



UNIVERSITY OF
TEXAS
ARLINGTON

TEXAS HIGHER EDUCATION COORDINATING BOARD FACILITIES AUDIT

APRIL 23, 2013

INTERNAL AUDIT DEPARTMENT
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MEMORANDUM

TO: James D. Spaniolo
President

FROM: Ken Schroeder *Ken Schroeder*
Director of Internal Audit

DATE: April 23, 2013

SUBJECT: Texas Higher Education Coordinating Board Facilities Audit Report Dated April 23, 2013

Executive Summary

As part of FY 2013 Audit Plan, we have completed our audit of facilities development projects to satisfy the audit requirements of the Texas Higher Education Coordinating Board (THECB) Facilities Audit Protocol.

The objectives of this audit were to determine if facilities development applications and acquisitions of real property during the prior five-year period were:

- Submitted to and approved by the THECB.
- Completed within the parