cost: \$0

U.S. Department of Defense
U.S. Health and Human
Services
U.S. Department of Energy
National Science Foundation

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting uses. Specifically, the Office of Accounting has not segregated duties for personnel making programming changes and migrating those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer federal research and development grants.

Equipment and Real Property Management

A recipient's property management standards for equipment acquired with federal funds and federally owned equipment must require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government must be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

The University of Texas at Austin (University) has a policy that requires equipment with a unit cost of \$5,000 or more be assigned to a departmental inventory. In addition, the Office of the Comptroller of Public Accounts (Comptroller's Office) defines controlled items as items with a unit cost of \$500 to \$4,999.99. The Comptroller's Office also requires that controlled item be assigned to a departmental inventory. The University's policy states that its Inventory Services Department or self-tagging department will affix a numbered property control plate to the property (or assign an inventory number) and enter appropriate data on the University's computerized inventory system (Handbook of Business Procedures, Section 16.2.A). Auditors compared the University's inventory records with physical equipment and noted discrepancies for 13 (33 percent) of 40 items tested. Specifically:

- For 12 items, the University tagged the equipment with a different inventory number than was shown in its inventory records. As a result, the inventory records did not match the physical assets inventory number the University assigned to these items. The University assigned temporary inventory numbers to these 12 equipment items during its year-end inventory process. The University subsequently assigned new inventory numbers to the equipment, but it had not yet updated its inventory records to reflect the new numbers. According to the University, as a result of year-end processing there is a period when there will always be potential for a discrepancy between its inventory records and physical tags because during fiscal year closeout

(September and October) the system that maintains the inventory records is not available to update the tag numbers in the inventory record. The University has updated the inventory records for 11 of the items discussed above.

- For one item, the University had not assigned a permanent inventory number because its Asset Management unit was not notified that existing equipment had been replaced by the vendor. As a result, the inventory records did not match the physical asset serial number or the inventory number the University assigned to this item.

Discrepancies between inventory records and the physical equipment items increase the risk that equipment accountability may be compromised.

The following awards were affected by the conditions stated above:

| <u>CFDA</u> | <u>Award Number</u> | <u>Award Years</u> |
|-------------|------------------------------|---|
| 12.000 | UTA09-000263 | January 16, 2009 to December 9, 2009 |
| 12.630 | HDTRA1-07-1-0032 | July 10, 2007 to August 31, 2009 |
| 47.000 | UNC-CH #5-37497 | November 11, 1999 to October, 31, 2009 |
| 47.041 | CBET-0708779,AMD 002 | September 1, 2007 to August 31 2011 |
| 47.074 | DEB-0618347, AMD 001 | September 15, 2006 to August 31, 2009 |
| 93.286 | 5 R01 EB008821-01,02 | June 1, 2008 to March 31, 2012 |
| 81.000 | DE-AP26-06NT05742 | September 30, 2006 to December 31, 2008 |
| 81.049 | DE-FG02-02ER15362, AMD A005 | September 1, 2002 to November 30, 2011 |
| 47.049 | CHE-0718320 | September 1, 2007 to August 31, 2010 |
| 47.071 | OMSA-2007-SSL-UTA AMD 11 | October 1, 2007 to September 30, 2008 |
| 12.000 | W15QKN-08-D-0426, DO 0002 | July 1, 2008 to August 31,2009 |
| 12.300 | N00014-08-1-0452 | June 19 2008 to December 31, 2009 |
| 93.242 | 5 R01 MH041770-19A1,20,22,23 | December 1, 2005 to November 30, 2010 |

Recommendations:

The University should:

- Establish a formal change management process that prevents programmers in the Office of Accounting from performing code modifications and also migrating that code to the production environment.
- Establish formal departmental procedures for managing change requests for information systems.
- Ensure that all inventory records accurately reflect the equipment on hand, and that inventory identification numbers in the inventory records match the tags affixed to equipment.
- Update its policies and procedures to indicate that inventory records cannot be updated during fiscal year closeout and establish time frames to reconcile inventory records with tagged equipment.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary. At present, there are logs that allow for post-deployment review and select, senior members of the Office of Accounting IT team are the only ones able to migrate code to production. Preventative controls that are being recommended in this audit finding will require a coordinated effort with IT staff across campus and the central IT organization to design, develop, and deploy tools that would be necessary to meet this finding. The design of such tools and processes will be complete by December 2010. Work to develop/purchase and deploy designed tools and processes will commence in 2011 with a release date to be determined in December 2010. It is assumed that the preventative measures would be in place for routine migrations and that emergencies would be handled differently.

The Office of Accounting has departmental procedures for managing change requests. The recent addition of an incident and change management tool in the Office of Accounting will allow the office to enhance our change request process. The existing change request process will be enhanced to add in additional documentation steps by April 2010. The new portions of the change request process will go into effect in May 2010 in the Office of Accounting.

The University concurs that policies and procedures should be updated to reflect fiscal year closeout restrictions which prevent updates to inventory records. Internal guidelines will also be enhanced regarding reconciliation procedures. Inventory Services notifies the campus annually that the Inventory System is closed and records cannot be updated during fiscal year closeout. To ensure the accuracy of inventory information, Inventory Services will continue to provide guidance to the campus through the Handbook of Business Procedures, inventory classes, Websites, on-line certification modules, spot audits, and semi-annual focus group meetings.

The University's inventory system is locked down at year end to allow for reporting and reopened in October for daily processing. Pending inventory items are assigned temporary numbers at fiscal year-end so that they will be reflected in the annual financial statements and to maintain control of items during closeout. Inventory items with temporary numbers are tied to the appropriate payment and purchase documents. When the Inventory system is reopened, permanent tag numbers are assigned and entered into the system. The temporary number is retained in inventory records to allow for an audit trail between the temporary tag number, permanent tag number, and purchasing information.

Improving the inventory reporting process by ensuring timeliness and accuracy continues to be a priority. The University is currently reviewing both the inventory system and related procedures, including enhancing permanent record input by allowing system access during the year-end close process, to determine the necessary design changes to address system inefficiencies. Software and procedural modifications will be evaluated and a mapping of design changes will be developed by August 2010. Implementation of system changes will be dependent on availability of limited resources but is estimated to occur by August 2011.

*Implementation Date: Design of software deployment tools and procedures and change request enhancements - December 2010
(Implementation date to be determined based on design and limited resources)
Policies and Procedures enhancements and establishment of internal guidelines - February 2010
System upgrades - August 2011*

*Responsible Person: Design of software deployment tools and procedures and change request enhancements - Glenn Friedrich
(Implementation date to be determined based on design and limited resources)
Policies and Procedures enhancements and enhancement of internal guidelines - Cindy Gregg
System upgrades - Cindy Gregg*

Reference No. 10-119

Matching, Level of Effort, Earmarking

(Prior Audit Issues - 09-95, 08-80, 07-69, and 06-63)

Research and Development Cluster

Award years - Multiple

Award numbers - All Grants with Matching Requirements

Type of finding - Significant Deficiency

Non-federal entities may be required to share in the cost of research. The specific program regulations, general agency award guidance, or individual federal award will specify applicable matching requirements, including the minimum amount or percentage of contributions or matching funds provided by the institution (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 5, Section G). The matching contributions must also comply with the requirements of OMB Circular A-110, Section .23, including the allowable cost principles of OMB Circular A-21. These requirements include that matching contributions must be from allowable sources, must value in-kind contributions according the principles of OMB Circular A-21 and the terms of the award, and must be composed of allowable costs.

| | |
|--|-----|
| Questioned Cost: | \$0 |
| Federal Agencies that Provide R&D Grants | |

The University of Texas at Austin (University) does not have an adequate system for monitoring whether it meets required matching contributions. The University’s system for tracking its matching contributions is decentralized, and each department is responsible for maintaining its own documentation of contributions. The University’s information on matching also does not identify which grants were federal research and development grants. The lack of centralized controls over matching requirements increases the risk that the University will not consistently meet matching requirements.

Despite this control deficiency, the University was able to provide sufficient evidence showing that it complied with applicable matching requirements and award terms for all grants tested.

Recommendations:

The University should:

- Develop an adequate system of monitoring compliance with matching requirements.
- Identify federal research and development grants in the matching information it maintains.

Management Response and Corrective Action Plan:

The University concurs with the recommendation regarding the need for an adequate system of monitoring compliance with matching requirements. In June 2009, the University charged a task force to study available options to meet this monitoring initiative. The task force issued a report on August 31, 2009 with two recommended solutions to address the cost share issue. Both recommendations require significant time from both IT resources and business staff as well as substantive modification to the existing accounting infrastructure. Of the two recommended solutions, one has been selected. The ability of the University to start the initiative is currently on hold pending completion of a major modification and release of our effort certification system and an accompanying commitments management system. The University anticipates those current initiatives to be substantially complete in calendar 2010 and the necessary resources available to be allocated toward the cost share initiative.

The University will also look at options to modify the pre-award system to allow for denotation of research and development grants versus other funding opportunities within the cost share section of the system or explore options for migrating to a new pre-award system.

Implementation Date: August 2011

Responsible Person: Juan Sanchez

Reference No. 10-120

Reporting**Research and Development Cluster****Award years - June 1, 2007 to July 31, 2009, August 1, 2007 to July 31, 2008, and multiple****Award numbers - 12.000 NSEP-U631006-UT-ARA, 15.504 07HQGR0147, and multiple****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)).

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| Questioned Cost: | \$0 |
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|---------------------------------|
| U.S. Department of the Interior |
| U.S. Department of Defense |

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting uses. Specifically, the Office of Accounting has not segregated duties for personnel making programming changes and migrating those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer federal research and development grants.

Reporting

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award. Recipients use the *Financial Status Report* (FSR) SF-269 (Office of Management and Budget (OMB) No. 0348-0039) or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 45, Code of Federal Regulations, Section 74.52). FSRs are required to be submitted to National Institutes of Health within 90 calendar days after the last day of each budget period unless the award is issued under the Streamlined Non-Competing Award Process (SNAP). For recipients under SNAP, FSRs are no longer required annually; instead, FSRs are required 90 days after the end of the competitive segment.

The University did not consistently file the required financial reports with granting agencies in a timely manner. Specifically, it submitted 3 (6.5 percent) of 46 reports tested to the grantor late. The number of days that the University submitted reports late ranged from 4 to 33 days. Failure to submit required reports within the required time frame may result in suspension or termination of an active grant; withholding of a non-competing continuation award; or other enforcement actions, including withholding of payments or conversion to the reimbursement method of payment.

Recommendations:

The University should:

- Establish a formal change management process that prevents programmers in the Office of Accounting from performing code modifications and also migrating that code to the production environment.
- Establish formal departmental procedures for managing change requests for information systems.
- Develop and implement procedures to ensure that it submits reports to federal granting agencies when the reports are due.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary. At present, there are logs that allow for post-deployment review and select, senior members of the Office of Accounting IT team are the only ones able to migrate code to production. Preventative controls that are being recommended in this audit finding will require a coordinated effort with IT staff across campus and the central IT organization to design, develop, and deploy tools that would be necessary to meet this finding. The design of such tools and processes will be complete by December 2010. Work to develop/purchase and deploy designed tools and processes will commence in 2011 with a release date to be determined in December 2010. It is assumed that the preventative measures would be in place for routine migrations and that emergencies would be handled differently.

The Office of Accounting has departmental procedures for managing change requests. The recent addition of an incident and change management tool in the Office of Accounting will allow the office to enhance our change request process. The existing change request process will be enhanced to add in additional documentation steps by April 2010. The new portions of the change request process will go into effect in May 2010 in the Office of Accounting.

The University concurs that 3 of the 46 sampled items were delinquent. Of the three cited exceptions, two were delinquent by 4 days (inclusive of a weekend). In both cases, the delay was known to the University and the decision to delay reporting was a conscious decision on the part of the business unit based on circumstances involved with the awards. While delinquent, there is no change required of the business process to resolve the issue. The third item (1 of 46; 2.2%) was an oversight for submission. Documentation used to complete the report was prepared timely; however, the completion of the actual submission to the sponsor was delayed due to the oversight. The University will strive to attain 100% timeliness with regard to reporting and periodically evaluate processes and make changes as necessary.

Implementation Date: *Design of software deployment tools and procedures and change request enhancements - December 2010
(Implementation date to be determined based on design and limited resources)
Report Filings - Complete (No changes necessary)*

Responsible Person: *Design of software deployment tools and procedures and change request enhancements - Glenn Friedrich
Report Filings - Jason Richter*

University of Texas Health Science Center at Houston

Reference No. 10-121

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.038 Award Number Not Applicable, CFDA 93.364 Award Number Not Applicable, CFDA 93.342 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A085159, and CFDA 84.063 P063P082584

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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education U.S. Department of Health and Human Services | |

The University of Texas Health Science Center at Houston (Health Science Center) did not maintain appropriate access to SAMS, its financial aid software. Specifically:

- Four users had access to disburse funds manually.
- One developer had full access to modify and delete data elements.

Allowing users and developers inappropriate or excessive access to areas in SAMS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

Additionally, the Health Science Center has not reviewed user access to the server on which SAMS resides or to the SAMS database. Not performing a review of user access could result in inappropriate access still being active. Three developers have access to the administrator user ID and password for the SAMS database. Only the database administrator should have access to that administrator user ID and password. Excessive access could lead to unauthorized modifications to the database.

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).

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, Sections 673.5, 673.6 and 682.603).

The Health Science Center did not use the correct EFC when calculating financial need for students who were enrolled for more than nine months during the award year. SAMS used the nine-month EFC for students enrolled for more than nine months during the award year, instead of the correct EFC. As a result, for 2 (5 percent) of 40 students tested, the Health Science Center used an incorrect EFC amount when calculating the students' financial need. However, the Health Science Center did not overaward funds as a result of this error.

Recommendations:

The Health Science Center should:

- Restrict access to SAMS based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Periodically review user access to the server where SAMS resides and to the SAMS database.
- Limit administrator access to the SAMS database to key personnel.
- Ensure that the EFC it uses to calculate financial need matches the information from the electronic Institutional Student Information Record (ISIR) and is based on the number of months students are enrolled.

Management Response and Corrective Action Plan:

The Health Science Center has instituted periodic review of the access levels provided to SAMS based on job duties and responsibilities. Security reports from SAMS will be reviewed monthly by management. Any discrepancies, between job duties and responsibilities, and access to SAMS will be resolved at the time of review. Specifically, four users were identified to have access to disburse funds manually. Access to SAMS to disburse funds manually has been removed from the identified users.

The Health Science Center has instituted periodic review of the user access to the server where SAMS resides. A report from the UNIX team indicating those users with access to the server where SAMS resides will be reviewed quarterly by management. Any discrepancies will be resolved at the time of review.

Administrator access to the SAMS database has been limited to key personnel; specifically, the DB2 DBA has access through the tool DBArtisan to manage the database. Access to the administrator user ID and password for the SAMS database by the developers has been removed. CSR SIS 800 and CSR SAM 64 documents the projects to remove the administrator password, which was embedded in the applications and stored as an environment variable accessible to the development team. The development team no longer has full access to modify or delete data elements. This documentation has been provided to UTHSCH Audit personnel.

Student Aid Management System has been corrected to ensure the correct EFC is used for dependent students who were enrolled more than nine months during the award year.

Implementation Date: January 31, 2010

Responsible Persons: Wanda Williams and Angela Weatherill

Reference No. 10-122

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.038 Award Number Not Applicable, CFDA 93.364 Award Number Not Applicable, CFDA 93.342 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A085159, and CFDA 84.063 P063P082584

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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education U.S. Department of Health and Human Services | |

The University of Texas Health Science Center at Houston (Health Science Center) did not maintain appropriate access to SAMS, its financial aid software. Specifically:

- Four users had access to disburse funds manually.
- One developer had full access to modify and delete data elements.

Allowing users and developers inappropriate or excessive access to areas in SAMS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

Additionally, the Health Science Center has not reviewed user access to the server on which SAMS resides or to the SAMS database. Not performing a review of user access could result in inappropriate access still being active. Three developers have access to the administrator user ID and password for the SAMS database. Only the database administrator should have access to that administrator user ID and password. Excessive access could lead to unauthorized modifications to the database.

Early Disbursement of Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f)(1)).

The Health Science Center manually tracks disbursement dates and then runs an automated disbursement job in its student information system. That job uses the system date to date the transactions. However, Health Science Center personnel submitted that job early, causing disbursement to occur two days early. The Health Science Center does not have a compensating control in place, such as a review of disbursement reports, to ensure that it does not disburse funds earlier than 10 days before the start of each semester.

The Health Science Center disbursed funds more than 10 days in advance of the first day of classes for 2 (1 percent) of 152 disbursements tested (representing 2 of 40 students) for the 2009 Spring semester. Due to the holidays involved at the end of December and beginning of January, the Health Science Center disbursed Perkins loan funds and Nursing Student loan funds at the same time as other institutional funds, which resulted in these funds being disbursed 12 days in advance of the first day of classes. This issue also affected an additional 38 students who received Perkins loans and an additional 5 students who received Nursing Student Loans in the Spring semester.

Recommendations:

The Health Science Center should:

- Restrict access to SAMS based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Periodically review user access to the server where SAMS resides and to the SAMS database.
- Limit administrator access to the SAMS database to key personnel.
- Ensure that it does not disburse funds more than 10 days in advance of the first day of classes.

Management Response and Corrective Action Plan:

The Health Science Center has instituted periodic review of the access levels provided to SAMS based on job duties and responsibilities. Security reports from SAMS will be reviewed monthly by management. Any discrepancies, between job duties and responsibilities, and access to SAMS will be resolved at the time of review. Specifically, four users were identified to have access to disburse funds manually. Access to SAMS to disburse funds manually has been removed from the identified users.

The Health Science Center has instituted periodic review of the user access to the server where SAMS resides. A report from the UNIX team indicating those users with access to the server where SAMS resides will be reviewed quarterly by management. Any discrepancies will be resolved at the time of review.

Administrator access to the SAMS database has been limited to key personnel; specifically the DB2 DBA has access through the tool DBArtisan to manage the database. Access to the administrator user ID and password for the SAMS database by the developers has been removed. CSR SIS 800 and CSR SAM 64 documents the projects to remove the administrator password, which was embedded in the applications and stored as an environment variable accessible to the development team. The development team no longer has full access to modify or delete data elements. This documentation has been provided to UTHSCH Audit personnel.

The Health Science Center miscalculated the number of calendar days before running the auto disbursement job. Procedures have been implemented to ensure funds are not disbursed earlier than 10 days before the first day of classes.

Implementation Date: January 31, 2010

Responsible Persons: Wanda Williams and Angela Weatherill

University of Texas Health Science Center at San Antonio

Reference No. 10-123

Reporting

Research and Development Cluster

Award years - June 1, 2007 to June 30, 2008; April 1, 2008 to March 31, 2009; February 1, 2007 to July 31, 2008; February 1, 2008 to March 31, 2009; June 6, 2008 to February 28, 2009; July 1, 2007 to June 30, 2008; August 1, 2007 to July 31, 2008; July 1, 2007 to June 30, 2008; May 15, 2008 to January 1, 2009; August 1, 2008 to September 30, 2008; July 1, 2006 to August 30, 2008; June 1, 2008 to May 31, 2009; July 1, 2007 to June 30, 2008; March 1, 2008 to February 28, 2009; September 30, 2007 to March 30, 2009; and September 30, 2007 to March 30, 2009

Award numbers - CFDA 93.121 5 K23 DE014864, 5 R01 DE015857, 2 T32 DE014318, 5 R03 DE016949; CFDA 93.853 5 R01 N05027, 2 U01 NS038529; CFDA 93.847 5 U01 DK048514, 5 U01 DK057171; CFDA 93.395 6 U01 CA069853; CFDA 93.866 5 P30 AG013319; CFDA 93.242 5 R01 MH078143; CFDA 93.110 U32MC00148; CDEA 93.849 5 U01 DK05823; CFDA 93.399 5 U01 CA086402; and CFDA 93.243 5 H79 T107434 5 H79 T1016949

Type of finding - Significant Deficiency and 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 Financial Status Report (FSR) SF-269 (Office of Management and Budget (OMB) No. 0348-0039) or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 45, Code of Federal Regulations, Section 74.52). FSRs are required to be submitted to National Institutes of Health within 90 calendar days after the last day of each budget period unless the award is issued under the Streamlined Non-Competing Award Process (SNAP). For recipients under SNAP, FSRs are no longer required annually; instead, FSRs are required 90 days after the end of the competitive segment.

| | |
|--|-----|
| Questioned Cost: | \$0 |
| National Institutes of Health | |
| U.S. Department of Health and Human Services | |

The U.S. Department of Health and Human Services' Grants Policy Statement Part II states that the FSR generally is required annually, unless otherwise indicated in the notice of award. If an FSR is required annually and the award is operating under an authorized no-cost extension, an FSR must be submitted for each 12 months of activity, regardless of the overall length of the extended budget period. When required annually, the FSR must be submitted for each budget period no later than 90 days after the close of the budget period or applicable 12-month period.

The University of Texas Health Science Center at San Antonio (Health Science Center) did not consistently submit FSRs within the required time frames. Specifically, it submitted 16 (40 percent) of 40 FSRs tested late. It submitted those 16 FSRs between 3 and 162 days late, and it submitted 4 of those 16 FSRs more than 60 days late.

Failure to submit required reports within the required time frame may result in suspension or termination of an active grant; withholding of a non-competing continuation award; or other enforcement actions, including withholding of payments or conversion to the reimbursement method of payment.

Recommendation:

The Health Science Center should establish procedures to ensure that it submits FSRs to awarding agencies by the reporting due dates.

Management Response and Corrective Action Plan:

We concur with the finding. We have implemented procedures to include notification of reporting requirements to the accountant in charge of that FSR series. The Assistant Director of OSP monitors FSR completion and sets internal deadlines for such completion. As of January 22, 2010, there are no overdue FSRs.

Implementation Date: November 2009

Responsible Person: Jane Youngers

Reference No. 10-124

Subrecipient Monitoring

Special Tests and Provisions - R3, Subrecipient Monitoring-Applicable to all Major Programs with Expenditures of ARRA Awards

Research and Development Cluster

Research and Development Cluster - ARRA

Award years - June 10, 2009 to May 31, 2010 (ARRA) and September 15, 2007 to June 30, 2008

Award numbers - CFDA 93.701 1R01DK080148-01A2 (ARRA) and CFDA 93.866 125431/125429

Type of finding - Significant Deficiency and Non-Compliance

American Recovery and Reinvestment Act Requirements

The American Recovery and Reinvestment Act (ARRA) of 2009 required recipients to separately identify to each subrecipient--and document at the time of sub-award and at the time of disbursement of funds--the federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and amount of ARRA funds. In addition, recipients must require their subrecipients to include on their Schedule of Expenditures of Federal Awards (SEFA) information to specifically identify ARRA funding similar to the requirements for the recipient's SEFA. This information is needed to allow the recipient to properly monitor subrecipient expenditures of ARRA funds and for oversight by the federal awarding agencies, offices of inspector general, and the Government Accountability Office.

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|-------------------------------|-----|
| Questioned Cost: | \$0 |
| National Institutes of Health | |

According to its policies and procedures, the University of Texas Health Science Center at San Antonio (Health Science Center) will provide the federal award number, CFDA number, and amount of ARRA funds when disbursing ARRA funds to subrecipients. In addition, the policies indicate that language will be included in ARRA subawards to require subrecipients to separately account for and identify ARRA funding on their SEFA.

The Health Science Center had one subrecipient agreement that included ARRA funds during fiscal year 2009. During fiscal year 2009, the Health Science Center made only one payment to this subrecipient in the amount of \$1,660.59. The Health Science Center included a stipulation in the subaward that indicated the subrecipient should adhere to ARRA reporting requirements; however, the subaward did not specifically indicate that the subrecipient was required to identify ARRA funding on its SEFA and Form SF-SAC. In addition, at the time of the disbursement of funds, the Health Science Center did not provide appropriate documentation such as the federal award number, CFDA number, and the amount of ARRA funds.

Suspension and Debarment

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 contracts for goods and services that are expected to equal or exceed \$25,000 and all non-procurement transactions (i.e., subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.220 and 180.970).

Additionally, the Health Science Center's subrecipient monitoring policy requires all federal flow-through subawards to include appropriate debarment language requiring the subrecipient to assure that the principal investigator, principals on the project, and institution are not debarred from receiving federal funds.

For 1 (3 percent) of 39 subawards tested, the Health Science Center did not include a clause in the contract with the subrecipient that signified that the subrecipient was not suspended or debarred.

Auditors conducted an EPLS search for the entity for which the Health Science Center did not have a suspension and debarment certification and determined that the entity was not suspended or debarred.

Recommendations:

The Health Science Center should:

- Ensure that it provides appropriate documentation at the time of the subaward and disbursement of funds, including the federal award number, CFDA number, and the amount of ARRA funds.
- Require subrecipients to provide appropriate ARRA award identification on their SEFA and SF-SAC.
- Maintain sufficient documentation to demonstrate that it makes suspension and debarment determinations for all subawards in accordance with its internal policy.

Management Response and Corrective Action Plan:

We concur with the finding and have put procedures into place in accordance with the recommendations. Specifically, we amended the subaward in question to include the specific ARRA reporting requirements and are using appropriate templates that include the ARRA requirements in our subsequent subawards issued using ARRA funds. The Accounting Department has also put procedures into place to assure the appropriate identification of ARRA funds on disbursements.

The particular subaward in question was to a foreign entity; our misunderstanding of the flow-down requirement led us to believe that this entity was exempt from making the suspension and debarment certification. This oversight was corrected by a modification to the subaward.

Implementation Date: October 2009 and November 2009

Responsible Persons: Jane Youngers and Jerry Long

University of Texas M. D. Anderson Cancer Center

Reference No. 10-125

Activities Allowed or Unallowed

Allowable Costs/Cost Principles

(Prior Audit Issue - 08-82)

Research and Development Cluster

Award years - Multiple

Award numbers - All Research and Development Grants

Type of finding - Significant Deficiency and Non-Compliance

Direct Costs - Time and Effort Reporting

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 costs 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. For other employees, unless alternate arrangements are agreed to, activity reports must be prepared no less frequently than monthly and must coincide with one or more pay periods (Title 2, Code of Federal Regulations, Section 220(J)(10)).

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |

The University of Texas M.D. Anderson Cancer Center's (Cancer Center) policy requires the completion of effort certification on a quarterly basis. Certifications must be completed within 30 days of notification that the effort reports are ready for review. For 4 (11 percent) of 36 payroll items tested at the Cancer Center, the employees' effort certification reports for the applicable period were not completed within the time frames required by the Cancer Center's policy. These 4 effort certification reports were completed 3 to 84 days late (or 70 to 166 days after the end date of the effort reporting period). One of these 4 effort certification reports was for funds from the American Recovery and Reinvestment Act (ARRA).

A prolonged elapsed time between activity and confirmation of the activity can potentially (1) decrease the accuracy of reporting and (2) increase the time between payroll distribution and any required adjustments to that distribution.

Disclosure Statement

Educational institutions that receive aggregate sponsored agreements totaling \$25 million or more and that are subject to Office of Management and Budget Circular A-21 during their most recently completed fiscal year must disclose their cost accounting practices by filing a Disclosure Statement (DS-2). With the approval of the federal cognizant agency, an educational institution may meet the DS-2 submission by submitting the DS-2 for each business unit that received \$25 million or more in sponsored agreements (Title 2, Code of Federal Regulations, Appendix A to Part 220.C.14). Furthermore, financial management systems of recipients of federal awards should provide for written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award (Office of Management and Budget Circular A-110, Section C.21(b)).

The Cancer Center submitted its DS-2 on February 28, 2008, effective September 1, 2007. Auditors attempted to conduct tests to determine whether the DS-2 agreed with the policies in the Cancer Center's current cost accounting policies and procedures. However, the Cancer Center does not have written cost accounting policies.

An absence of written cost accounting policies can decrease the likelihood of achieving uniformity and consistency in the measurement, assignment, and allocation of costs to federal grants and contracts.

Recommendations:

The Cancer Center should:

- Ensure that employees complete effort certification reports in a timely manner.
- Develop and implement written cost accounting policies consistent with the Cancer Center’s preparation of its DS-2.

Management Response and Corrective Action Plan:

The Cancer Center will proactively work with department effort coordinators and faculty to ensure effort that employees complete effort certification reports in a timely manner.

Our cognizant agency has directed the adoption of OASC-3 for the Cancer Center. Under OASC-3, the Cancer Center is not required to submit or maintain a DS-2.

Implementation Date: February 2010

Responsible Person: Claudia Delgado

Reference No. 10-126

Cash Management

Research and Development Cluster

Award year - August 1, 2007 to August 31, 2009

Award number - CFDA 12.420 W81XWH-07-1-0552

Type of finding - Significant Deficiency and Non-Compliance

Recipients shall maintain advances of federal funds in interest bearing accounts. For those entities where 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 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, Code of Federal Regulations (CFR), Section 215.22(K)). 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).

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| Questioned Cost: | \$1,816 |
| U.S. Department of Defense | |

The University of Texas M.D. Anderson Cancer Center (Cancer Center) earned interest on advance payments for grants awarded by the U.S. Department of Defense. The Cancer Center uses a standardized worksheet to calculate the interest earned. However, this worksheet included a formula error that resulted in a miscalculation and underpayment of interest. For one grant, the Cancer Center underpaid interest earned by \$1,816.

Recommendation:

The Cancer Center should correct the formula error in its interest calculation worksheet and periodically review the integrity of the worksheet to ensure that it calculates and remits the correct amount of interest.

Management Response and Corrective Action Plan:

The Cancer Center has corrected the formula error in the interest calculation worksheet and will review the integrity of the worksheet to ensure the calculation and the amount of interest remitted is correct. The Cancer Center will issue payment of the amount owed for the grants awarded by the U.S. Department of Defense in the amount of \$1,816.

Implementation Date: February 2010

Responsible Person: Claudia Delgado

Reference No. 10-127

Procurement and Suspension and Debarment

Research and Development Cluster

Award years - see below

Award numbers - see below

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 Federal Regulations, Section 180.300). Covered transactions include procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all non-procurement transactions (i.e., subawards to subrecipients) irrespective of award amount (Title 2, Code of Federal Regulations, Sections 180.210 and 180.220

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |
| U.S. Department of Defense | |

To ensure compliance with federal suspension and debarment requirements, the University of Texas M.D. Anderson Cancer Center (Cancer Center) uses a daily program that searches information at several Web sites, including EPLS, and reports any suspension and debarment changes in the status of its vendors. However, the program generates a report only when there are vendor status changes to report. As a result, if there are no changes, no report is generated that demonstrates that the Cancer Center verified suspension and debarment status. The program the Cancer Center uses has a feature that documents when the EPLS was checked; however, the Cancer Center does not use that feature because management asserts that the report is generated daily. In addition, the program runs only when staff initiate it. Therefore, auditors could not rely on automated operations scheduling as evidence that the program runs on a daily basis.

The Cancer Center did not maintain documentation that it verified the suspension and debarment status of its vendors for 8 (40 percent) of 20 procurements tested. Auditors reviewed the EPLS Web site for the vendors related to the above procurements and determined that the vendors were not suspended or debarred.

The procurements above were related to the following awards:

Award Numbers (CFDA)

Award Years

| | |
|------------------------------|---|
| 5U19 CA100265 05 (93.395) | September 30, 2003 to November 30, 2009 |
| 5R01 DK070770 05 (93.847) | June 1, 2005 to May 31, 2010 |
| 5P50 CA116199 04 (93.398) | September 23, 2005 to August 31, 2010 |
| 5R01 CA122568 03 (93.395) | June 18, 2007 to April 30, 2010 |
| 5R01 CA123252 03 (93.394) | September 27, 2006 to July 31, 2010 |
| 5R01 HG003844 03(93.172) | September 15, 2006 to August 31, 2010 |
| 5U19 CA100265 05 (93.395) | September 30, 2003 to November 30, 2009 |
| W81XWH-05-2-0027 04 (12.420) | February 1, 2005 to January 31, 2010 |

Recommendation:

The Cancer Center should maintain evidence that it verifies the suspension and debarment status of its vendors before finalizing procurements that are expected to equal or exceed \$25,000.

Management Response and Corrective Action Plan:

The standard referenced in the finding draft originates from Title 2, Code Federal Regulations, Section 180.300, and it states: "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- a. Checking the EPLS; or*
- b. Collecting a certification from that person; or*
- c. Adding a clause or condition to the covered transaction with that person"*

Each of the eight (8) procurements listed in the Procurement and Suspension and Debarment draft finding for which it was reported that MDACC did not maintain documentation verifying the suspension and debarment status of MDACC vendors had a statement input by the Buyer who prepared the purchase order as part of the electronic history of the procurement. The statement indicated that vendor checks were conducted on the EPLS Website and there were no results found. It should be noted that the regulation does not require that a copy of the check be retained.

In addition to the statement input by the Buyer as part of the procurement history, MDACC also has a process where a daily check is made comparing the EPLS database to MDACC's vendor database. If a match occurs, the vendor in MDACC's database is inactivated and no purchase orders are allowed to be issued to that vendor until that vendor has been removed from EPLS. The electronic inactivation process is part of MDACC's standard operating procedure and completely removes any possibility of a purchase order being released for which the vendor has been inactivated.

The Cancer Center will maintain evidence that it verifies the suspension and debarment status of its vendors before finalizing procurements by attaching a screen shot of the EPLS vendor check.

Implementation Date: February 2010

Responsible Persons: Vince Adams and Andy Jackson

Reference No. 10-128

Special Tests and Provisions - Key Personnel

Research and Development Cluster

Award year - September 4, 2008 to August 31, 2009

Award number - CFDA 93.397 5 P50 CA083639-09

Type of finding - Significant Deficiency and Non-Compliance

For federal awards issued by the National Institutes of Health (NIH), the grantee is required to notify the grant management office in writing if the principal investigator or key personnel specifically named in the Notice of Grant Award (NOGA) will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award (e.g., a proposed change from 40 percent effort to 30 percent effort or less). NIH must approve any alternate arrangement proposed by the grantee, including any replacement of the principal investigator or key personnel named in the NOGA. The requirements to obtain NIH prior approval for a change in status pertains only to the principal investigator and those key personnel NIH names in the NOGA,

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| Questioned Cost: | \$0 |
| National Institutes of Health | |

regardless of whether the grantee designates others as key personnel for its own purposes (NIH Grants Policy Statement (December 2003) Part II: Terms and Conditions of NIH Grant Awards Subpart A: General). Federal grantors other than NIH have similar requirements.

Based on completed effort certifications, key personnel did not meet the minimum level of commitment for 1 (8 percent) of 12 grants tested at the University of Texas M.D. Anderson Cancer Center (Cancer Center). For this grant, the progress report indicated that the principal investigator was involved with the grant as required. However, the principal investigator certified zero effort for fiscal year 2009, when his minimum committed effort established in the NOGA was 15 percent for that time period. This is an indication of a lack of effective monitoring over effort commitment and certification.

Recommendation:

The Cancer Center should strengthen controls in monitoring key personnel's effort on grants to ensure that it meets minimum effort requirements for key personnel.

Management Response and Corrective Action Plan:

The Cancer Center is strengthening controls to monitor the effort of key personnel on grants to ensure that it meets the requirements for these individuals. The Cancer Center is developing a query to extract information from our effort reporting system which identifies variances between committed effort and certified effort.

Implementation Date: May 2010

Responsible Person: Claudia Delgado

University of Texas Medical Branch at Galveston

Reference No. 10-129

Cash Management

Research and Development Cluster

Award year - August 1, 2008 to July 31, 2009

Award numbers - CFDA 12.420 W81XWH-08-2-0139 and CFDA 12.420 W81XWH-08-2-0137

Type of finding - Significant Deficiency and Non-Compliance

Recipients shall maintain advances of federal funds in interest bearing accounts. For those entities where 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 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, Code of Federal Regulations (CFR), Section 215.22(K)). 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).

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| Questioned Cost: | \$1,709 |
| U.S. Department of Defense | |

The University of Texas Medical Branch at Galveston (Medical Branch) earned interest on advance payments for two grants awarded by the U.S. Department of Defense. For two awards with interest requirements, the Medical Branch did not activate the interest-bearing flag in its accounting system, PeopleSoft, to indicate that interest should be tracked and returned. As a result, when the Medical Branch ran a query in April 2009 to calculate the interest earned in 2008, the query did not include these two awards, and the Medical Branch did not return any interest for these awards. Total interest earned in 2008 for these awards was \$1,709.

Recommendation:

The Medical Branch should ensure that it monitors all awards with interest requirements to ensure that it calculates and returns interest earned.

Management Response and Corrective Action Plan:

UTMB has taken the necessary steps to calculate the interest earned and return the interest to the sponsor for the awards identified. Additionally, we reviewed and updated our processes for identifying grants and contracts requiring interest be returned to the sponsor to ensure appropriate monitoring and compliance.

Implementation Date: December 2009

Responsible Person: John States

Reference No. 10-130

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 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 (Title 2, Code of Federal Regulations, Section 215.34 (f)).

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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |
| U.S. Department of Defense | |
| U.S. Department of Agriculture | |

For 9 (23 percent) of 40 equipment items tested, the University of Texas Medical Branch at Galveston (Medical Branch) did not include all required information about the equipment in its property records. Specifically, nine property records did not contain the manufacturer’s serial number or other identification number. According to the Medical Branch, these items were too heavy to move or were surrounded by equipment that prevented it from obtaining the serial numbers.

Discrepancies between property records and the physical equipment items increase the risk that equipment accountability may be compromised.

Equipment acquired with federal funds pertained to the following award numbers and award years:

| <u>CFDA</u> | <u>Award Number</u> | <u>Award Years</u> |
|-------------|----------------------|--|
| 93.000 | N01-AI-40097/HHSN266 | September 20, 2004 to September 29, 2009 |
| 93.855 | 5UC7AI07008304 | May 3, 2006 to April 30, 2011 |
| 12.300 | N000140610300 | December 19, 2005 to September 29, 2010 |
| 93.855 | 5R01AI07114504 | May 1, 2009 to April 30, 2010 |
| 93.866 | 5 R01 AG021539-05 | June 1, 2007 to May 31, 2010 |
| 10.206 | 20083520404625 | September 1, 2008 to August 31, 2011 |
| 93.837 | 5R01HL07092506 | April 1, 2009 to March 31, 2010 |

Recommendation:

The Medical Branch should ensure that its property records are complete and contain all required information.

Management Response and Corrective Action Plan:

UTMB will review our processes and take the necessary steps to ensure that property records are complete and contain all required information in accordance with Title 2, Code of Federal Regulations, Section 215.34 (f).

Additionally, UTMB will seek further clarification from the Office of Management and Budget on the interpretation of 2 CFR, Sect 215.34(f)(1)(ii) related to “other identification number.” The auditor’s finding states, “Specifically, nine property records did not contain the manufacturer’s serial number or other identification number.” UTMB interprets 2 CFR, Sect 215.34 (f)(1)(ii) “other identification number” to include the tag number assigned by the University and that our property records are complete and in compliance with the requirement since none of the items sampled were found without an inventory tag.

Implementation Date: August 2010

Responsible Persons: Craig Ott and John States

Reference No. 10-131

Reporting

Research and Development Cluster

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency and 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 *Financial Status Report (FSR)* SF-269 (Office of Management and Budget (OMB) No. 0348-0039) or SF-269A (OMB No. 0348-0038) to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271 (Title 45, Code of Federal Regulations, Section 74.52).

| | |
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| Questioned Cost: | \$0 |
| U.S. Department of Health and Human Services | |
| National Institutes of Health | |
| National Aeronautics and Space Administration | |

FSRs are required to be submitted to National Institutes of Health within 90 calendar days after the last day of each budget period unless the award is issued under the Streamlined Non-Competing Award Process (SNAP). For recipients under SNAP, FSRs are no longer required annually; instead, FSRs are required 90 days after the end of the competitive segment.

The U.S. Department of Health and Human Services’ Grants Policy Statement Part II states that the FSR generally is required annually, unless otherwise indicated in the notice of award. If an FSR is required annually and the award is operating under an authorized no-cost extension, an FSR must be submitted for each 12 months of activity, regardless of the overall length of the extended budget period. When required annually, the FSR must be submitted for each budget period no later than 90 days after the close of the budget period or applicable 12-month period.

The National Aeronautics and Space Administration (NASA) requires that grant and cooperative agreement recipients submit all final reports listed in the “Required Publications and Reports” section of the grant award document be submitted to NASA within 90 days after the expiration date of the grant or cooperative agreement.

The Office of Management and Budget (OMB) granted an extension to institutions affected by Hurricanes Katrina and Rita. The extension stated “Agencies may allow the grantee to delay submission of any pending financial, performance and other reports required by the terms of the award for the closeout of expired projects, providing that proper notice about the reporting delay is given by the grantee to the agency. This delay in submitting closeout reports may not exceed one year after the award expires.” The National Institutes of Health (NIH) sent an email to the University of Texas Medical Branch at Galveston (Medical Branch) in September 2008 stating that the OMB granted the same extension to institutions affected by Hurricane Ike.

The Medical Branch did not submit required financial reports in a timely manner. Specifically, the Medical Branch submitted 25 (63 percent) of 40 reports tested between 1 and 375 days after their due date. Of those 25 reports, 16 were filed more than 90 days late. The Medical Branch asserts that for 21 (53 percent) of the 25 late reports, the Medical Branch was operating under an extension from the OMB for institutions affected by Hurricane Ike to file the reports up to a year late. However, the Medical Branch did not provide evidence that it notified the awarding agencies of the reporting delay as the OMB extension required.

This issue affected the following awards:

| <u>CFDA</u> | <u>Award Number</u> | <u>Award Years</u> |
|-------------|---------------------|---------------------------------------|
| 93.865 | 5K12HD05592902 | September 25, 2007 to August 31, 2008 |
| 93.856 | 5 R21 AI063235-02 | March 1, 2006 to January 31, 2009 |
| 93.855 | 1 R21 AI066999-01A2 | September 30, 2006 to August 31, 2008 |
| 93.113 | 5T32ES00725417 | September 1, 2007 to June 30, 2008 |
| 93.855 | 5 K08 AI055792-04 | February 1, 2007 to July 31, 2008 |
| 93.279 | 5T32DA00728712 | July 1, 2007 to June 30, 2008 |
| 93.855 | 1R01AI07330101A1 | April 1, 2008, January 5, 2009 |
| 93.859 | 5T32GM008256-17 | July 1, 2007 to June 30, 2008 |
| 93.859 | 2R01GM062882-06A2 | May 15, 2008 to September 30, 2008 |
| 93.853 | 5 P01 NS011255-31 | April 1, 2007 to March 31, 2008 |
| 93.838 | 5 U10 HL074206-05 | April 15, 2007 to July 31, 2008 |
| 93.866 | 5 T32 AG000270-09 | May 1, 2007 to April 30, 2008 |
| 43.001 | NNA05CV50G | October 1, 2005 to September 30, 2008 |
| 93.273 | 5 R01 AA013171-05 | August 1, 2006 to July 31, 2008 |
| 93.821 | 5 R01 GM064855-04 | August 1, 2005 to July 31, 2008 |
| 93.837 | 5R01HL05563011 | January 1, 2007 to December 31, 2008 |
| 93.847 | 5T35DK07851902 | July 1, 2007 to June 30, 2008 |
| 93.398 | 5T32CA11783403 | July 1, 2007 to June 30, 2008 |
| 93.856 | 3 U01 AI032782-13S3 | January 1, 2004 to March 31, 2008 |
| 93.855 | 5T32AI06539604 | August 1, 2007 to July 31, 2008 |
| 93.848 | 5 T32 DK007639-15 | July 1, 2007 to June 30, 2008 |
| 93.865 | 5T32HD00753907 | May 1, 2007 to April 30, 2008 |
| 93.855 | 5U19AI04003513 | July 1, 2007 to June 30, 2008 |
| 93.242 | 5U01MH064850-06 | January 1, 2008 to December 31, 2008 |
| 93.856 | 5T32AI060549-05 | July 1, 2007 to June 30, 2008 |

Recommendations:

The Medical Branch should:

- Establish procedures to ensure it submits reports to awarding agencies by the reporting deadlines.
- Ensure that it fully adheres to any conditional extensions for financial reporting granted by the OMB.

Management Response and Corrective Action Plan:

UTMB Management agrees with the auditor's recommendation and is already working to increase the Financial Reporting group staffing level to have adequate resources dedicated to ensuring compliance with Federal reporting requirements.

To provide additional background, the Financial Reporting group (the functional area responsible for preparing and submitting all sponsored program financial reports), had identified an optimal staffing level of 7 accountants, but had 3 vacant positions at the time Hurricane Ike made landfall in September, 2008. Due to the unprecedented destruction caused by Hurricane Ike and the subsequent interruption of some services provided by the University, UTMB declared a state of financial exigency that resulted in a reduction-in-force of approximately 2,500 FTEs in

November 2008. This reduction-in-force negatively impacted the Financial Reporting group: the three vacant positions were eliminated, along with some departmental administrative staff supporting the preparation of financial status reports. Additionally, staff turnover subsequent to Hurricane Ike resulted in the Financial Reporting group operating with only two accountants (5 below the optimal level) during most of fiscal year 2009. In our FY 2010 budget, the Financial Reporting group was authorized to fill the five accountant positions, those eliminated after Hurricane Ike, along with the two vacancies. Additionally, another accountant position and a senior financial analyst position were added to the group to handle the additional reporting requirements and volume associated with awards issued under the American Recovery and Reinvestment Act (ARRA) of 2009.

As of the end of January 2010, we have filled four of the seven open positions noted above, and are diligently working to fill the remaining three open positions. We expect to be current with all of our financial reports by the end of calendar year 2010.

Implementation Date: December 2010

Responsible Person: John B. States

University of Texas - Pan American

Reference No. 10-132

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084091, 84.268 P268K092296, 84.033 P033A84091, 84.038 Award Number Not Applicable, 84.063 P063P082296, 84.375 P375A082296, and 84.376 P376S082296

Type of finding - Material Weakness 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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas - Pan American (University) does not have controls to ensure that high profile system access is limited to appropriate personnel at the application, database, and server levels. Segregation of duties conflicts exist for users at the application level. The University’s financial aid technical team and financial aid business users share the same super user role. Application permissions are not properly defined for the super user, director, and assistant director roles. All three roles can (1) create, set up, and modify disbursement dates and minimum and maximum amounts for federal awards; (2) enter start and end dates for each term; and (3) set up packaging rules for federal funds. There are no major differences in the permissions for these three roles. In addition, one user is no longer employed by the University but still has access to the financial aid application.

At the database level, all five database administrators, including the database manager, share the database super user ID to conduct database maintenance and perform job duties. The production control team, which includes four users who are responsible for promoting code changes from the development environment to the production environment, also uses that same user ID. In addition, all database administrators, including the manager and the members of the production control team, use six other generic user IDs (instead of their own unique user IDs) to access the database and perform their job duties.

At the server level, segregation of duties conflicts exists because high profile user IDs, such as the root user ID, are shared by the system administrators and the director of the computer center.

The University also does not have controls to ensure that it periodically reviews active users and user access rights to identify and remove inappropriate system access and to help ensure that segregation of duties conflicts do not exist.

Allowing employees inappropriate or excessive system access that is outside of their job functions increases the risk of inappropriate changes and does not allow for proper segregation of duties. Additionally, when users share user IDs and passwords, this reduces personal accountability and corrupts the audit trail for transactions.

Auditors also reviewed the University’s program implementation process for its new student financial assistance system and determined that the University:

- Formally documented its procedures for testing and application deployment. However, the test plan within those procedures did not contain several key items such as a formal test methodology, elements of testing, types of tests, and performance testing. The test plan also did not outline the final results of user testing. Therefore, auditors could not determine whether the new student financial assistance system was fully tested prior to its implementation. For example, auditors could not select a test case to determine the test criteria that outlined the details for the end-user testing, and auditors could not determine the result of each test action.

- Could not provide evidence of formal signature approval by the financial aid team lead or by the project manager to authorize the final implementation of the new student financial assistance system after all end-user testing was performed.
- Could not provide evidence that it had written procedures regarding data migration and conversion. Additionally, the University could not provide total record count information to ensure that the data that was completely extracted, converted, and migrated from the previous system to the new student financial assistance system. As a result, auditors were unable to determine whether data was completely and accurately migrated into the new system. Although, the University retained copies of record counts in e-mails for the data that was migrated into the pre-production environment of the new system, auditors could not verify whether all data was converted and then migrated into the production version of the new system.

Academic Competitiveness Grant (ACG) Awarded to Ineligible Students

The ACG program provides grants to eligible, full-time, regular, undergraduate students enrolled in their first and second academic years in an ACG-eligible program at a two-year or four-year degree-granting institution. Grants are for up to \$750 for first-year students and up to \$1,300 for second-year students (Title 34, Code of Federal Regulations, Sections 691.2(d), 691.6, 691.15, and 691.62).

The University awarded a total of \$8,450 in ACG grants to eight students who were not enrolled in their first or second academic years. These awards were the result of a programming error that allowed third-year and fourth-year students to receive ACG awards. The University identified and corrected the programming error before this audit began. However, it had not determined that these eight students erroneously received ACG grants. After auditors identified these errors, the University corrected the errors and returned the funds to the ACG account.

Recommendations:

The University should:

- Implement password policies at the database and server level to ensure that access to federal student financial assistance data is authorized.
- Restrict access so that only users whose job duties and responsibilities include migrating code will be permitted to migrate code from the development environment to the production environment.
- Ensure that each user has his or her own unique user ID to access the database and server.
- Restrict the access of high profile user IDs to appropriate personnel at the application, database, and server levels.
- Perform a periodic review of user access at the application, database, and server level.
- Maintain adequate supporting documentation to demonstrate compliance with its program development policies and procedures for implementing new information technology systems.
- Develop and implement formal procedures for the migration of data to new information technology systems.
- Continue to review and reconcile eligibility requirements for financial assistance programs, such as the ACG program, with the related automated controls over those programs.

Management Response and Corrective Action Plan:

Recommendation:

Implement password policies at the database and server level to ensure that access to federal student financial assistance data is authorized.

Management response and Corrective Action Plan:

Password policies at the database and server level will be implemented on the individual databases and servers of the Student Information and Financial Systems.

Implementation Date: February 2010

Responsible Person: Frank Zecca

Recommendation:

Restrict access so that only users whose job duties and responsibilities include migrating code will be permitted to migrate code from the development environment to the production environment.

Management Response and Corrective Action Plan:

Access to the production systems for the purpose of migrating code from development to production has been modified and is now restricted to the members of the Production Control and the DBA Teams. Request for access at this level is approved by the Director for Information Systems Development or the Director of the Computer Center, and requires the authorization of the system data owner, the Executive Director of Student Financial Services or her delegate.

Implementation Date: January 2010

Responsible Persons: Isabel Infante and, Frank Zecca

Recommendation:

Ensure that each user has his or her own unique user ID to access the database and server.

Management Response and Corrective Action Plan:

Implementation of unique user IDs to access the database was completed on January 12, 2010. Implementation of unique user IDs for each individual requiring access at the server level is in the process of being completed.

Implementation Date: June 2010

Responsible Person: Frank Zecca

Recommendation:

Restrict the access of high profile user IDs to appropriate personnel at the application, database, and server levels.

Management Response and Corrective Action Plan:

High profile user IDs have already been restricted to technical, non-management staff in the production instances at the server level and is in process of restriction at the production database level. A security matrix which defines roles for access to the financial aid application was developed during the Banner implementation. The matrix defines different roles and access to different forms and functions for the Super-Users versus business users. Different roles are defined at the Director and Assistant Director level. The security matrix and all of the user roles

will be reviewed to further define the differences between roles. Roles for super-user, executive director, director, and assistant director will be analyzed for appropriate user access by the Director of Financial Aid Programs and Information Systems and appropriate changes will be implemented, after approval by the Executive Director, to accurately to reflect the job responsibilities of each role.

Implementation Date: January 2010 at database level, and June 2010 at the application level.

Responsible Persons: Frank Zecca and Elias Ozuna

Recommendation:

Perform a periodic review of user access at the application, database, and server level.

Management Response and Corrective Action Plan:

Annual review of user access at the database, and server level has been implemented. An annual review is also being implemented at the application level. This annual review will be conducted by Director of Financial Aid Programs and Information Systems. The review will analyze all roles and determine that all financial aid users have the appropriate access to do their jobs. The annual review will be completed by June 1 of each year.

In addition the Office of Student Financial Services has put in place additional controls to ensure that user access is cut off at the time an employee ceases to be employed by the University. The University has a process in place through the Office of Human resources for terminating access to systems for regular employees. The process requires the employee to visit the Computer Center where access is terminated. Employees must complete the exit process before a final paycheck is issued. The Office of Student Financial Services has also developed a process with a termination checklist which must be completed at the time of termination and when access has been removed from the user. This process will be used with regular employees as well as student workers.

Implementation Date: June 2010

Responsible Person: Frank Zecca and Elias Ozuna

Recommendation:

Maintain adequate supporting documentation to demonstrate compliance with its program development policies and procedures for implementing new information technology systems.

Management Response and Corrective Action Plan:

The Director for Information Systems Development will implement controls to assure adequate supporting documentation to demonstrate compliance with the University's development policies and procedures for implementing new information technology systems. Controls will be developed as part of the in-progress implementation of change management software.

Implementation Date: August 2010

Responsible Person: Isabel Infante

Recommendation:

Develop and implement formal procedures for the migration of data to new information technology systems.

Management Response and Corrective Action Plan:

The Director for Information Systems Development will develop and implement formal procedures for the migration of data to new information technology systems.

Implementation Date: August 2010

Responsible Person: Isabel Infante

Recommendation:

Continue to review and reconcile eligibility requirements for financial assistance programs, such as the ACG program, with the related automated controls over those programs.

Management Response and Corrective Action Plan:

FY 2009 was the first year in the Banner student information system. Due to the aggressive timeline for implementation, we initiated a systematic review of business processes within the financial aid module several months after go-live, to ensure that results were accurate and processes were running efficiently. A system-programming rule, which controls ACG disbursements, was analyzed and corrected to allow proper disbursing of ACG funds. The problem had been identified before the audit began, but required additional programming to ensure that only eligible students received ACG funds. Funds were returned for the eight ineligible students, and this problem will not occur again now that the programming rule has been corrected.

An audit report, in addition to an existing overall eligibility audit, has also been created in this area to verify awards are being disbursed accurately according to classification. We also continue reconciling the ACG program on a monthly basis. This process allows us to verify eligibility with the Department of Education Common Origination and Disbursement (COD) database.

Implementation Date: June 2009

Responsible Person: Elaine L. Rivera

Reference No. 10-133

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084091, 84.268 P268K092296, 84.033 P033A84091, 84.038 Award Number Not Applicable, 84.063 P063P082296, 84.375 P375A082296, and 84.376 P376S082296

Type of finding - Material Weakness 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

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University of Texas - Pan American (University) does not have controls to ensure that high profile system access is limited to appropriate personnel at the application, database, and server levels. Segregation of duties conflicts exist for users at the application level. The University's financial aid technical team and financial aid business users share the same super user role. Application permissions are not properly defined for the super user, director, and assistant director roles. All three roles can (1) create, set up, and modify disbursement dates and minimum and maximum amounts for federal awards; (2) enter start and end dates for each term; and (3) set up packaging rules for federal funds. There are no major differences in the permissions for these three roles. In addition, one user is no longer employed by the University but still has access to the financial aid application.

At the database level, all five database administrators, including the database manager, share the database super user ID to conduct database maintenance and perform job duties. The production control team, which includes four users who are responsible for promoting code changes from the development environment to the production environment, also uses that same user ID. In addition, all database administrators, including the manager and the members of the production control team, use six other generic user IDs (instead of their own unique user IDs) to access the database and perform their job duties.

At the server level, segregation of duties conflicts exists because high profile user IDs, such as the root user ID, are shared by the system administrators and the director of the computer center.

The University also does not have controls to ensure that it periodically reviews active users and user access rights to identify and remove inappropriate system access and to help ensure that segregation of duties conflicts do not exist.

Allowing employees inappropriate or excessive system access that is outside of their job functions increases the risk of inappropriate changes and does not allow for proper segregation of duties. Additionally, when users share user IDs and passwords, this reduces personal accountability and corrupts the audit trail for transactions.

Auditors also reviewed the University's program implementation process for its new student financial assistance system and determined that the University:

- Formally documented its procedures for testing and application deployment. However, the test plan within those procedures did not contain several key items such as a formal test methodology, elements of testing, types of tests, and performance testing. The test plan also did not outline the final results of user testing. Therefore, auditors could not determine whether the new student financial assistance system was fully tested prior to its implementation. For example, auditors could not select a test case to determine the test criteria that outlined the details for the end user testing, and auditors could not determine the result of each test action.
- Could not provide evidence of formal signature approval by the financial aid team lead or by the project manager to authorize the final implementation of the new student financial assistance system after all end user testing was performed.
- Could not provide evidence that it had written procedures regarding data migration and conversion. Additionally, the University could not provide total record count information to ensure that the data that was completely extracted, converted, and migrated from the previous system to the new student financial assistance system. As a result, auditors were unable to determine whether data was completely and accurately migrated into the new system. Although, the University retained copies of record counts in e-mails for the data that was migrated into the pre-production environment of the new system, auditors could not verify whether all data was converted and then migrated into the production version of the new system.

Disbursement Notification Letters

If an institution credits a student's 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).

For 1 (5 percent) of 21 students tested who received Direct Loans, the University sent disbursement notifications 33 days after the disbursement date, instead of within the required 30 days, for one semester disbursement. The University sent the disbursement notifications late because a verbal request for a computer report that identifies students' loan disbursements was not made in time to generate the notifications within the required 30 days. Not receiving these notifications promptly could impair the students' or parents' ability to cancel their loans.

In addition, manual overrides to the process that records the date that the University sent disbursement notification letters in the student financial aid system allow staff to manipulate the recorded date to reflect a date other than the actual date that the University sent the notification letters. Manually changing the date could result in the system reflecting a date that is within the 30-day requirement, even though the notification may have been sent outside of the 30-day requirement.

Recommendations:

The University should:

- Implement password policies at the database and server level to ensure that access to federal student financial assistance data is authorized.
- Restrict access so that only users whose job duties and responsibilities include migrating code will be permitted to migrate code from the development environment to the production environment.
- Ensure that each user has his or her own unique user ID to access the database and server.
- Restrict the access of high profile user IDs to appropriate personnel at the application, database, and server levels.
- Perform a periodic review of user access at the application, database, and server level.
- Maintain adequate supporting documentation to demonstrate compliance with its program development policies and procedures for implementing new information technology systems.
- Develop and implement formal procedures for the migration of data to new information technology systems.
- Maintain controls to ensure that it sends disbursement notification letters within 30 days before or after crediting a student's account with a Direct Loan.
- Develop and implement controls to ensure that the disbursement notification letter sent date recorded in the student financial aid system reflects the actual date on which the University sent the letter.

Management Response and Corrective Action Plan:

Recommendation:

Implement password policies at the database and server level to ensure that access to federal student financial assistance data is authorized.

Management Response and Corrective Action Plan:

Password policies at the database and server level will be implemented on the individual databases and servers of the Student Information and Financial Systems.

Implementation Date: February 2010

Responsible Persons: Frank Zecca

Recommendation:

Restrict access so that only users whose job duties and responsibilities include migrating code will be permitted to migrate code from the development environment to the production environment.

Management Response and Corrective Action Plan:

Access to the production systems for the purpose of migrating code from development to production has been modified and is now restricted to the members of the Production Control and the DBA Teams. Request for access at this level is approved by the Director for Information Systems Development or the Director of the Computer Center, and requires the authorization of the system data owner, the Executive Director of Student Financial Services or her delegate.

Implementation Date: January 2010

Responsible Person: Isabel Infante and Frank Zecca

Recommendation:

Ensure that each user has his or her own unique user ID to access the database and server.

Management Response and Corrective Action Plan:

Implementation of unique user IDs to access the database was completed on January 12, 2010. Implementation of unique user IDs for each individual requiring access at the server level is in the process of being completed.

Implementation Date: June 2010

Responsible Person: Frank Zecca

Recommendation:

Restrict the access of high profile user IDs to appropriate personnel at the application, database, and server levels.

Management Response and Corrective Action Plan:

High profile user IDs have already been restricted to technical, non-management staff in the production instances at the server level and is in process of restriction at the production database level. A security matrix which defines roles for access to the financial aid application was developed during the Banner implementation. The matrix defines different roles and access to different forms and functions for the Super-Users versus business users. Different roles are defined at the Director and Assistant Director level. The security matrix and all of the user roles will be reviewed to further define the differences between roles. Roles for super-user, executive director, director, and assistant director will be analyzed for appropriate user access by the Director of Financial Aid Programs and Information Systems and appropriate changes will be implemented, after approval by the Executive Director, to accurately to reflect the job responsibilities of each role.

Implementation Date: January 2010 at database level, and June 2010 at the application level.

Responsible Persons: Frank Zecca and Elias Ozuna

Recommendation:

Perform a periodic review of user access at the application, database, and server level.

Management Response and Corrective Action Plan:

Annual review of user access at the database, and server level has been implemented. An annual review is also being implemented at the application level. This annual review will be conducted by Director of Financial Aid Programs and Information Systems. The review will analyze all roles and determine that all financial aid users have the appropriate access to do their jobs. The annual review will be completed by June 1 of each year. In addition the Office of Student Financial Services has put in place additional controls to ensure that user access is cut off at the time an employee ceases to be employed by the University. The University has a process in place through the Office of Human Resources for terminating access to systems for regular employees. The process requires the employee to visit the Computer Center where access is terminated. Employees must complete the exit process before a final paycheck is issued. The Office of Student Financial Services has also developed a process with a termination checklist that must be completed when access has been removed from the user. This process will be used with regular employees as well as student workers.

Implementation Date: June 2010

Responsible Persons: Frank Zecca and Elias Ozuna

Recommendation:

Maintain adequate supporting documentation to demonstrate compliance with its program development policies and procedures for implementing new information technology systems.

Management Response and Corrective Action Plan:

The Director for Information Systems Development will implement controls to assure adequate supporting documentation to demonstrate compliance with the University's development policies and procedures for implementing new information technology systems. Controls will be developed as part of the in-progress implementation of change management software.

Implementation Date: August 2010

Responsible Person: Isabel Infante

Recommendation:

Develop and implement formal procedures for the migration of data to new information technology systems.

Management Response and Corrective Action Plan:

The Director for Information Systems Development will develop and implement formal procedures for the migration of data to new information technology systems.

Implementation Date: August 2010

Responsible Person: Isabel Infante

Recommendation:

Maintain controls to ensure that it sends disbursement notification letters within 30 days before or after crediting a student's account with a Direct Loan.

Management Response and Corrective Action Plan:

FY 2009 was the first year in the Banner student information system. The aggressive implementation deadline did not allow time to fully automate all processes. We are now in the process of converting those processes that were semi-automated into fully automated processes. In June 2009, the disbursement notification process started running bi-weekly instead of once per month. Beginning March 1, 2010, the disbursement letter process will be an automated process. It will become part of the weekly packaging process to ensure compliance with the federal 30-day timeline requirement.

Implementation Date: March 2010

Responsible Person: Elaine L. Rivera

Recommendation:

Develop and implement controls to ensure that the disbursement notification letter sent date recorded in the student financial aid system reflects the actual date on which the University sent the letter.

Management Response and Corrective Action Plan:

Beginning April 1, 2010, instead of utilizing a mail merge process to print disbursement letters, we will utilize the letter generation process delivered by Banner. This allows us to automatically post to our student system/RUAMAIL, the actual date the letter was processed.

Implementation Date: April 2010

Responsible Person: Elaine L. Rivera

University of Texas at Tyler

Reference No. 10-134

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Tyler (University) did not have controls to ensure adequate segregation of duties within its financial aid system. The University should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, two University programmers had access to move code into the production environment. In addition, the information technology users and the financial aid staff had similar access profiles to the financial aid system. A lack of segregation of duties may result in inappropriate changes to production code or inappropriate or excessive access to University systems.

The student financial aid system in use during the award year did not provide staff with the capability of operating in a test environment. The limited capabilities of that system, combined with the small information technology staff at the University, resulted in these segregation of duties issues. The University has since implemented a new student financial aid system. The new system has increased capabilities and will allow the University to improve controls over segregation of duties.

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 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 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, Sections 673.5, 673.6, and 682.603).

The University of Texas at Tyler (University) incorrectly calculated the COA for 1 (2.5 percent) of 40 students tested. This occurred because the University calculated the COA based on undergraduate student status; however, the student was a graduate student. As a result of this error, the amount of financial assistance the student was offered was less than the amount of financial assistance for which the student was eligible. The difference between the University’s COA budget for a graduate student and undergraduate student of the same status (half-time, residing off-campus, and a Texas resident) is \$396.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities.
- Restrict access to migrate code into production to the appropriate personnel.
- Improve its review of information in student records, such as undergraduate or graduate status, that affects COA calculations.

Management Response and Corrective Action Plan:

The student information system referenced in the above recommendation (POISE) is no longer in use by The University. The new system (PeopleSoft) appropriately restricts access based on job responsibilities. Appropriate segregation of duties for migrating production code changes has been implemented in the PeopleSoft system.

In our student information system for 2008-2009 (POISE), determination of graduate or undergraduate COA budgets was done by the counselor setting a flag. If no flag was set, the process budgeted for undergrad and if a flag was set it budgeted for graduate.

With our new system (PeopleSoft), determination of graduate or undergraduate COA is made by the student's active career in the system. Two careers exist in our system, undergrad and grad, and Student Records activates the appropriate career. This keeps our counselors from having the opportunity for oversight (human error) in setting up COA budgets.

Implementation Date: September 1, 2010

Responsible Person: Candice Lindsey

Reference No. 10-135

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award Year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P083426

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)).

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| Questioned Cost: | \$0 |
| U.S. Department of Education | |

The University of Texas at Tyler (University) did not have controls to ensure adequate segregation of duties within its financial aid system. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, two University programmers had access to move code into the production environment. In addition, the information technology users and the financial aid staff had similar access profiles to the financial aid system. A lack of segregation of duties may result in inappropriate changes to production code or inappropriate or excessive access to University systems.

The student financial aid system in use during the award year did not provide staff with the capability of operating in a test environment. The limited capabilities of that system, combined with the small information technology staff at the University, resulted in these segregation of duties issues. The University has since implemented a new student financial aid system. The new system has increased capabilities and will allow the University to improve controls over segregation of duties.

Disbursement Notices

If an institution credits a student's account at the institution with Federal Family Education Loan Program (FFELP) 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).

To help ensure compliance with federal disbursement notification requirements, when the University of Texas at Tyler (University) runs its loan disbursement program, it sends an email informing students or parents of the details of the disbursement and their right to cancel the loan. The email includes the student's or parent's right to cancel all or a portion of a loan or loan disbursement and have the loan proceeds returned to the holder of the loan, the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement, and the amount of the loan or loan disbursement. However, the e-mails for all 50 FFELP loans tested did not include or reference the date of the loan or loan disbursement as required. University personnel stated that the omission of this required information was an oversight.

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 18 (94.7 percent) of 19 Pell Grant disbursements tested at the University, the actual date of the disbursement did not match the disbursement date the University reported to the COD System. The University explained that, on a monthly basis, a file is generated from POISE, the University's Financial Aid Application, for submission to the COD System through the Department of Education's (DOE) EDEExpress and EDConnect software programs. Although the POISE process generating the file picks up the actual dollar amount disbursed for each student, it does not have the capability to pick up the corresponding disbursement date. This requires that the University enter a generic date that is used on all disbursement records in the file. The University stated that it generally uses a disbursement date that is in the range of the month prior to the submission.

The University's total Pell Grant expenditures for the 2008-2009 school year were \$5,136,617.79.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities.
- Restrict access to migrate code into production to the appropriate personnel.

- Ensure that it includes all required loan disbursement information in all disbursement notifications sent to students and parents.
- Improve controls to ensure that it reports actual disbursement dates to the COD System in accordance with federal requirements.

Management Response and Corrective Action Plan:

The student information system referenced in the above recommendation (POISE) is no longer in use by the University. The new system (PeopleSoft) appropriately restricts access based on job responsibilities. Appropriate segregation of duties for migrating production code changes has been implemented in the PeopleSoft system.

With the implementation of the PeopleSoft student information system and the William D. Ford Federal Direct Loan Program, the above recommendations will be completed.

Our loan disbursement information is sent by email and includes a date, student's name, how the disbursement is credited and refunded, instructions for viewing the disbursement information from the student access screen in PeopleSoft, and instructions for cancellation.

The Pell Grant expenditure records are generated from PeopleSoft and include the date of disbursement from the system. No generic or default dates are required, as they were previously required in our old student information system.

Implementation Date: September 1, 2010

Responsible Person: Candice Lindsey

Water Development Board

Reference No. 10-136

Reporting

CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds

Award years - October 1, 2007 to September 30, 2009 and October 1, 2008 to September 30, 2010

Award numbers - CS-48000208 and CS-48000209

Type of finding - Significant Deficiency and Non-Compliance

The State must provide an annual report to the U.S. Environmental Protection Agency (EPA) beginning the first fiscal year after it receives payments under Title VI of the Clean Water Act. The State should submit this report to the EPA according to the schedule established in the grant agreement (Title 40, Code of Federal Regulations, Section 35.3165).

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| Questioned Cost: | \$0 |
| U.S. Environmental Protection Agency | |

The grant agreements for the Capitalization Grants for Clean Water State Revolving Funds require that an annual report must be provided within 90 days after the end of the state fiscal year. The annual report must describe how the state has met the goals and objectives as identified in its Intended Use Plan. The information in the report must include the following items: (1) identification of the assistance recipients; (2) the assistance amounts by category; (3) the terms for financial assistance; (4) the communities served; (5) verification of Title II requirements of the capitalization grant funds; (6) verification that first use of the funds was to meet the enforceable requirements of the Clean Water Act; and (7) any other information the regional administrator or designated representative reasonably requires to review and determine compliance with the Clean Water Act.

The clean water annual report the Water Development Board (Board) submitted for fiscal year 2009 included information on binding commitments for Tier II loans (state funded loans) and Tier III loans (federally funded loans). However, in that report the binding commitments for federally funded loans were understated by \$2,960,000. The Board inadvertently identified the City of Seminole’s loan as a state-funded loan commitment; however, supporting documentation showed that this was a federally funded loan commitment. Although the Board reviewed the report internally prior to submitting it, that review did not detect the error. As a result, the \$46,345,000 amount reported as committed for federally funded loans in 2009 was understated by 6 percent.

In addition, the Board drew down federal funds based on expenditures related to seven Tier II loans. As a result, those seven Tier II subrecipients must comply with federal requirements. However, the Board did not include those seven Tier II subrecipients in the “Cross Cutters” section of its clean water annual report. As a result, the report understated Cross Cutters by \$142,310,000 associated with Tier II subrecipients. The Board omitted the Tier II subrecipients from the Cross Cutter section of the Clean Water Annual Report as a result of the Board’s interpretation of prior guidance it received from the EPA. Specifically, the Board’s interpretation was that the group of subrecipients designated as Tier II did not have to comply with federal requirements, even when the Board drew down federal funds based on expenditures at those subrecipients.

Recommendation:

The Board should improve its internal review process to ensure that data accumulated and summarized in its clean water annual report is accurate.

Management Response and Corrective Action Plan:

Management has reviewed its internal review process and improvements are being made for an additional step to be inserted into the review process to ensure that any errors are detected prior to document publication.

Implementation Date: February 2010

Responsible Person: Amanda Lavin and Stacy Barna

Reference No. 10-137

Subrecipient Monitoring

CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds

Award years - Multiple

Award numbers - Multiple

Type of finding - Non-Compliance

As a pass-through entity, the Water Development Board (Board) is required by Office of Management and Budget (OMB) Circular A-133, March 2009 Compliance Supplement Part 3, Section M Subrecipient Monitoring, to monitor subrecipients' use of federal awards through reporting, site visits, regular contact, or other means 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. Environmental Protection Agency | |

The Board used its Intended Use Plan (IUP) to show commitments for the Capitalization Grants for Clean Water State Revolving Funds Program. These commitments consist of loans funded with state funds (Tier II) and loans funded with federal funds (Tier III). The Board requires loans that it designates as state-funded to comply with only state requirements, and it requires loans that it designates as federally funded to comply with federal requirements. The U.S. Environmental Protection Agency (EPA) allows the Board to draw down funds based on expenditures incurred at either Tier II subrecipients or Tier III subrecipients. However, it requires the Board to ensure that, if the Board draws down federal funds for expenditures for the Tier II group, the Board must ensure that those subrecipients comply with federal requirements, without regard to the fact that Tier II subrecipients were designated as state-funded. Auditors tested the applicable Tier II and Tier III subrecipients separately and noted no reportable errors related to the Tier III group. However, the Board did not comply with some subrecipient monitoring compliance requirements for Tier II subrecipients when the Board drew down federal funds based on expenditures incurred at those subrecipients. During fiscal year 2009, all of the Board's program drawdowns were based on expenditures in the Tier II group. These draws totaled \$13,600,214 and were based on expenditures at five subrecipients.

Pre-award and During-the-Award Monitoring

The Board did not verify suspension and debarment for state subrecipients (Tier II) for which it drew down federal funds in fiscal year 2009. Specifically, for 3 (60 percent) of 5 subrecipients files tested, the Board did not verify that the subrecipients were not suspended or debarred. The Board did not comply with this requirement because of its interpretation of EPA guidance. In addition, the Board did not conduct during-the-award monitoring of processes that verified suspension and debarment status for these subrecipients during the award period. Not verifying the suspension and debarment status of its subrecipients increases the risk that the Board will enter into agreements with entities that are suspended or debarred from entering into contractual agreements involving federal funds. However, auditors verified that none of the subrecipients were suspended or debarred.

In addition, the Board was unable to provide evidence that it communicated the Catalog of Federal Domestic Assistance (CFDA) number to 4 (80 percent) of 5 subrecipients tested. This could result in subrecipients not being informed of compliance requirements that are specific to the program, which increases the risk of non-compliance.

A-133 Single Audit Compliance Monitoring

The Board must ensure that subrecipients that spend \$500,000 or more in federal funds obtain an OMB Circular A-133 Single Audit and provide a copy of the audit report to the Board. The Board is required to review the audit report and to issue a management decision, if applicable. OMB Circular A-133, March 2009 Compliance Supplement Part 3, Section M, requires the Board to issue a management decision on audit findings within six months after receipt of a subrecipient's audit report. In cases of continued inability or unwillingness of a subrecipient to obtain the required audits, the Department must take appropriate action using sanctions.

For 3 (60 percent) of 5 subrecipients tested, the Board did not verify that the subrecipients obtained either a Single Audit or a certification from the subrecipient that it was exempt from Single Audit requirements. This diminishes oversight and increases the potential of program funds not being spent as intended.

All of the issues discussed above are related to the group of subrecipients the Department has designated as Tier II subrecipients and resulted from the Board's interpretation of prior guidance it received from the EPA. Specifically, the Board's interpretation was that the group of subrecipients designated at Tier II did not have to comply with federal requirements, even when the Board drew down federal funds based on expenditures at those subrecipients.

Recommendations:

If the Board draws down funds based on expenditures incurred at Tier II subrecipients, the Board should ensure that it requires those subrecipients to comply with federal requirements and monitors those subrecipients to ensure compliance with federal regulations. Specifically, the Board should:

- Verify the suspension and debarment status of all of its subrecipients.
- Communicate the required award information, including CFDA, to all subrecipients.
- Ensure that all subrecipients certify they will obtain a Single Audit if they spend more than \$500,000 in federal funds or certify that they are not required to obtain a Single Audit.
- Review all subrecipients' Single Audit reports and issue management decisions on audit findings within six months after receipt of those reports.

Management Response and Corrective Action Plan:

Management will work with EPA to obtain written guidance for the new interpretation of the treatment of Tier II projects, determine the corrective action necessary, draft rules to institute the changes, and revise internal procedures.

Implementation Date: February 2011

Responsible Persons: Amanda Lavin, Steve Rodriguez, and Melanie Callahan

Summary Schedule of Prior Audit Findings

Federal Portion of
Statewide Single Audit Report

For the Year Ended August 31, 2009

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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 2008 Schedule of Findings and Questioned Costs
- Each finding in the 2008 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 (year ended August 31, 2009) has been prepared to address these responsibilities.

Department of Agriculture

Reference No. 09-01

Allowable Costs/Cost Principles

CFDA 10.558 - Child and Adult Care Food Program

Award year - October 1, 2007 to September 30, 2008

Award numbers - 6TX300352 and 6TX300332

CFDA 10.560 - State Administrative Expenses for Child Nutrition

Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award numbers - 6TX300312 and 6TX300312

Non-major Programs:

CFDA 10.025 - Plant and Animal Disease, Pest Control, and Animal Care

CFDA 10.153 - Market News

CFDA 10.163 - Market Protection and Promotion

CFDA 10.559 - Summer Food Service Program for Children

CFDA 10.568 - Emergency Food Assistance Program (Administrative Costs)

CFDA 14.228 - Community Development Block Grants/State’s Program

CFDA 66.700 - Consolidated Pesticide Enforcement Cooperative Agreements

Type of finding - Significant Deficiency

Access to migrate changes to 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 production environment. Access to PATHS production servers is inappropriate. Two developers have access to the application and database servers in production. The ability for these two developers to mitigate changes to production is partially mitigated by their lack of direct access to the ID needed to migrate changes to production. Additionally, two developers have administrative access on the PATHS application.

| | |
|---|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Agriculture U.S. Department of Housing and Urban Development Environmental Protection Agency | |

Terminated employees should be removed from all systems following termination. One terminated database administrator had access to the database server. The situation was mitigated as the terminated Database Administrator (DBA) was properly removed from the network and without access to the network; an employee is unable to gain direct access to any of the underlying systems or applications. Additionally, a terminated employee user ID for a former DBA was active on the database after their termination date. Upon notification, this terminated employee’s access was removed from production on October 31, 2008. Thirdly, four of 16 terminated users selected for testing had access to the PATHS application. This access was mitigated as none of the four terminated employees had network access.

Privileged access (i.e., super user) on the database was granted to six developers when “TDA_DEVELOPER” was inadvertently granted DBA-type privileges in the production environment. Effective October 31, 2008, TDA_DEVELOPER role was removed from production.

A periodic review of existing user access and their privilege levels in the application was not performed.

No compliance issues were noted for payroll sample items selected with regard to the above major programs. The related timesheets were properly certified and approved and the allocation of expenditures to the various CFDA was recalculated without exception. Total salary and benefits costs charged to the major and non-major program for fiscal year 2008 were:

| <u>Federal Program</u> | <u>Amount Charged for FY08</u> |
|------------------------|--------------------------------|
| CFDA 10.025 | \$ 144,670 |
| CFDA 10.153 | 32,436 |
| CFDA 10.163 | 538,897 |
| CFDA 10.560 | 4,530,364 |
| CFDA 10.558 | 231,554 |
| CFDA 10.559 | 142,820 |
| CFDA 10.568 | 17,404 |
| CFDA 14.228 | 321,630 |
| CFDA 66.700 | 2,454,487 |
| Total | <u>\$ 8,414,262</u> |

Corrective Action:

Corrective action was taken.

Reference No. 09-02

Subrecipient Monitoring

CFDA 10.558 - Child and Adult Care Food Program

Award year - October 1, 2007 to September 30, 2008

Award numbers - 6TX300352 and 6TX300332

Type of finding - Non-Compliance

The administering agency is required to assess institutional compliance by performing reviews of independent centers, sponsoring organizations of centers, sponsoring organizations of day care homes, and new organizations. The prescribed schedule is such that independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization’s facilities; sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; new institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of program operations (7 CFR Ch. II (1–1–08 Edition) § 226.6 (m)(6)(i)(ii)).

| | |
|--------------------------------|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Agriculture | |

One of the 40 subrecipients selected for review had not received an on-site review in the past three years. For this subrecipient, an on-site review was last performed in fiscal year 2005. The last on-site review date for this subrecipient was incorrectly entered into the field office's tracking system as 2006, and as such, the subrecipient was on the 2009 review cycle. Upon notification of this oversight, the Department of Agriculture commenced an on-site review. The program expenses for this subrecipient from fiscal year 2006 to 2008 respectively are as follows: \$28,943; \$37,424; and \$41,623.

Corrective Action:

Corrective action was taken.

Reference No. 09-03

Subrecipient Monitoring

CFDA 10.560 - State Administrative Expenses for Child Nutrition

Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award numbers 6TX300312 and 6TX300312

Type of finding - Significant Deficiency and Non-Compliance

Texas Department of Agriculture (TDA) 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, the TDA 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 to the TDA. The TDA is to review the report and to issue a management decision, if applicable.

| | |
|--------------------------------|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Agriculture | |

Only one of the ten subrecipients selected had documentation regarding the receipt and review of the required OMB Circular A-133 Single Audit report. From March to August 2008, the position responsible for the collection and review of the Education Service Centers (ESC) A-133 reports was vacant and management did not reassign the responsibility to another individual. TDA's A-133 review is documented on their desk review form which also includes other procedures. The related desk review forms were on-hand but the section for the A-133 review was not completed. Of the 20 ESC subrecipients, only one had an A-133 Single Audit report review at the time of our test work. TDA management has commenced collection and review of the A-133 audit reports for the ESCs. During fiscal year 2008, approximately \$4,885,000 was passed through to the ESCs.

Corrective Action:

Corrective action was taken.

Reference No. 09-04

Subrecipient Monitoring

CFDA 10.550 - Food Donation

Award year - October 1, 2007 to September 30, 2008

Award number - FNS-74 (04-2003)

Type of finding - Significant Deficiency and Non-Compliance

Access to migrate changes to 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 production environment. Terminated employees should be removed from all systems following termination. During the performance of general controls test for work for the Texas Commodities System (TCS), the following items were noted with regard to access procedures performed:

| | |
|-----------------------|-----------------------|
| Initial Year Written: | 2008 |
| Status: | Partially Implemented |

U.S. Department of Agriculture

- 20 out of 34 admin users on the TCS application belong to terminated employees. Additionally, 3 of the 34 admin users were developers. Lastly, 4 out of 34 admin user IDs were assigned to unknown users.
- One out of seventeen users with access to production servers belongs to a terminated developer. In addition, an additional user of the 17 belonged to a terminated Database Administrator (DBA).
- Two user DBA IDs were assigned to Health and Human Services Commission developers who do not require access to Department of Agriculture (TDA) systems.
- There are two users with inappropriate access to the TCS application to override the system limitation that prohibits schools from requesting commodities up to 25% of their yearly allocation. During the audit, TDA removed the access for these two users.
- A periodic review of existing user access and their privilege levels in the application was not performed.

For the above four instances, the respective employees did not have network access; thus, potential risk of inappropriate access was mitigated.

During change management audit procedures, it was noted that TDA performs testing of code changes after the code is moved into production. TDA does hire a third-party developer to create the code changes and the contract between TDA and the third-party developer does require the vendor to perform testing of code changes. However, TDA does not monitor this testing nor retain documents evidencing the work and results performed by the vendor. No application code changes were made during the audit period.

Total meal counts requested by schools are uploaded annually from their source data into the TCS application. TDA procedures include a manual reconciliation from the source date to the TCS system upload to validate completion and accuracy of the upload. However during fiscal year 2008, the reconciliations were not performed. Therefore during the audit, the reconciliation was performed and one requestor was noted to have discrepancies. As a result, the requesting entity received \$259,638 in commodities, but they were only eligible for \$102,188.

Recommendation:

Management should restrict access based on the individual's job responsibility, including restricting developer access from migrating code into production. Management should also perform a periodic review of active users and user access rights to ensure appropriate segregation of duties is established. Terminated employees should be removed from all systems timely. All changes to code should be tested prior to being deployed into production.

In addition, the annual reconciliation for the meal counts to the source data should be performed and reviewed timely to ensure total meal counts is completely and accurately reflected prior to the allocation of commodities.

Management Response and Corrective Action Plan 2008:

TDA agrees and has terminated the identified unnecessary authorizations. TDA is conducting a review of all authorizations to ensure no terminated employee accounts remain and that active user rights are appropriate. TDA will initiate comprehensive periodic reviews.

In anticipation of the transitioning of the TCS system to TDA from the Health and Human Services Commission, TDA established a TCS test environment on January 16, 2009. Therefore, future TCS code changes will be tested prior to deployment to production.

TDA is currently recruiting a full time Information Security Officer (ISO). The ISO's first priority is to conduct a security risk assessment in conjunction with these findings and develop a work plan to establish security governance, procedures, and guidelines for the agency.

In 2008, over 130 million pounds of commodity foods were received in Texas valued at over \$106 million. Commodities to schools are handled through the Food Distribution Program. Total eligible lunch meals served are used to calculate the allocation amount per school. Schools have 60 days after the end of any given month to report meals served. Revisions to meal counts may also be made after that time. To ensure the meal counts used to allocate meals are the most current, staff will reconcile school district meal counts recorded in the commodity system to the eligible meal counts reported by districts in the information management system annually prior to finalizing the allocation process. Any mismatches will be evaluated and revised as appropriate.

Detailed procedures have been developed and commodity staff involved with the annual reconciliation process have been retrained. The written procedure has been disseminated to all commodity staff and is posted in the Food and Nutrition's policy and procedures folder located on the shared drive.

2009 Update:

During 2009 test work, the following items were noted to remain outstanding:

- One out of 10 admin user accounts on the TCS application belongs to terminated employees. Additionally, 3 of the 10 admin users were developers.
- A periodic review of existing user access and their privilege levels in the application was not performed.
- TDA does not retain documents evidencing change management authorization, testing, and approval.

Management Response and Corrective Action Plan 2009:

The existence of a user ID does not automatically give someone full access to the database. A secondary permission authorization exists that must be active in order for an individual with a user ID to access admin rights within the TCS system.

The admin user ID and the developer user IDs were revoked and confirmed by TDA's internal auditor on January 30, 2009. A review of system access determined that the IDs were inadvertently re-added during a database restore. TDA has again deleted the one admin user that belonged to a terminated employee and the production user IDs for the developers. As a corrective measure, TDA has modified our procedures to include verification of system user IDs following a system restore.

TDA Food & Nutrition staff have been diligent in promptly revoking access of employees who exit the agency. Currently, all TDA user IDs with TCS admin access are active employees. To further comply with our commitment, TDA has implemented an automated process to schedule a periodic review of existing user access and their privilege levels every 180 days.

All changes have been tested and approved and were documented in TDA's Footprints System since late July 2009. Before that time, changes were documented in TDA's TrackIT System. As TDA transferred tickets from the old TrackIt system to the new Footprints system, TDA implemented a more rigorous documentation strategy that includes the location of scripts run, etc.

Beginning in November 2009, TDA began entering even more extensive documentation in FootPrints including all phases of the system development life cycle. TDA also began to be extra vigilant about pasting copies of email from end users authorizing that changes were tested and ready for promotion to production. TDA's new test environment has allowed TDA to test changes prior to moving them into the TDA production environment, greatly improving code stability.

Implementation Dates: Completed

Responsible Persons: Britt Brookshire and Charles Kirk

Reference No. 09-05

Allowable Costs/Cost Principles

CFDA 10.558 - Child and Adult Care Food Program

Award year - October 1, 2007 to September 30, 2008

Award numbers - 6TX300352 and 6TX300332

CFDA 10.560 - State Administrative Expenses for Child Nutrition

Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award numbers - 6TX300312 and 6TX300312

Non-major Programs:

CFDA 10.025 - Plant and Animal Disease, Pest Control, and Animal Care

CFDA 10.163 - Market Protection and Promotion

CFDA 10.559 - Summer Food Service Program for Children

CFDA 66.700 - Consolidated Pesticide Enforcement Cooperative Agreements

Type of finding - Significant Deficiency and Non-Compliance

Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards (A-87, Attachment E, paragraph A.1-3). Indirect cost proposals must be developed (and when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant Federal agency (A-87, Attachment E, paragraph D.1).

| | |
|--|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Agriculture Environmental Protection Agency | |

Indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute, or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The agreed-upon rates shall be made available to all Federal agencies for their use (A-87, Attachment E, paragraph E.1-3).

For fiscal year 2008, the Department of Agriculture (TDA) utilized the Environmental Protection Agency's (EPA) approved rate of 66.72% applicable for the 2007 fiscal year in calculating the 2008 indirect cost reimbursement amounts. The EPA approved rate expired August 31, 2007. There was no provision in the indirect costs agreement for a 2008 rate. The 2007 approved rates were based off of expenditures for the fiscal year ended August 31, 2005. In addition, TDA assumed the responsibility for oversight of several additional USDA Food and Nutrition Service programs that were previously administered by the Texas Department of Health and Human Services in fiscal year 2008. The total expenses for CFDA 10.560 and 10.558 during fiscal year 2008, respectively, were approximately \$15.9 million and \$227.3 million of which approximately \$2,800,000 and \$91,000 were indirect costs. Total indirect

reimbursement requests for fiscal year 2008 for major and non-major programs are noted below. The Office of Acquisition Management of EPA confirmed with TDA during February 2009 that these expenditures were reimbursable as requested and any adjustments would be considered in the future approved rates for TDA.

| Federal Program | Indirect Reimbursement Request in FY08 |
|------------------------|---|
| CFDA 10.025 | \$ 101,159 |
| CFDA 10.163 | 306,077 |
| CFDA 10.558 | 90,911 |
| CFDA 10.559 | 65,228 |
| CFDA 10.560 | 2,814,340 |
| CFDA 66.700 | 343,386 |
| | \$ 3,721,101 |

Corrective Action:

Corrective action was taken.

**Department of Agriculture
Health and Human Services Commission**

Reference No. 09-06

Allowable Costs/Cost Principles

Earmarking

Reporting

Subrecipient Monitoring

CFDA 10.558 - Child and Adult Care Food Program

Award year - October 1, 2007 to September 30, 2008

Award numbers - 6TX300352 and 6TX300332

Non-major Programs:

CFDA 10.553 - School Breakfast Program

CFDA 10.555 - National School Lunch Program

Type of finding - Significant Deficiency and Non-Compliance

During April 2008, the Child and Adult Care Food Program (CFDA 10.558) was administered through the Nutrition Assistance Payment Processing (NAPP) application, which was administered by Health and Human Services. Effective May 2008, the program was migrated to a new application called Special Nutrition Automated Processing System (SNAPS), which is administered by Texas Department of Agriculture. Since the functionality of NAPP was replaced, the application was retired and thus the general controls (logical access, program change controls, and operations) that supported the application could not be assessed.

| | |
|--------------------------------|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Agriculture | |

During the conversion from the NAPP to SNAPS application, historical data (primarily meal counts) was migrated from the legacy to the new application. During conversion audit procedures, the following discrepancies were noted with regard to the integrity of the underlying data utilized to pay claims and file the respective FNS 44 reports.

- Conversion Error - Within 'At-Risk Snacks' and 'Evening Snacks' meal counts on the FNS reports, both the original claim meal count and amended claim meal count (if applicable) were combined in the SNAPS database during conversion. Therefore when the FNS 44 reports were prepared from SNAPS, both the original and amended claim meal counts were included causing meals to be over-reported.
- NAPP Report Logic Error - In NAPP, there were a number of records where a particular claim month was not marked as eligible on the contract; however, a claim was submitted and paid for the respective month. The FNS-44 reporting process in NAPP first verified the contract to see whether the claim month was eligible and, if not, did not include any claimed meals for the month in the report totals. Therefore, meals claimed and paid were under-reported.
- SNAPS Report Logic Error - An error was identified in a SNAPS logic statement when both an original and amended meal count were available for the same month. The logic statement was designed to select the larger of the two meal counts instead of the amended meal count. As such, this is a situation where meals were over-reported.

TDA provided original reported data and corrected data after the above three situations were noted. The under-reported meal count discrepancy detailed above was 117,843 meals for the fiscal year 2008. To quantify this discrepancy, the total meal count difference was multiplied by the Federal rate of assistance per meal (\$0.2084) to obtain the total value of under-reported meals of \$24,558.

The detail by CFDA of funds that flowed through the NAPP/SNAPS system in fiscal year 2008 is noted below:

| Federal Program | Amount for FY08 |
|------------------------|----------------------------|
| CFDA 10.553 | \$ 5,783,192 |
| CFDA 10.555 | 11,152,200 |
| CFDA 10.558 | 209,474,157 |
| Total | \$ 226,409,549 |

Corrective Action:

Corrective action was taken.

Department of Assistive and Rehabilitative Services

Reference No. 09-07

Eligibility

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States

Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award numbers - H126A080065 and H126A070065

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)).

Initial Year Written: 2008
Status: Partially Implemented

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.

Per review of 40 blind recipients and 30 rehab recipients, 4 blind individuals were not determined eligible within 60 days and there was no notation in the case notes explaining exceptional or unforeseen circumstances. The individuals were determined to be eligible so there are no questioned costs. Forty counselors were reviewed to ensure the counselors' license was current and that training had been received without exception.

Corrective Action:

This finding was reissued as current year reference number: 10-07.

Department of Family and Protective Services

Reference No. 09-08

Allowable Costs/Cost Principles

Eligibility

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0802TXTANF and G0702TXTANF

Type of finding - Significant Deficiency and Non-Compliance

Consistent with Title IV-A of the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (Pub. L. No. 104-193), and subsequent amendments thereto, and codified at 42 USC 601-619, the Texas Department of Family Protective Services (DFPS) is authorized to provide any service for which the State previously was authorized to use IV-A or IV-F funds under prior law, as in effect on September 30, 1995, as clarified by the State's 1997 plan amendment for the Emergency Assistance Program (EA).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

In accordance with the Temporary Assistance for Needy Families (TANF) State Plan, DFPS is responsible for administering and proving services under EA. A family is eligible for EA Assistance in Texas if all of the following conditions are met, as determined by DFPS:

- An emergency exists. An emergency is defined as (a) a child is at risk of abuse or neglect as determined by DFPS, (b) a child has been removed from their home and placed in DFPS care, or (c) DFPS determines that a child formerly in its care is at risk of being returned to its care.
- The family applies for EA Assistance or a caseworker applies on behalf of a child whose parents are unavailable or unwilling to apply.
- The child under age of 19 has lived with the relative within the six-month period prior to application.
- The emergency arose for a reason other than an adult family member's refusal to accept employment without good cause.
- The family has not received Federal EA Assistance in Texas during the 12-month period prior to application.
- The applicant, child, or family declares annual income of less than \$63,000.

A sample of 40 children for whom TANF payments were made during fiscal year 2008 was selected for review. Three children receiving EA funds had documented end dates in IMPACT, the computer system for eligibility. These children all became eligible for Supplemental Security Income (SSI) benefits while receiving EA funds. Per review of the payment history screens, payments of EA funds continued after the end date entered by the case worker due to SSI eligibility. DFPS corrected the system error and quantified all EA and SSI children affected by the programming discrepancy. The amount of EA funds incorrectly awarded is as follows: fiscal year 2007 was \$1,326,816; fiscal year 2008 was \$1,270,417; and fiscal year 2009 payments made through the time of the date correction were \$30,465.

Corrective Action:

Corrective action was taken.

Reference No. 09-09

Allowable Costs/Cost Principles

(Prior Audit Issues - 08-04, 07-05, 06-05)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0702TXTANF and G0802TXTANF

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0701TX1401 and G0801TX1401

CFDA 93.659 - Adoption Assistance

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0701TX1407 and G0801TX1407

CFDA 93.667 - Social Services Block Grant

Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award numbers - G0701TXSOSR and G0801TXSOSR

Type of finding - Significant Deficiency and Non-Compliance

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

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| Initial Year Written: | 2005 |
| Status: | Partially Implemented |
| U.S. Department of Health and Human Services | |

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the Federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The State plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The Department of Family and Protective Services (DFPS) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The federal Division of Cost Allocation (DCA) has not approved the CAP as of August 31, 2008. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. However, based on test work performed over the areas noted below, DFPS allocated expenses, including payroll and benefit expenditures, in accordance with the CAP submitted to DCA for approval during fiscal year 2008.

The CAP, submitted for approval during fiscal year 2008, incorporated an implementation plan to address mutually agreed methodology changes surrounding its Random Moment Time Studies (RMTS). The methodology change agreed to by DCA is a move from observer-based methodology of tracking RMTS to a web-based response system, using an online tool that assists with the management and oversight of the RMTS studies. The system is maintained in a Windows environment. It was noted with regard to the RMTS web-based system that eight INET developers have privileges on the server with ability to access to the production files for the RMTS web application. No compliance exceptions were noted for the allowable costs/cost principles samples selected for the above major programs.

Per review of the 2008 expenditure patterns, expenses (including payroll and benefit expenditures) were determined to be direct and material to various major programs noted above. In accordance with the CAP submitted by DFPS for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), full time employee (FTE) headcount analysis, service unit cost analysis, case count analysis, or payroll effort certification.

- DFPS performs RMTS, service unit cost analysis, and case count analysis on a quarterly basis. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. FTE headcount analysis is performed monthly and certified for payroll effort each month.
- From the results of the various allocation methods noted above, summarized information is used to update or upload the information into the Cost Allocation System, which allocates employees' time and other expenditures to the respective programs. Prior to September 1, 2007, the projects were a quarter in arrears. As of September 1, 2007, DFPS is allocating all expenses based on real-time projects as instructed by the HHS Division of Cost Allocation (DCA).

Corrective Action:

This finding was reissued as current year reference number: 10-08.

Reference No. 09-10

Allowable Costs/Cost Principles

Eligibility

(Prior Audit Issue - 08-05)

CFDA 93.659 - Adoption Assistance

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G071TX1407 and G0801TX1407

Type of finding - Significant Deficiency and Non-Compliance

Adoption Assistance Subsidies may be expended for adoption assistance agreement subsidy payments in accordance with the State's foster care maintenance payment rate schedule; administrative payments for expenses associated with placing children in adoption; and training of professional staff and parents involved in adoptions. Subsidy payments are made to adoptive parents based on the need(s) of the child (i.e., developmental, cognitive, and emotional behavioral) and the circumstances of the adopting parents (42 USC 673(a) (2)). Subsidy payment amounts cannot be based on any income eligibility requirements of the prospective adoptive parents (45 CFR Section 1356.41(c)). Adoption assistance subsidy payments cannot exceed the foster care maintenance payment the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of the foster care maintenance payment rate (42 USC 673(a)(3)).

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| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met:

- (1) The child is eligible, or would have been eligible, for the former Aid to Families with Dependent Children (AFDC) program (i.e., met the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act) except for his/her removal from the home of a relative pursuant to either a voluntary placement agreement or as a result of a judicial determination to the effect that continuation in the home of removal would have been contrary to the welfare of the child; the child is eligible for Supplemental Security Income; or is a child whose costs in a foster family home or child care institution are covered by the foster care maintenance payments being made with respect to his/her minor parent (42 USC 673(a)(2)(A)).
- (2) The child was determined by the State to be a child with special needs (42 USC 673(c)).
- (3) The State has made reasonable efforts to place the child for adoption without a subsidy (42 USC 673(c)).
- (4) The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family (42 USC 675(3)).

A sample of 40 children, for whom Adoption assistance subsidy payments were made during fiscal year 2008, was selected for review. For each child, we obtained the recipient file and verified that a determination was made for the child's eligibility. For one of the children selected, the case records were not available for review; therefore, eligibility could not be verified. Benefits paid to this family were \$46,915, of which \$28,437 was the federal portion.

Corrective Action:

Corrective action was taken.

Reference No. 09-11

Eligibility

(Prior Audit Issues - 08-07, 07-08, 06-09, 05-03, 04-37, and 04-38)

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0701TX1401 and G0801TX1401

Type of finding - Significant Deficiency and Non-Compliance

Criminal Record Check and Child Abuse and Neglect Registry Check

In accordance with 45 CFR section 1356.30 (a) and (b), unless an election provided for in paragraph (d) of this section is made, the State must provide documentation that criminal record checks have been conducted with respect to prospective foster and adoptive parents. The State may not approve or license any prospective foster or adoptive parent, nor may the State claim Federal financial participation for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the State finds that, based on a criminal records check conducted in accordance with paragraph (a) of this section, a court of competent jurisdiction has determined that the prospective foster or adoptive parent has been convicted of a felony involving:

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| Initial Year Written: | 2003 |
| Status: | Partially Implemented |

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| U.S. Department of Health and Human Services |
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1. Child abuse or neglect
2. Spousal abuse
3. A crime against a child or children (including child pornography), or
4. A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.
5. In addition, the foster family home provider must satisfactorily have met a child abuse and neglect registry check with respect to prospective foster and adoptive parents and any other adult living in the home who has resided in the provider home in the preceding 5 years. The requirement applies to foster care maintenance payments for calendar quarters beginning on or after that date (42 USC 671(a)(20)(C); Pub. L. No. 109-248, section 152(c)(2) and (3)).

The Department of Family and Protective Services (DFPS) has implemented procedures to ensure that background checks and child abuse and neglect registry checks are completed in accordance with Federal regulations. In accordance with the Texas Administrative Code (TAC) 745 Subchapter F "Requesting Background Checks," management has implemented ongoing monitoring activities to address compliance with the background check requirements found in TAC 745 Subchapter F. DFPS has implemented periodic monitoring activities of criminal background checks to ensure that all individuals have met the requirement. The procedures implemented by DFPS include but is not limited to the following:

- DFPS has established minimum standards that include timeframes for the submission of a person's background check request.

- If the results of the background check are not received within two working days of submission to DFPS, the requestor may obtain a criminal history check on the person through the Department of Public Safety (DPS) at <http://records.txdps.state.tx.us/>.
- DFPS does not allow the person to provide direct care or have direct access to a child in care until the results of the person's background check are received.
- DFPS requires an FBI criminal history check on persons who live outside of Texas or about whom there is reason to believe other criminal history exists. In these situations, the individual must submit FBI fingerprint cards.
- DFPS requires the receipt of results from the background checks before issuing a permit to operate a licensed child-care home, a registered child-care home, a listed family home, an independent foster home, or a foster group home.
- DFPS conducts investigations at operations due to reported cases of abuse or neglect, a deficiency in licensing statute, rule, or minimum standard.
- DFPS requires an update of the criminal background checks at least once every two years.

A sample of 40 children for whom Foster Care payments were made during fiscal year 2008 was selected for review. For each child, we selected one foster care provider and verified that the provider satisfactorily met the criminal records check. For each foster care provider, we obtained a listing of employees for a selected month and verified that a criminal background check or neglect registry check was performed for one employee within the two-year required period. Our review disclosed one instance in which the background check was overdue. During field work, DFPS performed the required background and neglect registry check and noted no issues for this employee.

Re-determination of Eligibility

Per the Texas Administrative Code, Rule 700.324, *Re-determination of Foster Care Eligibility*, DFPS must re-determine a child's eligibility for foster care assistance:

- (1) At least every 12 months;
- (2) Whenever changes in the child's circumstances affect his eligibility; and
- (3) If a move affects the child's eligibility, or the rate of foster care payment.

For a sample of 40 children for whom Foster Care payments were made during fiscal year 2008, two instances were found where the eligibility re-determination was overdue, one case by three months and the second case by nine months. The re-determination process is a manually worked process by the case workers. A computer generated list is produced of all children requiring re-determination several months prior to the end of the eligibility period. In both instances, the children were determined to be eligible to continue to receive Foster Care assistance so there are no questioned costs.

Child-Care

Foster Care maintenance payments are allowable only if the foster child was removed from the home of a relative specified in Section 406(a) of the Social Security Act, as in effect on July 16, 1996, and placed in foster care by means of a judicial determination, as defined in 42 USC 672(a)(2), or pursuant to a voluntary placement agreement, as defined in 42 USC 672(f), (42 USC 672(a)(1) and (2) and 45 CFR section 1356.21). Funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the State's Foster Care maintenance payment rate schedule, 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 the 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 (42 USC 672(b)(1) and (2), (c)(2), and 675(4)).

For a sample of 40 children for whom Foster Care payments were made during fiscal year 2008, one instance was found where a child who was eligible for state foster care funds received federal foster care funding prior to the completion of the required paper work. Child care expenditures are processed through Texas Workforce Commission. DFPS informs TWC of the eligible recipients and this child was inadvertently included on the eligible federal funding list over a course of four months or 62 units of service. During this time period, \$445 was incurred prior to the child being eligible.

Corrective Action:

This finding was reissued as current year reference number: 10-11.

Reference No. 09-12

Subrecipient Monitoring

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007

Award numbers - G0802TXTANF and G0702TXTANF

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007

Award numbers - G0801TX1401 and G0701TX1401

Type of finding - Significant Deficiency and Non-Compliance

The Department of Family and Protective Service (DFPS) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. DFPS 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, DFPS 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 to DFPS. DFPS is to review the report and to issue a management decision, if applicable.

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

DFPS subrecipient monitoring procedures include use of standard contracts, technical assistance, a risk assessment process, program monitoring, and financial monitoring including compliance reviews, site visits, and A-133 audit report collection and review. The A-133 audit report collection and review is centralized and performed by Health and Human Services Commission (HHSC) Office of Inspector General (OIG) for the State of Texas. Monitoring for client services contracts is based on risk as identified in the Statewide Monitoring Plan. The items noted primarily relate to documentation and follow-up with subrecipients as a result of non-timely submission of required reports or correspondence.

A sample of 30 subrecipients who received TANF payments passed through DFPS during fiscal year 2008 was selected for review. The following is noted:

- One subrecipient failed to timely submit their A-133 report by October 2007. Subsequent to the date, DFPS did not mail out a notification to the recipient nor has the receipt of the A-133 report occurred as of November 2008. Additionally, DFPS has not imposed any sanctions for noncompliance.
- One subrecipient file did not include any support for the submission of required financial reports by the subrecipient and there was no evidence of follow-up performed by DFPS.
- For one additional sample, the A-133 report was not on file.

A sample of 40 subrecipients who received Foster Care payments passed through DFPS during fiscal year 2008 was selected for review. The following is noted regarding 11 of the 40 files:

- An incomplete current year financial on-site monitoring tool (i.e., cash management and allowable costs audit procedures were not completed) for one file was noted and the monitoring visit lacked evidence of management review.
- The risk assessment tool noted one subrecipient as high risk, indicating an on-site monitoring would be conducted. DFPS policy is to document professional judgment when a high risk subrecipient is determined to not require an on-site visit. Such documentation was not available for this sample item.
- For three of the samples, DFPS could not provide evidence that the Single Audit determination forms were received indicating whether the subrecipient would have an A-133 audit. In addition, the A-133 tracking report did not indicate receipt of these reports. However, DFPS was able to provide the respective A-133 reports and noted no management decision was required.
- For two additional samples, the Single Audit determination form was not locatable nor was an A-133 report on file. DFPS was not able to determine if the subrecipients had an A-133 report to provide.
- For one sample, the A-133 due in March 2008 was not received timely. DFPS sent a delinquency letter in June 2008. There has been no follow-up action as of December 2008.
- An approved budget was not included in the 2008 contract for two subrecipients. DFPS noted these subrecipients were to comply with the 2003 budgets; however, this was not communicated to the subrecipients in the 2008 contracts nor were the 2003 budgets available for review.
- DFPS was not able to locate the last monitoring reports for two subrecipients that were performed within the last three years. Additionally, one of these two samples did not have an A-133 for review although OIG records indicated it had been received and reviewed.

Corrective Action:

Corrective action was taken.

Reference No. 09-13

Matching

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0701TX1401 and G0801TX1401

CFDA 93.659 - Adoption Assistance

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award numbers - G0701TX1407 and G0801TX1407

Type of finding - Non-Compliance

Section 6053(b) of the Deficit Reduction Act provided for a modification of the Federal Medical Assistance Percentages for any state, which has a significant number of evacuees from Hurricane Katrina. Additionally, Sections 1905(b) and 1101(a)(8)(B) of the Social Security Act required the Secretary of Health and Human Services to publish the Federal Medical Assistance Percentages each year and the revised FMAPs and EFMAPs for 2008 rates are as follows:

Initial Year Written: 2008
 Status: Implemented

 U.S. Department of Health and Human Services

| | <u>Calculated 2008</u> | <u>2008 Adjusted</u> |
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| FMAP | 60.53 | 60.56 |
| EFMAP | 72.37 | 72.39 |

FAMILY AND PROTECTIVE SERVICES, DEPARTMENT OF

The modification of the Federal Medical Assistance Percentages and the Enhanced Federal Medical Assistance Percentages under the Deficit Reduction Act affect only medical expenditure payments under Title XIX and expenditure payments for the State Children's Health Insurance Program (SCHIP) under Title XXI. Based on Federal Register dated August 7, 2007 (Volume 72, Number 151), the percentages in this rule do not apply to payments under Title IV of the Social Security Act. In addition, the Title XIX statute provides separately for Federal matching of administrative costs, which is not affected by the subject Deficit Reduction Act provision.

The Department of Family and Protective Services (DFPS) misinterpreted the regulation noted above and utilized the 2008 adjusted rates for all programs at DFPS, which utilized the FMAP rates from October 1, 2007 through September 30, 2008 when only Medicaid and SCHIP were eligible for the adjusted rates. DFPS quantified the difference in the 60.56% utilized and the 60.53% as \$90,777 for the federal fiscal year ended September 30, 2008.

| | Over charged Amount for Fiscal Year 2008 |
|--|---|
| Adoption subsidy payments, CFDA 93.569 | \$ 30,859 |
| Foster care payments, CFDA 93.658 | 59,918 |
| Total | <u>\$ 90,777</u> |

Corrective Action:

Corrective action was taken.

Health and Human Services Commission

Reference No. 09-14

Allowable Costs/Cost Principles

(Prior Audit Issues 08-09, 07-11)

CFDA 93.767 - State Children's Insurance Program

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award numbers - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048

Type of finding - Significant Deficiency

Funds can only be used for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR Sections 435.10, 440.210, 440.220, and 440.180). Also, states must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability is established after the claim is paid, reimbursement from the third-party should be sought (42 CFR sections 433.135 through 433.154).

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department of Health
and Human Services

The Health and Human Services Commission (HHSC) currently utilizes the First Health Services Corporation (FHSC) First Rebate application to validate and bill drug manufacturers for drug rebates. Access to the First Rebate production server AZPH-SRV-DB09 and the First Rebate database is not restricted appropriately as an excessive number of employees have administrative access rights to the Windows server and a developer has been granted administrative access in the application and database. In addition, password controls are not in accordance to policy. Specifically:

- Approximately 37 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB09 at CVTY\CVTY-SE-Sever-Admin group. There are two generic IDs in this group.
- Approximately 46 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB09 at CVTY\Domain Admin group. There are 11 generic IDs in this group.
- Approximately 86 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB09 at RICNTDOM0 Domain admin group. There are 12 generic IDs in this group.
- No formal review of users is done by management to determine the appropriateness of access and ensure proper segregation of duties on the First Rebate server.
- Novell logon and passwords are required for First Rebate Application. The security policy requires passwords to expire in 40 days and contains at least one numeric character. However, the password age is set to 95 days and Novell cannot enforce complexity requirements.
- Windows is the operating system for First Rebate Application. The security policy requires passwords to contain at least 8 characters; however, only 6 characters are configured.

With full update access, user IDs can be used to provide system access to add, update, or delete data. Sophisticated users with broad enterprise skills and experience might have the knowledge to violate the requirement for appropriate segregation of duties. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

No compliance exceptions were noted related to the allowable costs/cost principles related to the major programs noted above.

Corrective Action:

This finding was reissued as current year reference number: 10-22.

Reference No. 09-15

Allowable Costs/Cost Principles

(Prior Audit Issues - 08-10 and 07-10)

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048

Type of finding - Non-Compliance

During fiscal year 2006, the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), regional office from Dallas, Texas issued a disallowance letter dated November 29, 2006. On December 22, 2006, Health and Human Services Commission (HHSC) appealed the disallowance. The following information is quoted from the CMS letter:

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| Initial Year Written: | 2006 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

This letter is notice of a disallowance in the amount of \$14,849,602 Federal Financial participation (FFP) for medical transportation costs claimed during federal fiscal years 2004 and 2005. The transportation costs were improperly claimed at the Federal Medical Assistance Percentage (FMAP) for medical services instead of the 50 percent administration matching rate (See deferral letter dated January 17, 2006).

The Texas Department of Health and Human Services Commission (HHSC) provides Medicaid reimbursement to the Texas Department of Transportation (TX-DOT) for administration of the State's Medicaid non-emergency transportation program. TX-DOT subcontracts with transportation providers, who actually provide the transportation services.

The Secretary has specified by regulation that transportation (when necessary to secure medical care) may be treated as medical assistance only when furnished "by a provider to whom a direct vendor payment can appropriately be made by the agency. If other arrangements are made to assure transportation...FFP is available as an administrative cost." 42 CFR Section 440.170(a)(2)(1991) (unchanged in relevant years). Administrative costs are normally reimbursed at a 50% rate under Section 1903(a)(7) of the Act.

Also, the recipients' freedom of choice of providers is limited under the TX-DOT transportation program. Regulation cited in 42 CFR Section 431.51 provides that Medicaid recipients may obtain Medicaid services from any entity that is qualified and willing to furnish them. Therefore, Texas may not restrict transportation providers to those subcontracts with TX-DOT without an approved freedom of choice waiver. Texas did not have a freedom of choice waiver for the provision of transportation services."

On September 17, 2007, in Decision No, 2114, the Departmental Appeals Board reversed the disallowance, in part, and upheld it, in part for services provided by brokers after June 1, 2006.

Corrective Action:

Corrective action was taken.

Reference No. 09-16

Eligibility

(Prior Audit Issues - 08-11 and 07-12)

CFDA 93.767 - State Children's Insurance Program**Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005****Award numbers - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021****Type of finding - Significant Deficiency and Material Non-Compliance**

States have flexibility in determining eligibility levels for individuals for whom the state will receive enhanced matching funds within the guidelines established under the Social Security Act. Generally, a state may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their state plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

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| Initial Year Written: | 2006 |
| Status: | Partially Implemented |

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| U.S. Department of Health and Human Services | |
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Specifically, per State Children's Insurance Program (SCHIP) Administrator Business Rule 370.42, *Eligibility Applicant Children*, SCHIP children are eligible if they are: birth through age 18, live in a household with a Federal Poverty Level (FPL) of at or below 200 percent and are not otherwise eligible for Medicaid, citizens or legal immigrants, and uninsured for at least 90 days. Additionally, families with gross income above 150% FPL and less than or equal to 200% FPL must pass a resource test to qualify for SCHIP. Resource limit is \$10,000 or less in countable liquid value plus excess vehicle value.

Eight of forty cases did not have the application for benefits. These eight cases were all deemed from Medicaid personnel. For one of the eight files, the eligibility system has two different household sizes (2 and 4) documented. With a household size of two, the cost share required to be paid by the beneficiary is \$295 and with a household size of four, the cost share required to be paid by the beneficiary is \$590. Without an application we could not verify which household size was correct. Additionally, for one case, the application did not indicate whether or not the child had health insurance. The amount of benefits paid for the nine cases that did not have applications during fiscal year 2008 was \$10,195.

Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Medicaid - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS). Frequently cases are referred from Medicaid to SCHIP. The original design of the TIERS application did not include resource tests for SCHIP eligibility. HHSC determined to rely on the caseworkers to manually identify the affected SCHIP cases. SCHIP eligibility is generally determined by MAXe which has system edit checks to verify resource limitations. However for cases that originate in TIERS, TIERS only denied the clients for Medicaid and does not verify the resource limits for SCHIP. These children are "deemed eligible" without verification of the resource limits and interfaced into MAXe bypassing the resource edit checks.

For two children, the resource value was over the SCHIP limits (income >100% FPL, age of 10 and age of 19) and these two cases originated in TIERS. HHSC quantified all children paid SCHIP funds in fiscal year 2008 that were incorrectly deemed eligible. These questioned costs were \$2,331 for four children.

Corrective Action:

This finding was reissued as current year reference number: 10-15.

HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 09-17

Eligibility

(Prior Audit Issues - 08-12 and 07-13)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006

Award numbers - G0802TXTANF, G0702TXTANF, and G0602TXTANF

Food Stamp Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award number - 6TX400105

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048

Type of finding - Material Weakness Control and Non-Compliance

Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Medicaid, Temporary Assistance for Needy Families (TANF) and Food Stamp - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department of Health and
Human Services
U.S. Department of Agriculture

Per review of the regulations and State Plan documents for Medicaid, TANF and Food Stamp benefits, individuals must generally meet the following criteria to be eligible for any of the three forms of aid, 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 12 months for Medicaid (42 CFR 435.916(a)), TANF (per State Plan), and Food Stamps (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, and Food Stamps 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 effective July 1, 2006; cash TANF by State Policy; and Food Stamps 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 all programs by State Policy and additionally for Food Stamps 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 Food Stamps by State Policy and 7 CFR 273.2(f)(1)(v).

TIERS

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 following were noted with regard to the general control procedures performed:

- Developers with access to production environment thru the "wasadmin" account.
- No password configurations set for Oracle database for one selected server.
- Three inactive generic accounts exist on the sudoers list for one selected server. These accounts were removed upon notification.

- 33 inactive generic accounts on Oracle database for one selected server. These accounts were locked upon notification.
- The URL for the TIERS login screen is available on the internet and while User ID and password are required, it does not require authentication through a VPN to the HHSC network. In addition, improvements were noted for the administration and configuration of the firewall during the fiscal year.

In addition, 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, social security number, 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. Select 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 three 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 toward benefit issuance until verification is obtained. A manual system override by a supervisor would be necessary in the limited circumstances 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 their 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 Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant's income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission. Through IEVS, applicants' social security numbers are matched to respective agencies' records to verify earned and unearned sources of income. The automated IEVS interface is currently not in production in TIERS. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for Food Stamps (7 CFR 272.8).
- Certain fields are noted as required on various screens within TIERS. Within a set of "logical unit of work" screens, a case worker is not able to advance to the next input screen without entering information into all the required fields. The system design requires case workers to pend from the "questions" page that precedes the logical unit of work when all of the required detail information is not available. However once the case worker unpends the question page, they are committed to the logical unit of work. At this point, system design requires selected fields to be completed in order to advance to the remaining screens to enter information the case worker has obtained. If the caseworker does not have the information for these required fields, "placeholder" information can be entered in order to advance to the screens for which case information has been. TIERS is not designed to pend these "place holder" inputs nor does it require the case worker to return and validate the inputs.
- The design of TIERS does not provide an easily accessible case history for each case action, including changes made to the client's file. Therefore, when it is necessary to recreate eligibility determinations made at a certain point in time and to assess whether the benefits amounts were appropriate, users must view history on various screens and certain information for each recipient must be pulled from archive records located in the Data Collections Table in the database. Associated database time and date stamps are also required to recreate the case history.

For 50 files reviewed receiving Food Stamps, 11 files with benefits of \$24,879 were found to be incomplete or the benefits calculated in error as noted below:

- For two files, the Cost of Living Adjustment (COLA) was not processed timely due to the case file being in a pending status. TIERS is designed to not process updates to files if the file is in pending status. As a result, the benefit amount calculated by TIERS was based on outdated information. The incorrect benefit amount paid to this household during the fiscal year was \$5,115.
- For three files, the application for benefits was not available for review. In addition, for one of the three files there was no support for income or support for citizenship. The benefit amount paid to the three households during the fiscal year was \$5,049.
- For three files, an incorrect amount was entered into the system for unearned income. For two files, there is no questioned cost as the recipients received the correct amount of benefits. The benefit amount paid to the third household, during the fiscal year was \$7,598.
- For two files, the incorrect gross earned income was entered into the system. The benefit amount paid to these households during the fiscal year was \$6,117.
- For one file, there was insufficient support for income used in determining eligibility. The benefit amount paid to this household, during the fiscal year was \$1,000.
- For three of the eleven files, the benefit amount could not be independently recalculated as proof of income or household size was not provided for review. Information was recalculated based on the information in TIERS. The benefit amount paid to these households is included in the bullets above.

For 50 files reviewed receiving TANF, five files with benefits paid of \$8,793 were found to be incomplete or had benefits calculated in error as noted below:

- For two files, the eligibility re-determination application was not available for review. The benefit amount paid to this household, during the fiscal year was \$6,146.
- For one file, the Cost of Living Adjustment (COLA) was not processed timely due to the case file being in a pending status. TIERS is designed to not process updates to files if the file is in pending status. As a result, the benefit amount calculated by TIERS was based on outdated information. The incorrect benefit amount paid to this household during the fiscal year was \$621.
- For one file, there was no support for Texas residency. The benefit amount paid to this household, during the fiscal year was \$160.
- For one file, unearned income was erroneously used in determining the benefit amount resulting in an underpayment during the fiscal year of \$1,866.

For 50 files reviewed receiving Medicaid, four files with total benefits paid of \$8,274 were found to be incomplete or had benefits calculated in error as noted below:

- One file was not available for review. Benefits paid to the family during the fiscal year were \$138.
- One file included self-employment income twice in calculating eligibility. Benefits paid to the family were not affected as they were eligible for the benefits received.
- One file was missing a signed application. Benefits paid to this household during the fiscal year were \$2,345.
- One file did not contain support for income used in determining eligibility. Benefits paid for fiscal year were \$5,791.

SAVERR

For 50 files reviewed receiving Medicaid, seven files with total benefits paid of \$8,170 were found to be incomplete or had benefits calculated in error as noted below:

- Two files were not made available for review. Therefore, eligibility could not be verified. Benefits paid to these individuals were \$2,619.
- One file did not contain an application or support for income used in eligibility determination. Therefore, the benefit amount could not be determined. Benefits paid to this individual during the fiscal year were \$3,385.
- One file did not contain support for income used in determining eligibility. Benefits paid to this individual were \$1,805.
- For one file, the budget for determining eligibility was not calculated correctly. Using the correct budget the family is not eligible for benefits. Benefits paid to this household were \$361.
- For two files, the incorrect income amount was used in determining eligibility. The households were still eligible for benefits using the correct income amount.

For 50 files reviewed receiving TANF, one file with total benefits paid of \$969 was not available for review. Therefore, eligibility could not be verified.

In addition, access controls are inappropriately designed for the SAVERR database. User identification numbers with production update access have not been limited to the database based on the principle of least access. Forty-seven user IDs have full demand access to update both the production and development SAVERR databases on the Unisys mainframe. These IDs belong to developers, IT support staff, and contractors.

With full update access, the user ID can be used to provide system access to add, update, or delete data such as pricing data or eligibility data in SAVERR. The complexity of the databases and associated systems is such that personnel without in-depth knowledge of specific applications and schema could not perform changes without detection through either end-user identification of errors or problems occurring in operation. However, sophisticated users or contractors, especially those with broad HHSC enterprise skills and experience, might have the knowledge to violate the requirement for appropriate segregation of duties. Users or contractors with excessive rights to modify pricing, eligibility, and other tables across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

The Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant's income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission. Through IEVS, applicants' social security numbers are matched to respective agencies' records to verify earned and unearned sources of income. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for Food Stamps (7 CFR 272.8). The automated IEVS interface related to Internal Revenue Service was not functional from September 2007 to March 2008. Therefore, during this time period, earned and unearned income from Internal Revenue Service was not being verified.

Summary

The following analysis provides perspective for the above three programs:

| | <u>Food Stamps</u> | <u>TANF</u> | <u>Medicaid</u> |
|---|--------------------|-------------|-----------------|
| Approximate amount of benefits paid for clients processed through TIERS for Fiscal year 2008 | \$ 379,289,329 | 9,993,832 | 1,852,335,778 |
| Approximate amount of benefits paid for clients processed through SAVERR for Fiscal year 2008 | \$ 2,734,176,739 | 211,592,990 | 11,227,742,680 |
| Approximate amount of benefits paid for clients processed through non HHSC eligibility system for Emergency Assistance (EA) | \$ — | 345,116,839 | — |
| Approximate total expenditures per 2008 Federal Schedule | \$ 3,113,466,068 | 566,703,661 | 13,080,078,458 |
| Approximate total number of clients served through SAVERR in August 2008 | 2,324,763 | 110,422 | 2,481,342 |
| Approximate total number of clients served through TIERS in August 2008 | 424,965 | 15,782 | 409,368 |
| Approximate total number of clients served in August 2008, excluding EA | 2,749,728 | 126,204 | 2,890,710 |

Corrective Action:

This finding was reissued as current year reference number: 10-12.

Reference No. 09-18

Special Tests and Provisions - Child Support Non-Cooperation
(Prior Audit Issues - 08-15 and 07-15)

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006

Award numbers - G0802TXTANF, G0702TXTANF, and G0602TXTANF

Type of finding - Significant Deficiency and Material Non-Compliance

Per 45 CFR Sections 264.30 (b) and (c), if the IV-D agency (i.e., Texas Attorney General) determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with Section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with Section 260.52 of this chapter, then Texas Attorney General's agency must notify Health and Human Services Commission (HHSC) agency promptly. HHSC must then take appropriate action by; (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program. Per A2140, the State policy is to reduce benefits 100% for non-cooperation.

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department of Health and Human Services

HHSC currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

In TIERS, sanctions are not being applied correctly on TANF adults who are non-certified payees. When EDBC (eligibility determination) is run after the sanction has been imposed, the sanction is incorrectly removed. TANF benefits should remain forfeited until individual cooperates. Decision tables in TIERS are not properly designed to check conditions that would properly determine if individuals should be included/excluded in sanction determination. HHSC performed a query noting that approximately \$14,656 was paid in TANF benefits to ineligible recipients as a result of this system design issue. HHSC management identified this issue during fiscal year 2007 and corrected the issue as of September 2008.

A sample of 40 beneficiaries who should have had their benefits reduced was selected from SAVERR and a sample of 40 was selected from TIERS. Our review noted the following:

- Of the 40 cases reviewed in TIERS, benefits were not reduced timely for 16 cases. For 15 of the cases, benefits were reduced one to six months late and for one case, the benefits were not reduced until the error was discovered during the audit and client erroneously received benefits for six months.
- Of the 40 cases reviewed in SAVERR, benefits were not reduced timely for three cases. For two of the cases, benefits were reduced two to three months late and for one case, benefits were not reduced until the error was discovered during the audit and client received benefits for four months.

When HHSC is notified by the Texas Attorney General's office that benefits should be reduced, HHSC sends a denial notification letter to the respective individual and provides for one month to resolve. If the case worker does not manually set the benefit file to sanction status, benefits will continue to pay. In the above 19 instances, the case files were not noted as in sanction status. Total questioned cost for the 19 cases is \$5,907.

Corrective Action:

This finding was reissued as current year reference number: 10-23.

Reference No. 09-19

Special Tests and Provisions - Issuance Document Security

(Prior Audit Issues - 08-16 and 07-16)

Food Stamp Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award number - 6TX400105

Type of finding - Significant Deficiency and Material Non-Compliance

The State is required to maintain adequate security over, and documentation/records for, Authorization to Participate (ATP) cards, other documents authorizing issuance, Electronic Benefit Transfer (EBT) cards (7 CFR Section 274.12(h)(3)), and the food stamp coupons themselves to prevent: couple theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use of coupons and alternating or counterfeiting of coupons and other documents authorizing issuance (7 CFR Sections 274.7(b) and 274.11(c)).

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| Initial Year Written: | 2006 |
| Status: | Partially Implemented |
| U.S. Department of Agriculture | |

Security over EBT Food Stamp cards (i.e., LoanStar cards) was reviewed for 40 local intake offices. Health and Human Services Commission (HHSC) policy is that logs are maintained at each office to denote receipt, issuance, and destruction of EBT cards. Daily reconciliations are prepared of EBT cards issued (including the recipient's name) between cards issued to clients and cards remaining. In addition, monthly inventories of the EBT cards are required to be conducted by management of the office and reconciled to the daily logs. HHSC regional offices perform reviews of selected offices for which the office must respond with a corrective action plan. HHSC policy is to perform these audits once every five years. Per review of 40 sites, 17 sites were identified with the following exceptions:

- For one site, the daily reconciliation did not include the name of the recipient the EBT card was issued to.
- For two sites, the EBT cards and/or PIN packet inventory were not maintained in a secure location.
- For one site, two sequential issuance control numbers were skipped.
- For two sites, there was no signature on the log maintained for several cards that were mailed to the recipients.
- For three sites, there was no authorizing signature validating the monthly inventory reconciliation or the monthly inventory contained errors.
- For 11 sites, there was no log of voided cards available for review or there was no signature of a witness to the destruction of the voided cards.
- For 11 sites, either the recipient or the staff did not sign the log maintained for physical receipt of EBT cards. For two of the eleven sites, the recipient signature was crossed out on the log with no explanation.

Corrective Action:

This finding was reissued as current year reference number: 10-14.

Reference No. 09-20

Special Tests and Provisions - Managed Care

(Prior Audit Issue - 08-17)

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048

Type of finding - Significant Deficiency and Non-Compliance

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 (Section 1115 of the Social Security Act).

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| Initial Year Written: | 2007 |
| Status: | Implemented |

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| U.S. Department of Health and Human Services |
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A sample of 50 beneficiary and 50 provider complaints was selected for review with no compliance issues noted for beneficiary complaints. Health and Human Services Commission (HHSC) is required to send acknowledgement letters and resolution letters to the complaining provider notifying them that their complaint had been received and was being worked by Health Plan Operations. For three provider complaints, two acknowledgement letters and one resolution letter were not available for review.

Our review also found that there is no management review in place to ensure that beneficiary or provider complaints are processed according to HHSC policies and procedures regarding Medicaid Managed Care Complaints.

Corrective Action:

Corrective action was taken.

Reference No. 09-21

Special Tests and Provisions - Penalty for Refusal to Work

(Prior Audit Issues - 08-18)

CFDA 93.558 - Temporary Assistance for Needy Families**Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006****Award numbers - G0802TXTANF, G0702TXTANF and G0602TXTANF****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.

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| Initial Year Written: | 2007 |
| Status: | Partially Implemented |

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| U.S. Department of Health and Human Services |
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The Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

A sample of 40 beneficiaries who should have had their benefits reduced was selected from SAVERR and a sample of 40 was selected from TIERS. For two of the 40 TIERS cases reviewed, the reduction in benefits was not processed timely. The two cases received one-two months of ineligible benefits, totaling \$639. When a case file is in pending status in TIERS, the electronic data feeds from Texas Workforce Commission (TWC) noting noncompliance with TANF work provisions will not process timely as long as the case file remains in pending status. Once the status is cleared, the TWC provision is processed causing the delay in benefit reduction. For one additional TIERS case, the benefits should have been retroactively reinstated for one month at \$259, which did not occur.

Corrective Action:

This finding was reissued as current year reference number: 10-25.

Reference No. 09-22

Special Tests and Provisions - Provider Eligibility

(Prior Audit Issue - 08-19)

Medicaid Cluster**Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006****Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048****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

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| Initial Year Written: | 2007 |
| Status: | Partially Implemented |

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| U.S. Department of Health and Human Services |
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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.

A sample of 50 providers receiving Medicaid payments during fiscal year 2008 was selected for review and 33 files were noted to have the following exceptions:

- For three of the 50 provider files reviewed, there was no evidence that a current license to practice was obtained from the provider.
- For 33 of the 50 providers, a search to ensure the provider was not on the Medicaid exclusion list was not conducted.
- For eight of the 50 providers, there was no evidence that the State obtained disclosure of ownership and control interest information signed by the provider and for seven of the eight cases there was no evidence that the State obtained disclosure regarding a provider's owners and other persons convicted of criminal offenses against Medicare, Medicaid, or the other Title XX services provided signed by the provider.
- For two of the 50 providers, there was no application available for review. These two providers were enrolled in 1977 and 1999.
- For eight of the 50 provider files reviewed, there was no evidence that HHSC verified suspension and debarment. Upon review of the Excluded Parties List System, the providers were not suspended or debarred.

Corrective Action:

This finding was reissued as current year reference number: 10-13.

Reference No. 09-23

Special Tests and Provisions - EBT Reconciliation

Food Stamp Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award number - 6TX400105

Type of finding - Significant Deficiency

Per 7 CFR 274.12 (j) (5), the state agency must obtain an examination by an independent auditor of the transaction processing of the State Electronic Benefits Transfer (EBT) service provider regarding the issuance, redemption, and settlement of Food Stamp Program benefits. The examination must be done at least annually and the report must be completed within 90 days after the examination period ends. Subsequent examinations must cover the entire period since the previous examination. Examinations must follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70, Service Organizations (SAS 70), requirements for reports on controls placed in operation and tests of the operating effectiveness of the controls, as amended.

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Agriculture | |

A service auditors' report covering the period September 1, 2007 through August 31, 2008 (covering the full 12 months of the fiscal year 2008) was issued for the EBT general controls environment. A qualified opinion was issued on the following control objectives:

Controls provide reasonable assurance that the EBT system functions in a manner consistent with its policies, and complies with applicable laws and regulations (Food Stamp Act of 1997, as amended (7 USC 2016(i)) and 7 CFR section 274.12).

Specifically, there was no evidence of the effectiveness of the following control activities:

- IBM's Business Conduct Guidelines address employee conduct and system security. Every employee must read, understand, and certify their commitment to these guidelines annually.
- All new hires for IBM attend a mandatory corporate orientation class. IBM managers are responsible for ensuring that all new employees receive all appropriate training, both in classroom and on the job.
- IBM employees are required to complete diversity training and agree to business conduct guidelines online on an annual basis.
- Every IBM employee, at time of employment, must sign an "Agreement Regarding Confidential Information, Intellectual Property, and Other Matters" form. This form addressed employees' handling of sensitive and confidential data. In addition, employees are required to follow IBM's Business Conduct Guideline and certify to this annually. These guidelines also address handling of sensitive data.
- IBM requires that all regular and non-regular candidates for hire in the U.S. have a criminal background check done as an integral part of the employment process.
- IBM employees agree to work toward achieving personal business commitments (PBCs) each year. All employees complete an individual development plan (IDP) for ongoing career growth.
- IBM employees are given a yearly performance evaluation.

Controls provide reasonable assurance that the EBT system is protected against unauthorized physical and logical access to production EBT systems.

Specifically, there was no evidence of the effectiveness of the following control activities:

- Internet firewall configurations are not compliant with IBM Information Security Controls for State of Texas standards.
- Windows server configurations are not compliant with IBM Information Security Controls for State of Texas standards.
- Password controls for servers and routers are not compliant with IBM Information Security Controls for State of Texas standards.
- Antivirus protection is not installed as required by IBM Information Security Controls for State of Texas standards.
- Servers have excessive system access privileges.

General controls over the information technology environment should be operating effectively to help ensure the proper functioning of the EBT systems. No compliance issues were noted regarding EBT reconciliation procedures performed.

Corrective Action:

This finding was reissued as current year reference number: 10-18.

Reference No. 09-24

Special Tests and Provisions - Adult Custodial Parent of Child Under Six When Child Care Not Available

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006

Award numbers - G0802TXTANF, G0702TXTANF and G0602TXTANF

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 non-cooperation.

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |

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| U.S. Department of Health and Human Services | |
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The Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

A sample of 40 beneficiaries who should have had their benefits reduced was selected from SAVERR and a sample of 40 was selected from TIERS. For six of the 40 TIERS cases reviewed, the reduction in benefits was not processed timely. The six cases received two to four months of ineligible benefits, totaling \$4,467. When a case file is in pending status in TIERS, the electronic data feeds from Texas Workforce Commission (TWC) noting noncompliance with TANF work provisions will not process timely as long as the case file remains in pending status. Once the status is cleared, the TWC provision is processed causing the delay in benefit reduction.

Corrective Action:

This finding was reissued as current year reference number: 10-26.

**Health and Human Services Commission
Department of Family and Protective Services
Department of State Health Services**

Reference No. 09-25

Procurement and Suspension and Debarment

(Prior Audit Issues - 08-21, 07-19, 06-15, 06-14, 06-13, 05-17, 05-14, and 05-05)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX700506

CFDA 93.268 - Immunization Grants

Award years - January 1, 2007 to December 31, 2007 and January 1, 2008 to December 31, 2008

Award numbers - 5H23IP622571-05 and 2H23IP622571-06

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance

Award year - August 31, 2006 to August 30, 2007

Award number - U90/CCU617001

CFDA 93.558 - Temporary Assistance for Needy Families

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, and October 1, 2005 to September 30, 2006

Award numbers - G0802TXTANF, G0702TXTANF, and G0602TXTANF

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2006 to September 30, 2007 and October 1, 2007 to September 30, 2008

Award numbers - G0701TX1401 AND G0801TX1401

CFDA 93.667 - Social Services Block Grant

Award years - October 1, 2006 to September 30, 2008 and October 1, 2007 to September 30, 2009

Award numbers - G0701TXSOSR and G0801TXSOSR

CFDA 93.767 - State Children's Insurance Program

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award numbers - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021

CFDA 93.889 - Hospital Preparedness Program

Award years - September 1, 2006 to August 31, 2009, September 1, 2007 to August 08, 2009, and August 9, 2008 to August 8, 2009

Award numbers - U3RHS07583-01-07, U3REP070028-01-04, and U3REP080066-01-00

CFDA 93.917 - HIV Care Formula Grants

Award years - April 1, 2007 to March 31, 2008 and April 1, 2008 to March 31, 2009

Award numbers - 2 X07HA00054-17-04 and 2 X07HA00054-18-01

Food Stamp Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award number - 6TX400105

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award numbers - 0805TX5028, 0805TX5048, 0705TX5028, 0705TX5048, 0605TX5028, and 0605TX5048

Type of finding - Significant Deficiency and Non-Compliance

States shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. U.S. Department of Health and Human Services requires the following for procurement (45 CFR 92.36):

Initial Year Written: 2004
Status: Partially Implemented

U.S. Department of Health and Human Services
U.S. Department of Agriculture

- Verify the contract file documents the significant history of the procurement.
- Verify the procurements provide full and open competition.
- Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications, and that this analysis supported the procurement action.
- Contracts greater than \$25,000 must be reviewed to ensure the vendor is not suspended or debarred.

In addition, under the Texas Government Code, Chapter 2155, subchapter A General Provisions, Section 2155.005(a), a bidder offering to sell goods or services to the state shall certify on each bid submitted that neither the bidder, nor the person represented by the bidder, nor any person acting for the represented person has:

- (1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the Federal antitrust laws; or
- (2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

Lastly, the Health and Human Services Commission Procurement Manual requires that purchases or other acquisitions that will cost more than \$5,000 are to be competitively bid unless the purchases of goods or services are exempt from competitive bidding in which case the exemption must be documented in the purchasing documentation. Health and Human Services Commission (HHSC) requires a signed bid document and a signed purchase to execute a contract with a vendor.

Upon review of selected vendor files, for the Department of State Health Services (DSHS), the following was noted:

- Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 - For one of the 21 selected and reviewed vendor files, there was no evidence that DSHS verified that the vendor was not suspended or debarred prior to renewing the contract. Upon review of the Excluded Parties List System (EPLS), the vendor was not suspended or debarred, so there are no questioned costs.
- Hospital Preparedness Program, CFDA 93.889 - For one of the five selected and reviewed vendor files, there was no evidence that DSHS verified that the vendor was not suspended or debarred prior to renewing the contract. Upon review of the EPLS, the vendor was not suspended or debarred, so there are no questioned costs.
- HIV Care Formula Grants, CFDA 93.917 - For one of the four selected and reviewed vendor files, there was no evidence that DSHS verified that the vendor was not suspended or debarred prior to renewing the contract. Upon review of the EPLS, the vendor was not suspended or debarred, so there are no questioned costs.
- Immunization Grants, CFDA 93.268 - For one of the seven selected and reviewed vendor files, there was no evidence that DSHS verified that the vendor was not suspended or debarred prior to awarding the contract. Upon review of the EPLS, the vendor was not suspended or debarred, so there are no questioned costs.
- Centers for Disease Control and Prevention - Investigations and Technical Assistance, CFDA 93.283 - For the 11 selected and reviewed vendor files, there was one file that contained a service agreement with terms and conditions but lacked the required statement of compliance with anti-trust laws and the suspension and debarment clauses. The contract amount for this one file was approximately \$8,900.

The Health and Human Services Commission (HHSC) has a cost allocation plan for its federal programs. Therefore, expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Upon review of 50 selected vendor files, for the Medicaid Cluster at HHSC, and 40 selected vendor files for Temporary Assistance for Needy Families (TANF) CFDA 93.558, Food Stamp Cluster, and State Insurance Children's Program (SCHIP) CFDA 93.767, one vendor procurement file affecting all four programs did not have documentation of bids submitted by vendors. The contract was for approximately \$18,270.

The Department of Family and Protective Services (DFPS) has a cost allocation plan for its federal programs. Therefore, expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Upon review of 40 selected vendor files, for Foster Care CFDA 93.658, Temporary Assistance for Needy Families (TANF) CFDA 93.558, and Social Services Block Grant CFDA 93.667, one vendor procurement file affecting all four programs had no documentation of bid tabulations or requests for bids. The contract was for approximately \$7,600.

Corrective Action:

This finding was reissued as current year reference number: 10-27.

**Health and Human Services Commission
Department of Aging and Disability Services
Department of Assistive and Rehabilitative Services
Department of Family and Protective Services
Department of State Health Services**

Reference No. 09-26

Allowable Costs/Cost Principles

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007
Award number - 6TX700506

CFDA 10.560 - State Administrative Expenses for Child Nutrition
Award years - October 1, 2006 to September 30, 2008
Award number - 6TX300312

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States
Award years - October 1, 2007 to September 30, 2009, October 1, 2007 to September 30, 2009, October 1, 2006 to September 30, 2008, October 1, 2005 to September 30, 2007, October 1, 2005 to September 30, 2007, and October 1, 2004 to September 30, 2006
Award numbers - H126A080064, H126A080065, H126A070064, H126A060064, H126A060065, and H126A050065

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2006 to August 31, 2007
Award number - U90/CCU617001-07

CFDA 93.558 - Temporary Assistance for Needy Families
Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006
Award numbers - G0802TXTANF, G0702TXTANF, and G0602TXTANF

CFDA 93.658 - Foster Care - Title IV-E
Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007
Award numbers - G0701TX1401 AND G0801TX1401

CFDA 93.659 - Adoption Assistance
Award years - October 1, 2006 to September 30, 2007 and October 1, 2007 to September 30, 2008
Award numbers - G0601TX1407 and G0701TX1407

CFDA 93.667 - Social Services Block Grant
Award years - October 1, 2006 to September 30, 2008 and October 1, 2007 to September 30, 2009
Award numbers - G0701TXSOSR and G0801TXSOSR

CFDA 93.767 - State Children's Insurance Program
Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005
Award numbers - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008
Award numbers - 08B1TXSAPT and 07B1TXSAPT

CFDA 93.994 - Maternal and Child Health Services Block Grants to the States
Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007
Award numbers - 6 B04MC08891-01 and 6B04MC07774-01

Aging Cluster

Award years - October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006
Award numbers - 06AATXT3SP, 06AATXNSIP, 07AATXT3SP, and 07AATXNSIP

Disability Insurance/SSI Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2003 to September 30, 2004
 Award numbers - 0808TXD100, 0704TXD100, 0604TXD100, and 0404TXD100

Food Stamp Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006
 Award number - 6TX400105

Medicaid Cluster

Award years - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006
 Award numbers - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Non-major Programs:

- CFDA 10.559 - Summer Food Service Program for Children
- CFDA 10.568 - Emergency Food Assistance Program (Administrative Costs)
- CFDA 93.052 - National Family Caregiver Support
- CFDA 93.110 - Maternal and Child Health Federal Consolidated Programs
- CFDA 93.556 - Promoting Safe and Stable Families
- CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs
- CFDA 93.575 - Child Care and Development Block Grant
- CFDA 93.590 - Community-Based Child Abuse Prevention Grants
- CFDA 93.599 - Chafee Education and Training Vouchers Program
- CFDA 93.645 - Child Welfare Services - State Grants
- CFDA 93.674 - Chafee Foster Care Independence Program
- CFDA 93.779 - Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations
- CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs

Type of finding - Non-Compliance

During fiscal year 2008, the Texas State Auditor’s Office (SAO) performed an audit on the Human Resources Management at Health and Human Services Agencies. Part of the audit included verifying that when employees are terminated the payroll system is updated timely to prevent terminated employees from receiving paychecks. The SAO issued report No. 08-047 in August 2008 noted the Health and Human Services Commission (HHSC) continued to pay 1,229 individuals whose employment at the Enterprise agencies had been terminated in fiscal year 2007 and 2008. HHSC was able to provide updated information as of August 31, 2008, which reflects recoupments received and all affected employees for 2008 and preceding years. As of August 31, 2008, each agency analyzed total outstanding overpayments to terminated employees and determined the portion that was paid with federal dollars as noted below.

Initial Year Written: 2008
 Status: Partially Implemented

U.S. Department of Health and Human Services
 U.S. Department of Agriculture
 US Department of Education
 US Department of Homeland Security
 Social Security Administration

| Agency | Balance Outstanding at August 31, 2008 | Federal Portion of Balance Outstanding at August 31, 2008 |
|---|---|--|
| Department of Aging and Disability Services | \$ 362,642 | 218,211 |
| Department of Assistive and Rehabilitative Services | 15,870 | 14,840 |
| Department of Family and Protective Services | 166,794 | 125,131 |
| Department of State Health Services | 147,975 | 7,830 |
| Health and Human Services Commission | 122,119 | 64,927 |
| Total | \$ 815,400 | 430,939 |

Corrective Action:

This finding was reissued as current year reference number: 10-24.

Texas Department of Housing and Community Affairs

Reference No. 09-27

**Cash Management
Earmarking
Subrecipient Monitoring
Reporting**

CFDA 93.568 - Low-Income Home Energy Assistance

Award years - October 1, 2007 to September 30, 2009, October 1, 2006 to September 30, 2008, and October 1, 2005 to September 30, 2007

Award numbers - G-08B1TXLIEA, G-07B1TXLIEA, and G-06B1TXLIEA

Type of finding - Significant Deficiency

Texas Department of Housing and Community Affairs (TDHCA) utilizes two Community Affairs contract systems for monitoring contracts with subrecipients: the legacy Genesis Community Affairs Contract System and the new TDHCA Community Affairs Contract System (CACS). In addition, TDHCA utilizes PeopleSoft for its general ledger system. In each system, duties are not appropriately segregated between the application administrators, database administrators, and developers. Also, specific developers have access to move changes into the production environment of the individual systems. Users with inappropriate rights to modify applications create a risk of unauthorized changes to the production environment and/or risks of unintentional errors or omissions in processing.

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Health and
Human Services

Specifically, the following items were noted:

- Genesis - Six users have administrative privileges that allow them the ability to have access to application and database administrator roles and to migrate application code changes into production. In addition, two of these six users are developers. The other four users are user account administrators for Genesis.
- CACS - Two developers have application administrative access rights.
- PeopleSoft - One developer/analyst has database administrator privileges, application administrator rights, and access to migrate code changes into production. TDHCA's Director of Information Systems performs a quarterly review of a PeopleSoft report that includes all changes made to the application. However, the developer/analyst has the ability to alter the report with his high-privilege access rights which are assigned so he can migrate changes into production.
- At the network level, one developer has domain administrative privileges.

No compliance issues were noted with regard to the major program noted above.

Corrective Action:

This finding was reissued as current year reference number: 10-29.

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.

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| Initial Year Written: | 2001 |
| Status: | Partially Implemented |
| Federal Emergency Mangement 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 are 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 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 November 2005, a total of \$473,662.54 has been recouped, consisting of \$152,229.47 in interest and \$321,433.07 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 \$514,141.72 in principal has been collected.

Implementation Date: On-going

Responsible Person: Allen Bledsoe

Texas Juvenile Probation Commission

Reference No. 08-23

Subrecipient Monitoring

(Prior Audit Issues - 07-23, 06-21, and 05-31)

CFDA 93.658 - Foster Care - Title IV-E

Award years - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award numbers - G0601TX1401 and G0701TX1401

Type of finding - Significant Deficiency and Non-Compliance

The Texas Juvenile Probation Commission (TJPC) 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. TJPC’s subrecipient monitoring procedures include a risk assessment process, standardized contracts, training and technical assistance, program and financial monitoring and review of agreed-upon procedures reports required to be performed at the juvenile probation department level.

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| Initial Year Written: | 2004 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

TJPC relies on the Department of Protective Services to determine eligibility and to set the reimbursement rates. TJPC passes through a 99% of their Foster Care funds to subrecipients (i.e., Texas counties). During fiscal year 2007 there were approximately 150 counties that received foster care funds of \$40,300,000 from TJPC.

More specifically, TJPC’s subrecipient monitoring process includes:

- Yearly grant awards exist with each county with an approved 2030 budget form that estimates the amount of foster care entitlement funds expected to be incurred for the fiscal year. The contract is used to communicate the CFDA information and applicable regulations.
- To receive enhanced administrative reimbursement, the county must also file an implementation plan that documents their indirect cost rate. TJPC’s fiscal personnel review the implementation plans for completeness and reasonableness of the indirect rate.
- Quarterly or monthly reimbursement requests from the counties are recalculated based on the applicable reimbursement rate by TJPC personnel prior to approval for payment.
- There is a risk assessment process and high risk counties were selected for a financial desk review that includes review of payroll effort documentation, proper use of travel reimbursement rates, and allowability of expenses.
- TJPC also requires an agreed upon procedures report from each county which includes provisions for the local auditor to review the accuracy of the fees paid to private service providers, the categorization of training costs into the appropriate categories, and the allowable expenses for direct and indirect categories. Also the agreed upon procedures report is to note if there are any findings related to the Foster Care program in the county’s A-133 report.

For the fiscal year 2007, the top 18 counties received a financial desk review and no financials reviews were performed in 2006. As part of the desk reviews TJPC selects expenditures for one quarter and requests invoices and payroll detail, including timesheets, to assess the allowability of expenditures.

TJPC’s monitoring process also relies heavily on the performance of the agreed upon procedures reports. The suggested procedures in the agreed-upon procedures polices and not specific enough to determine whether the respective auditors are selecting samples of invoices and timesheets to review for allowable costs.

Corrective Action:

Corrective action was taken.

Parks and Wildlife Department

Reference No. 09-28

Reporting

Fish and Wildlife Cluster

Award years - June 1, 2003 to March 31, 2008; January 1, 2007 to December 31, 2007; January 1, 2007 to December 31, 2007; January 1, 2007 to December 31, 2007; September 1, 2007 to August 31, 2008; September 1, 2006 to August 31, 2007; September 1, 2006 to August 31, 2007, and September 1, 2006 to August 31, 2007

Award numbers - F117D, F59D, F92D, FW190, W104S, W128R, W129R, and W132R

Type of finding - Non-Compliance

Texas Parks and Wildlife Department (TPWD) is required by OMB Circular A-133 and A-102 to submit an SF-269, Financial Status Report, for all programs under this cluster. The Financial Status Report (FSR) SF-269 (OMB No. 0348-0039) or SF-269A (OMB No. 0348-0038) is what recipients use to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency.

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| Department of the Interior | |

During test work on over 30 SF-269 reports submitted in the current fiscal year, it was discovered that the entire state match was not always being reported. In cases where the grant was closed out and the SF-269 was reporting final expenditures, if there were expenditures that came in after the final report was submitted, these expenses were being paid by state funds but not reported on a revised SF-269. In other cases, TPWD would only report the minimum state match, therefore the total outlays being reported would not match the system of record for TPWD because only a portion of the state expenditures for the project were being reported. TPWD was operating under verbal guidance from Region II that they had the option to submit a revised SF-269 when additional expenses are paid on a project, as long as those additional expenses were paid by the State. In addition, they were operating under similar verbal guidance that they were not required to report excess match, whether it be in a separate line item or combined with the minimum match amount.

Upon further clarification from Region II during the audit, it was noted that TPWD should submit an amended SF-269 report to show increased excess allowable costs, thus ensuring all SF-269 reports agree to the general ledger and reflect final state and federal expenses incurred. Region II also recommended that TPWD request an extension of the report due date when expenses are not final, rather than submitting a SF-269 that does not reflect final project expenditures.

The federal amounts reporting in the 30 SF-269 reports reviewed did agree to TPWD's general ledger.

Recommendation:

TPWD should revise their SF-269 reporting procedures to account for the clarification of reporting all federal and state expenditures.

Management Response and Corrective Action Plan 2008:

The agency concurs with the finding. We will continue to report excess allowable costs captured within the federally-mandated 90 day close-out period. However, when appropriate, we will contact U S F & W's Region II and ask permission to file an amended Final SF-269. With the implementation of our new accounting system September 2009, the SF 269s will reconcile to what the general ledger shows as federal and state expenditures.

Management Response and Corrective Action Plan 2009:

The agency concurs with the finding. We will continue to report excess allowable costs captured within the federally-mandated 90 day close-out period. However, when appropriate, we will contact U S F & W's Region II and ask permission to file an amended Final SF-269. With the implementation of our new accounting system September 2010, the SF 269s will reconcile to what the general ledger shows as federal and state expenditures.

Implementation Date: September 2010

Responsible Person: Ken Liles

Department of State Health Services

Reference No. 09-29

Allowable Costs/Cost Principles

Period of Availability of Federal Funds

(Prior Audit Issues - 08-24 and 07-30)

CFDA 93.889 - Hospital Preparedness Program

Award years - September 1, 2006 to August 31, 2009, September 1, 2007 to August 8, 2009, and August 9, 2008 to August 8, 2009

Award numbers - U3RHS07583-01, U3REP070028-01, U3REP080066-01

Type of finding - Significant Deficiency

In accordance with OMB Circular A-87, Attachment B, Section 8h(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."

Initial Year Written: 2006
Status: Implemented

U.S. Department of Health and
Human Services

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages is required to be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and must coincide with one or more pay periods, and
- Are signed by the employee

At the Department of State Health Services (DSHS), most employees are paid monthly and, regardless of whether they work solely on one Federal award or multiple awards, they are all required to complete timesheets at least monthly. Typical monthly timesheet activity consists of regularly scheduled hours worked and charged to the labor account codes assigned to the employee's position. Employees have a position number that is set up at the start of each year with a task profile containing the number of hours the employee is expected to work each week and the fund and labor account codes that the employee is budgeted to charge. When an employee does not deviate from their task profile during the month, all that is required is that they sign the timesheet and check the box that there were no deviations from task profile. When their actual time deviates from the task profile (e.g., sick time, vacation time, hours worked on different projects), the employee enters in the corresponding differences in hours and/or activities from the profile and signs the timesheet. Regardless of whether an employee deviates from their task profile or not, these monthly timesheets serve as certification of hours worked and are required by DSHS policy to be approved and signed by the employee and the employee's supervisor.

Out of 19 payroll items tested for CFDA 93.889 - Hospital Preparedness Program, one timesheet was not signed and certified by the employee's supervisor. Upon further review, the supervisor had been terminated prior to the submission of the employee's timesheet, and it was not forwarded to the next immediate supervisor for approval. Therefore, while the timesheet met compliance requirements that it was signed by the employee, the control in place that all timesheets get approved by the employee's supervisor was not met.

Approximately \$2,500 was charged to the grant for this individual for this pay cycle. No other instances were noted during the vacancy of the supervisor position where the timesheets were not forwarded to the next immediate supervisor for approval. Total payroll and benefits charged to this grant for the fiscal year were approximately \$1,840,000.

Corrective Action:

Corrective action was taken.

Reference No. 09-30

Allowable Costs/Cost Principles**Special Tests and Provisions - Food Instrument Disposition****Special Tests and Provisions - Review of Food Instruments to Enforce Price Limitations and Detect Errors****Special Tests and Provisions - Authorization of Above-50-Percent Vendors**

(Prior Audit Issues - 08-25 and 07-31)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX700506

Type of finding - Significant Deficiency

The Department of State Health Services (DSHS) utilizes the WIC EBT (Lone Star cards) and WIC TX WIN (paper voucher) systems to process the food vouchers for the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 (WIC). Development Team Leads have access to migrate changes to the production environment for both systems. Access to migrate changes to 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 production environment. In addition, no periodic review is performed of active users and user access right to identify and remove inappropriate system access to WIC EBT or WIC TX WIN.

Initial Year Written: 2006

Status: Partially Implemented

U. S. Department of Agriculture

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: 10-47.

Reference No. 09-31

Subrecipient Monitoring

(Prior Audit Issues - 08-30, 07-36, 06-16, 05-20, 05-18, 04-07, 04-27, 03-12, 02-11, 02-15, 02-19, and 01-555-36)

CFDA 93.217 - Family Planning - Services

Award years - April 1, 2008 to March 31, 2009 and April 1, 2007 to March 31, 2008

Award numbers - 5FPHPA060898-27 and 2FPHPA060898-26

CFDA 93.268 - Immunization Grants

Award years - January 1, 2008 to December 31, 2008 and January 1, 2007 to December 31, 2007

Award numbers - 2H23IP622571-06 and 5H23IP622571-05

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance

Award years - January 1, 2008 to December 31, 2008, June 30, 2007 to June 29, 2008, August 1, 2006 to November 30, 2008, December 30, 2006 to December 29, 2008, June 30, 2007 to June 29, 2008, June 30, 2007 to June 29, 2008, and September 1, 2007 to August 31, 2008

Award numbers - 5U50CI623773, 1U58DP000824-01, 3U50DD613232-10S2, 5U10CI623451-04, 3U58DP622789-05W1, 1U50DP000730-01, and 2U59EH624189-04

CFDA 93.889 - Hospital Preparedness Program

Award years - September 1, 2007 to August 8, 2009 and September 1, 2006 to August 31, 2009

Award numbers - 4U3REP070028-01 and 6U3RHS007583-01

CFDA 93.917 - HIV Care Formula Grants

Award years - April 1, 2008 to March 31, 2009 and April 1, 2007 to March 31, 2008

Award numbers - 2X07HA00054-18 and 6X07HA00054-17

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Award years - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award numbers - 08B1TXSAPT and 07B1TXSAPT

CFDA 93.994 - Maternal and Child Health Services Block Grants to the States
Award years - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2008
Award numbers - 6B04MC08891-01 and 6B04MC07774-01

Non-major Programs:

- CFDA 14.241 - Housing Opportunities for Persons with AIDS
- CFDA 93.000 - Hansen's Disease and Detection of Latent Tuberculosis Infection in Health Care Workers
- CFDA 93.069 - Public Health Emergency Preparedness
- CFDA 93.116 - Project Grants and Cooperative Agreements for Tuberculosis Control Programs
- CFDA 93.150 - Projects for Assistance in Transition from Homelessness
- CFDA 93.197 - Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children
- CFDA 93.235 - Abstinence Education Program
- CFDA 93.242 - Mental Health Research Grants
- CFDA 93.243 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance
- CFDA 93.275 - Substance Abuse and Mental Health Services - Access to Recovery
- CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs
- CFDA 93.576 - Refugee and Entrant Assistance - Discretionary Grants
- CFDA 93.667 - Social Services Block Grant
- CFDA 93.769 - Demonstration to Maintain Independence and Employment
- CFDA 93.779 - Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations
- CFDA 93.940 - HIV Prevention Activities - Health Department Based
- CFDA 93.944 - Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
- CFDA 93.958 - Block Grants for Community Mental Health
- CFDA 93.974 - Family Planning - Service Delivery Improvement Research Grants
- CFDA 93.977 - Preventative Health Services - Sexually Transmitted Diseases Control Grants
- CFDA 93.978 - Preventative Health Services - Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants
- CFDA 93.988 - Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems
- CFDA 93.991 - Preventive Health and Health Services Block Grant

Type of finding - Significant Deficiency and Non-Compliance

Department of State Health Services (DSHS) 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, DSHS also must ensure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to DSHS. DSHS is to review the report and to issue a management decision, if applicable. DSHS passed through approximately \$278 million, or 15% of all federal funds received during fiscal year 2008.

| | |
|--|-------------|
| Initial Year Written: | 2000 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |
| U.S. Department of Housing and Urban Development | |

DSHS' subrecipient monitoring procedures include use of standardized contracts, a risk assessment process, technical assistance, program monitoring, and financial monitoring. The A-133 audit report collection and review is centralized and performed by Health and Human Services Commission (HHSC) Office of Inspector General (OIG) for various state agencies, including DSHS. In addition, each of the five divisions of DSHS (Mental Health and Substance Abuse, Family and Community Health Services, Prevention and Preparedness, Regulatory, and Regional and Local Health Services) with subrecipient contracts also has a Contract Management Unit (CMU) to perform a variety of procedures for their respective grants. Some of the CMU procedures include: review and approval of requests for payments received from subrecipients, sometimes including review of source documents; monitoring of periodic reports received to ensure the respective subrecipient remains within the budget per the contract; closeout procedures; and coordination and communication with Division Director, Contract Oversight and Support Section, and other DSHS departments, to ensure subrecipient contracts include necessary elements, and necessary issues are being escalated when required.

While the risk assessment procedures have been enhanced and communication between the various departments involved in the subrecipient monitoring processes has increased, from contract set-up through contract close-out, there is still heavy reliance placed on the financial monitoring site visits and other fiscal related activities being performed by the Contract Oversight and Support Section (COS). The financial procedures conducted by the CMUs are primarily high level and do not appear to adequately supplement the site visits and other fiscal activities being performed by COS. While COS does perform other procedures including technical assistance and board oversight desk reviews, these procedures are again primarily high level and do not adequately supplement the financial monitoring site visits.

The 2008 level of funding included in the COS risk assessment at DSHS is noted below. The risk assessment includes all subrecipients for DSHS, even those subrecipients receiving only state funds. Therefore the contract values noted below of \$712.7 million will not reconcile to the federal tables found below. The risk assessment scale ranges from one to five.

- 25 subrecipients receiving approximately \$58.7 million in contracts were rated 3 or above,
- 374 subrecipients receiving approximately \$390.3 million in contracts were rated between 2 and 2.9, and
- 199 subrecipients receiving approximately \$263.7 million in contracts were rated less than 2.

Also included in the above risk assessed contract totals are an estimated 18% or \$126.7 million of contracts that are paid on a unit rate/fee for service basis from state and federal sources; \$21.3 million in contracts passes through to other state agencies; and \$309.7 million of 100% state funded contracts. The unit rate/fee for service contracts consist mainly of a set fee paid for each service provided (shot given, claim processed, etc.). These unit rate contracts are monitored through programmatic reviews conducted every 2-3 years utilizing audit procedures such as review of claims, eligibility determinations, resulting deliverables, and vaccine usages. The \$712.7 million in risk assessed contracts less the items detailed above are contracts that are subject to financial monitoring as noted below.

Financial on-site monitoring of subrecipients by COS (including on-site technical assistance) is summarized below for the past three years. The three year average coverage of financial site visits performed is approximately 38% (228 site visits of approximately 600 subrecipients). Similarly, total 2008 contract value coverage associated with these 228 subrecipients monitored with a financial on-site visit during 2006-2008 is approximately \$179 million or 70% of contract value.

- In fiscal year 2008, 55 of approximately 598 subrecipients, 27% of subrecipient contract values
- In fiscal year 2007, 90 of approximately 620 subrecipients, 19% of subrecipient contract values
- In fiscal year 2006, 83 of approximately 520 subrecipients, 30% of subrecipient contract values

In addition to site visits conducted for financial monitoring or technical assistance, some divisions have targeted reviews of source documents that support reimbursement requests. Total contract value for subrecipients subject to these reviews during fiscal year 2008 was approximately \$9.1 million.

STATE HEALTH SERVICES, DEPARTMENT OF

Therefore of the \$278 million of fiscal year 2008 expenditures detailed below, DSHS performed on-site monitoring or review of source documents for selected reimbursement requests of approximately \$188.2 million or 74% of the related contract values. Total payments to subrecipients charged to the major and non-major programs for fiscal year 2008 were:

| <u>Federal Program</u> | <u>Amount Charged to the Federal Program in FY08</u> |
|------------------------|--|
| CFDA 14.241 | \$ 2,886,092 |
| CFDA 93.000 | 82,393 |
| CFDA 93.069 | 12,647,602 |
| CFDA 93.116 | 1,522,334 |
| CFDA 93.150 | 3,373,364 |
| CFDA 93.197 | 136,848 |
| CFDA 93.217 | 14,851,180 |
| CFDA 93.235 | 2,311,464 |
| CFDA 93.242 | 2,261 |
| CFDA 93.243 | 3,535,216 |
| CFDA 93.268 | 11,617,487 |
| CFDA 93.275 | 4,811,965 |
| CFDA 93.283 | 3,228,982 |
| CFDA 93.566 | 1,946,135 |
| CFDA 93.576 | 8,300 |
| CFDA 93.667 | 3,013,031 |
| CFDA 93.769 | 3,361,775 |
| CFDA 93.779 | 36,193 |
| CFDA 93.889 | 30,672,309 |
| CFDA 93.917 | 20,036,988 |
| CFDA 93.940 | 8,477,306 |
| CFDA 93.944 | 20,085 |
| CFDA 93.958 | 20,872,731 |
| CFDA 93.959 | 114,300,421 |
| CFDA 93.974 | 266,699 |
| CFDA 93.977 | 4,341,568 |
| CFDA 93.978 | 164,073 |
| CFDA 93.988 | 148,106 |
| CFDA 93.991 | 2,164,875 |
| CFDA 93.994 | 6,795,486 |
| Total | \$ <u>277,633,269</u> |

Corrective Action:

Corrective action was taken.

Texas Education Agency

Reference No. 09-32

Subrecipient Monitoring

(Prior Audit Issue - 08-32)

CFDA 84.011 - Migrant Education - State Grant Program

Award years - July 1, 2008 to September 30, 2009; July 1, 2007 to September 30, 2008; July 1, 2006 to September 30, 2007; and July 1, 2005 to September 30, 2006

Award numbers - S011A050044, S011A060044, S011A070044, S011A080044

CFDA 84.048 - Vocational Education - Basic Grants to States

Award years - July 1, 2008 to September 30, 2009; July 1, 2007 to September 30, 2008; July 1, 2006 to September 30, 2007; and July 1, 2005 to September 30, 2006

Award numbers - V048A050043, V048A060043, V048A070043, V048A080043

CFDA 84.287 - Twenty-First Century Community Learning Centers

Award years - July 1, 2008 to September 30, 2009; July 1, 2007 to September 30, 2008; July 1, 2006 to September 30, 2007; July 1, 2005 to September 30, 2006

Award numbers- S287C050044, S287C060044, S287C070044, and S287C080044

CFDA 84.357 - Reading First State Grants

Award years - July 1, 2008 to September 30, 2009; July 1, 2007 to September 30, 2008; July 1, 2006 to September 30, 2007; and July 1, 2005 to September 30, 2006

Award numbers - S357A050045, S357A060045, S357A070045, and S357A080045

Special Education Cluster

Award years - July 1, 2008 to September 30, 2009; July 1, 2007 to September 30, 2008; July 1, 2006 to September 30, 2007; and July 1, 2005 to September 30, 2006

Award numbers - H027A050008 and H173A050004, H027A060008 and H173A060008, H027A070008 and H173A070008, and H027A080008 and H173A080008

Non-major Programs:

CFDA 12.000 - Troops to Teachers

CFDA 84.002 - Adult Education - State Grant Program

CFDA 84.010 - Title I Grants to Local Educational Agencies

CFDA 84.013 - Title I Program for Neglected and Delinquent Children

CFDA 84.181 - Special Education - Grants for Infants and Families with Disabilities

CFDA 84.184 - Safe and Drug-Free Schools & Communities - National Programs

CFDA 84.186 - Safe & Drug-Free Schools & Communities - State Grants

CFDA 84.196 - Education for Homeless Children and Youth

CFDA 84.206 - Javits Gifted and Talented Students Education Grant Program

CFDA 84.213 - Even Start - State Educational Agencies

CFDA 84.282 - Charter Schools

CFDA 84.298 - State Grants for Innovative Programs

CFDA 84.318 - Education Technology State Grants

CFDA 84.334 - Gaining Early Awareness and Readiness for Undergraduate Programs

CFDA 84.358 - Rural Education

CFDA 84.365 - English Language Acquisition Grants

CFDA 84.366 - Mathematics and Science Partnerships

CFDA 84.367 - Improving Teacher Quality State Grants

CFDA 84.369 - Grants for State Assessments and Related Activities

CFDA 84.377 - School Improvement Grants

CFDA 84.938 - Hurricane Education Recovery

CFDA 93.558 - Temporary Assistance for Needy Families

CFDA 93.630 - Developmental Disabilities Basic Support and Advocacy Grants

CFDA 93.938 - Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems

CFDA 94.004 - Learn and Serve America - School and Community Based Programs

CFDA 97.036 - Public Assistance Grants (including CFDA 83.544)

Type of finding - Significant Deficiency and Material Non-Compliance

The Texas Education Agency (TEA) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. The TEA 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, the TEA 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 to the TEA within 9 months of the subrecipient's fiscal year. The TEA is to review the report and to issue a management decision within six months, if applicable.

Initial Year Written: 2007
Status: Partially Implemented

U.S. Department of Defense
U.S. Department of Education
U.S. Department of Health and Human Services
U.S. Department of Homeland Security

The TEA's subrecipient monitoring procedures include use of standard contracts, technical assistance, a risk assessment process, program monitoring, and financial monitoring including compliance reviews, site visits, and A-133 audit report collection and review. In addition, the TEA employs the use of certain edits within their computer system, TGIF, to assist with period of availability and reasonableness of monthly draw amounts based on total amounts awarded.

The monitoring of subrecipient compliance with fiscal requirements is performed primarily by the Grant Audits Section of the Division of Financial Audits. Specifically, this section uses a risk assessment process to identify subrecipients for financial monitoring. The risk assessment process includes the use of critical indicators, such as "independent auditor identified an instance(s) of material noncompliance and/or material weaknesses in internal controls," that classify subrecipients as high risk grantees. For the 2007 and 2008 fiscal years combined, the section completed compliance reviews of 10 subrecipients that failed three or more critical indicators and an additional 43 subrecipients who failed 1 or 2 critical risk indicators. During the conduct of the compliance reviews, section auditors requested certain fiscal records from the subrecipient and reviewed these records to determine compliance with federal fiscal requirements. In fiscal year 2008 all the compliance reviews conducted were a completion of those started in fiscal year 2007. A 2008 risk assessment was not prepared.

In addition to the compliance reviews, the section also received complaints from external parties or referrals from TEA program personnel or grant administrators to perform an audit, investigation, review, or other monitoring activity of specific grantees and grants. In most instances, the audit, review, or other monitoring activity was initiated as a correspondence or desk process. However, in certain instances, section auditors determined that an onsite visit was warranted due to the scope of the monitoring activity (e.g., multiple years, multiple grants) or the complexity of the issues identified. In 2007, section auditors initiated 11 audits or investigations pursuant to a complaint filed with the TEA or a referral from a TEA division. Of these 11, 7 were closed by August 31, 2008. In 2008, division auditors initiated 16 audits or investigations pursuant to a complaint or referral, of which six are currently closed. To the degree feasible, TEA program personnel and auditors coordinated efforts as to the deployment of resources to review selected subrecipients.

In addition to the work performed by the Grant Audits Section, the Investigations Section of the Division of Financial Audits performed onsite follow-up visits on selected corrective action plans submitted by grantees as part of the annual A-133 audit report. Section auditors exercised their professional judgment in assessing the severity of the compliance issues identified by independent auditors in the annual audit report to determine which issues warranted an in-depth onsite follow up visit. The onsite follow-up visits included the selection of sample items to ascertain if the subrecipient corrected the identified deficiency. Auditors conducted 3 onsite follow-up visits in 2007 and 11 in 2008. However, it was noted that the majority of the A-133 audit reports received in fiscal year 2008 were not reviewed by TEA within 6 months of receipt in order to promptly issue a management decision on any applicable audit findings.

Despite the coordination between program and fiscal personnel, TEA's primary focus is on performance and program results with a limited number of resources available to monitor fiscal compliance. Of the approximately 1,370 subrecipients, 444 were assessed as high risk in 2007. Of this number, a total of 84 subrecipients underwent a follow-up review, audit, investigation, or compliance review in the past two years (57 initiated in 2007 and 27 in 2008). These 84 subrecipients accounted for approximately 12.4% of the contract value for the total funds passed through in the past 2 years.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2008 were:

| <u>Federal Program</u> | <u>Amount Charged to the Federal Program</u> |
|---------------------------|--|
| 12.000 | \$ 310,288 |
| 84.002 | 41,007,889 |
| 84.010 | 1,153,861,249 |
| 84.011 | 55,834,879 |
| 84.013 | 8,117 |
| 84.048 | 51,231,181 |
| 84.181 | 66,076 |
| 84.184 | 102,214 |
| 84.186 | 20,599,684 |
| 84.196 | 6,037,019 |
| 84.206 | 181,201 |
| 84.213 | 6,997,241 |
| 84.282 | 5,318,601 |
| 84.287 | 70,525,306 |
| 84.298 | 9,630,565 |
| 84.318 | 22,883,325 |
| 84.334 | 834,938 |
| 84.357 | 75,241,567 |
| 84.358 | 7,149,295 |
| 84.365 | 87,253,894 |
| 84.366 | 1,631,524 |
| 84.367 | 231,308,570 |
| 84.369 | 3,797,131 |
| 84.377 | 2,892,702 |
| 84.938 | 75,357 |
| 93.558 | 18,476,645 |
| 93.630 | 2,563,952 |
| 93.938 | 263,934 |
| 94.004 | 1,317,264 |
| 97.036 | 4,405 |
| Special Education Cluster | <u>853,850,913</u> |
| Total | <u><u>\$ 2,731,256,926</u></u> |

Corrective Action:

This finding was reissued as current year reference number: 10-64.

Reference No. 09-33

Allowable Costs/Cost Principles

(Prior Audit Issue - 08-31)

CFDA 84.048 - Vocational Education - Basic Grants to States

Award years - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007; and July 1, 2007 to September 30, 2008

Award numbers - V048A040043, V048A050043, V048A060043, and V048A070043

Special Education Cluster

Award years - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007; July 1, 2007 to September 30, 2008

Award numbers – H027A040008 and H173A040004, H027A050008 and H173A050004, H027A060008 and H173A060008, H027A070008 and H173A070008

Type of finding - Significant Deficiency

Access to the Budget Analysis Tool (BAT) application production server is not restricted appropriately. One developer has “Budget Management User” access to the BAT application. Budget Management Users (BPM) are users within the Texas Education Agency (TEA) Budget Office that are authorized to perform all processes, generate any report, and modify any agency budget information from within BAT. This includes adjusting funding percentages/structures, adding/modifying division/sub object information and adding/adjusting position forecasting information for any division within TEA. Controls should be in place to restrict developer’s access to the production environment.

| | |
|------------------------------|-------------|
| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Education | |

No compliance exceptions were noted during the review of selected 2008 allowable cost transactions for the major program noted above.

Corrective Action:

Corrective action was taken.

Reference No. 09-34

Level of Effort - Maintenance of Effort

CFDA 84.287 - Twenty-First Century Community Learning Centers

Award year - July 1, 2007 to September 30, 2008

Award number - S287C070044

Type of finding - Non-Compliance

For maintenance of effort (MOE), a Local Education Agency (LEA) may receive funds under an applicable program only if the State Education Agency (SEA) finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year were not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by the Department of Education.

| | |
|------------------------------|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

An LEA’s expenditures from State and local funds for free public education include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. They do not include the following expenditures: (a) any expenditures for community services, capital outlay, debt services and supplementary expenses as a result of a Presidentially declared disaster and (b) any expenditures made from funds provided by the Federal government.

If an LEA fails to maintain fiscal effort, the SEA may reduce the amount of the allocation of funds under an applicable program in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA) (Section 9521 of ESEA (20 USC 7901); 34 CFR section 299.5).

Texas Education Agency (TEA) requires its school districts, charter schools and educational service centers (ESCs) to comply with state mandated accounting requirements discussed in its Financial Accounting and Reporting Manual. The implementation of financial accounting systems that use the state mandated account code structure provides for uniformity and consistency in financial accounting and reporting. The Public Education Information Management System (PEIMS) is a data collection system developed by TEA to provide a single system for collecting school district information and to maintain the information in one common database. The PEIMS system allows for all school districts and charter schools to collect and report a uniform and consistent set of financial information. The Division of Financial Audits at TEA (DFA) uses the PEIMS data to run MOE reports every year. The DFA ran the MOE reports in fiscal year 2008 for the 2006-2007 school year that was closed out in fiscal year 2008. Once the MOE reports are run and non-compliant schools are identified, the DFA forwards the list to the applicable program department managers to address the MOE non-compliance for each of their respective programs. Individual letters are sent to the schools with the calculation to notify them of the non-compliance and the adjustment to the entitlement of federal funds for awards pursuant to the applicable provisions.

There were three LEAs receiving 21st Century funding that did not obtain the required MOE. These LEAs were overlooked by TEA during the close-out process. These were properly included on the MOE report noted above. During the audit, letters were sent to the non-compliant LEAs and their grant awards were adjusted for the non-compliance. The total dollar adjustment for these three LEAs was \$25,639 for the 2008-2009 21st Century Notice of Grant Awards.

Corrective Action:

Corrective action was taken.

Reference No. 09-35

**Reporting
Special Tests and Provisions - Subgrant Process
Special Tests and Provisions - Priority for Services**

CFDA 84.011 - Migrant Education - State Grant Program
Award years - July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007; July 1, 2007 to September 30, 2008; and July 1, 2008 to September 30, 2009
Award numbers - S011A050044, S011A060044, S011A070044, and S011A080044
Type of finding - Material Weakness

Due to the size of the information technology organization within the Northrop Grumman group that manages, hosts, and administers the NGS application for Migrant Education, there is a lack of segregation of duties. Developers have server, database and application administration capabilities in production which also allows them access to deploy code changes into production. The group currently also does not have security policies and procedures formally defined and documented.

| | |
|------------------------------|-----------------------|
| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

Change management procedures for authorization, testing, and approval are followed informally. No formal approval is required prior to production moves and only informal discussion emails exist as evidence of approval prior to production deployment. For one out of two releases tested, no response of formal final approval was documented. Also no formal change management procedures have been documented.

Texas Education Agency (TEA) utilizes the NGS application to produce the Consolidated State Performance Report (CSPR). Also TEA defines priority for services but the LEAs are responsible for identifying and counting these children. The LEAs report the priority for services children to TEA through the NGS application. In addition, TEA utilized the information in the NGS application to the grants through the subgrant process. No compliance exceptions were noted during the review of selected reporting and special tests and provisions transactions for the major program noted above.

Corrective Action:

This finding was reissued as current year reference number: 10-62.

Texas Workforce Commission

Reference No. 09-118

Matching

Non-major Programs:

CFDA 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Type of finding - Non-Compliance

Section 6053(b) of the Deficit Reduction Act provided for a modification of the Federal Medical Assistance Percentages (FMAP) for any state which has a significant number of evacuees from Hurricane Katrina. Additionally, Sections 1905(b) and 1101(a)(8)(B) of the Social Security Act required the Secretary of Health and Human Services to publish the FMAP each year. The adjusted FMAP and Enhanced Federal Medical Assistance Percentage (EFMAP) for 2008 rates are as follows:

| | |
|--|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

| | <u>Calculated 2008</u> | <u>2008 Adjusted</u> |
|-------|------------------------|----------------------|
| FMAP | 60.53 | 60.56 |
| EFMAP | 72.37 | 72.39 |

The modification of the FMAP and the EFMAP under the Deficit Reduction Act affect only medical expenditure payments under Title XIX and expenditure payments for the State Children's Health Insurance Program (SCHIP) under Title XXI. Based on Federal Register dated August 7, 2007 (Volume 72, Number 151), the percentages in this rule do not apply to payments under Title IV of the Social Security Act. In addition, the Title XIX statute provides separately for Federal matching of administrative costs, which is not affected by the subject Deficit Reduction Act provision.

The Texas Workforce Commission (TWC) relied on the FMAP rate posted to the Health and Human Services, Administration for Children and Families (ACF) On-line Data Collection reporting system, which is a system used to report CFDA 93.596, Child Care Mandatory, and Matching expenditures. The On-line Data Collection reporting system published and hard coded an edit at the adjusted FMAP rate. In addition, ACF published on their website the adjusted FMAP rate in the *FY 2008 CCDF Final Allocations (Including Reallocated Funds)*. TWC quantified the difference in the 60.56% utilized and the 60.53% as \$86,614 for the federal fiscal year ended September 30, 2008. TWC incurred additional state expenditures in fiscal year 2008 that will be used to offset these additional federal funds; therefore, there are no questioned costs.

Corrective Action:

Corrective action was taken.

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Summary Schedule of Prior 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 2008 Schedule of Findings and Questioned Costs
- Each finding in the 2008 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding

This section of the Summary Schedule of Prior Audit Findings for the year ended August 31, 2009, was audited by other auditors for the year ended August 31, 2008.

Angelo State University

Reference No. 09-36

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 P063P072258

Type of finding - Significant Deficiency and Non-Compliance

The University Did Not Always Award the Correct Pell Amount

The amount of a student’s Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year (Title 34, Code of Federal Regulations, Section 690.62).

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

Angelo State University (University) awarded 1 (4 percent) of 23 Pell-eligible students tested an incorrect amount for the student’s Pell award. The student was eligible to receive \$2,155, but the University awarded \$2,077. The University did not have sufficient controls in place to ensure that it awarded students the correct amounts.

Corrective Action:

Corrective action was taken.

The University Did Not Always Maintain Appropriate Access to Banner, Its Financial Aid System

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 always maintain appropriate user access over Banner, its financial aid system. Three users had excessive access to modify the cost of attendance, min/max tables, and Banner rules for each of the funds.

Recommendations:

The University should:

- Restrict access to Banner based on employee job duties and responsibilities, and periodically review access levels to ensure that it grants appropriate access.

Management Response and Corrective Action Plan 2008:

The three individuals in question have modification access to RFRMGMT, RBRCOMP, RPRGFND, and RORRULES. Two of the individuals are full-time employees in the Financial Aid Office (Accounts/Reports Coordinator and Manager of Scholarship Programs) and one is currently contracted by ASU as a Consultant on financial aid Banner issues. The two full-time employees were initially given update access due to their individual job responsibilities with fund management. The Consultant has remote access to fulfill his consulting responsibilities under the terms of his contract.

Due to the limited use of their current update authority, the access level of the two full-time employees will be changed from their current level 1 to a level 3. Employees under level 3 do not have modification access to RFRMGMT, RBRCOMP, RPRGFND, and RORRULES - only query access. This will require these employees to request modifications to these forms through level 1 access employees as needed to fulfill their job responsibilities. The Consultant's access will be terminated at the conclusion of his contract - the end of FY2009.

Management Response and Corrective Action Plan 2009:

Update access to RFRMGMT, RBRCOMP, RPRGRND, and RORRULES has been removed from the Manager of Scholarship Programs; however, the Accounts/Report Coordinator maintains update access and is serving in a backup role to the Associate Director (formerly known as Manager of Data Integrity and Reporting). Once a new Director of Financial Aid is in place, the Director and Associate Director will be the only positions with update access and the Accounts/Report Coordinators' update access will be removed. All positions must go through the Director or the Associate Director to request changes to these Banner forms.

The consultant's access to Banner has been terminated effective 01/12/2010 as the contract will not be renewed by Angelo State University.

Implementation Date: Summer 2010

Responsible Person: Michelle Bennett

Reference No. 09-37

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers- CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P072258

Type of finding - Significant Deficiency and Non-Compliance

The University Did Not Always Send Disbursement Notification Letters within Required Time Frames

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

| | |
|------------------------------|-------------|
| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

Angelo State University (University) did not send notifications to all FFELP loan recipients tested for the Fall 2007 and/or Spring 2008 semesters. Eight (19 percent) of 43 students tested who were eligible for FFELP loans did not receive disbursement notification letters for the Fall 2007 and/or Spring 2008 semesters. The University does not have adequate controls to ensure that it sends disbursement notifications within the required time frames. The University conducts a manual process to issue disbursement notification letters and records the dates that it sent letters to students and/or parents in its student financial aid information system. When the FFELP funds are disbursed, the disbursement is flagged in the University's financial aid information system to indicate that a letter must be sent to the student. The disbursement is flagged only on the date of disbursement.

Information in the Common Origination and Disbursement System Did Not Always Match Student Records

Institutions submit Pell origination records and disbursement records to the 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 2008, 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 5-3-27).

Four (14 percent) of 28 students tested who were eligible for Pell awards did not have COD System dates that matched their student records. The University stated that it reconciles information in the COD System to the University's student financial aid information system periodically to ensure that funds the University disburses are later reimbursed to the University by the U. S. Department of Education. Upon reconciliation, if the University is not reimbursed for a disbursement of a Pell award, the University manually enters the data in the COD System. The University uses the default date of ten days prior to the beginning of a semester, which is the earliest date the University is allowed to disburse funds. The date in the COD System should be the actual disbursement date.

Corrective Action:

Corrective action was taken.

Lamar Institute of Technology

Reference No. 08-33

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award numbers - CFDA 84.063 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

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). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

| | |
|------------------------------|-------------|
| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Education | |

COA refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” 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 the Federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts. This schedule provides 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, as well as students with low assessed tuition. All of the schedules, however, are based on the COA of a full-time student for a full academic year.

Lamar Institute of Technology (Institute) calculated financial need incorrectly for 2 of 50 (4 percent) students tested. Specifically:

- The Institute did not adjust one student’s COA calculation to reflect less than half-time enrollment in one of the enrollment periods. As a result, the Institute overestimated the student’s financial need by \$2,897.
- The Institute did not adjust another student’s COA to reflect additional enrollment in one class prior to disbursement of financial assistance, as required by its policies. As a result, the Institute underestimated the student’s financial need by \$457.

Neither of these errors affected the students’ eligibility for the Federal Family Education Loan amounts they received, and neither of these errors resulted in loan overpayments or questioned costs.

The second student discussed above also received an incorrect Pell Grant award of \$3,544 instead of \$4,050 because his enrollment level in the Fall 2006 semester was not adjusted from three-quarter-time to full-time. The Institute has corrected the Pell Grant award to this student.

Corrective Action:

Corrective action was taken.

Reference No. 08-34

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award numbers - CFDA 84.063 Award Number Not Applicable, CFDA 84.032 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: 2007

Status: Implemented

U.S. Department of Education

Lamar Institute of Technology (Institute) does not maintain appropriate segregation of duties between its admissions and the financial aid offices. All of the employees in the financial aid office have full access to the student information system and the admission screens. These screens provide users with the ability to add and remove students, as well as modify access to students' personal records.

Corrective Action:

Corrective action was taken.

Prairie View A&M University

Reference No. 08-38

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P062319

Type of finding - Significant Deficiency and Non-Compliance

Pell Payment Data

Institutions submit Pell origination records and disbursement records to the 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 2007, Part 5, Student Financial Assistance Cluster, Section III.L.1.e, page 5-3-16).

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|------------------------------|-----------------------|
| Initial year Written: | 2007 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

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 5-3-25).

In a sample of 50 students tested at Prairie View A&M University (University), 20 students received Pell Grant awards. For 15 of those 20 students (75 percent), the University did not report the correct date of disbursement of Pell Grant awards to the COD System.

Corrective Action:

This finding was reissued as current year reference number: 10-34.

Disbursement Notification

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Programs (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

In a sample of 50 students tested at the University, 45 students received FFELP loans. For 6 of those 45 students (13.33 percent), the University provided incorrect disbursement dates on the disbursement notification letters it sent to the recipients of those loans. The disbursement notification letters included all the required elements; however, the disbursement dates on the letters did not agree with the dates in the University's Financial Aid System.

Corrective Action:

Corrective action was taken.

Department of Public Safety

Reference No. 09-38

Allowable Costs/Cost Principles

Homeland Security Cluster

Award year - see below

Award number - see below

Type of finding - Significant Deficiency and Non-Compliance

In accordance with Title 2, Code of Federal Regulations, 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 program for the period covered by the certification. These certifications must be prepared at least semi-annually and signed by the employee 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: 2008
Status: Partially Implemented

U.S. Department of Homeland
Security

- Reflect an after-the-fact distribution of the actual activity of each employee.
- Account for the total activity for which each employee is compensated.
- Are prepared at least monthly and must coincide with one or more pay periods.
- Are signed by the employee.

Budget estimates that are developed before the 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 amounts 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.

Additionally, according to Title 2, Code of Federal Regulations, Chapter 225, to be allowable under federal awards, costs must be adequately documented.

The Department of Public Safety (Department) uses a revenue allocation methodology to charge time for employees who work on multiple grant programs. If an employee works on only one program, then 100 percent of that employee's time will be charged to that specific program. For employees who work on multiple grants, the Department charges time to multiple programs, but not according to the number of hours that the employees worked on each program. Department staff maintain a spreadsheet that details grant management and administration amounts by year in order to calculate the percentage of total revenue that each program represents. If an employee works on multiple programs and one of those programs is one of the smaller programs, the Department uses the small program's percentage of total revenue and applies it to the employee's salary. Any salary amounts not covered by the small program are applied to one of the large programs until all of the funds for that program have been exhausted, then the Department moves on to the next large program and repeats the process until all funds are expended.

For 5 (45 percent) of 11 Homeland Security payroll expenditures tested, the Department (1) did not correctly allocate payroll expenses to various grants or (2) lacked supporting documentation. Specifically:

- Four payroll expenditures totaling \$30,787.99 were charged to one grant, but supporting timesheets showed that the employees worked on multiple grants. There were no indications that the Department adjusted these charges based on the results of after-the-fact confirmation.
- One payroll expenditure totaling \$3,594.80 was not supported with timesheets or other supporting documentation.

This finding applies to the following Homeland Security grant awards:

| <u>Award Number</u> | <u>Award Year</u> |
|---------------------|------------------------------|
| 2006-GE-T6-0068 | July 1, 2006 - June 30, 2009 |
| 2007-GE-T7-0024 | July 1, 2007- June 30, 2010 |

Corrective Action:

This finding was reissued as current year reference number: 10-35.

Reference No. 09-39

Cash Management

Homeland Security Cluster

Award year - see below

Award number - see below

Type of finding - Significant Deficiency

According to the Treasury-State agreement for the State of Texas, the Homeland Security Cluster at the Department of Public Safety is not included in Title 31, Code of Federal Regulation (CFR), Part 205, Subpart A, which implements the Cash Management Improvement Act. Therefore, the Homeland Security Cluster at the Department of Public Safety (Department) should comply with Subpart B, which applies to programs that are not subject to Subpart A. Subpart B, Section 205.33, states that, "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes." Additionally, "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."

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Homeland Security | |

The Homeland Security Cluster provides grants to local government entities for various projects intended to increase the security and safety of the State of Texas. The Homeland Security Cluster is a reimbursement program through which all subrecipients are required to provide evidence that local governments have expended funds for grant-related activities prior to the Department drawing down federal funds for reimbursement purposes. However, the Department does not have any procedures in place to determine the length of time that elapses between the Department's drawdown of federal funds and the disbursement of federal funds to the subrecipients or vendors for expenses incurred by the Department. During fiscal year 2008, the Department passed through \$72,548,218 to subrecipients for the Homeland Security Cluster.

Auditors tested 22 disbursements and noted that all of them were made within 7 days or fewer of the Department's drawdown of federal funds, which is within the "administratively feasible" requirement.

The Homeland Security Cluster has multiple awards and award years as noted below:

| <u>Award Number</u> | <u>Award Year</u> |
|---------------------|---------------------------------------|
| 2005-GE-T5-4025 | October 1, 2004 - December 31, 2008 |
| 2006-GE-T6-0068 | July 1, 2006 - June 30, 2009 |
| 2007-SG-N6-0002 | November 1, 2006 - April 30, 2009 |
| 2007-SG-N6-0006 | November 1, 2006 - September 30, 2008 |
| 2007-GE-T7-0024 | July 1, 2006 - June 30, 2010 |

Corrective Action:

Corrective action was taken.

Reference No. 09-40

Equipment and Real Property Management

Homeland Security Cluster

Award year - see below

Award number - see below

CFDA 20.233 Border Enforcement Grant

Award year - see below

Award number - see below

Type of finding - Significant Deficiency and Non-Compliance

Office of Management and Budget A-133 Compliance Supplement, Part 3, Section F, mandates that states receiving federal awards must comply with the states' policies and procedures for management and disposition of equipment. Texas Government Code, Section 403.273, specifies that "A state agency shall conduct an annual physical inventory of all property in its possession" and "at all times, the property records of a state agency must accurately reflect the property possessed by the agency." Additionally, Appendix B of the *State Property Accounting Process Users Guide* maintained by the office of the Texas Comptroller of Public Accounts has designated an acquisition method code of "01" for equipment acquired from federal sources, such as "capital assets purchased with federal appropriations, grants and/or other federal sources."

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Homeland Security | |
| U.S. Department of Transportation | |

Homeland Security Cluster

The Department of Public Safety (Department) did not ensure that state property records accurately reflected the property the Department possessed. Auditors tested property records for 19 equipment items purchased with Homeland Security Cluster funds. Six (32 percent) of the 19 property records tested did not have correct identifying information in the State Property Accounting System (SPA). Of the 6 items that did not have correct identifying information in SPA, 5 did not have a serial number entered into SPA, and 1 had a serial number that differed from the serial number entered into SPA.

The Homeland Security Cluster has the following award numbers and award years:

| <u>Award Number</u> | <u>Award Year</u> |
|---------------------|---------------------------------------|
| 2005-GE-T5-4025 | October 1, 2004 – December 31, 2008 |
| 2006-GE-T6-0068 | July 1, 2006 – June 30, 2009 |
| 2007-SG-N6-0002 | November 1, 2006 – April 30, 2009 |
| 2007-SG-N6-0006 | November 1, 2006 – September 30, 2008 |
| 2007-GE-T7-0024 | July 1, 2006 – June 30, 2010 |

Border Enforcement Grants

Auditors tested property records for 50 equipment items the Department purchased with Border Enforcement Grant funds. One (2 percent) of 50 property records tested had a serial number that differed from the serial number entered into SPA, and 1 (2 percent) of these 50 property records tested did not have the federal acquisition code of "01" entered into SPA.

Additionally, auditors noted nine instances in which the Department had to change the initial inventory number assigned to equipment purchased with federal funds because the numbers had already been assigned to other equipment items. This occurred because the Department initially assigns the inventory number using a manual process that includes the use of inventory spreadsheets, and controls within this process were not adequate to prevent the duplication of inventory numbers. After the Department receives confirmation that it has paid for equipment items, the equipment items are entered into its inventory management system (Venice). Venice will produce an error message if the inventory number being entered into the system is a duplicate. When Venice identifies duplicate numbers, the Department must make corrections to records that are external to the Venice system. These corrections include the assignment of new inventory numbers, and identification tags have to be recreated and routed to the location where the property is being used. Errors related to the duplication of inventory numbers increase the risk of inaccurate property accounting records and could weaken the physical security of the equipment.

The Border Enforcement Grant has multiple grant sub awards and award years as noted below:

| <u>Award Number</u> | <u>Award Year</u> |
|---------------------|--|
| BE-07-48-2 | October 1, 2006 - September 30, 2008 |
| BE-08-48-1 | October 1, 2007 - September 30, 2009 |
| BE-07-48-4 | September 1, 2007 - September 30, 2008 |
| BE-06-48-3 | April 1, 2006 - September 30, 2007 |

Corrective Action:

Corrective action was taken.

Reference No. 09-41

Matching, Level of Effort, Earmarking

Homeland Security Cluster

Award years- October 1, 2004 to December 31, 2008

Award number - 2005-GE-T5-4025

Type of finding - Significant Deficiency and Non-Compliance

The Office of Management and Budget Circular A-133 *Compliance Supplement* prohibits the State of Texas from spending a cumulative amount (from award issue to current year) that exceeds 3 percent of grants awarded in fiscal year 2005 and 5 percent of grants awarded in fiscal year 2006 and 2007 under the State Homeland Security Program (SHSP), the Urban Areas Security Initiative (UASI), and the Law Enforcement Terrorism Prevention Program (LETPP) on State of Texas management and administrative costs.

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Homeland Security | |

The Department of Public Safety (Department) expended more than the allowed amount for management and administrative costs for 1 of the 9 grants that were active during fiscal year 2008 and were awarded to the Department during fiscal years 2005, 2006, and 2007. Specifically, the Department had cumulative management and administrative costs of \$806,556.17 for the LETPP grant awarded in fiscal year 2005, which was \$198,447.68 more than the threshold of \$608,108.49 for that grant.

All of the funds over the threshold that the Department spent on management and administrative costs are not allowable and should not have been paid for using federal funds.

Corrective Action:

Corrective action was taken.

Reference No. 09-42

Procurement and Suspension and Debarment

Homeland Security Cluster

Award years - see below

Award number - see below

Type of finding - Significant Deficiency and Non-Compliance

Procurement

Texas Government Code, Section 2155.067, requires that when state agencies make purchases that are proprietary to one vendor (proprietary purchases), the requesting state agency must justify in writing the specifications or conditions, and the “agency head or presiding officer of the agency’s governing body must sign the written justification.”

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S Department of Homeland Security | |

For 1 (33 percent) of 3 procurement files tested, the Department of Public Safety had a proprietary justification letter on file, but that letter was not signed.

Suspension and Debarment

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), 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, Part 1532).

To determine whether vendors are suspended or debarred, the Department’s policy is to check the suspension and debarment status using the EPLS Web site, print the support, and maintain the support in the contract files. However, the Department did not always maintain the support for its suspension and debarment determination. Specifically, for 7 (35 percent) of 20 procurement files tested, the Department did not have suspension and debarment certifications or other supporting documentation (for example, printouts from the EPLS Web site) demonstrating that the Department verified the suspension and debarment status of its vendors prior to making the procurements.

Auditors reviewed the EPLS Web site for all of the vendors for which the Board did not have a suspension and debarment certification and determined that the vendors were not currently suspended or debarred.

The Homeland Security Cluster has multiple awards and award years as noted below:

| <u>Award Number</u> | <u>Award Year</u> |
|---------------------|---------------------------------------|
| 2005-GE-T5-4025 | October 1, 2004 - December 31, 2008 |
| 2006-GE-T6-0068 | July 1, 2006 - June 30, 2009 |
| 2007-SG-N6-0002 | November 1, 2006 - April 30, 2009 |
| 2007-SG-N6-0006 | November 1, 2006 - September 30, 2008 |
| 2007-GE-T7-0024 | July 1, 2006 - June 30, 2010 |

Corrective Action:

Corrective action was taken.

Reference No. 09-43

Subrecipient Monitoring

Homeland Security Cluster

Award years - July 1, 2006 to June 30, 2009

Award number - 2006-GE-T6-0068

Type of finding - Significant Deficiency and Non-Compliance

Award Identification

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400, requires pass-through entities to “identity Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.” Additionally, the pass-through entity is required to “advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.”

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |

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| U.S. Department of Homeland Security |
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The Department of Public Safety (Department) did not always maintain initial award documents (such as the signed award contract) indicating that, when appropriate, it made subrecipients aware of the award information, including CFDA title, award name, name of the federal agency, and applicable compliance requirements. Specifically, the Department did not retain sufficient support that it communicated the required federal award information, including applicable compliance requirements, for 1 (2 percent) of 50 subrecipients tested.

Subrecipient Monitoring

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400, requires pass-through entities 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.”

The Department’s internal controls for subrecipient monitoring were not effective for the Homeland Security Cluster during fiscal year 2008. For 2 (4 percent) of 50 files tested, the Department did not maintain reimbursement vouchers or invoices to support a reimbursement. The payments without supporting documentation totaled \$86,652.75. For one of those two exceptions, the Department could not locate the subrecipient monitoring file.

Corrective Action:

This finding was reissued as current year reference number: 10-37.

Reference No. 09-44

Matching, Level of Effort, Earmarking**CFDA 20.233 Border Enforcement Grant**

Award years - see below

Award numbers - see below

Type of finding - Material Weakness

The grant agreement for the Border Enforcement Grant requires the Department of Public Safety (Department) to maintain a level of effort of \$3,579,084 (state share) in state expenditures on border commercial motor vehicle safety programs and related enforcement activities and projects. The total expenditures for fiscal year 2008 contingent on maintaining the required level of effort was \$16,003,693.05

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Transportation | |

The Department has no significant controls or processes--such as periodic monitoring of qualified expenditures throughout the fiscal year--that ensure that it meets the level of effort threshold for the Border Enforcement Grant. However, auditors reviewed qualified expenditures and determined that the Department satisfied the minimum level of effort required for fiscal year 2008.

The border enforcement grant has multiple grant sub awards and award years as noted below:

Award Number**Award Year**

| | |
|------------|--------------------------------------|
| BE-07-48-2 | October 1, 2006 - September 30, 2008 |
| BE-08-48-1 | October 1, 2007 - September 30, 2009 |
| BE-07-48-4 | October 1, 2007 - September 30, 2008 |
| BE-06-48-3 | April 1, 2006 - September 31, 2007 |

Recommendation:

The Department should develop and implement processes and procedures to adequately monitor and ensure that it meets the level of effort requirement for the Border Enforcement Grant.

Management Response and Corrective Action Plan 2008:

The Department concurs with the finding related to the level or maintenance of effort controls.

In the past, the Department's controls for monitoring the level of effort were generally based on the mere fact that the agency has and continues to maintain at least the same number of state funded commercial vehicle enforcement personnel in the border areas.

However, based on this finding, the Department is implementing formal controls to ensure the Border Enforcement Grant's level of effort threshold is being met. A process is being established that will require the Texas Highway Patrol Division's Commercial Vehicle Enforcement budget analyst to monitor all border area state funded expenditure reports to ensure our compliance with level of effort requirements. These expenditures will be monitored monthly and will be reported to the State Commercial Vehicle Enforcement Coordinator for review.

Management Response and Corrective Action Plan 2009:

Department concurs with the finding related to the level or maintenance of effort controls. In the past, the Department's controls for monitoring the level of effort were generally based on the mere fact that the agency has and continues to maintain at least the same number of state funded commercial vehicle enforcement personnel in the border areas.

However, based on this finding, the Department has implemented formal controls to ensure the Border Enforcement Grant's level of effort threshold is being met. A process has been established that requires the Texas Highway Patrol Division's Commercial Vehicle Enforcement budget analyst to monitor all border area state funded expenditure reports to ensure our compliance with level of effort requirements. These expenditures are being monitored monthly and are reported to the State Commercial Vehicle Enforcement Coordinator for review.

In addition, based on the SAO follow up review, additional documentation is being captured and specific instructions regarding the methodology and process are being developed.

Implementation Date: June 2010

Responsible Person: Major David L. Palmer

Reference No. 09-45

Procurement and Suspension and Debarment

CFDA 20.233 Border Enforcement Grant

Award years - see below

Award number - see below

Type of finding - Significant Deficiency and Non-Compliance

Texas Government Code, Section 2155.132 (e), requires competitive bidding, whether formal or informal, for a purchase by a state agency if the purchase exceeds \$5,000 and is made under a written contract.

For purchases made through its purchasing department, the Department of Public Safety (Department) uses *The State of Texas Procurement Manual*, maintained by the Texas Comptroller of Public Accounts, to determine the appropriate procurement method. Section 2.9.1 of the manual requires agencies to "obtain a price quote from as many TXMAS (Texas Multiple Award Schedule) vendors as are necessary to provide best value to the State. Document all price quotes in your purchasing file."

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Transportation | |

For 6 (86 percent) of 7 procurement files tested, the Department used a TXMAS vendor, but the only price quote the Department obtained was the price quote from the actual vendor it used. The Department did not maintain documentation indicating that it obtained price quotes from other vendors or otherwise explaining the method for selecting the vendor used.

The Border Enforcement Grant has multiple grant sub awards and award years as noted below:

Award Number

Award Year

BE-07-48-2
BE-08-48-1
BE-07-48-4
BE-06-48-3

October 1, 2006 - September 30, 2008
October 1, 2007 - September 30, 2009
September 1, 2007 - September 30, 2008
April 1, 2006 - September 30, 2007

Recommendation:

The Department should competitively bid purchases and contracts that exceed \$5,000 and ensure that it follows all requirements of the *State of Texas Procurement Manual*.

Management Response and Corrective Action Plan 2008:

The Department agrees with the finding.

These procurements were done at a time in which purchasers did not fully understand the requirements of TXMAS purchases. Since the beginning of FY09 (September 1, 2008), a procedure has been in place to contact at least two vendors, if available, with at least one being a Historically Underutilized Business (HUB) when using TXMAS contracts. This requirement will be addressed at the next staff meeting. The audit findings were on procurements from FY08.

Management Response and Corrective Action Plan 2009:

The DPS process for utilizing TxMAS contracts has been in place since September 1, 2008. The procedure is at least two TxMAS vendors, if available, for the product/service needed must be contacted, with at least one being a HUB, if available.

Implementation Date: Already Implemented

Responsible Person: Kevin Jones

Reference No. 09-46

Reporting

CFDA 20.233 Border Enforcement Grant

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency

The grant agreement for the Border Enforcement Grant requires that the Department of Public Safety (Department) present performance status reports to the Federal Motor Carrier Safety Administration (FMCSA) on a quarterly basis. The Department completes these reports using various sources of statistics related to commercial vehicle safety along the border, including inspection numbers, staffing reports, and the status of weigh stations.

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Transportation | |

The Department does not have adequate controls related to the compilation of data and submission of the quarterly performance status reports. For example, Department management does not review or approve the information that staff include in these reports. Auditors reviewed all four performance reports the Department submitted for fiscal year 2008 and determined that the reports were completed accurately and in compliance with the grant agreement. However, the lack of controls related to the report preparation process increases the risk of errors in the information reported.

The border enforcement grant has multiple grant sub awards and award years as noted below:

Award Number

Award Year

BE-07-48-2
 BE-08-48-1
 BE-07-48-4
 BE-06-48-3

October 1, 2006 - September 30, 2008
 October 1, 2007 - September 30, 2009
 September 1, 2007 - September 30, 2008
 April 1, 2006 - September 30, 2007

Recommendation:

The Department should establish controls, including management review and approval, to ensure that performance reports include accurate and complete information.

Management Response and Corrective Action Plan 2008:

The Department partially concurs with the above finding. While there has not been a formal control or verification process in the past for the quarterly performance reports, there has been an informal process. The fact that all four performance reports tested for fiscal year 2008 were found to have been completed accurately and in compliance with the grant agreement clearly indicates the informal process of review has been successful.

However, as a result of this finding, a formal control or review/verification process has been implemented. All future performance reports will be formally reviewed by a THP Division staff member other than the report's preparer prior to submission to the Federal Motor Carrier Safety Administration to help ensure accuracy and compliance with the grant agreement.

Management Response and Corrective Action Plan 2009:

The Department partially concurs with the above finding. While there has not been a formal control or verification process in the past for the quarterly performance reports, there has been an informal process. The fact that all four performance reports tested for fiscal year 2008 were found to have been completed accurately and in compliance with the grant agreement clearly indicates the informal process of review has been successful.

However, as a result of this finding, a formal control or review/verification process has been implemented. All performance reports completed as of January 1, 2009 have been formally reviewed by a THP Division staff member other than the report's preparer prior to submission to the Federal Motor Carrier Safety Administration to help ensure the accuracy and compliance with the grant agreement.

In addition, written instructions regarding these requirements and procedures are being developed to ensure a clear understanding of the process and a historical reference.

Implementation Date: June 2010

Responsible Person: Major David L. Palmer

Reference No. 09-47

Reporting

(Prior Audit Issues 08-91 and 07-26)

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)

Award years- see below

Award number - see below

CFDA 97.036 - Public Assistance Grants (including CFDA 83.544)

Award years - see below

Award numbers - see below

Type of finding - Significant Deficiency and Non-Compliance

The Department of Public Safety (Department) must report on a quarterly basis for each Federal Emergency Management Agency (FEMA) approved project a FEMA form 20-10, *Financial Status Report*, per Office of Management and Budget A-133 Compliance Supplement, FEMA *Public Assistance Guide*, and FEMA Grant Applicant Resources. The FEMA *Public Assistance Guide* states that “FEMA has no reporting requirements for applicants, but the State is expected to impose some reporting requirements on applicants so that it can prepare quarterly reports.” Additionally, the guide emphasizes that it is critical that applicants establish and maintain accurate records of events and expenditures related to grant funds.

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| Initial Year Written: | 2006 |
| Status: | Partially Implemented |
| U.S. Department of Homeland Security | |

A Department supervisor did review reports to ensure all required information was reported. However, supporting documentation related to the recipients’ share of outlays is not obtained or reviewed, by report preparers or management, in sufficient level of detail to ensure the accuracy of the reports.

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)

Auditors tested 13 reports that were filed during fiscal year 2008 for Hazard Mitigation. The non-federal share of a project’s costs must be at least 25 percent of the expenditures. For 12 (92 percent) of the 13 reports tested, the matching share reported on the FEMA Form 20-10 was calculated using total outlay amounts reported (that is, 25 percent of the total project amount reported) instead of based on actual costs incurred.

During performance of matching, level of effort, and earmarking test work, auditors selected invoices for review and noted that the Department reimbursed only 75 percent of the total expenditures incurred to the jurisdiction.

The Hazard Mitigation grant has multiple grant sub awards and award years as noted below:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1257 | FEMA-1257-DR-TX | October 21, 1998 |
| 1356 | FEMA-1356-DR | January 8, 2001 |
| 1379 | FEMA-1379-DR-TX | June 9, 2001 |
| 1425 | FEMA-1425-DR-TX | July 4, 2002 |
| 1439 | FEMA-1439-DR-TX | November 5, 2002 |
| 1434 | FEMA-1434-DR-TX | September 26, 2002 |
| 1479 | FEMA-1479-DR-TX | July 17, 2003 |
| 1606 | FEMA-1606-DR-TX | 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 |

Recommendation:

The Department should develop a process that would facilitate the collection of information related to actual amounts incurred by the jurisdictions as of the report date.

Management Response and Corrective Action Plan 2008:

DPS management agrees with this finding. However, the Emergency Management Division (EMD) does not have the means to implement the recommendation.

Currently EMD has no means of capturing sub-recipient match costs on an ongoing basis as the FEMA NEMIS system, which FEMA used for grant status monitoring and required EMD to use, lacked the capability to provide the data needed for contemporaneous reporting of match costs. The NEMIS system provides cumulative expenditure information; it does not have the capability to provide data for a specific time frame, such as a quarter. This problem is exacerbated by the fact that small projects (under \$55,000) are not routinely audited, and the majority of the grants that EMD administers are small projects. FEMA has been aware of the failings of NEMIS and has developed a new grant information system to replace it. The new system, Emergency Management Mission Environment (EMMIE), does not yet have a financial module and no accounting information can be obtained from the system. Because of this situation, FEMA has allowed states to report a "good faith estimate" of match amounts in quarterly reports. Previous auditors have been party to a conference call with the FEMA Region VI disaster grant manager on this subject.

It should be noted that the potential for sub-recipient failures to meet match requirements is limited because EMD reimburses only 75 percent of the total expenditures incurred by local and state grant sub-recipients and actual match amounts are carefully checked and confirmed during the final audit by EMD personnel.

Until a solution to this problem is put in place by FEMA, EMD will continue to report a "good faith estimate" of sub-recipient match costs in quarterly reports based on the appropriate percentage of match required.

Management Response and Corrective Action Plan 2009:

DPS management partially agrees with this finding. However, the Emergency Management Division (EMD) does not have the means to implement some of the recommendations.

CFDA 97-039 – Hazard Mitigation Grant (including CFDA 83.548).

TDEM Mitigation Section modified internal reporting documentation to show actual match expenditures rather than a formula of straight 25% in April 2009. We have been reporting that on our quarterly reports since that time. It is not feasible for us to change all previous reports.

CFDA 97-036 – Public Assistance Grants (including CFDA 83.544)

TDEM Recovery Section will change their internal reporting documentation for large projects to require local governments to report actual match expenditures. It is not feasible to change previous reports. However, identifying actual match on small projects presents a huge burden for TDEM as well as local governments due to the following reasons:

- 1. FEMA does not require quarterly reporting for small projects, therefore, TDEM does not required them. For Hurricane Ike alone, for the two most impacted communities, Galveston and Galveston County, this would mean an additional 1,063 quarterly reports would have to be produced for the life of the project, which could be several years.*
- 2. Small projects vastly outnumber large projects in most disasters. For Hurricane Ike, there are currently 2,827 large projects as compared to 12,250 small projects.*

3. *Even at closeout, a jurisdiction does not always report exact numbers. Some jurisdictions will round the numbers to the nearest thousand dollars and may overmatch. To ensure they were reported correctly, TDEM would be forced to audit every small project, which FEMA does not currently require, for obvious reasons.*
4. *FEMA is not concerned about our “good faith” estimate of local match for small projects. In fact they have indicated that they are very happy with our quarterly reports.*

TDEM has conducted an analysis to determine how we would comply with the requirement to report exact match for small projects and we have determined that we will need at least 5 additional Recovery Public Assistance Officers at a cost of approximately \$213,780 per year to review and collate information for exact match on small projects. In addition, to determine if this is correct, before closeout, we would be forced to audit all small projects in addition to large. This would take an additional 10 auditors at an approximate cost of \$427,560. The State pays 25% of Management costs for each disaster. In addition, state management cost for each disaster is capped at a certain percentage and total, which means that it is entirely possible that the State will be responsible for more than 25% of the cost. We believe this is unacceptable. We have no way of determining precisely the cost to local governments but it will be an enormous.

Implementation Date: TDEM will make changes to the Public Assistance large project reports no later than March 1, 2010.

Responsible Person: Loren Behrens

CFDA 97.036 - Public Assistance Grants (including CFDA 83.544)

Auditors tested 22 reports that were filed during fiscal year 2008 for Disaster Grants - Public Assistance. FEMA notifies the Department of the required non-federal share of a project’s costs. For disasters that are currently open, the non-federal share of a project’s costs must be 25 percent of the expenditures, with the following exceptions: Disasters 1606, 3216, and 3261 - 0 percent non federal share. For all 22 reports tested, the matching share reported on the FEMA Form 20-10 was calculated using total project outlay amounts reported (that is, 25 percent of the total project amount reported) instead of based on actual costs incurred.

The public assistance grant has multiple grant sub awards and award years as noted below:

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1257 | FEMA-1257-DR | October 21, 1998 |
| 1274 | FEMA-1274-DR | May 6, 1999 |
| 1287 | FEMA-1287-DR | August 22, 1999 |
| 1323 | FEMA-1323-DR | April 7, 2000 |
| 1356 | FEMA-1356-DR-TX | January 8, 2001 |
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 1425 | FEMA-1287-DR | July 4, 2002 |
| 1479 | FEMA-1323-DR | July 17, 2003 |
| 1606 | FEMA-1606-DR | September 24, 2005 |
| 3216 | FEMA-3216-DR | September 2, 2005 |
| 3261 | FEMA-3261-DR | September 21, 2005 |
| 1624 | FEMA-1624-DR | January 11, 2006 |
| 1658 | FEMA-1658-DR | August 15, 2006 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 3277 | Hurricane Dean (EM) | August 18, 2007 |

Corrective Action:

This finding was reissued as current year reference number: 10-41.

Reference No. 09-48

Subrecipient Monitoring

CFDA 97.036 - Public Assistance Grants (including CFDA 83.544)

Award years- see below

Award number - see below

Type of finding - Significant Deficiency and Non-Compliance

During-the-Award Monitoring

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400, requires pass-through entities 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.” During-the-award monitoring of the subrecipients’ use of federal awards may be achieved through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, Title 44, Code of Federal Regulations (CFR), Section 206.204 requires that the grantee submit progress reports to the Region Director (RD) on a quarterly basis. These reports describe the status of those projects on which a final payment of the federal share has not been made to the grantee and outline any problems or circumstances expected to result in non-compliance with the approved grant conditions.

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Homeland Security | |

The Department of Public Safety (Department) identified a total of 477 subrecipients (for small and large projects) by analyzing federal program funds it disbursed to subrecipients.

The Department does not have a formal tracking system that includes information for all subrecipients such as risk assessment, monitoring activities (such as reviewing financial and performance reports), and other contacts with its subrecipients. Additionally, the Department has not consistently submitted quarterly status reports for large projects as required by the *Disaster Recovery Manual* published by the Governor’s Division of Emergency Management.

During fiscal year 2008, the Department passed through \$109,315,078.15 in federal funds to subrecipients. Inadequate during-the-award monitoring increases the risk that funds may not be used to meet program objectives.

Final Accounting for Large Projects

Public Assistance grant funds are awarded to fund projects following a presidential declaration of a major disaster or an emergency. Projects are classified as large or small projects according to the cost of the eligible work for individual projects. Title 44, CFR, Section 206.205 requires that “the Grantee shall make an accounting to the RD of eligible costs for each approved large project. In submitting the accounting the Grantee shall certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project have been made in accordance with 44CFR 13.21 Payments. Each large project shall be submitted as soon as practicable after the subgrantee has completed the approved work and requested payment.”

The Department satisfies the requirements related to certifying costs reported by the subgrantee by performing project audits on large projects when the subgrantees have completed the projects.

Auditors attempted to test 50 project audits the Department performed during fiscal year 2008. However, the Department was unable to locate 1 (2 percent) of the 50 project audits selected for testing. Although the Department could not locate documentation supporting one project audit, the supporting database showed that a project audit was completed for that project. Additionally, the 49 project audits the Department conducted satisfied federal requirements related to final project accounting.

| <u>Disaster Number</u> | <u>Grant Number</u> | <u>Start Date</u> |
|------------------------|---------------------|--------------------|
| 1379 | FEMA-1379-DR | June 9, 2001 |
| 1425 | FEMA-1425-DR | July 4, 2002 |
| 1606 | FEMA-1606-DR | September 24, 2005 |
| 1658 | FEMA-1658-DR | August 15, 2006 |
| 3216 | FEMA-3216-EM | September 2, 2005 |
| 1709 | FEMA-1709-DR | June 29, 2007 |
| 3277 | FEMA-3277-EM | August 18, 2007 |

Corrective Action:

This finding was reissued as current year reference number: 10-42.

Reference No. 05-38

**Allowable Costs/Cost Principles
Cash Management**

CFDA 20.218 - National Motor Carrier Safety

Award years - See below

Award numbers - See below

Type of finding - Material Weakness Control and Material Non-Compliance

Allowable Costs:

Per OMB Circular A-87, Attachment B, Section 8H, support of salaries and wages, where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which:

- Reflects an after-the-fact distribution of the actual activity of each employee,
- Accounts for the total activity for which each employee is compensated,
- Are prepared at least monthly and coincide with the pay period,
- Are signed by the employee, and
- Budget estimates before the 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 amounts 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 the differences between budgeted and actual costs are less than ten percent.

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| Initial Year Written: | 2004 |
| Status: | Partially Implemented |
| U.S. Department of Transportation | |

Two of 24 personnel activity reports did not agree to the federal reimbursement request amount. Fourteen hours in excess of the time sheets was charged to the grant. These two employees were commissioned so the rate was \$31.84 an hour or \$446. The questioned costs relate to MB-03-48-1 and BR-03-48-1 awards.

The timesheets were reviewed by the immediate supervisor and thus certified. The certified timesheets are used by grant accounting to manually update the grant expenditure spreadsheet that is used to prepare the cash reimbursement requests. Cash requests are reviewed based on the expense spreadsheets, however, there is no detailed review of the data input into the spreadsheet. Total salary and benefits charged to the grant was approximately \$17,575,000.

Cash Management:

According to the Treasury-State Agreement for the State of Texas, the National Motor Carrier Safety grant is not included in Subpart A of 34 CFR, part 205, which implemented the Cash Management Improvement Act. Therefore The Department of Public Safety (DPS) should be complying with Subpart B, which applies to programs in the catalog of federal domestic assistance that are not subject to Subpart A. These standards state that “cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accord only the actual, immediate cash requirement of the State in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of allowable indirect costs. Neither a State nor the Federal government will incur an interest liability on the transfer of funds for a program subject to this Subpart.” The expense spreadsheets discussed above are to be reconciled to the general ledger on a monthly basis. Sixteen reconciliations were reviewed and none of them agreed to the general ledger. Reconciliations appear to have been done at year-end only in conjunction with the preparation of the schedule of federal expenditures. Thirty expenditures were reviewed and it was determined that the invoice or payroll was paid prior to reimbursement request.

The National Motor Carrier Safety grant has multiple subawards and award years. During fiscal year 2004 the following grant award years and grant award numbers, respectively, were open: Award years: October 1, 2003 to September 30, 2004, September 1, 2003 to August 30, 2004, September 20, 1999 to September 30, 2003, October 1, 2002 to December 30, 2003, July 8, 2003 to July 8, 2004, October 1, 2002 to March 31, 2004, October 1, 2003 to December 31, 2004, March 31, 2004 to September 30, 2004, October 1, 2002, to September 30, 2004, April 1, 2003 to March 31, 2004, August 30, 2003 to September 30, 2004, September 30, 2002 to September 30, 2003, October 1, 2002 to September 30, 2004, October 1, 2003 to March 31, 2004; Award numbers: MB-03-48-1, CD-03-TX-1, MC-99-48-222, MC-01-48-222, MC-03-48-2, MC-03-48-1, MC-04-48-1, CD-02-48-2, BR-03-48-1, MH-03-48-1, MR-03-48-2, RB-02-48-01, BR-03-48-2, and MB-02-48-2.

Recommendation:

DPS should reconcile the expense spreadsheets to the general ledger on a monthly basis. These reconciliations should be reviewed by someone other than the preparer on a timely basis.

Management Response and Corrective Action Plan - Allowable Costs 2004:

DPS concurs with the above finding. We found that the two employee’s reports not matching the supporting documentation related to human error from manual reporting procedures. Although the amounts involved were immaterial (approximately \$70) and within acceptable margins of error we are taking steps to implement a reporting system directly from the electronic database where this information is keyed to avoid the same type of human error on future reports.

Management Response and Corrective Action Plan - Allowable Costs 2005:

DPS concurs with the above finding. We found that the one employee’s reports did not match the supporting documentation. This difference is attributable to human error from manual reporting procedures. We are taking steps to implement a reporting system where all source documents will be reported in an electronic format so we can avoid the same type of human error on future reports.

Management Response and Corrective Action 2006 - Allowable Costs 2006:

DPS concurs with the finding above. There has been no significant change in the way that the employee hours are tallied from their weekly activity reports in order to determine the number of hours that will be submitted to the Federal Motor Carrier Safety Administration. The process remains manual. DPS continues to conduct self audits on this process to ensure accuracy.

The computer programming needed to make this process entirely electronic is nearing completion. System testing should begin in Spring 2007 and we are hopeful that the process will be converted over to electronic reporting by Summer 2007. Under this system, employee weekly reports (source documents) will be electronically transferred from field locations to the Motor Carrier Bureau database. Queries of the database will be run in order to pull out the hours that are eligible for reimbursement, thus eliminating the current manual counts. A summary document will then be certified by the Manager, Motor Carrier Bureau, and transmitted to Accounting so that an invoice can be prepared and submitted to FMCSA for reimbursement.

Management Response and Corrective Action 2007 - Allowable Costs 2007:

DPS continues to concur with the original audit findings from 2004. The Texas Highway Patrol (THP) Division has been working with the Divisions' IT Contractor to develop a reporting system where all source documents (i.e., employee weekly activity reports) for determining allowable costs eligible for reimbursement under the applicable Federal Grant Program are reported in an electronic format. Progress has been made in this effort with the completion of a look-up table that identifies which CVE Service employees are eligible to submit hours for reimbursement under the Motor Carrier Safety Assistance Program Grant. However, the necessary data links that will extract the needed data from the source documents have not been completed as yet by the contractor. At present, the contractor has limited manpower to devote to this project due to other higher priority THP Division projects. Therefore, the status of this recommendation remains as partially implemented. The process for tallying employee hours for reimbursement under the allowable cost provisions of the applicable OMB Circulars remains manual with the DPS conducting self audits to ensure accuracy.

Additionally, the State Programs Manager for the Texas Division of the Federal Motor Carrier Safety Administration (FMCSA) conducts periodic audits of our reimbursement voucher requests under the various FMCSA grants that have been awarded to the DPS. These audits have been satisfactory without any financial discrepancies being reported to the DPS concerning allowable costs that the Department has sought reimbursement for under the applicable FMCSA Grant Program.

Management Response and Corrective Action 2008 - Allowable Costs 2008:

DPS continues to concur with the original audit findings from 2004. The Texas Highway Patrol (THP) Division continues to work with the Divisions' IT Contractor to develop a reporting system where all source documents (i.e. employee weekly activity reports) for determining allowable costs eligible for reimbursement under the applicable Federal Grant Program are reported in an electronic format. Progress has been made in this effort with the completion of a look-up table that identifies which CVE Service employees are eligible to submit hours for reimbursement under the Motor Carrier Safety Assistance Program Grant. However, the necessary data links that will extract the needed data from the source documents have not been completed by the contractor. The contractor has limited manpower to devote to this project due to other higher priority THP Division projects. Therefore, this recommendation remains partially implemented. The contractors currently estimate this electronic process to be fully implemented by December 2009, provided there are no unexpected delays. The process for totaling employee hours for reimbursement under the allowable cost provisions of the applicable OMB Circulars remains manual with the DPS conducting self audits to ensure accuracy.

In addition, the State Programs Manager for the Texas Division of the Federal Motor Carrier Safety Administration (FMCSA) continues to conduct periodic audits of our reimbursement voucher requests under the various FMCSA grants that have been awarded to the DPS. These audits have been satisfactory without any financial discrepancies being reported to the DPS concerning allowable costs that the Department has sought reimbursement for under the applicable FMCSA Grant Program.

Management Response and Corrective Action 2009 - Allowable Costs 2009:

DPS continues to concur with the original audit findings from 2004. The Texas Highway Patrol (THP) Division continues to work with the Divisions' IT Contractor to develop a reporting system where all source documents (i.e. employee weekly activity reports) for determining allowable costs eligible for reimbursement under the applicable Federal Grant Program are reported in an electronic format.

Progress has been made in this effort with the completion of a look-up table that identifies which CVE Service employees are eligible to submit hours for reimbursement under the Motor Carrier Safety Assistance Program Grant. However, the necessary data links that will extract the needed data from the source documents have not been completed by the contractor. The contractor has limited manpower to devote to this project due to other higher priority THP Division projects. Therefore, this recommendation remains partially implemented.

The contractors are now in the testing phase of the new application and it is estimated this electronic process will be fully implemented by July 2010, provided there are no unexpected delays. The process for totaling employee hours for reimbursement under the allowable cost provisions of the applicable OMB Circulars remains manual with the DPS conducting self audits to ensure accuracy.

In addition, the State Programs Manager for the Texas Division of the Federal Motor Carrier Safety Administration (FMCSA) continues to conduct periodic audits of our reimbursement voucher requests under the various FMCSA grants that have been awarded to the DPS. These audits have been satisfactory without any financial discrepancies being reported to the DPS concerning allowable costs that the Department has sought reimbursement for under the applicable FMCSA Grant Program.

Implementation Date: July 2010

Responsible Person: Major David L. Palmer, THP Division

Management Response and Corrective Action Plan - Cash Management 2004:

DPS concurs with the finding above. We are implementing new procedures and hiring additional personnel to address the issues identified above.

Management Response and Corrective Action Plan - Cash Management 2005:

DPS concurs with the finding above. The attempts to hire personnel solely responsible for the reconciliation process were not successful. Management has decided to restructure the department and add the additional responsibilities of reconciliations to the six Grant Accountants. The Accountants will have one set of assigned programs they will be responsible for auditing and billing. A separate set of programs will require reconciling to the internal accounting system (MSA) and the Uniform State Wide Accounting System (USAS). The reclassification for this job function change is currently in the Human Resources Department pending approval.

Management Response and Corrective Action 2006 - Cash Management 2006:

The approved reclassification for the Grant Accountant positions was received 09/30/06. These positions were filled in November 2006. We will be implementing monthly reconciliations on the MCSAP programs this Fiscal Year.

Management Response and Corrective Action 2007 - Cash Management 2007:

Procedures and training for monthly reconciliations began in January 2007. During FY07 we were able to reconcile 50% to 75% of the Motor Carrier programs on a quarterly basis with 100% reconciled in the 4th quarter before the Annual Financial Report was completed. There will be 100% monthly reconciliations in FY08.

Management Response and Corrective Action 2008 - Cash Management 2008:

The procedures and training that was implemented in 2007 made it possible to reconcile Motor Carrier Programs on a monthly basis 50% to 75% of the time. In 2008, we were able to complete monthly reconciliations 75% of the time. In an attempt to reach our goal of 100% monthly reconciliations, we are training the Grant Accountants to reconcile their programs as part of the monthly billing process. The Assistant Grant coordinators for each section will review and approve the reconciliations. The Grant Coordinator will perform additional reviews each quarter to ensure compliance.

Management Response and Corrective Action 2009 - Cash Management 2009:

This has been fully implemented.

Implementation Date: March 31, 2009

Responsible Person: Janet L. Espinosa

Sul Ross State University

Reference No. 09-49

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not applicable, CFDA 84.063 P063P072316, CFDA 84.375 P375A072316, CFDA 84.376 P376S072316, CFDA 84.007 P007A074130, and CFDA 84.033 P033A074130

Type of finding - Significant Deficiency and Non-Compliance

Cost of Attendance Calculation

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). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

COA refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." 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).

Sul Ross State University (University) incorrectly calculated the COA for 2 (4 percent) of 50 students tested. University staff performed manual adjustments to the system-programmed COA, resulting in incorrect COA calculations. However, the incorrect COA calculations did not have an effect on the amount of assistance awarded to students.

Recommendations:

The University should establish controls over manual adjustments it uses in determining financial need.

Management Response and Corrective Action Plan 2008:

The University has implemented an internal office auditing process by which no budget adjustments can be made by Financial Counselors without verification of calculations by another staff member.

Management Response and Corrective Action Plan 2009:

The University had implemented an internal office auditing process by which budgets were not to be manually calculated without another staff member overseeing this change. Additional monitoring will be done to make sure that this is does not happen.

Implementation Date: February 2010

Responsible Person: Melinda Cullins or Rena Gallego

ACG Minimum GPA Requirements

The Academic Competitiveness Grant (ACG) program provides grants to eligible, full-time, regular, undergraduate students enrolled in their first and second academic years in an ACG-eligible program at a 2-year or 4-year degree granting institution. Grants are for up to \$750 for first-year students and up to \$1,300 for second-year students (Title 34, Code of Federal Regulations, Sections 691.2(d), 691.6, 691.15, and 691.62).

An eligible student must have successfully completed a rigorous secondary school program of study recognized by the Secretary of the U.S. Department of Education. The institution must document a student's completion of such a program of study. For ACG, the student must have obtained a grade-point average (GPA) of 3.0 or higher on a 4.0 scale (Title 34, Code of Federal Regulations, Section 691.15(b) (iii)(B)). This requirement is to be checked one time only, at the end of the first academic year. Subsequent changes to the student's GPA do not affect ACG eligibility for the second year.

For 1 (50 percent) of 2 ACGs tested, the University did not verify whether the receiving student had obtained a GPA of 3.0 or higher. As a result, the student was incorrectly awarded an ACG of \$1,300.

Corrective Action:

Corrective action was taken.

Reference No. 09-50

Special Tests and Provisions - Disbursements To or On Behalf of Students

(Prior Audit Issue 07-43)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P072316

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notices

If an institution credits a student's account at the institution with Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: | 2006 |
| Status: | Implemented |
| U.S. Department of Education | |

For 24 (48 percent) of 50 FFELP loans tested, Sul Ross State University (University) did not send disbursement notifications within the required 30 days. The University implemented a new financial aid system and was unable to determine how to generate disbursement notifications until October 2007. The University corrected the problem and routinely generated disbursement notifications for spring disbursements. Twenty-three of the 24 disbursements that did not result in timely notices occurred before October 2007; the twenty-fourth occurred in March 2008.

The University included all of the required provisions in the wording of its disbursement notifications.

COD System Disbursement Dates and Amounts

All institutions submit Pell payment data to the Department through the Common Origination and Disbursement (COD) System. Institutions submit Pell origination records and disbursement records to the COD System. Origination records can be sent well in advance of any disbursements, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. An institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. 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 the institution makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. (Title 34, Code of Federal Regulations, Section 690.83; Office of Management and Budget (OMB) March 2008 Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.L.1.e).

For 10 (32 percent) of 31 students with Pell disbursements tested, the information the University reported to the COD System did not match information in the students' accounts. At least one disbursement date, amount, or both were not recorded accurately in COD. Specifically:

- For eight students, the date and amount of one Pell disbursement was not recorded in the COD System. Due to the implementation of a new financial aid system, the University financial aid staff fell behind in reporting to the COD System.
- The University recorded the amounts correctly for two students; however, the dates were inaccurate. University staff stated that the COD System sometimes forces a disbursement date to undergo a process called "substantiation," which changes the disbursement date to the date when the data were transmitted to the COD System. One of these two students also had a disbursement that had not been recorded at the time of testing.
- For one student, a Pell disbursement was recorded in the COD System as occurring on a single date (August 13, 2007), but the University's computer system recorded part of the disbursement as occurring on a later date (August 22, 2007).

Corrective Action:

Corrective action was taken.

Texas A&M Health Science Center

Reference No. 08-42

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Non-Compliance

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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

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| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Education | |

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).

For its Graduate School of Public Rural Health Program, Texas A&M Health Science Center (Health Science Center) estimates a student’s cost of attendance based on half-time enrollment for each semester a student is enrolled, regardless of the number of hours in which the student is actually enrolled. As a result, if a student is enrolled in more than a half-time course load, the student’s cost of attendance and financial need are understated. The understatement of financial need could result in the student not receiving aid for which he or she is eligible.

The Health Science Center incorrectly calculated the cost of attendance for 4 (10 percent) of 40 students tested.

Corrective Action:

Corrective action was taken.

Reference No. 08-43

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30 2007

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

If an institution credits a student’s account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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

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| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Education | |

by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Texas A&M Health Science Center (Health Science Center) did not include in its disbursement notifications to FFELP loan recipients, the right to cancel, nor the timeframes or procedures by which the students or parents must notify the institution that they wish to cancel the loan or loan disbursement.

Corrective Action:

Corrective action was taken.

Texas A&M University

Reference No. 09-51

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 08-45)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A074136, and CFDA 84.063 P063J075286

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, Sections 668.22(a)(1)-(3)). 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, Code of Federal Regulations, Sections 668.22(a) (1)-(4)).

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| Initial Year Written: | 2007 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

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 or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

For 12 (30 percent) of 40 students tested, Texas A&M University (University) did not return the proper amount of funds. For 6 of those students, calculation errors by the University resulted in students not returning the proper amount of funds. For 2 of those students, the University did not return funds in a timely manner. All of the exceptions were the result of the University using 110 days for the length of the Spring 2008 semester instead of the 107 days that was the actual length of the semester.

In all 40 cases tested, the University applied Title IV funds to federal programs as required.

Corrective Action:

This finding was reissued as current year reference number: 10-55.

Reference No. 09-52

Special Tests and Provisions - Student Status Changes

(Prior Audit Issues 08-46 and 07-47)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2007

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Under the Federal Family Education Loan Program (FFELP) and Direct Loan Program, institutions must complete and return within 30 days of receipt the Student Status Confirmation Report (SSCR) sent by the U.S. Department of Education (Department) or a guaranty agency (Office of Management and Budget No. 1845-0035) The SSCR is transmitted electronically. The institution determines how often it receives the SSCR, but the minimum is twice a year. Once the SSCR is received, the institution must update it for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Data System (NSLDS) Web site. Unless the institution expects to complete its next SSCR within 60 days, the institution must notify the lender or the guaranty agency within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFELP, Title 34, Code of Federal Regulations, Section 682.610; Direct Loan Program, Title 34 Code of Federal Regulations, Section 685.309).

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| Initial Year Written: | 2006 |
| Status: | Implemented |
| U.S. Department of Education | |

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report student status changes to NSLDS. Under this arrangement, NSLDS (rather than the University) sends the SSCR to NSC. NSC then communicates student status changes to lenders and guaranty agencies, as appropriate, and NSLDS. Although the University uses the services of NSC, it is still the University's responsibility to submit timely, accurate, and complete responses to the SSCR and to maintain documentation (NSLDS *Enrollment Reporting Guide*, Chapter 1.3.1.1).

The University did not report 9 (19 percent) of 47 student status changes tested to the NSLDS within the required time period. In 2 (22 percent) of these 9 cases, the University did not notify the lender or the guaranty agency within the required 30 days.

Corrective Action:

Corrective action was taken.

Reference No. 09-53

Special Tests and Provisions - Student Loan Repayments

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.038 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, Section 674.42(4)(c)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

Under the Federal Perkins Loan Program institutions are required to send the borrower a written notice and a statement of account at least 30 days before their first payment is due (Title 34, Code of Federal Regulations, Section 674.43 (a)(2)(i)).

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, Code of Federal Regulations, Section 674.43(a-c)).

Although Texas A&M University (University) made contact with borrowers, it did not make contact at required intervals. Specifically:

- The University did not make first contact with 38 (100 percent) of 38 borrowers tested within 90 days after the start of their grace period.
- The University did not make second contact with 50 (100 percent) of 50 borrowers tested within 150 days after the start of their grace period.
- The University did not make third contact with 50 (100 percent) of 50 borrowers tested within 240 days after the start of their grace period.

Although the University sent billing notices, it did not send billing notices at required intervals. Specifically:

- The University did not send the first billing notice at least 30 days before the first payment due date to 50 (100 percent) of 50 borrowers tested. The grace period notices were sent two weeks late, and the first bill was sent two weeks early due to errors within the University's automated system.
- The University did not send the first overdue notice within 15 days after the first payment due date for 50 (100 percent) of 50 borrowers tested.
- The University did send the second and final overdue notices within the required timeframes. However, 22 (44 percent) of 50 second and 21 (42 percent) of 50 final overdue notices tested did not contain the appropriate information.

Corrective Action:

This finding was reissued as current year reference number: 10-56.

Texas A&M University - Corpus Christi

Reference No. 09-54

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.007 P007A074138, CFDA 84.032 Award Number Not Applicable, and CFDA 84.063 P063P073425

Type of finding - Significant Deficiency and Non-Compliance

Awards of Pell Grants and Federal Supplemental Education Opportunity Grants to Post-baccalaureate Students

Except for certain post-baccalaureate programs leading to initial teacher certification or licensing credential within a state, a student is eligible to receive a federal Pell Grant only for the period of time required to complete his or her first undergraduate baccalaureate course of study. The institution must determine when the student has completed the academic curriculum requirements for that first undergraduate baccalaureate course of study. Any noncredit or remedial course taken by a student, including a course in English language instruction, is not included in the institution's determination of that student's period of federal Pell Grant eligibility (Title 34, Code of Federal Regulations, Section 690.6).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

The Federal Supplemental Education Opportunity Grants (FSEOG) program provides grants to eligible undergraduate students. In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive federal Pell Grants in that year. The institution decides the amount of the grant, which can be up to \$4,000 but not less than \$100, for an academic year. The maximum amount may be increased to \$4,400 for a student participating in a study abroad program that is approved for credit by the student's home institution (Title 34, Code of Federal Regulations, Sections 676.10 and 676.20).

Texas A&M University - Corpus Christi (University) awarded Pell and FSEOG funds to 11 students who were post-baccalaureate students in the semester in which they received these awards. During the spring 2008 semester, these students received \$15,937 in Pell awards and \$500 in FSEOG awards for which they were not eligible. The students' classification changed from undergraduate to post-baccalaureate after funds were awarded, but the University did not adjust these students' awards.

Financial Need

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). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and FSEOG, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

COA refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." 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 10871l).

For 1 of 50 (2 percent) students tested, the University calculated the COA budget incorrectly, and the COA did not match the student financial aid budget schedule. The University used the fall 2005 and spring 2006 budget in error. As a result, the University underestimated the student's financial need by \$1,917.

In addition, for 1 of 25 (4 percent) students tested, the University miscalculated the federal Pell Grant amount. The student had an original EFC of \$2,211. After the ISIR was corrected, the EFC was \$0. The student received an incorrect federal Pell Grant award of \$2,060 instead of \$4,310. The University corrected the Federal Pell Grant award to that student.

Corrective Action:

Corrective action was taken.

Reference No. 09-55

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007, to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

Texas A&M University-Corpus Christi (University) has established an automated process for notifying students when their accounts have been credited with a FPL or FFELP award. However, this program was not fully functioning and, as a result, the program was not posting the date the notification was sent in each student's file. In a sample of 50 students, 44 (88 percent) received a loan from either the FPL program or FFELP. Because of the programming error, however, auditors were not able to determine whether notifications were sent within the required timeframe to all students in the sample for the award year that received a loan.

Recommendations:

The University should correct the programming error related to notification letters dates and ensure that it maintains evidence of when it sends notification letters to students.

Management Response and Corrective Action Plan 2008:

An automated process has been established to send out Notification letter to students when their accounts have been credited with a student or parent loan. During the audit it was determined that the date of the notification was not being posted to the student system prior to July 8, 2008. The financial aid programmer was able to correct the issue and the system since that date has been tracking the notification information. Evidence of when notifications are sent is being tracked appropriately in Banner on RUAMAIL.

Management Response and Corrective Action Plan 2009:

Financial Aid programmers were able to correct original issue related to the notification letters but failed to apply program changes as they related to summer loan disbursements. All programming issues have been corrected and all student loan recipients are now receiving notification letters.

Additionally, prior to the first loan disbursements for each semester, the Associate Director will verify with the programmer that all relevant loan detail codes are being used by Workflow to identify students that will need to receive a notification letter.

Implementation Date: September 22, 2009

Responsible Person: Tracie Perez

Entrance Counseling

An institution must ensure that initial counseling is conducted with each Stafford loan borrower prior to its release of the first disbursement, unless the student borrower has received a prior Federal Stafford, Federal Supplemental Loan for Students, or direct subsidized or unsubsidized loan (Title 34, Code of Federal Regulations, Section 682.604 (f)).

Of 44 students tested, 2 (4.5 percent) did not have evidence of entrance counseling in Banner (the University's financial aid system). Banner still disbursed funds to these two students. Auditors determined that the students had received entrance counseling prior to disbursement; however, the automated system should not have disbursed the funds because Banner did not have evidence of the counseling. The control in Banner to prevent disbursement without entrance counseling was not activated.

Corrective Action:

Corrective action was taken.

Texas Higher Education Coordinating Board

Reference No. 09-56

Special Tests and Provisions - Interest Benefits

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Interest Benefit Calculations

The U.S. Department of Education (Department) pays interest benefits to lenders on behalf of eligible borrowers with subsidized Federal Family Education Loan Program (FFELP) loans (subsidized Stafford and certain consolidated loans) when such loans are in qualifying status. The qualifying status includes the in-school loan period, the grace period, and any authorized deferment period or post-deferment grace period (Title 34, Code of Federal Regulations (CFR), Section 682.300). Generally, the Department’s obligation to pay interest benefits ceases when the eligible borrower enters repayment status and does not qualify for deferment. Interest benefits to the lender also begin or terminate with certain other day-specific events enumerated in Title 34, CFR, section 682.300(b)(2) and (c).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

A lender requests payment of interest benefits by submitting a *Lender’s Interest and Special Allowance Request and Report (LaRS report)* to the Department. Applicable loan interest rates are provided in Title 34, CFR, Section 682.202(a). Interest benefits due to the lender may be calculated by using either the average daily balance or actual accrual methods as defined in Title 34, CFR, Sections 682.304(b) and (c). Adjustments for prior periods must be reported as separate line items.

For 2 (4 percent) of 50 loans reviewed, the Texas Higher Education Coordinating Board’s (Coordinating Board) interest benefit calculations used incorrect dates. For one loan, interest calculations should have stopped on June 16, 2007; however, the Coordinating Board continued to calculate interest through September 15, 2007. The resulting interest calculation was overstated by \$38.76 during the test period. The Coordinating Board stated that this was caused by user error while becoming familiar with the Higher Education Loan Management System (HELMS) during its implementation. In the other case, a data entry error caused the beginning date for interest calculation to be recorded as October 10, 2007, instead of October 1, 2007. The resulting interest calculation was understated by \$4.28, an error that was in the Department’s favor.

Access to the Student Information System

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 (OMB Circular A-133, Subpart C, Section300 (b)).

The Coordinating Board does not maintain appropriate user access over HELMS. Thirteen screen areas were evaluated in HELMS, and several employees were found to have excessive and inappropriate access that was not aligned with their job function. Specifically:

- Twenty-six (57 percent) of 46 users had full update access to the payment processing screen.
- Two (8 percent) of the 26 users were terminated and no longer with the Coordinating Board
- Sixteen (80 percent) of 20 users had full update access to the variable interest rate control record tables.
- Nineteen (100 percent) of 19 users had excessive update access to the Alternate Due Diligence update record screen.

Allowing employees to have excessive and inappropriate access to areas in HELMS that is outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 09-57

Special Tests and Provisions - Special Allowance Payments

(Prior Audit Issues 08-51, 07-51, 06-46, 06-47, and 06-48)

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

The U.S. Department of Education (Department) pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances of eligible Federal Family Education Loan Program (FFELP) loans. The lender/servicer bills the Department on a quarterly basis for special allowance payments (SAP) through Part III of the *Lender's Interest and Special Allowance Request and Report* (LaRS Report). The lender/servicer must separate loans according to loan type, applicable interest rate, and special allowance category, and the lender /servicer must provide the sum of average daily balances for each loan within these groups. The Department then calculates a special allowance per category. SAP categories are defined by the Department according to the type of loan; the date the loan was disbursed; the loan period; and, in some cases, the number of quarters for which the loan has been outstanding or the loan's status (in-school, grace, deferment, or repayment) (Title 34, Code of Federal Regulations, Section 682.302 (c)).

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|------------------------------|-------------|
| Initial Year Written: | 2005 |
| Status: | Implemented |
| U.S. Department of Education | |

The lender/servicer also must report the status and balance of each FFELP loan held and make any adjustments to submissions covering earlier quarters. The Department's obligation to pay a special allowance for an eligible loan ends on the earliest of the following dates, as applicable: the date the loan is repaid; the date the lender receives a claim payment on the loan; the date the loan ceases to be guaranteed or loses its re-insurability; 60 days after the date the borrower defaulted on the loan, unless the lender files a claim with the guarantor before the 60th day; and other dates, as applicable, as outlined in Title 34, Code of Federal Regulations, Section 682.302(d).

The Texas Higher Education Coordinating Board (Coordinating Board) inappropriately reported SAP on 11 (22 percent) of 50 loans tested. Specifically:

- The Coordinating Board classified and reported 10 loans using incorrect SAP categories. The category classifications depend on characteristics such as loan status, source of loan funds, disbursement dates, and rates of interest. Four loans that should have been reported in the "CB" category were reported in category "XK;" three loans that should have been reported in the "SG" category were reported in category "XG;" two loans that should have been reported in the "CA" category were reported in category "XJ;" and one loan that should have been reported in category "SK" was reported in category "XK." These errors related to sample items selected from the first and second quarters of the award year, and they appear to reflect the continuance of an issue noted in our prior audit that resulted from manual processing errors made during the Coordinating Board's conversion to its Higher Education Loan Management System (HELMS). Management subsequently made changes in HELMS, and all of these loans were found to be properly classified as of the fourth quarter of the award year.
- The Coordinating Board inappropriately reported and collected SAP on one loan that was no longer guaranteed. The HELMS system reported this loan as having been a permanently void account since January 20, 1999.

Corrective Action:

Corrective action was taken.

Reference No. 09-58

Special Tests and Provisions - Student Status Changes

(Prior Audit Issues 08-52, 07-52, and 06-45)

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Federal regulations require that, after the Texas Higher Education Coordinating Board (Coordinating Board) is notified of a student status change, it must use that information to make proper adjustments to each loan in a timely manner. For purposes of this requirement, “timely” means adjustments are made in time to satisfy the time requirements outlined in Title 34, Code of Federal Regulations, Section 682.209, for converting and beginning the collection of loans. The accuracy of billings for interest benefits and special allowance payments, and the timely conversion of loans to repayment status, depend on the timely and accurate processing of student status changes.

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| Initial Year Written: | 2005 |
| Status: | Implemented |
| U.S. Department of Education | |

The Texas Guaranteed Student Loan Corporation (TGS LC) and the National Student Clearinghouse (NSC) communicate student status changes to the Coordinating Board on a weekly basis. The Coordinating Board downloads electronic files from TGS LC and NSC each week for processing. Processing includes reviewing the downloaded information for each student and determining whether the downloaded information is more accurate than the Coordinating Board’s records. Occasionally, students or institutions will have already contacted the Coordinating Board directly with information. If it is determined that an update is necessary, the Coordinating Board staff manually input the change.

The Coordinating Board did not process 13 (22 percent) of 58 enrollment status changes tested in a timely manner in accordance with regulations. Of the 13 not processed in a timely manner, 7 were not updated within the required time frame and 6 were not updated at all in the Higher Education Loan Management System (HELMS). The Coordinating Board did not have an adequate control process for identifying and making student status changes within HELMS.

The Coordinating Board had limited staff available to process the enrollment status changes in a timely manner. In February 2008 new staff and training became available to process enrollment status changes. All 13 exceptions occurred in the third and fourth quarters of 2007, which was prior to the addition of staff in 2008.

Corrective Action:

Corrective action was taken.

Reference No. 09-59

Special Tests and Provisions - Due Diligence by Lenders or Servicers in the Collection of Delinquent Loans
(Prior Audit Issue 08-53)

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender
Award year - July 1, 2007 to June 30, 2008
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

A lender is required to maintain complete and accurate records of each loan that it holds. In determining whether the lender met the due diligence compliance requirements pertaining to collection of delinquent loans, the documentation maintained must include a collection history showing the date and subject of each communication between the lender and the borrower or endorser relating to collection of a delinquent loan; each communication (other than regular reports by the lender showing that an account is current) between the lender and a credit bureau regarding the loan; each effort to locate a borrower whose address is unknown at any time; and each request by the lender for default aversion assistance on the loan (Title 34, Code of Federal Regulations, Section 682.414(a)(4)).

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|------------------------------|-----------------------|
| Initial Year Written: | 2007 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

When performing compliance testing for due diligence in collection of delinquent loans during the quarter ending September 30, 2007, auditors determined that the Texas Higher Education Coordinating Board (Coordinating Board) did not perform required efforts to contact 2 (5 percent) of 38 borrowers by telephone on or before the 90th day of delinquency as required by Title 34, Code of Federal Regulations, Section 682.411(d)(4). Specifically, in the quarter ending September 30, 2007, one borrower was 163 days delinquent and a second borrower was 194 days delinquent, yet the Coordinating Board did not engage in diligent telephone contact urging the borrowers to make the required payments on their loans on or before the 90th day of delinquency.

Corrective Action:

This finding was reissued as current year reference number: 10-66.

Reference No. 09-60

Special Tests and Provisions - Cures
(Prior Audit Issues - 08-54, 07-53, and 06-49)

CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender
Award year - July 1, 2007 to June 30, 2008
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

A lender requests payment of interest benefits and special allowance for eligible loans by billing the U.S. Department of Education (Department) at the end of each calendar quarter. The lender does this by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report). A lender is prohibited from billing for federal interest benefits and special allowance payment on loans that are not eligible for federal reinsurance coverage. It is the lender's responsibility to repay immediately all federal interest benefits and special allowance payments on a loan that is, or was, ineligible to receive payments (Common Manual, Unified Student Loan Policy, Appendix A.3). A lender may have the guarantee on a loan reinstated by curing the applicable violation. Upon reinstatement of a loan's guarantee, the lender is again eligible to receive claim payments, interest benefits, and special allowance payments on the loan; the lender is ineligible to receive these payments from the date of the first unexcused violation to the date of the cure (Common Manual, Unified Student Loan Policy, Section 14.5). A lender must comply with the cure procedures in Title 34, Code of Federal Regulations, Part 682, Appendix D, for loans with due diligence or timely filing violations and related cure information must be accurately reported on the LaRS report.

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| Initial Year Written: | 2005 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

When performing compliance testing for pending cures for the quarter ending June 30, 2008, auditors determined that the Texas Higher Education Coordinating Board (Coordinating Board) did not correctly adjust the LaRS report to rebate federal special allowance payments (SAP) for 1 (7 percent) of 15 accounts tested. A due diligence violation caused this loan to lose its guarantee effective February 9, 2007. The Coordinating Board is responsible for adjusting special allowance billings so that special allowance is not billed from February 9, 2007, to the date the loan regains eligibility for special allowance. A prior period adjustment from the February 9, 2007, violation date to the March 26, 2008, violation process date should have occurred in the quarter ending March 31, 2008. Due to programming corrections for LaRS billing in the Coordinating Board's new Higher Education Loan Management System (HELMS), the Coordinating Board did not correct special allowance for this loan in both the first and second quarters of 2008. There are no questioned costs because the Coordinating Board made necessary adjustments to the LaRS report for the quarter ending September 30, 2008.

Corrective Action:

This finding was reissued as current year reference number: 10-68.

Texas Southern University

Reference No. 09-61

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.007 P007A074145

Type of finding - Significant Deficiency and Non-Compliance

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

Initial Year Written: 2008
Status: Implemented

U.S. Department of Education

According to the *Student Financial Aid Handbook* for award year 2007-2008 a student's application might be selected for verification after corrections are submitted and after the student has already been paid based on the previous unselected CPS transaction. You must verify his application before making further disbursements. If verification does not justify aid already disbursed, then the student is responsible for repaying all aid for which he is not eligible, though he may keep any Stafford loan money he received and FWS wages he earned. (Student Financial Aid Handbook 2007-2008, Application & Verification Guide, Chapter 4, page 88)

Two students at Texas Southern University (University) received FSEOG awards but did not receive Pell Grant awards. Specifically:

- One student did not initially report having a degree on the student's Institutional Student Information Report (ISIR). When the registration records were activated, the student's degree was identified, making the student ineligible for a Pell grant. The Pell grant was cancelled; however, the FSEOG was inadvertently not cancelled from the student's record and the student was issued an award amount of \$1,000 for award year 2007-2008.
- The second student initially had an EFC of \$0 and, therefore, was initially eligible for both Pell and FSEOG. After the completion of the University's verification the student's EFC was raised to \$4,117, making the student ineligible for a Pell grant. However, the University's verification was completed after the first FSEOG disbursement of \$500. Since verification did not justify FESOG already disbursed, the student is responsible for repaying the FESOG. Also, the University should not have made a second payment of \$500 to the student in the spring semester of award year 2007-2008 because this payment was after the student was determined to be ineligible for FESOG.

Corrective Action:

Corrective action was taken.

Reference No. 09-62

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 08-58)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.063 P063P072327, CFDA 84.007 P007A074145, CFDA 84.375 P375A072327, and CFDA 84.376 P376S072327

Type of finding - Material Weakness and Material 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 aid earned by the student as of the student’s withdrawal date. 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 as outlined in this section 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 greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(1)-(3)).

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|------------------------------|-----------------------|
| Initial Year Written: | 2007 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate Federal Family Educational Loan Program lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

Texas Southern University (University) incorrectly calculated the amounts of Title IV aid to be returned for 46 (92 percent) of 50 students tested. The cause for the inaccurate calculations varies, including:

- The Spring semester return calculations did not take into account the days off for spring break, making the semester nine days longer for the calculation. Nineteen (38 percent) of the 50 tested were from the Spring semester
- The University’s financial aid system (Banner) showed that the students’ had earned a portion of their Title IV funds; however, the calculation for returning funds was based on the student not being enrolled.
- Banner system data did not match data used on the paper return of Title IV calculation which, in turn, did not match auditors’ recalculation.

Questioned costs could not be determined with accuracy due to the extensive nature of the erroneous calculations.

Additionally, there is a lack of controls over the University’s entire Return of Title IV calculation process.

The University did not calculate or consistently calculate the students’ portion of the return and did not consistently return the student’s portion. The University does not have policies and procedures for the returning of the student’s portion of the return.

Recommendation:

The University should establish controls to ensure that the amount of Title IV funds to be returned is calculated correctly and returned.

Management Response and Corrective Action Plan 2008:

The Financial Aid Accountant has recalculated all information based on the identification of the omission of the Spring Break Week in the calendar and has conducted a full scope review and corrected all calculations. The university is currently realigning the Financial Aid Accountant position to report to the Financial Aid Office. The university has increased the Financial Aid staff by 2. One new accountant will work with compliance issues, such as this finding. Additional new operating procedures will require weekly updates. The position will be directly supervised by the Director of Financial Aid. A comprehensive spreadsheet and calendars are being developed to assist with the review process.

Management Response and Corrective Action Plan 2009:

The auditor reviewed a sample of students that received Title IV funds and withdrew from the University. In one instance, a student withdrew and TSU calculated the refund amount correctly; however, the funds were not returned within the required timeframe. TSU implemented new procedures in 2009. Additionally, the University did a 100% recalculation of Title IV refunds for academic years 2008 and 2009. The one exception in the audit sample occurred prior to the implementation of the new procedures. Of the sample tested there were no exceptions in calculations, eligibility, and student status changes. We believe that our revised procedures adequately address the audit issue. TSU will continue to review procedures and transactions to ensure that the current procedures are working as planned.

Implementation Date: September 1, 2009

Responsible Person: Jim McShan

Reference No. 09-63

Special Tests and Provisions - Student Status Changes

(Prior Audit Issue 08-59)

Student Financial Assistance Cluster

Award year - July 1, 2007 to July 30, 2008

Award number - CFDA 84.032 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 U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

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| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Education | |

Texas Southern University (University) did not report 7 (14 percent) of 50 students tested to the National Student Loan Data System (NSLDS) within the required time period. On January 23, 2008, the University’s submission of student status changes was changed from six submissions a year to the National Student Clearinghouse (NSC) to monthly submissions on the first day of each month directly to NSLDS. The seven errors identified were as follows:

- The University reported three (43 percent) of the seven students tested to the NSC in a timely manner, but it did not report them to the NSLDS. Although the University used the services of the NSC, it is 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 1.3.1.1).
- The University reported three (43 percent) of the seven students tested to NSLDS more than 60 days after the students’ status changed, and the University did not notify the lender or guarantor.
- During the transition from using the NSC to only reporting to NSLDS, the University did not report one (14 percent) of the seven students tested to NSLDS.

Corrective Action:

Corrective action was taken.

Reference No. 09-64

Allowable Costs/Cost Principles

Research and Development Cluster

Award years- Multiple

Award numbers - All Grants with Effort Reported; CFDA 43.000, NCC 9-165; CFDA 20.701, DTRS99-G-0006/47300-00041, S080034

Type of finding - Significant Deficiency and Non-Compliance

Direct Costs - Time and Effort Reporting

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 the costs that are distributed from federal awards 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. For other employees, unless alternate arrangements are agreed to, activity reports must be prepared no less frequently than monthly and must coincide with one or more pay periods (Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, Section J.10).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| Federal Agencies that Provide R&D Grants | |

Texas Southern University’s (University) activity reports for one quarter contained inaccurate percentage of effort information for one month on the report. The percentage of effort for all signed reports for May 2008 was zero percent, while payroll charges for these employees were charged to federal grants. The original reports were generated in error and, after audit testing concluded, the University reissued the reports with the correct percentage and affirmed by appropriate personnel.

Corrective Action:

Corrective action was taken.

Indirect Costs

Indirect costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function 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 (regardless of the period covered by the subgrant or subcontract) (OMB Circular A-21, Cost Principles for Educational Institutions, Section G.2).

The University used an incorrect cost basis when calculating the indirect cost of a subgrant on 1 (2 percent) of 50 indirect cost charges tested. The University charged indirect costs on direct costs of a subgrant exceeding the first \$25,000 of that subgrant. The University's policy includes a reconciliation of indirect costs at the end of the award period; however, this would have resulted in the University holding funds for an extended period of time. After audit testing concluded, the University reconciled the indirect cost charges and returned the incorrectly charged funds.

Internal Service Charges

Charges made from internal service, central service, pension, or similar activities or funds must follow the applicable cost principles provided in OMB Circular A-21. According to OMB Circular A-21, to be allowable under federal awards, costs must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that does not discriminate against federally-supported activities of the institution, including usage by the institution for internal purposes (OMB Circular A-21, Cost Principles for Educational Institutions, Section J.47).

Four (29 percent) of fourteen University print service internal service charges were not processed in accordance with OMB Circular A-21. Specifically, the controls associated with determining the charges for print services were not consistent with the schedule of rates for the services. Two of the charges did not contain sufficient information regarding the charge to determine whether the cost was handled consistently (one of these charges was reversed by the University when documentation could not be located, and the University subsequently provided sufficient proof of the service to justify the costs for the other charge). The other two charges were charged less than the listed price for the services described in the documentation.

Recommendations:

The University should:

- Ensure that indirect costs for sub-recipients are limited to the first \$25,000 of direct costs.
- Properly and completely document the services received for internal service charges.

Management Response and Corrective Action Plan 2008:

Indirect Cost

Per the recommendation of the State Auditor's Office, the University will ensure that enhancements are made to existing BANNER functionality to establish that indirect cost for subrecipients are limited to the first \$25,000 of direct costs. Effective immediately, the Grants and Contracts department will ensure that the subrecipient threshold limit is being addressed using a manual calculation process.

Internal Service Charges

Per the recommendations of the State Auditor's Office, the University will properly and completely document the services received for internal service charges. The action steps for corrective measures are as follows:

The Copy Center Request Form will be updated with more detailed instructions for better clarity on how to complete the form.

Management Response and Corrective Action Plan 2009:Indirect Cost

The University implemented new procedures in June 2009. The auditor reviewed a sample of indirect cost items. The one exception in the audit sample occurred prior to the issuance of the prior year audit finding and prior to the implementation of the new procedures. We believe that our revised procedures adequately address the audit issue. TSU will continue to review procedures and transactions to ensure that the current procedures are working as planned.

Implementation Date: June 24, 2009

Responsible Persons: Diane W. Lewis
Laurie Brown

Internal Service Charges

The University implemented the changes described in the prior year audit report to ensure compliance with OMB Circular A-21. The auditor reviewed a sample of internal service charges. In one of the sample items, the supporting documentation was missing a receipt for a forty-two cent stamp. The University does charge all users the actual cost of forty-two cents for a stamp, in compliance with OMB Circular A-21. The institution will emphasize to appropriate personnel the importance of complete supporting documentation for all transactions.

Implementation Date: N/A

Responsible Person: Birtenna Bennett

Texas State Technical College - Marshall

Reference No. 08-62

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award numbers - CFDA 84.007 P007A068753, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A068753, and CFDA 84.063 P063P055503

Type of finding - Significant Deficiency and Non-Compliance

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 minus the Expected Family Contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603(d) (2)).

Initial Year Written: 2007

Status: Implemented

U.S. Department of Education

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." The 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).

Texas State Technical College - Marshall (College) incorrectly calculated the cost of attendance for all 30 students tested. The error was manual in nature and was caused by the inadvertent entry of inaccurate tuition and fee information into the financial aid system. However, this error did not result in an overaward or underaward of financial aid for any of the students tested.

Corrective Action:

Corrective action was taken.

Texas State Technical College - Waco

Reference No. 08-64

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Funds Not Always Disbursed within Three Business Days

An institution must return Federal Family Education Loan Program (FFELP) funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by electronic funds transfer (EFT) or master check on or after July 1, 1999 (Title 34, Code of Federal Regulations, Section 668.167(b)(1)(ii)).

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| Initial Year Written: | 2007 |
| Status: | Implemented |
| U.S. Department of Education | |

For 18 students in a sample of 40 (and 33 of 97 transactions), Texas State Technical College - Waco (College) held funds more than three business days before disbursing them to the student accounts. Auditors made this determination using dates on the students' billing screens in the College's financial aid system. The College has asserted that those dates are not representative of the actual disbursement dates. However, auditors used these dates because (1) they were shown in the financial aid system and (2) the College reported these dates to the federal government as the disbursement dates.

Corrective Action:

Corrective action was taken.

Texas State Technical College - West Texas

Reference No. 08-65

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 to June 30, 2007

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be 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

Texas State Technical College - West Texas (College) could not provide documentation indicating that it sent disbursement notification letters to 9 (21 percent) of 43 students tested.

The College does not participate in the FPL program.

Access to the Student Information System

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 College does not have appropriate controls over access to its Student Information System (System). The College's financial aid staff have inappropriate access to the System, which gives them the ability to post disbursement transactions and process refunds.

Recommendations:

The College should:

- Retain documentation indicating that it sent all disbursement notification letters to all FFELP loan recipients.
- Restrict access to the System based on job duties and responsibilities.

Management Response and Corrective Action Plan 2007:

Recommendation #1, Disbursement Notification Letters

The main campus at Sweetwater and each of its extension center locations will be responsible for sending student loan disbursement notifications to each student at the individual campuses before the expiration of the required 30 day limit. The first day is the date printed on the payment detail report designated as "For Receipts on (date)". E-mail notifications will be sent to the student's college assigned email address and a copy of each email that has been sent will be saved in a shared folder in the Groupwise system. Every email will contain the information required by regulations. These procedures will be monitored on a regular basis by the Financial Aid Director or designee.

Recommendation #2. Access to the Student Information System (Colleague)

Colleague access for every financial aid staff member will be individually reviewed and any access that is not required during the performance of their assigned duties will be submitted to the Director of Administrative Technology for deletion of such access. Additionally, any future requests for Colleague access for financial aid staff will be reviewed by the Financial Aid Director or designee prior to the addition of such access.

Management Response and Corrective Action Plan 2008:

Recommendation #1. Disbursement Notification Letters

Final assessment of our revised processing to notify all students according to the Disbursement Notification Letter procedures was completed on 08/01/08 and we are confident that the findings have been resolved according to our original Management and Corrective Action Plan 2008. Notifications are being retained to support the directive that all FFELP loan recipients are receiving the disbursement letter notifications as required by regulation.

Recommendation #2. Access to the Student Information System (Colleague)

Access to the Student Information System (Colleague) was reviewed and revised according to the recommendations of the auditors. Colleague access for each financial aid staff member was reviewed and adjusted to ensure that no one had the ability to post disbursement transactions and process refunds. This evaluation of access was completed prior to March 15, 2008.

Management Response and Corrective Action Plan 2009:

Note: Beginning with the 2009-2010 academic year, we use the Direct Loan program instead of FFELP loans.

Recommendation #1. Disbursement Notification Letters

Assigned staff will be responsible for sending student loan disbursement notifications to each student before the expiration of the required 30-day limit indicating the anticipated or actual disbursement date and the amount of the loan being credited to the student's account, as required by regulation. E-mail notifications will be sent to the email address on the college record and a copy of each email that has been sent will be scanned into the student's file in ImageNow or saved in the Groupwise email folders. This process will be reviewed periodically and, if necessary, adjusted to provide a more efficient method.

Recommendation #2. Access to the Student Information System (Colleague)

Access to the Student Information System (Colleague) was reviewed and revised according to the recommendations of the auditors. Colleague access for each financial aid staff member was reviewed and adjusted to ensure that no one had the ability to award aid (AIDE) and process refunds (RFND). This evaluation of access will be finalized prior to February 10, 2010.

Implementation Date: February 10, 2010

Responsible Person: Connie Chance

Texas State University - San Marcos

Reference No. 09-65

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.375 P375A070387

Type of finding - Significant Deficiency and Non-Compliance

Academic Competitiveness Grants Eligibility

The Academic Competitiveness Grants (ACG) program provides grants to eligible full-time regular undergraduate students enrolled in their first and second academic years in an ACG-eligible program at a two- or four-year degree granting institution. Grants are for up to \$750 for first-year students and up to \$1,300 for second-year students (Title 34, Code of Federal Regulations, Sections 691.2(d), 691.6, 691.15, and 691.62)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

Two (20 percent) of 10 ACG recipients tested at Texas State University - San Marcos (University) were not eligible to receive the grant. The students were awarded \$1,300 each for the 2007-2008 academic year. The two students met eligibility requirements at the end of the 2007 Spring semester. However, the students both attended summer school at different universities which, upon completion of the 2007 Summer term, made them ineligible for the ACG grant based on completed hours. The University's control to prevent ineligible students from receiving an ACG grant did not work properly to ensure compliance.

Corrective Action:

This finding was reissued as current year reference number: 10-70.

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, 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).

According to the University's satisfactory academic progress (SAP) policy, "At the end of each spring semester, your Satisfactory Academic Progress (SAP) for financial aid will be evaluated based on your previous year's work (summer / fall / spring). If you do not meet all of the SAP requirements, you will not be eligible to receive financial aid. The only exception is if it is your first time to become ineligible to receive aid (due to SAP) while working on your degree (i.e., bachelor's, master's, etc.). In such a case, you will be placed on financial aid probation (except in the case of exceeding the maximum hours requirement). When on financial aid probation, you will have one year (summer / fall / spring) to meet the SAP requirements." During the financial aid probation (or grace period) the student is still eligible for financial assistance. The three SAP standards students must meet at the end of each spring semester are a minimum GPA, a minimum completion rate, and a maximum hour limit.

One (4 percent) of 28 students was denied financial assistance when the student was eligible for financial assistance. The reasonable academic progress program (RAP) within the University's Financial Aid Management (FAM) system required a Free Application for Federal Student Aid (FAFSA) to be on file for the upcoming year to evaluate a student's eligibility for financial aid. The student did not have a FAFSA on file for the 2008 award year; so at the end of Spring 2007 no determination of the student's ability to meet SAP requirements was established. At the end of the Summer 2007 term, since the summer term is tied to the previous award year, the RAP program determined the student did not meet SAP requirements for Fall 2006 and the student was put into a grace period. When the FAFSA was submitted in September 2007 for the 2008 award year the RAP program reevaluated whether the student was meeting SAP requirements and determined that the student should be in a grace period, since the student was assigned a grace period for the summer, and the system denied financial assistance. The University's control process for determining financial aid eligibility, per SAP requirements, did not work properly by denying financial assistance to an eligible student.

Corrective Action:

Corrective action was taken.

Reference No. 09-66

Reporting

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 P063P070387

Type of finding - Significant Deficiency and Non-Compliance

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the 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 2008, 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 5-3-27)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

For 40 (80 percent) of 50 students tested at Texas State University - San Marcos (University) who received Pell grants, the date and amount of the disbursement in the COD System did not tie to information in the University's financial aid system. The University commonly reports anticipated disbursements 30 days in advance of the actual expected date of disbursement. However, the University does not update information in the COD System once the disbursements have been made.

Corrective Action:

This finding was reissued as current year reference number: 10-71.

Reference No. 09-67

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.268 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification

If an institution credits a student’s account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2008
Status: Implemented

U.S. Department of Education

Texas State University-San Marcos (University) does not have a documented process to ensure that it sends loan recipients disbursement notifications. Auditors were unable to verify that the University sent notifications for 45 (69 percent) of 65 disbursements for 46 FFELP and Direct Loan Program recipients tested.

Corrective Action:

Corrective action was taken.

Reference No. 09-68

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.268 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

A student is considered to have 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, Code of Federal Regulations, Section 668.21 (c)).

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

Returns of Title IV funds are required to be deposited or transferred into the student financial assistance account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 30 days after date that the institution becomes aware that the student will not or has not begun attendance. Returns by check are late if the check is issued more than 30 days after the institution becomes aware that the student will not or has not begun attendance or the date on the canceled check shows the check was endorsed more than 45 days after the date the institution becomes aware that the student will not or has not begun attendance (Title 34, Code of Federal Regulations, Section 668.21 (b) and (d)).

For 9 (53 percent) of 17 students who never began attendance, Texas State University - San Marcos did not ensure that Title IV loan funds were returned within 30 days after the date that it became aware the student would not or had not begun attendance.

Corrective Action:

This finding was reissued as current year reference number: 10-72.

Reference No. 09-69

Special Tests and Provisions - Student Loan Repayments

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.038 Award Number Not Applicable

Type of finding - Material Weakness and Material Non-Compliance

Defaulted Loans

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, Section 674.42(4)(c)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

Under the federal Perkins Loan Program, institutions are required to send the borrower a written notice and a statement of account at least 30 days before their first payment is due (Title 34, Code of Federal Regulations, Section 674.43 (a)(2)(i)).

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, Code of Federal Regulations, Section 674.43(a-c)).

Texas State University - San Marcos (University) did not make first contact with the borrower within 90 days after the start of their grace period, including the required terms and conditions, for 23 (100 percent) of 23 defaulted Perkins students tested. Specifically:

- For 2 students, the University did not provide documentation for the first contact.
- For 1 student, the University did not make first contact within 90 days after the start of the grace period.
- For 21 students (1 of these students was the same student noted above to whom the University did not make first contact within 90 days after the start of the grace period), the first contact letter did not inform the students of the amount of principal and interest and the projected life of the loan.

The University did not make second contact with the borrower within 150 days after the start of their grace period for 22 (96 percent) of 23 defaulted Perkins students tested. Specifically:

- For 3 students, the University did not provide documentation for the second contact.

- For 19 students, the University did not make the second contact within 150 days after the start of the grace period.

The University did not provide documentation showing the third contact with the borrower within 240 days after the start of their grace period for 2 (10 percent) of 21 defaulted Perkins students tested.

The University did not send the first billing notice to the borrower at 30 least days before their first payment due date for 5 (22 percent) of 23 defaulted Perkins students tested. Specifically:

- For 4 students, the University did not provide documentation for the first billing notice.
- For 1 student, the University did not send the first billing notice at least 30 days before the first payment was due.

The University did not send the first overdue notice to the borrower within 15 days after their first payment due date for 3 (14 percent) of 22 defaulted Perkins students tested. Specifically:

- For 2 students, the University did not provide documentation for the first overdue notice.
- For 1 student, the University did not send the first overdue notice within 15 days after the first payment due date.

The University did not send the second overdue notice to the borrower within 30 days after the first overdue notice for 2 (29 percent) of 7 defaulted Perkins students tested.

The University did not send the final demand letter 15 days after the second overdue notice was sent for 6 (75 percent) of 8 defaulted Perkins students tested. Specifically:

- For 1 student, the University did not provide documentation for the first contact.
- For 5 students, the University did not make first contact within 90 days after the start of the grace period.

Corrective Action:

This finding was reissued as current year reference number: 10-73.

Loans That Entered Repayment

For a federal Perkins loan, the institution must establish a repayment plan. The repayment period begins after an initial grace period of either six months or nine months after the student ceases to be at least a half-time student at an institution of higher education, depending on when the loan was made (Title 34, Code of Federal Regulations, Section 674.31(b)(2)).

For 7 (47 percent) of 15 students tested, the conversion to repayment status was not performed in a timely manner. Specifically, for those seven students, the repayment period did not begin after the grace period ended.

Corrective Action:

Corrective action was taken.

Reference No. 09-70

Special Tests and Provisions - Borrower Data Transmission and Reconciliations (Direct Loans)

Student Financial Assistance Cluster

Award year - July 1, 2007 through June 30, 2008

Award number - CFDA 84.268 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

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). If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act program funds to a student or parent for any payment period is 10 days before the first day (Title 34, Code of Federal Regulations, Section 668.164(f).) Each month, the COD System provides institutions with a School Account Statement (SAS) data file that consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The institution is required to reconcile these files to the institution's financial records. Up to three Direct Loan program years may be open at any given time; therefore, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 303).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

For 25 (50 percent) of 50 students tested, Texas State University - San Marcos (University) reported to DLSS an incorrect date for at least one disbursement.

The University reported the disbursement amount correctly for all disbursements tested.

Common Origination and Disbursement System Reporting - Information Systems Issue

The University's Financial Aid Management (FAM) system does not report the correct disbursement date for spring semesters. The logic within this system is flawed; therefore, the system is reporting the incorrect disbursement date to the COD System.

For the process of reporting the disbursement dates to the COD System, the disbursement dates in the Loan Period Table are compared to the institutional disbursement date (the dates in which the University disburses institutional funds to the student). If the FAM system was functioning as intended, it would compare the dates for the same semester. The latter of the two dates is reported to the COD system. For example, the fall disbursement dates in the Loan Period Table would be compared to the fall institutional disbursement dates. The latter of the two dates would be reported to the COD System. This process would occur again for the Spring semester, except the Spring disbursement dates in the Loan Period Table would be compared to the spring institutional disbursement dates.

The FAM system code added by University staff includes incorrect logic. For the Fall semester, the FAM system is correctly comparing the institutional disbursement date for the Fall semester to the Fall disbursement date on the Loan Period Table. The FAM system will choose the latter of the two dates as intended. The dates reported in the COD System for the Fall semester should all be within the 10-day period before the start of the semester. However, in the Spring semester, the FAM system is comparing the institutional disbursement date for the Spring disbursement to the Fall disbursement date on the Loan Period Table. In some instances, the institutional disbursement date is not within 10 days before the start of the semester, so the disbursement date in the COD System will not be within the 10-day period before the start of the semester.

Corrective Action:

Corrective action was taken.

Texas Tech University

Reference No. 09-71

Reporting

(Prior Audit Issue 06-50)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 P063P072328

Type of finding - Significant Deficiency and Non-Compliance

All institutions submit Pell payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Institutions submit Pell origination records and disbursement records to the COD System. Origination records can be sent well in advance of any disbursements, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. An institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid (7 days in the case of an institution using the just-in-time method). 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) No. 1845-0039, shown in OMB Circular A133, Part 5, Section L.1.e).

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| Initial Year Written: | 2005 |
| Status: | Implemented |
| U.S. Department of Education | |

Texas Tech University (University) complied with the reporting requirements for Pell payment data, with the following exceptions:

- For 6 (12 percent) of 50 students tested, the date and amount of disbursement in the COD System did not tie to information in the University’s financial aid system.
- For 6 (12 percent) of 50 students tested (four of these cases overlapped with the issue noted above), the processing date in the COD System was more than 30 days after the disbursement date.

Corrective Action:

Corrective action was taken.

Reference No. 09-72

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

An institution may participate under an U.S. Department of Education-approved Quality Assurance Program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution’s own verification selection criteria. An institution not participating under an U.S. Department of Education-approved QAP is required to establish written policies and procedures that incorporate the provisions of Title 34, Code of Federal Regulations, Sections 668.51 through 668.61, for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by the U.S. Department of Education, to verify the information specified in Title 34, Code of Federal Regulations, Section 668.56. Policies and procedures for verification must include: (1) the time period within which an applicant shall provide the documentation, (2) the

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

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 Expected Family Contribution (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, (5) the procedures for making referrals under Title 43, Code of Federal Regulations, Section 668.16. The procedures must provide that it 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 any actions required under this subpart and the consequences of failing to complete any required action (Title 34, Code of Federal Regulations, Section 668.53).

Texas Tech University's (University) verification policy did not contain the following provisions:

- A time period in which an applicant shall provide the documentation.
- A 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.
- Procedures for making referrals under Title 34, Code of Federal Regulations, Section 668.16.
- The applicant's responsibilities with respect to the verification of application information, including the deadlines for completing any actions required under the subpart and the consequences of failing to complete any required action.

In addition, for 1 (2 percent) of 50 verification cases tested, the University did not correctly update its records and the Institutional Student Information Report (ISIR) to reflect the information on the student's U.S. income tax return.

Recommendations:

The University should:

- Ensure that its verification policy includes the required information.
- Ensure that controls are in place to correctly update its records and the ISIR upon completion of verification.

Management Response and Corrective Action Plan 2008:

Policies and Procedures for Verification have been updated to reflect the following:

- *Time period students must meet to complete verification*
- *E-mail notifications are being sent to students selected for verification notifying them of the required document submission deadline and the potential penalty for not submitting documentation.*
- *Notifications are provided to the student via the Verification Worksheet that if changes are necessary, how the student will be notified and a link to view updated awards.*
- *Procedures have been reviewed with staff to clarify discrepancies between verification documents and FAFSA data.*
- *Procedures have been reviewed with staff to report suspected fraud from university staff, third-party servicer or other agent of the university.*

Update for 2009:

All policies and procedures were found to be updated. Per review of fifteen 2009 verification files, one was found where the most recent available information was not used during the verification process.

Management Response and Corrective Action Plan 2009:

All policies and procedures were updated prior to follow up testing for 2008-09. One record was identified that had been verified; however, parent completed tax return incorrectly, and arrival of subsequent IRS amended document was not used to re-verify. An internal financial aid self-audit is being performed on all student verification records for 2009-2010.

Implementation Date: September 1, 2009

Responsible Person: Paul Blake

Reference No. 09-73

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.038 Award Number P038A024151

Type of finding - Significant Deficiency and Non-Compliance

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 date and amount of the loan 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 all or a portion of the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by Electronic Funds Transfer or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

The disbursement notification letters that Texas Tech University (University) sent via email to students or parents upon disbursement of funds included information on the right to cancel loans, either in full or in part, including corresponding procedures and timelines by which the student or parent must notify the institution that he or she wishes to cancel the loan. However, the University's notifications did not include the date and amount of the loan disbursement. While auditors were performing audit work at the University, the University was in the process of revising the text of the notification to include a link to the student's account summary to review loan disbursement information.

Corrective Action:

Corrective action was taken.

Reference No. 09-74

Special Tests and Provisions - Return of Title IV Funds**Student Financial Assistance Cluster****Award year - July 1, 2007 to June 30, 2008****Award numbers - CFDA 84.007 P007A074151, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P072328****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. 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, Code of Federal Regulations, Section 668.22(a) (1)-(4)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |

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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, Code of Federal Regulations, Section 668.22(f)(2)(i)). Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the return calculation. The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break (2007-2008 *Student Financial Aid Handbook*, Volume 5, Chapter 2, page 5-72).

Institutional charges are used in calculating the amount for the institution and the student to each return. "Institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution (Title 34, Code of Federal Regulations, Section 668.22(g)(2)).

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 or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

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. 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, Code of Federal Regulations, 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, Code of Federal Regulations, Section 668.22(j)(2)).

Texas Tech University (University) did not use the correct semester end date for the fall 2007 semester. The University's Title IV return calculations were based on a semester end date of December 5, 2007, when the actual semester end date was December 6, 2007.

In addition, the University did not correctly account for Spring Break in its Title IV return calculations for students withdrawing during the Spring 2008 semester. The return calculations did not account for this break, and the University should have excluded nine days from the length of the semester. Students who withdrew in the Spring 2008 semester after spring break also needed to have nine days excluded from their length of attendance.

To determine institutional charges, the University used an average yearly tuition instead of using the actual semester tuition, fees, and room and board. This affected the Title IV return allocations between the University and the student for most of the students in our sample.

Auditors identified the following errors:

- The University incorrectly calculated for 22 (28 percent) of 80 withdrawals tested either the amount of Title IV assistance earned or the amount to be returned.
- The University used an incorrect payment period for 44 (55 percent) of 80 withdrawals tested.
- The University returned the incorrect amount for 35 (70 percent) of 50 withdrawals tested.
- The student returned the incorrect amount for 28 (93 percent) of 30 withdrawals tested.

When testing whether the University returned Title IV funds within the required timeframe, auditors also determined that 1 (2 percent) of 49 withdrawals was done incorrectly. The University had not returned funds as of the end of audit testing because it was waiting to hear from one of the student's professors regarding the student's last date of attendance.

For the Fall 2007 semester (which ended December 6, 2007), the University's Financial Aid Office received notification of students receiving all F grades on December 21, 2007, but it did not determine which students were unofficial withdrawals until February 19, 2008. For 12 (44 percent) of withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of the semester.

In the sample tested, the University returned more Title IV assistance than was necessary. Therefore, there are no questioned costs.

Recommendations:

The University should follow all Title IV return requirements by establishing or enhancing controls to ensure that it:

- Uses accurate semester start and end dates in return calculations.
- Accounts for breaks of at least five consecutive days in return calculations.
- Returns funds within the appropriate time frame.
- Determines unofficial withdrawals within 30 days of the end of the semester.

Management Response and Corrective Action Plan 2008:

- *Internal procedures have been updated to ensure accuracy of the dates used on the R2T4 website. Primary R2T4 staff member enters the dates to create each calendar period. Secondary R2T4 staff member then reviews and verifies the accuracy of the dates using the data from the CAL screen.*
- *Spring 2009 calendars have been created to include the Spring Break as well as the weekends before and after that week. Process was updated in October 2008.*
- *R2T4 Calculations are being performed on every student that withdraws, even if the withdrawal date is past the 60% completion date, which will require no repayment from the student. Process was updated in October 2008.*

- *Current withdrawal calculation procedures for students who received all “F”’s in the preceding term have been implemented. Controls are in place to verify that all funds are returned no later than March 2, 2009.*

Management Response and Corrective Action Plan 2009:

In January of 2009, the University converted to the Banner Student Information system. In the legacy system, the Registrar’s office was able to generate reports to identify students who withdrew in order for Financial Aid to complete R2T4 calculations. During the spring and summer of 2009, these reports were not working properly or timely. As such, difficulties were encountered in collecting withdrawal dates for reporting to the Financial Aid Office within the required timeline. Consequently this lead to delays in returning funds within the 45-day window of when the student withdrew.

Additional programming staff has been added and the problem has been resolved as of September 1, 2009. Beginning October 15, 2009, reports are being delivered to the Financial Aid Office twice per week.

Implementation Date: September 1, 2009

Responsible Person: Paul Blake

Reference No. 09-75

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 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 U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

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| 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, regardless of whether those students receive federal financial assistance. 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 3.1.1.3).

Fourteen (29 percent) of 48 student status changes tested at the University were not reported to NSLDS in a timely and accurate manner. Specifically:

- Seven of 48 student status changes tested were not reported to NSLDS within the required 60-day timeframe.
- Ten of 48 student status changes did not agree to the student status change that appeared in student records (3 of these exceptions overlapped with the finding noted above).

Thirteen (93 percent) of 14 student status changes tested at the University that were not reported to NSLDS timely and accurately also were not reported to the lender/guarantor timely and accurately. Specifically:

- Nine of 13 student status changes were not reported to the lender/guarantor within the required 30-day time frame.
- Nine of 13 student status changes did not agree to the student status change that appeared in the student records (6 of these exceptions overlapped with the finding noted above).

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are accurately reported to NSLDS and the lenders/guarantors within the required time period.

Management Response and Corrective Action Plan 2008:

The University will implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. The University will develop procedures to monitor the timeliness of reporting to NSLDS. We will also modify our procedures for reporting to NSC to include scheduling additional reporting dates during the latter part of the fall and spring semesters.

Management Response and Corrective Action Plan 2009:

The University will add reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. The University will add an enrollment send date between the 20th and 45th class days. The University will develop procedures to monitor the timeliness of reporting to NSLDS.

Implementation Date: January 2010

Responsible Person: Bobbie Latham

Reference No. 08-67

Procurement and Suspension and Debarment

Research and Development Cluster

Award years - July 27, 2006 to December 31, 2007, September 30, 2004 to June 30, 2007, August 1, 2006 to July 31, 2009, September 20, 2005 to March 6, 2009, and September 1, 2006 to August 31, 2008

Award numbers - CDFA 12.431 W911SR06-C00, CDFA 11.617 C70NANB3H5003, CFDA 47.049 CHE-0615321, CDFA 12.000 W9113M-05C-0, and CDFA 10.200 06-38889-035

Type of finding - Non-Compliance

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circular A-102, Grants and Cooperative Agreements with the State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45, Code of Federal Regulations, Part 76, Government-wide Debarment and Suspension).

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| Initial Year Written: 2007 |
| Status: Partially Implemented |
| U.S. Department of Commerce |
| National Science Foundation |
| U.S. Department of Agriculture |
| U.S. Department of Defense |

Texas Tech University’s (University) procurement process requires that, for transactions with amounts greater than or equal to \$25,000, the buyer must check the EPLS Web site to verify that the vendor has not been suspended or debarred.

For 5 of 10 (50 percent) procurement files tested, the University did not retain evidence that it performed the required review of the EPLS Web site at the time of the purchase. Auditors reviewed the EPLS Web site and determined that these five vendors were not currently suspended or debarred.

Recommendation:

The University should retain evidence in its procurement files, such as screen prints, that it performed the required review of the EPLS Web site for all purchase orders expected to equal or exceed \$25,000.

Management Response and Corrective Action Plan 2007:

The University is currently in the process of implementing Banner, including SciQuest, which is the purchasing module to be used with Banner. Beginning September 1, 2008, the SciQuest system will provide a computerized audit for this documentation. In the meantime, in order to ensure that all purchases greater than or equal to \$25,000 have documentation that the necessary review of the EPLS web site has been completed, the University will implement a policy that all such purchase transactions will have a screen print or equivalent evidence of the necessary review included with each appropriate file.

Management Response and Corrective Action Plan 2008:

Although we expected Banner and SciQuest systems to provide the capability, we learned after the implementation the capability we expected was not there. Follow-up procedures by the SAO showed that 1 of the 5 items sampled did not have sufficient evidence of conducting the EPLS vendor search. After reviewing the audit finding and with the recent implementation of new accounting and procurement systems, the Purchasing and Contracting office held discussions with the State Auditor's Office relating to the best method to document the requirements in our new procurement session. We conducted additional staff training during January 2009. In addition, we have implemented an additional review requirement by a purchasing manager for each transaction above \$25,000. As of January 19, 2009, the Purchasing and Contracting staff has been fully trained in the proper method of reviewing the EPLS vendor search and providing documentation on all transactions greater than \$25,000.

Management Response and Corrective Action Plan 2009:

The Purchasing and Contracting Office is now compliant. Each purchaser now provides a screenshot attached to the requisition or purchase order to verify standing. The Purchasing and Contracting Office has two workflows built into TechBuy (purchasing system) now. This ensures that the requisitions and purchase orders are checked. The previous workflow that was built did not allow bids to be reviewed in the purchase order stage. Bids come into the system as a purchase order after the bidding process. This additional workflow step was implemented on November 24, 2009.

Implementation Date: November 2009

Responsible Person: Jennifer Adling

Texas Woman's University

Reference No. 08-69

Eligibility

Student Financial Assistance Cluster

Award years- July 1, 2006 - June 30, 2007

Award number - CFDA 84.063 P063P062330

Type of finding - Significant Deficiency and Non-Compliance

In general, a student must be enrolled in an undergraduate course of study to receive a Pell grant. A student who has earned a baccalaureate degree or a first professional degree is not considered to be an undergraduate and cannot receive a Pell grant (Title 34, Code of Federal Regulations, Sections 690.2 and 690.6).

Initial Year Written: 2007
Status: Implemented

U.S. Department of Education

Texas Woman's University (University) awarded and disbursed Pell grants to three post-bachelor students (students working on a second undergraduate degree), even though these students were not eligible to receive Pell grants because they had already earned an undergraduate degree. Specifically:

- Two of these students indicated on their Free Application for Federal Student Aid (FAFSA) that they would be working on their first bachelor's degree during the 2006-2007 school year. The University's financial aid system packaged these students based on their FAFSA responses. However, the University's financial aid counselors were responsible for reviewing the automatic packaging to verify the students' eligibility prior to disbursement.
- One of these students was an undergraduate in Fall 2006 and became a post-bachelor student in Spring 2007. The student's record still showed the student as undergraduate when the Pell grant was dispersed in Spring 2007. The student's record was not changed to post-bachelor until two days after the disbursement.

In June 2007, the University corrected these issues by removing the Pell grants from the students' accounts and returning the funds to the U.S. Department of Education.

Corrective Action:

Corrective action was taken.

Reference No. 08-70

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award years- July 1, 2006 - June 30, 2007

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2007
Status: Implemented

U.S. Department of Education

Texas Woman's University (University) did not consistently send required notifications to FFELP loan recipients for the Spring 2007 semester within 30 days of the disbursement of loan proceeds. Auditors sampled 40 students, and 35 of them were student loan recipients. Thirty of the thirty-five (86 percent) student loan recipients did not receive the required notification within 30 days. The University does not participate in the FPL program.

The University's current notification process depends on a financial aid staff person initiating a notification letter routine in the student financial aid system. The content of the notification letter is generated by the system, but this function does not occur automatically at the time of disbursement. For the Spring 2007 semester, the notification letter routine was not initiated until March 2007. When the University does not distribute the required notifications within the required time period, loan recipients' opportunity to cancel their awards (if they choose to do so) is reduced.

Corrective Action:

Corrective action was taken.

Department of Transportation

Reference No. 09-76

Procurement and Suspension and Debarment

CFDA 20.106 - Airport Improvement Program

Award years- Various

Award number - Various

Type of finding - Significant Deficiency and Non-Compliance

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (Title 49, Code of Federal Regulations, Part 29).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Transportation | |

The Department of Transportation (Department) relied on standard contract templates to ensure compliance with suspension and debarment requirements; however, this control was not effective because the Department's standard professional services contract did not include an assertion that the contractor was not suspended or debarred from federal contracts. Although the 9 construction contracts auditors tested contained the necessary language, none of the 45 professional services contracts tested included this language. In addition, the Department did not check the EPLS Web site or obtain any certification from the professional services contractors to verify the contractors were not excluded from federal contracts. Auditors reviewed the EPLS Web site and determined that the professional services contractors were not currently suspended or debarred.

Corrective Action:

Corrective action was taken.

Reference No. 09-77

Reporting

CFDA 20.106 - Airport Improvement Program

Award years - Multiple

Award number - Multiple

Type of finding - Material Weakness and Material Non-Compliance

The Federal Aviation Administration's (FAA) *Airport Improvement Program Handbook* (AIP Handbook), and Program Guidance Letters (PGL) provide specific guidance for the administration of the Airport Improvement Program Block Grants. According to the AIP Handbook and PGLs, grantees are required to submit the Standard Form 272 (SF-272) quarterly for each block grant and submit a final SF-272 when grants are completed (AIP Handbook, Sections 1301 and 1314(a), and PGL 05-02).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Transportation | |

All of the SF 272 quarterly financial reports that the Department of Transportation (Department) submitted for fiscal year 2008 were completed incorrectly. Cash on hand at the beginning and end of the period was not included; current and prior disbursements were entered in incorrect areas of the report; and additional information, including the total federal award and the expected local match of the award, was included instead of the correct and required information. As a result, auditors were unable to determine whether required reports included all activity of the reporting period, and reports were not fairly presented in accordance with compliance requirements. The reports were not reviewed or monitored by separate individuals in the Department prior to submission.

Corrective Action:

This finding was reissued as current year reference number: 10-90.

Reference No. 09-78

Special Tests and Provisions - Revenue Diversion

CFDA 20.106 - Airport Improvement Program

Award years - Various

Award numbers - Various

Type of finding - Significant Deficiency and Non-Compliance

Title 49, United States Code, Section 47107(b), requires that revenues generated by a public airport be expended for the capital or operating costs of the airport, the local airport system, or other local facilities that are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property.

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Transportation | |

The Department of Transportation (Department) has not formally documented its agreement with the Federal Aviation Administration regarding its process for monitoring airports that receive federal funding through the Department to ensure that airport revenues are not diverted to non-airport activities. However, the Department's practice is to monitor airports that receive federal funding by reviewing audited annual financial reports (AFR) for the airport sponsors (local governments that fund the airport, which are usually cities or counties). The Department reviews the AFRs for indicators that airport revenue may have been diverted to non-airport activities. However, this high-level review is unlikely to reveal actual revenue diversion.

Corrective Action:

Corrective action was taken.

Reference No. 09-79

Procurement and Suspension and Debarment

Highway Planning and Construction Cluster

Award years - Various

Award numbers - Various

Type of finding - Significant Deficiency and Non-Compliance

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (Title 49, Code of Federal Regulations, Part 29).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Transportation | |

The Department of Transportation (Department) did not consistently verify the suspension or debarment status of subrecipients that entered into contracts using Local Project Advance Funding Agreements (LPAFA). The Department relied on standard contract templates to ensure compliance with suspension and debarment requirements. However, this control was not effective because the Department's standard LPAFA contract did not include an assertion that the local government (subrecipient) was not suspended or debarred from federal contracts.

For 8 (12 percent) of 66 contracts tested, there was no evidence that the Department received a certification from the subrecipient or that the Department checked the EPLS to verify the subrecipient’s debarment status before entering into the contract. Auditors reviewed the EPLS Web site and determined that the local governments (subrecipients) were not currently suspended or debarred. The remaining 58 contracts were either Transportation Enhancements (TE) or Metropolitan Planning Organization (MPO) projects that met federal requirements because the subrecipients were required to submit a certification of debarment status during the bid process or in the Unified Planning Work Program before federal funding started.

Corrective Action:

Corrective action was taken.

Reference No. 09-80

Subrecipient Monitoring

Highway Planning and Construction Cluster

Award years- Various

Award number - Federal apportionment pursuant to the Safe, Accountable, Flexible, Efficient Transportation Equity

Act: A legacy for Users (SAFETEA-LU) Public Law 109-59

Type of finding - Significant Deficiency and Non-Compliance

During the Award Monitoring

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400, requires pass-through entities 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: 2008
 Status: Partially Implemented
 U.S Department of Transportation

The Department of Transportation (Department) provides federal pass-through funds to Metropolitan Planning Organizations (MPOs) through Metropolitan Planning Program grants. Generally, the Department delegates the responsibility for monitoring subrecipient activities and expenditures to the respective Department district offices that have project oversight. The Department’s district offices sometimes delegate this responsibility to field offices within the districts.

The Department does not consistently monitor federal funds expended by its MPO subrecipients. Although the Department has delegated the responsibility for subrecipient monitoring to its district offices, the Department does not have established policies and procedures that provide sufficient guidance on how its district offices should monitor subrecipient activities and expenditures.

The Department’s Fort Worth district office (or field offices within that district) does not receive or subsequently review and reconcile supporting documentation (such as invoices or timesheets) to billing statements received from the MPO responsible for administrating its share of the Metropolitan Planning Program grant funds. Billing statement amounts are forwarded to the Department’s Finance Division for payment without further review.

The Department’s lack of review of Metropolitan Planning Program grant funds expended by its subrecipients increases the risk that (1) program expenditures incurred by the Department’s subrecipients (MPOs) may not contribute toward program objectives or (2) subrecipients may not administer the program in accordance with federal compliance requirement. The Department’s Fort Worth district office processed \$5,069,298 in federal grant funds passed through to the MPO in its region.

Award Identification

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400, requires pass-through entities to “identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.” Additionally, the pass-through entity is required to “advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.”

The Department did not provide the required award information to subrecipients at the time of award. The subrecipient signs a Local Project Advanced Funding Agreement (LPAFA), which details the scope and process for reimbursement on projects using federal funds. However, this agreement does not include the CFDA number and title or federal agency associated with the funds awarded. The award information also is not included in the award letter sent to the subrecipient at the beginning of the project. Additionally, prior to the Department’s implementation of its standard LPAFA, it did not consistently communicate information regarding federal compliance requirements to its subrecipients. Specifically:

- The Department did not retain sufficient support that it communicated the required federal award information for 66 (100 percent) of 66 subrecipients tested.
- The Department did not retain sufficient support that it communicated the applicable compliance requirements for 3 (5 percent) of 66 subrecipients tested.

In fiscal year 2008, the Department reported \$176,762,355 in federal pass-throughs to other entities. Not communicating the required award information to subrecipients increases the risk that subrecipients may not comply with federal compliance requirements. The absence of clear communication related to the federal award information also increases the potential for misreporting of federal awards, by the Department and the subrecipient, on the Schedule of Expenditures of Federal Awards. For example, the Department may report pass-through expenditures as direct agency expenditures, and subrecipients may not accurately report the federal pass-through funds they receive.

Corrective Action:

This finding was reissued as current year reference number: 10-84.

Reference No. 09-81

Special Tests and Provisions - Sampling Program

Highway Planning and Construction Cluster

Award years - Various

Award numbers - Various

Type of finding - Material Weakness and Material Non-Compliance

Title 23, Code of Federal Regulations (CFR) 637, Section 205, requires that each state transportation department “shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each Federal-aid highway construction project on the [National Highway System] NHS are in conformity with the requirements of the approved plans and specifications, including approved changes. The program must meet the criteria in Section 637.207 and be approved by the FHWA.” Additionally, Title 23, CFR 637, Section 209, requires that only qualified personnel conduct sampling and testing to be used in the acceptance decision.

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S Department of Transportation | |

The Department of Transportation (Department) uses the SiteManager system as its automated construction administration system, and that system is used to document the results of material sampling and testing. However, SiteManager does not have sufficient controls to prevent individuals who are not certified from building and conducting tests to clear material testing requirements. Specifically, auditors noted the following control weaknesses within SiteManager:

- Any individual with access to update Sample Information in SiteManager can add a new sample, enter sample information, select a certified sample tester from a drop-down box (even if they are not that individual), and authorize the sample as compliant. This control weakness could affect the acceptability and quality of highway construction project components.
- Sample material tests, which measure compliance with the design specification and are required to be performed periodically throughout the project, can be entered into SiteManager with all blank test result fields and the test will still satisfy testing results.
- SiteManager's Contract Discrepancy Options can be turned off. If Pay Estimates are generated when the Discrepancy Option is turned off, insufficient samples for the materials placed on the project will not be identified.
- The Conversion Factors for materials are difficult to calculate. In addition, SiteManager allows conversion factors to be altered, which could adversely affect the number of tests required. In addition, the conversion factor field can be zeroed out, which would invalidate the required number of tests for the material, and this error may not be identified because a monitoring process is not currently in place.

Additionally, tests of active construction projects in Site Manager revealed that for 17 (65 percent) of 26 materials tested, the planned material tests did not meet the minimum tests required by the Guide Schedule of Sampling and Testing that is used to establish a project testing plan. The Guide Schedule, effective November 2007, is applicable to all contracts associated with the 2004 Standard Specifications and is a guide for minimum sampling and testing. Further, the minimum number of tests for materials placed on a project were not met for 9 (35 percent) of 26 of the materials tested.

Corrective Action:

This finding was reissued as current year reference number: 10-87.

University of Houston

Reference No. 09-82

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

The maximum annual amount of Federal Perkins loans that an eligible student may borrow is \$4,000 for undergraduates and \$6,000 for graduate or professional students. The maximum annual amounts may be exceeded by 20 percent if the student is engaged in a study abroad program that is approved for credit by the home institution at which the student is enrolled and that has reasonable costs in excess of the home institution's cost of attendance (Title 34, Code of Federal Regulations, Section 674.12).

Initial Year Written: 2008
Status: Implemented
U.S. Department of Education

For 5 (31 percent) of 16 of students tested, the University of Houston (University) awarded Federal Perkins loans in excess of the maximum annual amount allowed. Four of these students were undergraduate students who received a Federal Perkins loan amount greater than \$4,000 but less than \$6,000. It could not be determined whether the students had a change in their academic status based on the information in the financial aid system (PeopleSoft). The fifth student was an undergraduate student who received \$6,000. Additionally, a review of the records did not indicate whether any of the five students were enrolled in a study abroad program during the award year 2007-2008. It could not be determined why the five students selected for testing received Federal Perkins loan amounts that exceeded the annual maximum allowed.

Corrective Action:

Corrective action was taken.

Reference No. 09-83

Reporting

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 P063P072333

Type of finding - Significant Deficiency and Non-Compliance

Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System (Office of Management and Budget (OMB) Notice 1845-0039-v.4). Origination records can be sent in advance of any disbursements, as early as an institution chooses to submit them for any student it reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. Institutions must report the student payment data (1) within 30 calendar days after it makes payments or (2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Institutions may do this by reporting once every 30 calendar days, biweekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner. (OMB Compliance Supplement A-133, March 2008, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-17 and 5-3-18))

Initial Year Written: 2008
Status: Partially Implemented
U.S. Department of Education

If an institution submits a student's payment data in the manner and form prescribed, and if the U.S. Department of Education accepts the data and considers that information to be accurate in light of other available information, the institution may receive either (1) a payment for an award to a Pell Grant recipient or (2) a corresponding reduction in the amount of federal funds received in advance for which it is accountable. Institutions are required to report to the U.S. Department of Education any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of a federal Pell grant for which a student qualifies by submitting student payment data that discloses the basis and result of the change in award (Title 34, Code of Federal Regulations, Section 690.83).

For 12 (24 percent) of 49 students tested, the University of Houston (University) did not report disbursement records to the COD System within 30 calendar days of the disbursement date.

Corrective Action:

This finding was reissued as current year reference number: 10-94.

Reference No. 09-84

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number not applicable, CFDA 84.063 P063P072333, CFDA 84.007 P007A074166, CFDA 84.033 P033A074166, CFDA 84.376 P376S072333, and CFDA 84.375 P375A072333

Type of finding - Non-Compliance

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application. These policies and procedures must include the procedures for making referrals described under Title 34, Code of Federal Regulations (CFR), Section 668.16 (Title 34, CFR, Section 668.53). Referrals should include instances in which the institution has identified credible information indicating that an applicant for Title IV Higher Education Act program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application (Title 34, CFR, Section 668.16).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

The University of Houston (University) does not have written procedures for making referrals required by federal regulations. As a result, it may not have the capability to identify and report instances of false or fraudulent information to the Office of the Inspector General of the U.S. Department of Education for investigation

Corrective Action:

Corrective action was taken.

Reference No. 09-85

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.038 Award Number not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Returning Funds to a Lender

When an institution receives Federal Family Education Loan Program (FFELP) funds from the lender by electronic funds transfer (EFT) or master check, it usually must disburse the funds within three business days. If a student is temporarily not eligible for a disbursement but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return FFELP funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement. (Title 34, Code of Federal Regulations, Section 668.167)

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

For 4 (8 percent) of 50 students tested, the University of Houston (University) did not disburse some funds to students' accounts within three business days of receipt from the lender. This represents 4 (2 percent) of 165 payments that were not disbursed in a timely manner. This was not due to eligibility issues. The University held the loan funds for significantly more than three business days and did not return the funds to the lender within the required time frame.

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or FFELP 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

For all Perkins and FFELP disbursements tested for 50 students, the University did not have documentation that it had sent the required disbursement notification within the required time frame. The University's newly implemented Student Financial Aid System does not have the capability to capture when disbursement notifications are sent by the system.

Access to PeopleSoft (Student Financial Aid System)

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 does not maintain appropriate access to PeopleSoft, its student financial aid software. Of the 58 users tested, all were IT users with super user access. This level of access provided these users with modify access to the disburse aid with override option, which allows them the capability of disbursing aid to a student while overriding all checks in PeopleSoft that are tied to disbursement. The University has not performed a review of its employees' PeopleSoft access since migrating to the new system. Information Technology support staff in the Student Financial Aid area are unaware of the level of access to the PeopleSoft permission lists.

Corrective Action:

This finding was reissued as current year reference number: 10-96.

Reference No. 09-86

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P072333

Type of finding - Material Weakness and Material 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 aid earned by the student as of the student's withdrawal date. 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 as prescribed by Title 34, Code of Federal Regulations, Section 668. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34 Code of Federal Regulations, Sections 668.22(a)(1)-(3)). For remaining amounts of Federal Family Education Loan Program (FFELP) and Direct Loan Program funds disbursed directly to the student for the payment period or period of enrollment (including funds disbursed directly to the student by the lender for a study-abroad program or for a student enrolled in a foreign school), the institution must immediately notify the lender or the Secretary of the U.S. Department of Education, as appropriate, when it becomes aware that the student will not or has not begun attendance so that the lender or the Secretary will issue a final demand letter to the borrower in accordance with Title 34, Code of Federal Regulations, Section 682.412, or Title 34, Code of Federal Regulations, Section 685.211 (Title 34, Code of Federal Regulations, Section 668.21(a)(2)).

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|------------------------------|-----------------------|
| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

The University of Houston (University) does not consistently return Title IV funds in a timely manner, does not consistently return funds in the proper amount, and does not consistently reimburse the appropriate Federal program. Specifically:

For 32 (67 percent) of 48 students with returns tested, return of funds was not completed in a timely manner.

For 10 (20 percent) of 50 students tested, the withdrawal date shown on the Return of Title IV worksheet was not accurate when compared to student records; the amount of the return was not calculated accurately; the payment period was not shown to be used consistently; and the percentage of aid earned by the student was not calculated correctly. For 8 (80 percent) of those 10 students, the University had not completed the Return of Title IV Funds calculation worksheet as of the time of audit testing.

For 16 (32 percent) of 50 students tested, the correct amount of aid was not returned by the University. For six of these students, the University had calculated returns to be made, but it had not yet made the returns, resulting in questioned costs of \$9,434.

For 9 (18 percent) of 50 students tested, funds returned were not allocated among federal programs in the correct order.

For two (100 percent) of two students tested for whom post-withdrawal disbursements were necessary, applicable requirements were not met. For one of these students, the amount of the post-withdrawal disbursement was too large, resulting in a questioned cost of \$825.

Further questioned costs may exist in the cases for which Return of Title IV worksheets have not been completed, but because the worksheets have not been completed, the amount of these additional questioned costs could not be determined.

For students who attended and withdrew but did not have returns, for 4 (40 percent) of 10 students tested, the withdrawal date on the Return of Title IV Funds worksheet was not supported by student records. For all four students, the University had not completed the Return of Title IV Funds worksheet. Therefore, for these four students, the amount of funds returned was not calculated correctly, there was not a consistent use of payment period, and the percentage of aid earned by the student was not calculated correctly. Because the worksheets have not been completed, the amount of these additional questioned costs could not be determined.

The University had difficulty providing the populations to be tested because it had difficulty using the PeopleSoft information system to identify students who unofficially withdrew. In addition, the University had difficulty identifying students who received aid but are known not to have begun attendance. For the one student identified who received aid but never began attendance, the University fulfilled all requirements except the requirement to notify the lender or Secretary of the U.S. Department of Education, as appropriate. The University did not retain any documentation that it notified the lender or Secretary of the U.S. Department of Education that the student withdrew.

Corrective Action:

This finding was reissued as current year reference number: 10-97.

Reference No. 09-87

Special Tests and Provisions - Student Status Changes

(Prior Audit Issues 08-74 and 07-58)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness and Material Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

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| Initial Year Written: | 2006 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

The University of Houston (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, regardless of whether those students receive federal financial assistance. 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 3.1.1.3).

For 29 (71 percent) of 41 student status changes tested, the University either did not report to NSLDS or did not report to NSLDS within the required 60-day time frame. Specifically:

For 20 (69 percent) of the 29 students, their change in status was not reported to NSLDS for the time period tested. Specifically:

- Eleven of the 20 students were shown as having graduated; however, NSLDS did not have a graduated status reflected in the students' record.
- Six of the 20 students were shown as changing to less than full-time status, which was not reflected in NSLDS.
- One of the 20 students changed to less than half-time status, and the change was not reported to NSLDS.
- One of the 20 students withdrew, and the change was not reported to NSLDS.
- One of the 20 students dropped out, and the change was not reported to NSLDS.

For nine (31 percent) of the 29 students, their status change was reported; however, it was not reported in a timely manner.

All 29 student status changes that were not reported to NSLDS or were not reported to NSLDS in a timely manner also were not reported to the lender/guarantor within the required 30-day time frame.

The University had difficulty using the PeopleSoft information system to identify students with status changes during the year, and it also had difficulty providing the populations that auditors requested for testing. The University expressed that the system may have pulled all students who dropped a course, but the drop did not result in a change in status.

The University does not have documented policies and procedures for updating student status for Federal Family Education Loan Program (FFELP) and Direct Loan Program recipients.

Corrective Action:

This finding was reissued as current year reference number: 10-98.

University of Houston- Downtown

Reference No. 07-60

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2005 to June 30, 2006

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness Control and Material Non-Compliance

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: 2006 Status: Partially Implemented U.S. Department of Education |
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The University of Houston - Downtown (University) did not consistently send out the required notifications to FFELP loan recipients in fiscal year 2006. Of the 22 FFELP loan recipients sampled, 11 students (50 percent) did not receive any notification, and 7 students (32 percent) received notifications in the fall semester but not in the spring semester.

The University's current notification process is primarily manual and depends on employees to (1) accurately review the *Texas Guaranteed Student Loan Corporation Disbursement Report*, (2) enter the appropriate comment in the student financial aid management system, and (3) mail the notification. When the University does not distribute the required notifications, this reduces the opportunity for loan recipients to cancel the awards if they choose to do so.

Recommendation:

The University should automate its student notification process or implement a review process to ensure that it sends notifications to all FFELP loan recipients within the required time periods.

Management Response and Corrective Action Plan 2006:

The University has automated this process to ensure that its notifications to all FFELP loan recipients are within the required time periods.

Management Response and Corrective Action Plan 2007:

Regarding the follow-up to this finding the errors were due to a system problem and was compounded by human error when a student worker reverted to the pre-automated process and copies were not made of the letters that were sent and not updated in PowerFails.

The University has automated this process to ensure that its notifications to all FFELP loan recipients are within the required time periods.

Management Response and Corrective Action Plan 2008:

Management concurs with the audit finding.

While we did automate this process it was not implemented successfully due to a business process issue. We modified our business process by assigning this function to the Coordinator of Student Loans who has accountability for ensuring that notifications to borrowers are sent in a timely manner. We have also implemented a bi-weekly review to audit a sample of borrowers to ensure that the notification function has been met. The reviewing parties are the Director, Office of Scholarships and Financial Aid and the Assistant Director for Processing, Office of Scholarships and Financial Aid. These steps were implemented on December 10, 2008.

Management Response and Corrective Action Plan 2009:

The University of Houston-Downtown has automated its student notification process and modified its business process by assigning the responsibility for this function to the Coordinator of student loans. This individual is accountable for ensuring that notifications are sent in a timely manner. A bi-weekly review has also been implemented to audit a sample of borrowers to ensure that the notification function has been met. The reviewing parties are the Director, Office of Scholarships and Financial Aid and the Assistant Director for Processing, Office of Scholarships and Financial Aid.

Implementation Date: December 10, 2008

Responsible Person: LaTasha Goudeau

University of Houston - Victoria

Reference No. 08-75

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 - June 30, 2007

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 Award Number P063P063632

Type of finding - Significant Deficiency and Non-Compliance

Pell Payment Reporting

All institutions submit payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Origination records can be sent well in advance of any disbursement, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. 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 Circular A-133 Compliance Supplement, Part 5, Section L.1.e) and the Secretary of the U.S. Department of Education accepts a student's payment data that is submitted in accordance with procedures established through publication in the *Federal Register*, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution (Title 34, Code of Federal Regulations, Section 690.83(a)(2)).

Initial Year Written: 2007
Status: Partially Implemented

U.S. Department of Education

In a sample of 50 students tested at the University of Houston - Victoria (University), 14 students received Pell Grant awards. However, the University did not report the correct date of disbursement of Pell Grant awards to the COD System for any of those 14 students.

The University did not record the actual disbursement dates; instead, it set the disbursement dates as 10 days prior to the semester start date and when disbursements were processed (in 6 cases, this was more than 30 days after disbursement). When the University does not accurately report disbursement dates, this increases the risk of over awards being made to students. In addition, the Secretary of the U.S. Department of Education could impose a fine on the institution if the institution fails to comply with the requirement (Title 34, Code of Federal Regulations, Section 690.83(c)).

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

The University did not consistently send the required notifications to FFELP loan recipients in fiscal year 2007. In the sample of 50 students, 47 were FFELP loan recipients. Three of these 47 students (6.38 percent) did not receive a notification, and one of these 47 students (2.13 percent) did not receive a notification in a timely manner. In addition, the notification letters the University sent for the Fall 2006 and Spring 2007 semesters did not include information regarding the required right to cancel or the procedure and time by which the student or parent must notify the institution. The notification letters the University sent for the Summer 2007 semester were correct.

When the University does not send the required notifications or the notifications do not include required information on the right to cancel and cancellation procedures, the opportunity for loan recipients to cancel their awards is reduced.

Transfer Student 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 it can make the following determinations: (1) whether the student is in default on any title IV, HEA program loan; (2) whether the student owes an overpayment on any Title IV, Higher Education Assistance (HEA) program grant or Federal Perkins Loan; (3) for the award year for which a Federal Pell Grant is requested, the student's scheduled Federal Pell Grant and the amount of Federal Pell Grant funds disbursed to the student; and (4) the outstanding principal balance of loans is made to the student under each of the Title IV, HEA loan programs. 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 that disbursement (Title 34, Code of Federal Regulations, Section 668.19).

The University did not follow the transfer student monitoring criteria for 5 of 14 (35.7 percent) transfer students included in a sample of 50 students. Specifically:

- Auditors were unable to locate documentation with the date of the file transfer to NSLDS for 4 of 14 transfer students.
- The University made a disbursement to 1 of the 14 transfer students one day after requesting information from NSLDS.

The University's financial aid counselors are not following and/or documenting their completion of the procedures in the *Financial Aid Manual*, Section 17, which requires a review of the student loan history, default status, overpayment status, and aggregate limits on NSLDS prior to disbursement of awards to transfer students.

When the University does not request information from NSLDS, does not wait the required seven days to disburse funds, or does not document that it has accessed NSLDS to verify student status, the University risks awarding or overawarding assistance to a student who may not be eligible.

Recommendations:

The University should:

- Ensure that it reports correct dates for all Pell Grant awards to the COD System as required.
- Correct the errors in its disbursement notification process to ensure that it sends notifications to all FFELP loan recipients within the required time frames and that all required elements are included in the disbursement notifications.
- Ensure that it documents transfer student monitoring procedures for each transfer student and that it does not disburse funds for seven days after transmittal of request for information from NSLDS.

Management Response and Corrective Action Plan 2007:

Pell Payment Reporting

With the implementation of a new financial aid management system for the 2007-08 academic year, the Pell Grant award reporting procedure has been modified to reflect actual disbursement dates. A sample of Pell Grant recipients was conducted and reviewed for compliance. The process of submitting the Pell origination and disbursement files biweekly has been implemented.

Disbursement Notifications

With the implementation of a new financial aid management system for the 2007-08 academic year, procedures have been modified to identify all students who have had FFELP loans disbursed. An email is being generated and sent to the FFELP loan recipients. The additional required information has been added to the disbursement notifications.

The Financial Aid Office is monitoring this procedure for compliance during the 2007-2008 academic year to assure that the processes are functioning correctly.

Transfer Student Monitoring

The Office of Financial Aid runs the NSLDS transfer monitoring request on a weekly basis. When a transfer alert file has been received, the students are reviewed for possible changes to the student's eligibility. A Financial Aid Counselor checks the Reviewed box once the student has been deemed eligible. The reviewed Transfer Alert reports are retained to indicate that transfer students were verified through the NSLDS database. Procedures are in place so that disbursements do not occur within seven days of transmittal of the request for information from NSLDS.

Management Response and Corrective Action Plan 2008:

We implemented a new financial aid system for the 2007-2008 academic year and implemented a process for biweekly submission of Pell Origination and disbursement files. We modified our procedures to a.) help ensure that all disbursement notifications to FFELP loan recipients are timely and contain all required elements, b.) establish documentation for transfer student monitoring and to help ensure that disbursements do not occur within 7 days of the request for information from NSLDS and c.) help ensure disbursement of funding received from FFELP lenders to the students' accounts within the required timeframes. Note: Verified by Internal Auditing.

Management Response and Corrective Action Plan 2009:

Pell Payment Reporting

Of the 15 students that were reviewed in the follow-up audit, three of the students had disbursement dates posted to COD that were different from the actual disbursement dates on the students' account in PeopleSoft. The Pell Requests for the three students were entered manually into COD by the Financial Aid Specialist using the incorrect disbursement dates. The Pell disbursements for these three students were not included in the automated PeopleSoft Pell disbursement request file which was determined during the reconciliation between PeopleSoft and COD. Training with the Financial Aid Specialist was conducted on October 5, 2009. Pell payment request files generated out of PeopleSoft is accurately reporting the disbursement dates.

Disbursement Notifications

On October 26, 2009, program changes were put into production in PeopleSoft to update the Disbursement Notification Communication Assignment automated process. Changes were made to the process by the UH PeopleSoft programmer so the run control would select students who were disbursed aid during any of the three terms for the designated aid year. The run control is no longer term specific. In the scenario with the one student out of the fifteen audited, the notification was not sent because the student's fall disbursement was disbursed during the spring term. Only the spring term was selected in the Disbursement Notification Communication Assignment run control so this student was not assigned a notification.

Transfer Student Monitoring

On October 1, 2009, the query that identifies all new transfer students who need to be sent to NSLDS for Transfer Monitoring was revised. The query now references the term the student was admitted instead of the date the admission's application was submitted to the University of Houston-Victoria. One of the fifteen students audited did not get submitted because the application was received in a different term than when the student was admitted.

Implementation Date: October 26, 2009

Responsible Person: Carolyn Mallory

Returning Funds to Lender

An institution must return FFELP funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by electronic funds transfer (EFT) and master check on or after July 1, 1999. An institution may delay returning FFELP funds to a lender for ten business days after the date if either of the following conditions exists:

- The institution does not disburse FFELP funds to a borrower because (1) the student did not complete the required number of clock or credit hours in a preceding payment period and (2) the institution expects the student to complete required hours within this 10-day period.
- The student has not met all the FFELP eligibility requirements and the institution expects the student to meet those requirements within this 10-day period (Title 34, Code of Federal Regulations, Sections 668.167(b)(1)(ii) and (iii), and Title 34, Code of Federal Regulations, Section 668.167(b)(3)).

The University did not consistently disburse funds received from the lender to the student's account within the required time frame. For a sample of 50 students in which 47 were FFELP loan recipients, the University did not disburse 6 FFELP loans for 4 students (8.5 percent) to the students' account within three business days. Eligibility was not an issue.

When the University does not disburse funds to students within the required time frame, the University is at risk for reduced availability of funds, fines, penalties, and possible conversion to the reimbursement program.

Corrective Action:

Corrective action was taken.

University of North Texas Health Science Center at Fort Worth

Reference No. 09-88

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007, to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable; CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

The University of North Texas Health Science at Fort Worth (Health Science Center) emailed right-to-cancel notifications to students and then archived the emails. However, the archiving process in the email application failed to archive all of the emails. As a result, the Health Science Center could not provide evidence that it had sent the notifications within the required time frames. For 39 of 39 (100 percent) students tested, there was no evidence that the student received one or both of the notifications for the fall and spring semesters. For 18 of those 39 (46 percent) students, the Health Science Center provided evidence for the fall notification, but not for the spring notification. This affected a total of 77 disbursements. The notifications contained the required information.

Recommendation:

The Health Science Center should ensure that it retains documentation indicating that it sent all right-to-cancel notifications to FPL and FFELP loan recipients.

Management Response and Corrective Action Plan 2008:

Management agrees with the findings of the auditor. The process by which students are notified of the Federally mandated Right to Cancel has been changed effective summer 2008. Manual notification via email and archival through the university's Groupwise email system has been replaced with programmatic notifications and archival through the institution's document imaging system. Every Friday, any student who received a Federal Perkins Loan or Federal Family Education Loan Program disbursement is automatically sent via email the required rights of cancellations and how to request such a cancellation. These emails are then routed to the student's permanent file, which is housed in the UNTHSC imaging system.

Management Response and Corrective Action Plan 2009:

Management agrees with the finding of the auditor. In August, 2008, the Financial Aid Office implemented a new process by which students are notified of the Federally mandated Right-to-Cancel notice. Right-to-Cancel Notices are programmatically generated on Friday evenings for all students who received a Federal Perkins Loan or a Federal Family Education Loan Program disbursement during the prior week. These notices are delivered electronically to the student's email address as maintained within the institution's Enterprise Information System (EIS); a copy of the email is delivered to the Financial Aid email address as well. It is from this copy that the notifications are electronically imaged and routed to the student's permanent imaged file, which is housed within the institution's document imaging system. As of January, 2010, an additional step has been implemented in this action plan. The Right-to-Cancel email that is delivered to the Financial Aid email address is copied and saved to a file within a secure, backed-up, and confidential Financial Aid shared drive. This shared drive is housed within the institution.

Implementation Date: January 2010

Responsible Person: Joseph Sanchez

University of Texas at Austin

Reference No. 09-89

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.063 P063P072336, CFDA 84.376 P376S072336, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

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 and implement a quality improvement approach to federal student assistance program administration and delivery. The QAP provides participating institutions with an alternative management approach to develop verification that fits their population. As a part of the quality improvement for the verification process, the University's policy requires verifying wages and income exclusions in addition to all of the items required by Title 34, Code of Federal Regulations, Section 668.56.

For the 2007-2008 award year, the University did not properly verify all required items on the FAFSAs. Auditors identified the following errors:

- For one (4 percent) of 26 students tested, the student's adjusted gross income (AGI) was incorrect. The counselor conducting verification entered the student's wages of \$2,960 as the student's AGI instead of entering the actual student's AGI of \$3,723. This was a manual entry error. The student's EFC did not change as a result of this, and the amount of financial aid awarded would not change; therefore, there was no questioned cost.
- For one (2 percent) of 50 students tested, the amount of tax-exempt interest was incorrect. The counselor conducting verification did not include \$9 of tax-exempt interest from the parent's tax return. This was a manual error. Using this information would have changed the student's EFC by \$3. This student received only loans, and the amount of financial aid awarded would not change with the correct EFC; therefore, there was no questioned cost.

Corrective Action:

Corrective action was taken.

Reference No. 09-90

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue - 08-77)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable; CFDA 84.038 Award Number Not Applicable; and CFDA 84.063, P063P072336

Type of finding - Significant Deficiency and Non-Compliance

Calculating the Incorrect Return of Title IV Amount

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 aid earned by the student as of the student's withdrawal date. If the total amount of Title IV aid 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, Code of Federal Regulations, Section 668.22(a) (1)-(4)).

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| Initial Year Written: | 2007 |
| 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 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, Code of Federal Regulations, 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. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student 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, Code of Federal Regulations, Section 668.22(e)).

For 16 (33 percent) of 49 returns tested, the University of Texas at Austin (University) incorrectly calculated the amount of Title IV aid earned and amount to be returned. These errors occurred because the period of enrollment percentage was calculated to three decimal places instead of being calculated to four decimal places and rounded to three decimal places. The errors were identified during the University's review process, which took place after the funds were required to be returned. There are no questioned costs because, the University (and students) returned, on a net basis, \$89.90 more to Title IV programs than was required to be returned. Specifically:

- Seven of the 16 returns resulted in the University returning, on a net basis, \$132.31 more than was required to be returned.
- Nine of the 16 returns resulted in the University returning \$41.98 less than was required to be returned.

For seven (14 percent) of 49 returns tested, the student returned the incorrect amount of Title IV assistance. Specifically, 4 of these 7 returns resulted in the students returning, on a net basis, \$110.85 more than was required to be returned. In addition, 3 of these 7 returns resulted in the students returning \$111.28 less than was required to be returned.

Additionally, auditors tested a sample of ten students who withdrew or dropped out and purportedly did not have a return. For 1 (10 percent) of 10 students' return calculations tested, the amount of the return was calculated incorrectly. As a result, the University returned \$0.77 less than it should have returned, and the student returned \$1.69 less than should have been returned.

Returning Title IV Funds After the 45-day Required Timeframe

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 or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

For 5 (11 percent) of 47 returns tested, the University did not return Title IV funds within 45 days of the students' determined withdrawal date.

Corrective Action:

Corrective action was taken.

Reference No. 09-91

Special Tests and Provisions - Student Loan Repayments

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Under the federal Perkins Loan Program, institutions must contact borrowers during their initial and post deferment grace periods. The institution must contact the borrower three times during their initial nine-month grace period (Title 34 Code of Federal Regulations Section 674.42 (c)(1)(i)). The institution must contact the borrower for the second time 150 days after the beginning of any grace period (Title 34 Code of Federal Regulations Section 674.42 (c)(2)(ii)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

The University of Texas at Austin (University) did not make second contact with the borrower within 150 days after the start of their initial nine-month grace period for 24 (53 percent) of 45 defaulted Perkins loan borrowers tested.

Corrective Action:

This finding was reissued as current year reference number: 10-116.

Reference No. 09-92

Allowable Costs/Cost Principles

(Prior Audit Issue 08-78)

Research and Development Cluster

Award years - August 1, 2007 to July 31, 2008; December 1, 2007, to November 30, 2008; July 1, 2008, to June 30, 2009; August 1, 2007 to July 31, 2008; and January 1, 2008, to December 31, 2008

Award numbers - CFDA 47.049 CHE-0412609; CFDA 93.242, 5 R01 MH041770-19A1; CFDA 93.859, 5 R01 GM054409-11A1; CFDA 93.855, 1 R01 AI 064886-01; CFDA 93.396, 2 R01 CA031534-24

Type of finding - Significant Deficiency and Non-Compliance

Internal Service Charge

Direct costs are costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative (F&A) costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution (Office of Management and Budget Circular A-21, Section D, Subsection 1).

Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs (Office of Management and Budget Circular A-21, Section F, Subsection 6.b (3)).

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| Initial Year Written: | 2007 |
| Status: | Implemented |

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| National Science Foundation U.S. Department of Health and Human Services |
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The University of Texas at Austin's (University) policy specifies that following charges should not normally be included as direct charges to federal contracts and grant, including federal pass-throughs (that is, the charges are considered to be generally unallowable costs):

- Local telephone costs (includes purchase, installation, and monthly line charges). Only when dedicated lines are required by the project scope of work and approved by the sponsor in the project budget, are local telephone costs allowable as direct charges to a federal project. This also applies to the cost of pagers, cellular telephones, data transfer lines, and fax lines. Reasonable and necessary long distance charges are allowable as a direct cost only when identifiable with a project (University of Texas at Austin Policy http://www.utexas.edu/research/osp/allowable_cost_policy.pdf, Attachment A).

The University's policy also specifies that:

- The cost of office supplies, local (basic) telephone costs, memberships, and subscriptions are treated as indirect costs, except under conditions that the University considers "unlike circumstances" under Cost Accounting Standards (CAS) 502 and as outlined in the University's direct cost policy (University of Texas at Austin Disclosure Statement, <http://www.utexas.edu/business/accounting/pubs/DS-2.pdf>, Section 2.1.0, page 17 of 43).

For 1 (10 percent) of 10 internal service items tested, the University charged telephone equipment and basic line charges as a direct cost. Per federal requirements and University policy, these should have been included in the indirect charges. The direct amount charged was \$1,265.40. The University has corrected this by removing the charge from the federal account.

National Institutes of Health Salary Cap

Appropriated funds for the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality, and the Substance Abuse and Mental Health Services Administration shall not be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level I (Public Law 110-005, Revised Continuing Appropriations Resolution, 2007). The Executive Level I annual salary rate was \$186,600 for the period from January 1, 2007, through December 31, 2007. Effective January 1, 2008, the Executive Level I salary level increased to \$191,300 (NOT-OD-08-035, Salary Limitation on Grants, Cooperative Agreements, and Contracts, <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-08-035.html>).

The University did not adequately monitor the salary and wages charged to the U.S. Department of Health and Human Services NIH grants. For 2 of 5 researchers (representing 3 of 12 grants) tested, the University did not include cost sharing accounts on the effort certifications. Without the cost sharing accounts, the University could charge salaries to NIH grants in excess of the NIH salary cap. The University has updated the effort certification to include the cost sharing accounts, and the amount charged to NIH grants was not in excess of the salary cap.

For 1 (20 percent) of 5 researchers (representing 1 of 12 grants), the University showed an allocation of \$15,940 for August 2008. However, there was no effort certification for this researcher for that time period. This was the result of a timing difference. The pay allocation was for the last month of the fiscal year and did not get initiated until fiscal year 2009. The University has corrected this and the researcher certified his effort. The amount charged was not in excess of the NIH salary cap.

Corrective Action:

Corrective action was taken.

Reference No. 09-93
Davis-Bacon Act

Research and Development Cluster
Award years - September 1, 2006, to August 31, 2008
Award number - CFDA 11.420, NA06NOS4200199
Type of finding - Significant Deficiency and Non-Compliance

When required by the Davis-Bacon Act, the U.S. Department of Labor's (DOL) government wide implementation of the Davis-Bacon Act, or by 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 DOL (Title 40, United States Code (USC), Sections 3141-3144, 3146, and 3147 (formerly, Title 40, USC, Sections 276a to 276a-7)).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Commerce | |

Non-federal entities shall include in construction contracts that are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (Title 29, Code of Federal Regulations, Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (Title 29, Code of Federal Regulations, Sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (Office of Management and Budget No. 1215-0149).

The University of Texas at Austin (University) includes a prevailing wage clause in the special terms and conditions of all of its contracts. However, the University does not require the submission of certified payrolls on a weekly basis. The University requests payrolls only if there are complaints.

Corrective Action:

Corrective action was taken.

Reference No. 09-94

Equipment and Real Property Management

(Prior Audit Issue - 08-79)

Research and Development Cluster

Award years - Multiple

Award number - All Grants with Equipment and Real Property Requirements

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 require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government must be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

Initial Year Written: 2007
Status: Partially Implemented

Federal Agencies that Provide
R&D Grants

The University of Texas at Austin (University) has a policy that requires equipment with a unit cost of \$5,000 or more be assigned to a departmental inventory. In addition, the Office of the Texas Comptroller of Public Accounts (Comptroller's Office) defines controlled items as items with a unit cost of \$500 to \$4,999.99. The Comptroller's Office also requires that controlled item be assigned to a departmental inventory. The University's policy states that its Inventory Services Department will affix a numbered property control plate to the property (or assign an inventory number) and enter appropriate data on the University's computerized inventory system (Handbook of Business Procedures, Section 16.2.A).

Inventory records for 11 (22 percent) of 50 equipment items tested contained inaccurate information about the equipment. Specifically:

- For eight of these items, the University tagged the equipment with a different inventory number than was shown in its inventory records. The University assigned seven of these equipment items temporary inventory numbers during its year-end inventory process. It subsequently assigned new inventory numbers to the equipment, but it had not yet updated its inventory records to reflect these new numbers. One item had been assigned an inventory number, but the item was not tagged. The item was later tagged with a different number, but the inventory record had not been updated.
- For two of these items, an inventory number had not been affixed to the equipment. One item was assigned a temporary inventory number during the year-end inventory process, but it was not tagged. One item had been assigned an inventory number, but the item was not tagged.
- For seven of these items, the inventory record for the equipment did not contain accurate information about the location of the equipment (Six of these exceptions overlapped with the exceptions noted above).

The University has updated the inventory records for the 11 items discussed above.

Corrective Action:

This finding was reissued as current year reference number: 10-118.

Reference No. 09-95

Matching, Level of Effort, Earmarking

(Prior Audit Issues 08-80, 07-69, and 06-63)

Research and Development Cluster

Award years - Multiple

Award number - All Grants with Matching Requirements

Type of finding - Significant Deficiency

Non-federal entities may be required to share in the cost of research. The specific program regulations, general agency award guidance, or individual federal award will specify applicable matching requirements, including the minimum amount or percentage of contributions or matching funds provided by the institution (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 5, Section G). The matching contributions must also comply with the requirements of OMB Circular A-110, Section .23, including the allowable cost principles of OMB Circular A-21. These requirements include that matching contributions must be from allowable sources, must value in-kind contributions according to the principles of OMB Circular A-21 and the terms of the award, and must be composed of allowable costs.

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| Initial Year Written: | 2005 |
| Status: | Partially Implemented |

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| Federal Agencies that Provide R&D Grants |
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The University of Texas at Austin (University) does not have an adequate system for monitoring whether it meets required matching contributions. The University's system for tracking its matching contributions is decentralized, and each department is responsible for maintaining its own documentation of contributions.

In addition, the information maintained for matching did not include whether the match was mandatory per the grant agreement or volunteered by the University. The information also does not identify which grants were federal research and development grants. Of the 30 grants selected for testing, only one was a federal research and development grant and had a required match in fiscal year 2008.

Despite this control deficiency, the University was able to provide sufficient evidence showing that it complied with applicable matching requirements and award terms for the one grant tested.

Corrective Action:

This finding was reissued as current year reference number: 10-119.

University of Texas at Dallas

Reference No. 09-96

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 P063P073234, P375A073234, P376S073234, P033A074174, and P007A074174

Type of finding - Significant Deficiency and Non-Compliance

Access to the Student Information System

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)).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

The University of Texas at Dallas (University) did not maintain appropriate access to its Student Information System (SIS). Employees in the financial aid office had excessive access, with the capability of registering, dropping, and adding students; deleting and modifying student identification numbers; modifying the disbursement schedule and fund budget tables; and modifying the students' accounts screen. In addition, employees in the bursar's office had excessive access, with the capability of issuing refunds and modifying students' personal records (such as physical mailing addresses). Three individuals who were no longer employed in the bursar's office still had active access to SIS.

Recommendations:

The University should:

- Restrict access to SIS screens based on employees' job duties and responsibilities, and periodically review employee access levels to ensure that appropriate access is granted and that separation of duties exists.
- Remove SIS access for the three individuals who are no longer employed in the bursar's office.

Management Response and Corrective Action Plan 2008:

One of the employees with excessive access was a former employee of the Registrar's Office. His access has now been modified to remove his ability to perform Registrar type functions. The other employee with excessive access is no longer an employee of the university.

To ensure redundancy due to the conversion to PeopleSoft, we have Admin Team members who are out working on the project. Having additional admin team members with full access to the student system is important in order for our students to be served in a timely manner. Once the conversion to PeopleSoft is complete, access to the student system will be modified.

Management Response and Corrective Action Plan 2009:

- 1) *The Student Information System (SIS) access for the Financial Aid staff was limited to Financial Aid access and view access to other areas if needed for job duties (e.g. view admissions status, registration status, or Bursar account status.) The access approved was monitored for current employees and new hires to make sure this standard was maintained. The PeopleSoft (PS) access for Financial Aid staff will be limited to only the access required to their job functions. This will be closely evaluated (as part of the initial conversion to PeopleSoft set-up) and monitored.*

- 2) *The training regarding assigning the proper Cost of Attendance (COA) to each student was conducted and will continue. The Financial Aid staff had a process defined to enter and monitor each student's COA for accuracy in SIS. In SIS, the initial COA is based on a combination of an automatic pull from the information submitted on the FAFSA and a manual adjustment based on the student's tuition level and intent for enrollment. Adjustments are then made at a later point if the student's enrollment should change.*

In PS, the initial COA is based on a combination of an automatic pull from the information submitted on FAFSA, the student's tuition level (which will be automatic pulled from PS but also manually audited for accuracy), and intent for enrollment. Adjustments are then made at a later point if the student's enrollment should change. We will develop queries to ensure this accuracy is maintained in the COA and run on a weekly schedule.

Implementation Date: March 26, 2010

Responsible Person: M. Beth Tolan

Calculation of the 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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603(d) (2)).

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." The 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).

For 2 (4 percent) of 50 students tested, the University calculated the cost of attendance budgets incorrectly. Specifically:

- One student's tuition was entered into the Financial Aid System as \$712 less than it should have been. This caused the student's cost of attendance to be less than it actually was. The student would have been eligible for an additional \$540 in financial assistance if the tuition had been entered correctly. However, the student attended summer school and received the additional financial assistance then.
- Another student's cost of attendance was calculated as if the student were living with the student's parents when the student was living off campus and not with the student's parents. This caused the cost of attendance to be lower than it actually was. However, the student was offered the maximum amount of financial assistance that could have been received.

Corrective Action:

Corrective action was taken.

Reference No. 09-97

Procurement and Suspension and Debarment**Research and Development Cluster**

Award years - Multiple (2005, 2006, 2007, 2008)

Award numbers - CFDA 12.300 VOT-6847-01, CFDA 93.173 5R01PC00835-02, CFDA 12.800 FA9550-05-1-0393, CFDA 12.420 W8IXWH-07-1-0492, CFDA 12.800 FA9550-06-1-0403, CFDA 12.420 W8IXWH-07-1-0492, CFDA 47.070 4400131597, CFDA 12.420 W8IXWH-07-1-0492, CFDA 12.800 FA9550-05-1-0393, CFDA 84.305 R305B070581, and CFDA 12.300 N000

Type of finding - Significant Deficiency and Non-Compliance

Noncompliance with Requirement to Verify that Vendors Are Not Suspended or Debarred

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (Office of Management and Budget Circular A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45, Code of Federal Regulations, Part 76, Government-wide Debarment and Suspension).

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| Initial Year Written: | 2008 |
| Status: | Implemented |

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| Office of Naval Research U.S. Health and Human Services National Science Foundation U. S. Department of Education |
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The University of Texas at Dallas (University) has a procurement policy (E2-190.1) that for all purchases expected to exceed \$25,000, it will:

- Include in the bid package the Federal Suspension and Debarment Certification.
- Prior to award, verify the vendor status via the List of Parties Excluded from Federal Procurement and Non-Procurement Web site (<http://www.epls.gov>), and retain a verified copy.

For all 14 purchases the University made that exceeded or were equal to \$25,000, the Procurement Management Office at the University did not have documentation indicating that it verified whether vendors for purchases equal to or above \$25,000 were not suspended or debarred. The University did not maintain Federal Suspension and Debarment Certification copies in its procurement files as required by its policies and procedures. Auditors verified the 14 purchases made by the University were from vendors that were not suspended or debarred.

No Review and Approval of Purchase Orders

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 that could have material effect on each of its Federal programs (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

A University of Texas System Board of Regents Rule (Series 10501 Section 5) allows the President of the University to delegate signature authority to execute and deliver purchase orders for routine purchases of equipment, supplies, goods, and services. The authority was placed with the University's Assistant Vice President for Procurement Management and the Purchasing Manager. The University's *Methods of Purchasing Policy E1-130.00 section 3* states:

Purchase Requisition - used to start the normal procurement process; Procurement Management Department will check for proper approvals, encumber funds, and then secure required goods and/or services for the requisitioning department via issuance of a Purchase Order.

The Procurement Management Office at the University did not review and approve 1 (2 percent) of 50 purchases tested. Purchase Order 802398 (PO) was amended due to a "request to change the vendor." The original PO was dated May 5, 2008, and had the required approval signature of the Purchase Manager. However, the PO with the change vendor request dated May 29, 2008, did not have the proper approval signature of the Purchase Manager or the Assistant Vice President for Procurement Management; instead, it had the signature of a Procurement Management Office buyer.

Corrective Action:

Corrective action was taken.

University of Texas at El Paso

Reference No. 09-98

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Satisfactory Academic Progress Policy

A financial aid Satisfactory Academic Progress (SAP) policy should include a quantitative component that consists of a maximum timeframe within which a student must complete his or her education (Title 34, Code of Federal Regulations, Section 668.16(e)). An eligible institution offering graduate programs must develop, disseminate, and consistently apply a policy defining the maximum timeframe graduate students have to complete their programs (U.S. Department of Education, *Student Financial Aid Handbook*, Volume 2, page 122).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Education | |

The University of Texas at El Paso's (University) SAP policy did not include a maximum timeframe of attempted hours within which graduate students must complete their programs. The policy stated, "Master, Certification, and Doctoral candidates do not have a limit on attempted hours."

Federal Supplemental Educational Opportunity Grant Minimum Awards

A Federal Supplemental Educational Opportunity Grant (FSEOG) may not be awarded for less than \$100 for a full academic year (Title 34, Code of Federal Regulations, Section 676.20).

The University awarded FSEOG amounts that were less than the \$100 to seven students who attended for a full academic year. University staff stated that FSEOG was reduced in order to allow Academic Competitiveness Grants (ACGs), which resulted in the FSEOG awards of less than \$100. The University applied an internal cap on grant awards to students who also received ACG.

Cost of Attendance and Stafford Loans

A student is eligible to receive a Stafford loan, and an independent undergraduate student, a graduate or dependent undergraduate student, is eligible to receive an unsubsidized Stafford loan, if the student who is enrolled or accepted for enrollment on at least a half-time basis at a participating institution meets the requirements for an eligible student under Title 34, Code of Federal Regulations, Chapter 668. In the case of any student who seeks an unsubsidized Stafford loan for the cost of attendance at an institution that participates in the Stafford Loan Program, the student must receive a determination of need for a subsidized Stafford loan (Title 34, Code of Federal Regulations, Section 682.201).

The University calculated the cost of attendance incorrectly for 1 (3 percent) of 40 students tested. The student registered full-time but attended three-quarters time. The University did not adjust financial assistance accordingly. As a result, the University awarded the student assistance in an amount that exceeded need by \$1,326. The additional amount was an unsubsidized Stafford loan.

Corrective Action:

Corrective action was taken.

Reference No. 09-99

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins (FPL) or Federal Family Education Loan Program (FFELP) 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 the 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: | 2008 |
| Status: | Implemented |

U.S. Department of Education

Of 50 student accounts tested at the University, 35 (70 percent) required the University to notify the student or the student's parent about the disbursement. For 1 (3 percent) of the 35 accounts tested that required a disbursement notification (which constituted 1 of 104 disbursement notifications), the University could not provide evidence that it sent the required notification to the student or the student's parents during the required timeframe.

Corrective Action:

Corrective action was taken.

Reference No. 09-100

Allowable Costs/Cost Principles**Research and Development Cluster****Award years - Multiple**

Award numbers - CFDA 12.630 HM1582-06-1-2047, CFDA 43.0002 UTEP006-060208, CFDA 81.089 DEFG26-05NT42491, CFDA 84.120 P120A070032B, CFDA 93.113 5 S11 ES013339-03, CFDA 12.901 H98230-06-C-0500, CFDA 93.859 5 R25 GM069621-04, CFDA 47.076 EHR-0227124, CFDA 93.243 5 H79 T117155-03, CFDA 12.630 2273-219, CFDA 47.076 HRD-0217691, CFDA 47.076 DUE-0631168, and CFDA 12.000 W9113M-08-C-0010

Type of finding - Significant Deficiency and Non-Compliance

Time and Effort Certification

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 (Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, Section J, Subsection 10).

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Defense
National Aeronautics and Space
Administration
U.S. Department of Energy
U.S. Department of Education
U.S. Health and Human Services
National Science Foundation

For 13 (92.8 percent) of 14 time and effort items tested at the University of Texas at El Paso (University), the employees' *Time and Effort Certification Reports* for the applicable period were not completed in a timely manner (completion was considered timely if it occurred within 30 days of receipt of the forms). For 4 (31 percent) of the 13, the employees' *Time and Effort Certification Reports* were certified more than 6 months from the expected certification date.

The University's time and effort certification policy in effect for fiscal year 2008 did not contain time limits for the completion of effort reporting. The policy stated only that the Office of Research and Sponsored Projects will deliver the *Time and Effort Certification Reports* to the principal investigator on a monthly basis. However, guidance from the University of Texas System on effort reporting policies requires that institutions implement effort policies that (1) require all *Effort Certification Reports* to be completed within 30 days of receipt of the forms and (2) include the consequences of not completing *Effort Certification Reports* in a timely manner (UTS-163 - Guidance on Effort Reporting Policy) <http://www.utsystem.edu/policy/policies/uts163.html>.

Recommendations:

The University should:

- Ensure that principal investigators complete *Time and Effort Certification Reports* in a timely manner.
- Update its policies and procedures to conform to the requirements of University of Texas System 163 - Guidance on Effort Reporting Policy.

Management Response and Corrective Action Plan 2008:

We concur with the findings noted above, all referenced Personnel Effort Reports (PERS) were signed late and no copies of the reminder letters to the PIs were located. University policies and procedures are under revision to conform to applicable requirements from the University of Texas System, UTS 163, which will eliminate the requirement of certification of nearly all these sampled PERS, since personnel on these PERS (mostly students) do not need to be certified under UTS 163. We are currently implementing an automated time and effort reporting system that is designed to facilitate certifications from principal investigators in a timely, accurate manner.

Management Response and Corrective Action Plan 2009:

Policies were revised to be more congruent with UTS 163. The interval for the PERS to be issued to the PI's was changed from monthly to semester basis. A database was created to track who receives the PERS, what date the PERS were issued, and the date the signed PERS were returned. Within 10 working days of initial issue, a reminder notice is sent providing an additional 5 working days; within 5 working days thereafter, the first delinquency notice is sent providing 5 additional working days for complying with the effort certification requirement; and within 25 to 30 working days of initial issue, a final delinquency notice is issued to PI with copy to department chair and dean. Since this practice has been implemented, 100% compliance has been reported for the past 3 quarterly compliance periods.

Implementation Date: December 2009

Responsible Person: Manuela Dokie

Indirect Cost Rate

Facilities and administration (F&A) costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function 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 (regardless of the period covered by the 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. Other items may only be excluded where necessary to avoid a serious inequity in the distribution of F&A costs. For this purpose, an F&A cost rate should be determined for each of the separate F&A cost pools developed pursuant to federal requirements. The rate in each case should be stated as the percentage that the amount of the particular F&A cost pool is of the modified total direct costs identified with such pool (Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, Section G, Subsection 2).

For 1 (3 percent) of 40 indirect cost rate items tested at the University, the indirect cost charged was not in accordance with the cognizant federal agency rate agreement and was not applied to the appropriate modified direct cost base. During the setup phase of the grant, the University erroneously assigned an indirect cost rate in its automated general ledger system to an equipment account that was not part of the modified direct cost base as specified in the rate agreement. Due to this error, the University overcharged \$32,706.30 for fiscal year 2008.

Corrective Action:

Corrective action was taken.

University of Texas Health Science Center at Houston

Reference No. 09-101

Allowable Costs/Cost Principles

Research and Development Cluster

Award years - Multiple

Award Number - All Research and Development Grants

Type of finding - Non-Compliance

Educational institutions that received aggregate sponsored agreements totaling \$25 million or more and subject to Office of Management and Budget Circular A-21 during their most recently completed fiscal year must disclose their cost accounting practices by filing a Disclosure Statement (DS-2). With the approval of the cognizant agency, an educational institution may meet the DS-2 submission by submitting the DS-2 for each business unit that received \$25 million or more in sponsored agreements (Office of Management and Budget Circular A-21, Section C.14.a). The cognizant agency distributes to all affected agencies any DS-2 determination of adequacy and/or noncompliance (Office of Management and Budget Circular A-21, Section C.14.h (3)).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| Federal Agencies that Provide R&D Grants | |

The University of Texas Health Science Center at Houston's (Health Science Center) DS-2 has not been approved by its cognizant agency, the U.S. Department of Health and Human Services. The Health Science Center made \$129,544,100 in expenditures for sponsored programs in fiscal year 2008.

Health Science Center staff prepared and submitted a DS-2 to the U.S. Department of Health and Human Services (DHHS) in 2001. DHHS had follow-up questions that were not addressed by the Health Science Center. Consequently, the Health Science Center's DS-2 was not approved by DHHS. The Health Science Center staff believed the DS-2 had been approved by DHHS because the Health Science Center continued to be awarded federal grants.

Corrective Action:

Corrective action was taken.

Reference No. 09-102

Equipment and Real Property Management

Research and Development Cluster

Award years - July 1, 2007 to June 30, 2008; September 1, 2006 to September 29, 2008

Award numbers - CFDA 93.853 5P01NS030310 and 5P50NS044227; CFDA 93.837 5R37HL051021 and 5U01HL075572

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 require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government must be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S. Department of Health and Human Services | |

The University of Texas Health Science Center at Houston (Health Science Center) has a policy requiring that all capital and controlled assets have a bar code identification plate affixed to the property and that inventory records are updated in the Assets Management System accordingly (Capital Assets Management Handbook Section C). In addition, the Office of the Texas Comptroller of Public Accounts (Comptroller's Office) defines controlled items as those items with a unit cost of \$500 to \$4,999.99. The Comptroller's Office also requires that controlled item be assigned to a departmental inventory.

Inventory records for 4 (8 percent) of 50 equipment items tested at the Health Science Center contained inaccurate information about the equipment. Specifically:

- For two items, the Health Science Center's records had serial numbers that differed from the serial numbers on the tagged items.
- For two items, the location stated in the inventory record for the equipment was not the same location where the equipment was located.

Corrective Action:

Corrective action was taken.

Reference No. 09-103

Procurement and Suspension and Debarment**Research and Development Cluster****Award year - July 1, 2007 to June 30, 2008****Award number - CFDA 93.279 5R01DA017505-04****Type of finding - Significant Deficiency and Non-Compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circulars A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45 Code of Federal Regulations, Part 76, Government wide Debarment and Suspension).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |

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| U.S. Department of Health and Human Services | |
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The University of Texas Health Science Center at Houston's (Health Science Center) procurement policy requires vendor suspension and debarment certifications for transactions with amounts that are greater than \$25,000.

One (8 percent) of 12 vendor files tested at the Health Science Center did not contain a suspension and debarment certification. Auditors' review of the EPLS Web site indicated that the vendor was not suspended or debarred.

Recommendation:

The Health Science Center should verify that all vendors to which it awards contracts with amounts greater than or equal to \$25,000 are not suspended or debarred from federal contracts.

Management Response and Corrective Action Plan 2008:

The Health Science Center concurs. The Procurement Department has reviewed its procedures and training materials with regard to suspension and debarment. Department management has met with all buyers to address any misunderstanding of the materials and re-trained where necessary.

Management Response and Corrective Action Plan 2009:

The Health Science Center concurs that procurement policy requires vendor suspension and debarment certifications for transactions with amounts that are greater than \$25,000. The Procurement Department has reviewed its procedures and training materials with regard to suspension and debarment and has notified all buyers in writing to address any misunderstanding of the required certification and documentation procedure. In addition, all buyers were notified that vendor suspension and debarment certifications are also required for any purchase order that is created to replace a previously issued purchase order.

Implementation Date: January 29, 1010

Responsible Person: Richard Rawson

University of Texas Health Science Center at San Antonio

Reference No. 09-104

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

The University of Texas Health Science Center at San Antonio (Health Science Center) could not provide documentation indicating it sent disbursement notification letters to 39 (100 percent) of 39 students tested.

Recommendations:

The Health Science Center should retain documentation indicating that it sent all disbursement notification letters to all FPL and FFELP loan recipients.

Management Response and Corrective Action Plan 2008:

The Office of Student Financial Aid has been sending the notices to students who received funds electronically and kept an Excel log of these as well as the email extract files. The office self reported this as a possible deficiency to the SAO upon the Audit Entrance. The Office of Student Financial Aid eliminated this deficiency during the upgrade to our current Student Administrative System subsequent to the auditor's on-site fieldwork.

The newly adopted process runs daily, sending an email to all students that have any disbursement activity, loan or otherwise, to their campus email address. The Student Administration System updates the student's record upon the completion of the communication. The delivery can be independently confirmed since the communication is generated by the system itself and posted to the students' permanent communication history by the automated process. The email sent to students contains all relevant data as required by 34 CFR 668.165, in addition, it includes the students' aggregate borrowing as reported by the National Student Loan Data System.

Management Response and Corrective Action Plan 2009:

This audit finding occurred during the time the Health Science Center was upgrading their Student System from PeopleSoft v8 to v9. Health Science Center addressed the issue by establishing an automated process that reads from the disbursement file each day, and generates an email communication to the student that includes all required statutory information, a statement of all disbursements for the year, as well as their most current NSLDS record of debt. This communication is documented on the mainframe system once the email is sent successfully and no human intervention is required other than annual parameter maintenance.

Listed below are the specific steps taken to bring the Health Science Center into compliance:

- 1) An automated process was written that picks up all financial aid transactions that post to a student account each day.*
- 2) A secondary program (also automated) subsequently pulls all transactional data for the identified students for the aid year*
- 3) The students and data are merged into a mail letter to each student that has a transaction on that day (including weekends). The email is sent via PeopleSoft, and recorded on the students' permanent record.*
- 4) The email communication to the student includes all required statutory information, as well as an entire statement of all disbursements for the year, and their most current NSLDS record of debt as an additional service to the student. This communication is documented on the mainframe system once the email is sent successfully and no human intervention is required other than annual parameter maintenance.*

During follow-up audit work, it was determined that, although the Health Science Center was correctly identifying and sending notices to all students, there was a flaw in the report parameter setting that limited the number of transactions that were included on the letter mail.

Based on this determination for one of the students sampled, the Health Science Center increased the field limit from 10 lines to 100 lines to allow for all disbursement transactions to print on the letter. We appreciate the assistance the Health Science Center provided to the auditors in identifying this reporting parameter error.

The Health Science Center provided auditors with evidence that this error had been corrected and considers the management action plan to be complete.

Implementation Date: Original action plan fully implemented on October 4, 2008, as reported

Responsible Person: Robert T. Lawson Jr., M.B.A.

Access to the Financial Aid System

Institutions are required to 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)).

User access security to the Health Science Center's Financial Aid System was inappropriately defined. The Student Financial Aid Director, Associate Director of Student Financial Aid, Senior Student Financial Aid Officer, and a Senior Software Specialist II are assigned the super administrative role. Super administrator roles have the ability to make changes to historical data through the application. Super administrative accounts also have expanded capability to make changes to application data, such as backdating effective dates. In the event that a history file is not maintained, there is the potential for unauthorized data changes to be made within the student application. The system, however, does track history changes for the Institutional Student Information Report and the Financial Aid Term tables, which both contain student federal assistance data.

Improper user access and not maintaining a history of data changes increase the risk of unauthorized federal assistance and unauthorized changes to historical data.

Corrective Action:

Corrective action was taken.

University of Texas M.D. Anderson Cancer Center

Reference No. 08-82

Allowable Costs/Cost Principles

Research and Development Cluster

Award year - Not Applicable

Award number - Not Applicable

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 (Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, Section J, Subsection 10).

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| Initial Year Written: | 2007 |
| Status: | Partially Implemented |
| U.S. Department of Health and Human Services | |

For 14 of the 28 payroll items tested at the University of Texas M.D. Anderson Cancer Center (Cancer Center), the employees' Effort Certification Reports for the applicable period were not completed in a timely manner (completion was considered timely if it occurred within 30 days of receipt of the forms).

The Cancer Center's effort certification policy in effect for fiscal year 2007 did not contain time limits for completion of effort reporting. However, guidance from the University of Texas System (System) on effort reporting policies requires that institutions implement effort policies that (1) require all *Effort Certification Reports* to be completed within 30 days of receipt of the forms and (2) include the consequences of not completing *Effort Certification Reports* in a timely manner (UTS-163 - Guidance on Effort Reporting Policy).

A prolonged elapsed time between activity and confirmation of the activity can potentially (1) decrease the accuracy of reporting and (2) increase the time between payroll distribution and any required adjustments to that distribution.

Corrective Action:

This finding was reissued as current year reference number: 10-125.

Reference No. 08-83

Equipment and Real Property Management

Research and Development Cluster

Award year - Not Applicable (control finding related to institutional policy only)

Award number - Not Applicable (control finding related to institutional policy only)

Type of finding - Significant Deficiency

The recipient's property management standards for equipment acquired with federal funds and federally-owned equipment must require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government must be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

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| Initial Year Written: | 2007 |
| Status: | Implemented |
| Federal Agencies that Provide R&D Grants | |

The University of Texas M.D. Anderson Cancer Center (Cancer Center) has a policy that requires all new capitalized and controlled equipment be tagged with an inventory number upon receipt or prior to being placed into service (*Asset Management Module*, Chapter 4A).

Ten of 40 (25 percent) equipment items tested at the Cancer Center did not have an asset identification tag assigned or affixed to them prior to auditors' arrival. The total cost of these ten items was \$268,159.54.

Corrective Action:

Corrective action was taken.

University of Texas Medical Branch at Galveston

Reference No. 09-105

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P070485

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

The University of Texas Medical Branch at Galveston (Medical Branch) could not provide documentation indicating that it sent disbursement notification letters to 40 of 40 students (74 of 74 disbursements) (100 percent) tested for the Fall 2007 and/or Spring 2008 semesters. The disbursement notification letters did not include the date and amount of disbursement from each SFA program. The disbursement notification letters also did not include the procedures the student or parent must follow to notify the institution of cancellation of a loan or disbursement.

Corrective Action:

Corrective action was taken.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the 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 2008, 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 5-3-27)).

For 40 of 40 students (73 of 73 disbursements) (100 percent) tested at the Medical Branch for the Fall 2007 and/or Spring 2008 semesters, the date of Pell and Direct Loan disbursement did not match the disbursement date in the COD System. For 1 of these 40 students (3 percent) (1 of 73 disbursements), the disbursement amount was not reported correctly.

Recommendations:

The Medical Branch should:

- Ensure that it includes all required information in the disbursement notification letters.
- Develop a control process to ensure that it reports the appropriate dates and amounts to the COD System.

Management Response and Corrective Action Plan 2008:

In response to this finding, corrective action has been taken to develop a notification procedure to the students via email and maintain copies of the correspondence. Additionally, a process will be developed to ensure all amounts and dates are appropriately reported in the COD System.

Management Response and Corrective Action Plan 2009:

Due to the impact of Hurricane Ike, the process for maintaining notification documentation electronically was not placed into production until 2/17/2009, with additional testing and automation occurring prior to the FY09/10 award year.

We provided additional training to staff about the importance of reporting accurately the dates and amounts in COD, and random checks of the reported disbursements since February 2009 have been accurate. For the 2009-2010 academic year, disbursements and reporting to COD are being handled through a single system, the Regent Financial Aid system. Since this disbursement period will be the first using the new reporting process to COD, we established an additional review process to ensure accurate reporting.

Implementation Date: September 1, 2009

Responsible Person: Carol Cromie

Reference No. 06-71

Allowable Costs/Cost Principles

Cash Management

Matching

Period of Availability

Reporting

Research and Development Cluster

Award year - 2005

Award number - All Research and Development Grants

Type of finding - Material Weakness Control and Non-Compliance

Recipients of federal awards are required to have financial management systems that (1) accurately disclose the financial results of each federally-sponsored project or program; (2) identify adequately the source and application of funds for federally-sponsored activities; and (3) provide effective control over and accountability for all funds, property, and other assets (per OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Section .21).

Initial Year Written: 2005
Status: Implemented

Federal Agencies that Provide
R&D Grants

In September of 2003, the University of Texas Medical Branch at Galveston (Medical Branch) implemented a new accounting system, converting from a mainframe to a complex database system. In the subsequent periods, the Medical Branch began to identify a number of problems with the system implementation. Of particular concern were problems with one module of the database system. This module is the basis for billing the federal government for research and development grants. It also contains information, such as the agreed-upon F&A (facilities and administration or indirect cost) rate and base for each grant, used to allocate costs among the various Medical Branch accounts. The Medical Branch was also experiencing problems with its time and effort reporting.

Subsequently, the Medical Branch contracted with an external specialist to identify the nature and extent of the compliance and operational problems with the system implementation. The Medical Branch expects that process to be complete in December 2006.

The Medical Branch's inadequate planning for and management of its financial management systems represents an overall control weakness in the accounting for federal programs and noncompliance with Uniform Administrative Requirements. During the audit period (fiscal year ended August 31, 2005), Medical Branch management did not know the full effect of the implementation problems on its accounting for federal programs, which represents a material weakness in management's controls over research and development programs. The compliance requirements most affected by these controls are Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability, and Reporting requirements.

In the third quarter of fiscal year 2005, the Medical Branch implemented a manual control to detect and correct any salary payments in excess of the limits set by the National Institutes of Health (NIH), which funds many of the Medical Branch's research and development programs. However, this control does not appear to be effective. It was not possible to determine within a reasonable amount of time the extent of noncompliance or whether there were questioned costs, but auditors identified at least two instances when the control did not detect overpayment of salary for the quarter tested.

On December 6, 2005, the Medical Branch advised the National Institutes of Health (NIH), which funds many of the Medical Branch's research and development programs, of compliance issues related to this system conversion. Among the issues specifically identified were billings, cost allocation, and noncompliance with NIH salary caps.

The Medical Branch reported total expenditures of \$129,600,257 for the research and development cluster in the Schedule of Expenditures of Federal Awards in the fiscal year ended August 31, 2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-74

Subrecipient Monitoring

Research and Development Cluster

Award year - 2005

Award number - See Below

Type of finding - Reportable Condition Control and Non-Compliance

An entity that passes federal funds through to subrecipients is required to monitor the subrecipients' use of federal funds through reporting, site visits, regular contact, or other means. This monitoring should be adequate to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations and provisions of contracts or grant agreements (per Office of Management and Budget Compliance Supplement, Part 3, Section M).

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| Initial Year Written: 2005 |
| Status: Implemented |

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| U.S. Department of Health and Human Services |
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| U.S. Department of Labor |
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For 8 of 30 projects tested that involved subrecipients, the University of Texas Medical Branch at Galveston (Medical Branch) did not have evidence that it monitored the subrecipients during the projects.

Award Numbers -

- CFDA 17.261 AH124700260
- CFDA 93.000 N01-HV-28184
- CFDA 93.822 1 D18 HP 10040-03-00
- CFDA 93.359 6 D66HP01379-02-01
- CFDA 93.856 1 U54 AI057156-02, 5 U54 AI057156-02
- CFDA 93.865 1 P01 HD0389833-03, 5 P01 HD039833-03

Corrective Action:

Corrective action was taken.

University of Texas of the Permian Basin

Reference No. 09-106

Eligibility

(Prior Audit Issue - 07-74)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 PO63PO63265

Type of finding - Significant Deficiency and Non-Compliance

Financial Need and Total Awards Should Not Exceed Need

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). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Education Opportunity Grant, Title 34, Code of Federal Regulations (CFR), Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, CFR, Section 682.603).

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department of Education

COA refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." 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 the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts. These 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, as well as students with low-assessed tuition. All of the schedules, however, are based on the COA of a full-time student for a full academic year.

For 1 (2 percent) of 50 students tested, the University of Texas of the Permian Basin (University) awarded total assistance that exceeded the student's calculated financial need by \$1,089. In October 2008, the University returned the over award plus interest to the lender.

In addition, for 3 (6 percent) of 50 students tested, the University calculated the COA budgets incorrectly, and the budgets did not match the student financial aid budget schedule. As a result, COA was overstated for two students and understated for one student. Specifically:

The University did not adjust two students' spring 2008 COA calculations to reflect that they were enrolled half-time instead of full-time. As a result, these students were over awarded Pell grants by \$480 and \$540, respectively. The University returned an amount equal to the overpayment to the U.S. Department of Education in July 2008.

The University did not adjust another student's COA calculation to reflect the student's actual living status. As a result, this student was under awarded a Pell grant by \$345.

Recommendations:

The University should improve its process for reviewing cost of attendance calculations and awards based on financial need to ensure that the information in the system is correct and that assistance is awarded appropriately.

Management Response and Corrective Action Plan 2008:

The University should:

Improve its process for reviewing cost of attendance calculations and awards based on financial need to ensure that the information in the system is correct and that assistance is awarded appropriately.

The Office of Student Financial Aid implemented functional responsibilities of OSFA staff to improve packaging and awarding processes. The three Financial Aid Officers were assigned a specific group of students (approximately 700 students each). Each Officer is responsible for packaging and awarding students within the assigned group. It is the responsibility of each Officer to review all aspects of processing awards. This strategy serves as a primary review of each student's eligibility before actual disbursement of financial aid. The Assistant Director has been assigned overseeing the disbursement phase of the process. Prior to disbursement the Assistant Director reviews the awards of the Officers and informs the Officers of any necessary corrections. After the Assistant Director validates the accuracy of the awards then the disbursement phase is initiated.

Management Response and Corrective Action Plan 2009:

Since implementation, the processing and review have improved the determination of the federal student assistance award amount based on financial need. To continue improvement, the Assistant Director began reviewing all student files in January 2010, which should address the failures in awarding appropriately.

Implementation Date: June 2010

Responsible Person: Robert Vasquez

Award Amount Should Not Exceed the Annual Limit

The total amount an undergraduate student may borrow for any academic year of study under the Stafford Loan Program, in combination with any amount borrowed under the Federal Direct Stafford/Ford Loan Program, may not exceed annual award limits. An institution is responsible for ensuring that the amount of a loan will not exceed the student's financial need or annual loan limit. For a student who (1) is enrolled in an academic program of study that is at least one academic year and (2) has successfully completed at least two years of the program, the total amount the student may borrow for any academic year of study under the Stafford Loan Program, in combination with the Federal Direct Stafford/Ford Loan Program, may not exceed \$5,500 (Title 34, CFR, Section 682.204(a) (3)(i)).

For 1 (8 percent) of 12 undergraduate students tested, the student received a loan that exceeded the annual limit. The student received \$3,059 in subsidized Stafford loans and \$7,441 in unsubsidized Stafford Loans for a total of \$10,500. The Stafford loans awarded to this student exceeded the annual limit by \$5,000.

Students Should Make Satisfactory Academic Progress

Students are required to maintain academic progress in order to continue to receive federal student aid. As noted in Chapter 10, Volume 2 of the *Federal Student Aid Handbook* for the 2007-2008 award year, “a school must have a satisfactory academic progress (SAP) policy that, for a Federal Student Aid (FSA) recipient, is the same or more strict than the school’s standards for a student enrolled in the same educational program who is not receiving assistance under an FSA program.” An eligible institution offering graduate programs must “develop, disseminate, and consistently apply” a SAP policy that includes: (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 timeframe in which a student must complete his or her educational program (Title 34, CFR, Section 668.16 (e)(2)(i)(ii)).

Although the University has an established SAP policy that includes both qualitative and quantitative elements for measuring *undergraduate* SAP, the University’s SAP policy does not include specific quantitative and qualitative elements for measuring the progress of *graduate* students. Therefore, the University’s current SAP policy does not meet federal requirements.

Information Technology Controls

Institutions are required to 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 maximum award tables in the University’s financial aid system for the Academic Competitiveness Grant (ACG) are incorrectly defined and do not reflect federal regulations. In addition, mitigating controls to prevent over awards and appropriateness are not in place.

Corrective Action:

Corrective action was taken.

Reference No. 09-107

Special Tests and Provisions - Disbursements To or On Behalf of Students

(Prior Year Issue 07-75)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness and Material Non-Compliance

National Student Loan Data System Review

Before an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student who previously attended another eligible institution, the institution must use information it obtains from the National Student Loan Data System (NSLDS) or its successor system, to determine (1) whether the student is in default on any Title IV, HEA program loan; (2) whether the student owes an overpayment on any Title IV, HEA program grant or Federal Perkins Loan; (3) for the award year for which a Federal Pell Grant is requested, the student’s scheduled Federal Pell Grant and the amount of Federal Pell Grant funds disbursed to the student; (4) the outstanding principal balance of loans is made to the student under each of the Title IV, HEA loan programs; and (5) for the academic year for which Title IV, HEA aid is requested, the amount of, and period of enrollment for, loans made to the student under each of the Title IV, HEA loan programs (Title 34, Code of Federal Regulations, Section 668.19).

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department of Education

The University of Texas of the Permian Basin (University) did not maintain evidence that it verified the required information described above with information received from NSLDS prior to disbursing Title IV loan funds. It is the University's practice to assign responsibility for verifying the information from NSLDS for all transfer students to staff in the Student Financial Aid Office; however, auditors found no indications that this verification was occurring.

Corrective Action:

Corrective action was taken.

Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

The University did not send the required disbursement notifications to FFELP loan recipients during the 2007-2008 award year within the 30-day requirement for the Fall Semester and did not retain documentation that notification letters were sent for the Spring Semester. The University does not participate in the FPL program.

Recommendations:

The University should send disbursement notifications to FFELP loan recipients within the required time periods and retain documentation.

Management Response and Corrective Action Plan 2008:

The OSFA implemented notification letters through a merge file, which is maintained on the Department's assigned drive.

Management Response and Corrective Action Plan 2009:

Because the implemented functional changes did not fully address the verification of all required information from NSLDS and the OSFA again did not meet requirements, another change in functional duties was implemented in January 2010. To address this finding, one staff has been assigned all aspects for loan processing. The staff person is responsible for ensuring all Notification letters are sent within the required time periods and documentation is retained. The Assistant Director has been assigned to perform an audit on all files to ensure processing is meeting requirements.

Implementation date: June 2010

Responsible Person: Robert Vasquez

Pell Payment Reporting

Institutions submit payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Origination records can be sent in advance of any disbursement, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data 1) within 30 calendar days after they make a payment or 2) when they 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 Circular A-133 Compliance Supplement, Part 5, Section L.1.e) and the Secretary of the U.S. Department of Education accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution (Title 34, Code of Federal Regulations, Section 690.83.(a)(2)).

In a sample of 33 students tested at the University, 33 students (100 percent) received Pell Grant awards. However, the University did not report the date of at least one disbursement of Pell Grant awards to the COD System for any of those 33 students.

Recommendations:

The University should report disbursement dates for all Pell Grant awards to the COD System as required.

Management Response and Corrective Action Plan 2008:

The Director manages the Pell reporting through EDexpress and the date entered was in error during the time of the audit. The Director has made the necessary changes to ensure that the correct disbursement date is sent to COD.

Management Response and Corrective Action Plan 2009:

Reporting to COD as required was implemented, but again the auditors found errors. Because of the repeat finding, the Assistant Director began COD reporting in Fall 2009. A review of COD reporting in December 2009 revealed that the reporting was not satisfactory. Beginning with the January 2010 Pell disbursement, a staff member has been assigned disbursement processing. The Assistant Director will perform a review of the processes to ensure reporting is correct before sending to COD.

Implementation date: June 2010

Responsible Person: Robert Vasquez

Funds Not Always Disbursed within Three Business Days

An institution must return FFELP funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by electronic funds transfer (EFT) or master check on or after July 1, 1999 (Title 34, Code of Federal Regulations, Section 668.167(b)(1)(ii)).

For 2 (5 percent) of 41 students tested (2 of 115 transactions), the University held funds more than three business days before disbursing them to the students' accounts.

Corrective Action:

Corrective action was taken.

Returning Funds to a Lender

When an institution receives FFELP funds from the lender by electronic funds transfer (EFT) or master check, it usually must disburse the funds within three business days. If a student is temporarily not eligible for a disbursement but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return FFELP funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement (Title 34, Code of Federal Regulations, Section 668.167).

For 1 (8 percent) of 13 students tested, the University held student loan funds for significantly more than three business days and did not return funds to the lender within the required 10-day time frame.

Recommendations:

The University should not hold funds for more than the maximum allowed number of days before returning them to the lender.

Management Response and Corrective Action Plan 2008:

The OSFA has received a POISE module that should ensure that loan funds be returned as required. Testing is beginning spring 2009.

Management Response and Corrective Action Plan 2009:

The POISE module was tested in spring 2009 and implemented August 2009. The test in spring appeared to work, but during processing in August 2009 it failed. Beginning January 2010, the disbursement officer and the loan officer will manually process disbursements within the required time frames.

Implementation date: June 2010

Responsible Person: Robert Vasquez

Credit Balances

If financial aid disbursements to a student's account at the institution create a credit balance, the institution must pay the credit balance directly to the student or parent as soon as possible, but no later than 14 days after the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period, or the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period (Title 34, Code of Federal Regulations, Section 668.164(e)).

For 1 (2 percent) of 44 students tested at the University, the student's fall disbursement created a balance in the student's account. However, the University did not pay the credit balance to the student within 14 days of the start of classes.

Corrective Action:

Corrective action was taken.

User Access Security to the Financial Aid System

Institutions are required to 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)).

Seven users in the University's financial aid department have the ability to make changes to critical financial aid files such as global budget tables, Pell tables, formulas, file layouts, student loan data files, and Institutional Student Information Record (ISIR) files. These files should be restricted to personnel who require this access for their job duties and responsibilities.

Corrective Action:

Corrective action was taken.

University of Texas at San Antonio

Reference No. 09-108

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.007 P007A074169

Type of finding - Significant Deficiency and Non-Compliance

Awards of Federal Supplemental Educational Opportunity Grants

As noted in Chapter 7, Volume 1, of the *Federal Student Aid Handbook* for the 2007-2008 award year, to receive a Federal Supplemental Educational Opportunity Grant (FSEOG), a student must not only meet general eligibility requirements “but must also be an undergraduate student and have financial need.” An undergraduate student is defined under the FSEOG Program as “a student who is enrolled in an undergraduate course of study at an institution of higher education,” and who (1) has not earned a bachelor’s degree or first professional degree and (2) who is enrolled in a four- to five- academic-year program designed to lead to a first degree. A student who has earned a bachelor’s or first professional degree is not eligible to receive a FSEOG to pursue an additional undergraduate degree based on the above definition of an undergraduate student (Chapter 7, Volume 1, *Federal Student Aid Handbook*, 2007-2008, award year).

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| Initial Year Written: | 2008 |
| Status: | Partially Implemented |
| U.S. Department of Education | |

For 1 (17 percent) of 6 students tested, the University of Texas at San Antonio’s (University) student financial aid packaging system awarded FSEOG to a student who had earned a bachelor’s degree and was enrolled to pursue an additional undergraduate degree. The University incorrectly awarded \$500 in FSEOG funds to this student.

Corrective Action:

Corrective action was taken.

Access to the Financial Aid Software

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 does not maintain appropriate access to Banner, its financial aid software. Sixteen users in the Financial Aid area had excessive modify access to the satisfactory academic progress (SAP) rules tables, which gives them capabilities to modify and change SAP policy rules in Banner.

Recommendations:

The University should restrict access to Banner based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.

Management Response and Corrective Action Plan 2008:

Profiles were originally created based on the job duties and responsibilities of each member of the financial aid and enrollment services staff; however, roles have shifted since the implementation of Banner. The Office of Student Financial Aid and Enrollment Services is currently reviewing access to various screens and jobs and are making changes to the profiles that currently exist so that it ties specifically to the job responsibilities of each individual. The Office of Auditing and Consulting Services has also recently completed an internal audit of Banner Security Access. Recommendations have already been made to change the process to provide adequate expertise, oversight, and ownership of student information. The Office of Auditing and Consulting Services is currently working with the Registrar's Office, which has created a committee that will address Banner Access security issues.

Management Response and Corrective Action Plan 2009:

As of December 31, 2009, the Student Financial Aid and Enrollment Services Office has fully implemented the corrective action plan by periodically reviewing access to Banner so that the staff's access is appropriate for their job functions across the office. Specifically, the access to the (satisfactory academic progress) SAP rules tables has been corrected and only appropriate personnel within the Student Financial Aid and Enrollment Services Office have access to modify information.

Implementation Date: December 13, 2009

Responsible Person: Lisa Blazer

Reference No. 09-109

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 08-87)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.007 P007A074169, CFDA 84.033 P033A074169, CFDA 84.375 P375A073294, CFDA 84.376 P376S073294, and CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Inaccurate Withdrawal Date in Student Record

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. 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 greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Section 668.22(a)(1)-(4)).

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| Initial Year Written: | 2007 |
| Status: | Implemented |

U.S. Department of Education

If an institution is not required to take attendance, the withdrawal date is (1) the date that the student began the withdrawal process prescribed by the institution; (2) the date that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the institution of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the date the institution determines is related to that

circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence. Notwithstanding the above, an institution that is not required to take attendance may use as the withdrawal date, the last date of attendance at an academically related activity as documented by the institution (Title 34, Code of Federal Regulations, Sections 668.22(c) and (d)).

For 2 (2.5 percent) of 80 Title IV returns tested, the University of Texas at San Antonio (University) did not record the student's withdrawal date accurately in the student record. As a result, the University incorrectly determined that the students had earned more than 60 percent of Title IV funds awarded, resulting in \$1,411.85 in Title IV funds not being returned to the U.S. Department of Education.

Incorrect Percentage of Payment Period Completed

The percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in (1) credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date or (2) clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least five consecutive days and days in which the student was on an approved leave of absence 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, Code of Federal Regulations, Section 668.22(f)).

The University did not accurately account for an institutionally scheduled break of greater than five days during the Spring 2008 semester in the system it used to calculate returns of Title IV funds. Of the 80 returns tested, 27 (34 percent) did not have the percentage of period of enrollment completed calculated accurately. The errors were determined to be due to the University's spring break miscalculation.

Amount of Title IV Assistance Earned Calculated Incorrectly

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 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, Code of Federal Regulations, 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. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student 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, Code of Federal Regulations, Section 668.22(e)).

For 28 (35 percent) of 80 returns tested, the University did not calculate the correct amount of Title IV assistance earned and amount to be returned.

- 27 (89 percent) were a direct result of the scheduled spring break not being accounted for during the calculation. Of these 27 errors, 2 contained additional errors with incorrect withdrawal dates entered into the Return of Title IV calculation software.
- 1 (4 percent) was incorrect because incorrect institutional charges were used to calculate the return of Title IV assistance.

As a result of incorrect calculations, \$8,952.36 (includes \$1,411.85 attributed to 2 errors of incorrect withdrawal dates entered as previously mentioned above) in Title IV assistance was not returned to the U.S. Department of Education.

Not Returning Title IV Assistance within Required Timeframes

Returns of Title IV funds are required to be deposited or transferred into the student financial assistance account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The University does not have controls to ensure that it returns Title IV funds within 45 days of determining that students withdraw. The University returned 5 (10 percent) of 50 returns tested after 45 day. For those five, the University returned funds between 56 and 207 days after the students' withdrawal dates.

Corrective Action:

Corrective action was taken.

Reference No. 09-110

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 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 (1) discovers that a Stafford Loan, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

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| Initial Year Written: | 2008 |
| Status: | 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 student status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders, guarantors, and servicers of student loans. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. The accuracy of Title IV student loan records depends heavily on the accuracy of the enrollment information reported by schools. Although the University uses the services of NSC, it is still the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3.1.1.3).

For 8 (16 percent) of 50 student files tested, the University incorrectly reported the status of student enrollment changes. Specifically:

- Four students tested ceased to be enrolled at the University, but NSLDS records incorrectly reflected that these students were enrolled less than half-time. Furthermore, these changes in student status were not reported to lenders, servicers, or guarantors.
- One student tested ceased to be enrolled at the University, but the status change was not reported to NSLDS, lenders, servicers, or guarantors.
- One student tested changed to less than half-time status on May 13, 2007, but the change was not reported to lenders, servicers, or guarantors until October 3, 2007, which exceeded the required 60-day time frame.
- One student tested was enrolled at the University and was a recipient of a Stafford Loan, but the student's record was not found in either the NSC or the NSLDS system.
- One student tested changed to less than half-time status, but NSLDS records incorrectly reflected that the student was enrolled full-time. Furthermore, this student's change in status was not reported to lenders, servicers, or guarantors.

Corrective Action:

Corrective action was taken.

University of Texas Southwestern Medical Center at Dallas

Reference No. 09-111

Special Tests and Provisions - Key Personnel

Research and Development Cluster

Award year - September 17, 2007 to May 31, 2008

Award number - CFDA 93.389 1UL1RR024982-01

Type of finding - Significant Deficiency and Non-Compliance

For federal awards issued by the National Institutes of Health (NIH), the grantee is required to notify the grant management office in writing if the principal investigator or key personnel specifically named in the Notice of Grant Award (NOGA) will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award (for example, a proposed change from 40 percent effort to 30 percent effort or less). NIH must approve any alternate arrangement proposed by the grantee, including any replacement of the principal investigator or key personnel named in the NOGA. The requirements to obtain NIH prior approval for a change in status pertain only to the principal investigator and those key personnel NIH names in the NOGA, regardless of whether the grantee designates others as key personnel for its own purposes (NIH Grants Policy Statement (December 2003) Part II: Terms and Conditions of NIH Grant Awards Subpart A: General). Federal grantors other than NIH have similar requirements.

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| National Institutes of Health | |

The University of Texas Southwestern Medical Center at Dallas (Medical Center) did not notify the NIH of a change in key personnel to obtain approval for that change for grant 1 UL1 RR024982-01. An individual was listed as key personnel in the NOGA, and the Medical Center did not notify NIH of her removal from the project. An oversight and lack of controls in the process of notifying awarding agencies of key personnel effort commitments caused this error.

Corrective Action:

Corrective action was taken.

Water Development Board

Reference No. 09-112

Cash Management

CFDA 66.000 - Capitalization Grants for Colonias Wastewater Treatment Assistance Program

Award years - March 5, 1996 to September 30, 2008

Award number - C-48000105 CWTAP III

Type of Finding - Significant Deficiency

According to the Treasury-State agreement for the State of Texas, the Water Development Board (Board) is not included in Subpart A of Title 31, Code of Federal Regulations (CFR), Chapter 205, which implements the Cash Management Improvement Act. Therefore, the Board should comply with Subpart B, which applies to programs that are not subject to Subpart A. Subpart B, Section 205.33, states that “cash advances to a state shall be limited to the minimum amounts needed and shall be timed to be in accordance with only the actual, immediate cash requirements of the state in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs.” Additionally, Title 40, CFR, Section 31.20 states that “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transaction reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S Environmental Protection Agency | |

The Board’s Colonias Wastewater Treatment Assistance Program (CWTAP) provides grants for construction of wastewater collection and treatment systems and water supply and distribution systems. When federal funds are drawn down and provided to a subrecipient for costs that are incurred during a project, Board requires CWTAP subrecipients to submit outlay reports to the Board, and those reports must be accompanied by documentation supporting all project expenditures, other uses of bond proceeds, and related investment earnings derived from Board funds.

The Board did not have procedures to ensure that its subrecipients minimized the time elapsing between the transfer of federal funds from the recipient and the pay out of funds for program purposes. During fiscal year 2008, the Board passed through \$20,568,979 in CWTAP funds to its subrecipients.

Corrective Action:

Corrective action was taken.

Reference No. 09-113

Equipment and Real Property Management

CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Fund

Award years- Multiple

Award number - Multiple

CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Fund

Award years- Multiple

Award number - Multiple

CFDA 66.000 - Capitalization Grants for Colonias Wastewater Treatment Assistance Program

Award years- Multiple

Award number - Multiple

Type of finding - Significant Deficiency

According to Title 40, Code of Federal Regulation, Section 35.6335 recipients must comply with property management standards for property purchased with funds awarded by the U.S. Environmental Protection Agency (EPA), including the requirement to identify federally funded property.

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S Environmental Protection Agency | |

The Water Development Board (Board) uses the State Property Accounting System (SPA) to track equipment and property. SPA is administered by the Texas Comptroller of Public Accounts (CPA), and Board staff follow the SPA policy and procedures as administered by CPA. Property recorded in SPA has an assigned field to distinguish property purchased with federal funds. The agency can run ad hoc report queries from SPA to list the population of equipment purchased with federal funds. To ensure that items are properly reported in SPA, the Board completes a periodic reconciliation with SPA, the Board's internal accounting system (MIP), and the Uniform Statewide Accounting System (USAS).

Auditors identified a Board vehicle that was paid for with federal funds but that was not on the SPA ad hoc report of federally funded equipment. Therefore, auditors were unable to determine whether the federally funded equipment population received from the Board was materially accurate and complete. Although the Board conducts reconciliations, the reconciliation process does not include strong controls to ensure that equipment purchased with federal funds is properly recorded as such.

Corrective Action:

Corrective action was taken.

Reference No. 09-114

Matching

CFDA 66.000 - Capitalization Grants for Colonias Wastewater Treatment Assistance Program

Award years - March 5, 1996 to September 30, 2008; January 1, 1999 to December 31, 2008

Award numbers - C-48000105 CWTAP III and C-48000106 CWTAP IV

Type of Finding - Non-Compliance

The Water Development Board (Board) matches grant funds for the Capitalization Grants for Colonias Wastewater Treatment Assistance Program (CWTAP) in arrears on an annual basis by the end of the federal fiscal year. The U.S. Environmental Protection Agency (EPA) allows the Board to use Economically Distressed Assistance Program (EDAP) funds and the interest paid on general obligation (GO) bonds used for the principal of the match as a credit toward a portion of the state matching funds required.

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S Environmental Protection Agency | |

According to award documentation, the interest earned on the issuance of GO bonds during the “project period” may be applied as a credit to a portion of the required match. In addition, interest on bonds issued by the State, related to the deposit of the State’s matching principal share and paid by the State during the grant “project period,” is considered an authorized project expenditure because the debt is incurred by the State to meet its matching requirement.

The Board currently credits all of the interest paid on the life of the GO bonds that were issued to meet the principal match as a portion of the State match. The GO bonds issued to provide the principal matching funds have interest calculated until the year 2032. The interest paid on these GO bonds is \$3,834,029.38 for CWTAP III and \$705,921.47 for CWTAP IV. The federal portion related to the unallowable match is \$5,887,637.25 for CWTAP III and \$3,529,607.35 for CWTAP IV.

Auditors followed up with the EPA to determine whether the interest calculated through 2032 was allowable as a credit toward the State match for the CWTAP grants. The EPA determined that the Board “cannot apply interest paid in future years as match beyond the grant Project Period.”

Corrective Action:

Corrective action was taken.

Reference No. 09-115

Procurement and Suspension and Debarment

CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Fund

Award years - Multiple
Award numbers - Multiple

CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Fund

Award years - Multiple
Award numbers - Multiple

CFDA 66.000 - Capitalization Grants for Colonias Wastewater Treatment Assistance Program

Award years - Multiple
Award numbers - Multiple
Type of finding - Significant Deficiency and Non-Compliance

Determination of Suspension or Debarment

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), 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, Part 1532).

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S Environmental Protection Agency | |

To determine whether a potential subrecipient is suspended or debarred, the Water Development Board (Board) requires subrecipients to complete a suspension and debarment form (form SRF-404), which is provided by the Board prior to funding a grant or loan. However, the Board did not always retain evidence that it obtained those forms or otherwise verified the suspension and debarment status of subrecipients. Specifically:

- For 3 (6 percent) of 50 subrecipients tested for the Capitalization Grants for Drinking Water State Revolving Fund Program, the Board did not retain evidence that it had collected the required suspension and debarment form.
- For 2 (4 Percent) of 48 subrecipients tested for the Capitalization Grants for Clean Water State Revolving Fund Program, the Board did not retain evidence that it had collected the required suspension and debarment form.
- For 2 (5 percent) of 38 subrecipients tested for the Capitalization Grants for Colonias Wastewater Treatment Assistance Program, the Board did not retain evidence that it had collected the required suspension and debarment form.

Auditors reviewed the federal government’s Excluded Parties List System (EPLS) Web site for all of the subrecipients for which the Board did not have a suspension and debarment form and determined that the subrecipients were not currently suspended or debarred.

Competitive Bids

Texas Government Code, Section 2155.132 (e), requires competitive bidding, whether formal or informal, for a purchase by a state agency if the purchase exceeds \$5,000 and is made under a written contract.

For purchases made through its purchasing department, Board uses *The State of Texas Procurement Manual*, maintained by the Texas Comptroller of Public Accounts, to determine the appropriate procurement method. Section 2.9.1 of the manual states “obtain a price quote from as many TXMAS (Texas Multiple Award Schedule) vendors as are necessary to provide best value to the State. Document all price quotes in your purchasing file.”

The majority of Board procurements made through the purchasing department do not require a competitive bid process. However, for 1 (33 percent) of 3 purchases and contracts tested for the Capitalization Grants for Drinking Water State Revolving Fund Program, the Board used a TXMAS vendor, but the only price quote documented was for that vendor. The Board did not have documentation indicating that it obtained price quotes from other vendors.

Corrective Action:

Corrective action was taken.

Reference No. 09-116

Subrecipient Monitoring

CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Fund

Award years - Multiple

Award numbers - Multiple

CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Fund

Award years - Multiple

Award numbers - Multiple

CFDA 66.000 - Capitalization Grants for Colonias Wastewater Treatment Assistance Program

Award years - Multiple

Award numbers - Multiple

Type of finding - Significant Deficiency and Non-Compliance

Subrecipient Requirement Letters

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400 requires pass-through entities to “identity Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.”

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| Initial Year Written: | 2008 |
| Status: | Implemented |
| U.S Environmental Protection Agency | |

The Water Development Board’s (Board) external audit division is responsible for sending subrecipient requirement letters to the subrecipients once the award has closed. Once the subrecipient requirement letter is sent to the subrecipients, a signed copy of the letter is kept in the external audit files. An unsigned copy of the format letter that was sent to each subrecipient is also maintained in a database. Although the Board could produce an unsigned letter from the database file for all subrecipients, auditors did not consider the database file (an unsigned letter) sufficient evidence that the required award information was communicated to the subrecipient. The Board did not retain sufficient support that it communicated the required federal award information for:

- 11 (22 percent) of 50 subrecipients tested for the Capitalization Grants for Drinking Water State Revolving Fund Program.
- 14 (30 percent) of 47 subrecipients tested for the Capitalization Grants for Clean Water State Revolving Fund Program.
- 33 (87 percent) of 38 subrecipients tested for the Capitalization Grants for Colonias Wastewater Treatment Assistance Program.

Subrecipient requirement letters should be sent to subrecipients in order to ensure correct reporting on the subrecipients Schedule of Expenditures of Federal Awards (SEFA), as well as to ensure that subrecipients comply with single audit requirements.

Corrective Action:

Corrective action was taken.

West Texas A&M University

Reference No. 09-117

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award years - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) 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 the 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 proceeds and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2008

Status: Partially Implemented

U.S. Department of Education

West Texas A&M University (University) has a manual process for maintaining documentation of when it sends disbursement notification letters. However, it did not consistently use this manual process, and it had no compensating controls for identifying when it sent disbursement notification letters. The University could not provide documentation indicating that it sent disbursement notification letters to 3 of 33 (9 percent) students tested. In addition, for 21 of 33 (64 percent) students tested, the University could not provide documentation showing that it sent the spring 2008 FFELP disbursement notification letters within 30 days of crediting the students' accounts. Documentation showed that the University sent these students notification letters for the fall 2007 semester.

Recommendation:

The University should ensure that it has developed and consistently uses a control process to retain documentation indicating that it sent disbursement notification letters to all FFELP and FPL loan recipients within the required time period.

Management Response and Corrective Action Plan 2008:

The three missing pieces of documentation regarding the initial disbursement notification letters as well as the missing spring notices were an anomaly. The documentation was not captured in the proper electronic storage location.

To avoid having these isolated omissions we have instituted the following:

- *A single worker has been assigned to this process to provide continuity.*
- *An electronic sweep of the system designed to capture all electronic disbursements is done on a regular basis.*
- *Email letter notifications are generated from each sweep and copies of the letters sent are then saved to a separate drive on the WTAMU Storage Network, which is maintained, supported, and backed-up by the university's IT department.*
- *A paper backup is maintained of the dates and notices that are sent and stored. This log is maintained in the Loan Department of the Financial Aid Office.*

Management Response and Corrective Action Plan 2009:

- *A single worker has been assigned to this process to provide continuity. Additionally, we have further enhanced the process by having a full-time staff member to spot-check and follow up with the worker charged with the regular responsibility outlined below.*
- *An electronic sweep of the system designed to capture all electronic disbursements is done on a regular basis.*
- *E-mail letter notifications are generated from each sweep and copies of the letters sent are then saved to a separate drive on the WTAMU Storage Network which is maintained, supported and backed-up by the university's IT department.*
- *A paper backup is maintained of the dates and notices that are sent and stored. This log is maintained in the Loan Department of the Financial Aid Office.*
- *Out electronic notification has been revised to imbed the transmittal into each individual copy. The original format showed a batch date of the original notification, but pulled the current date into the body of the letter.*

Implementation Date: November 2009

Responsible Person: James D. Reed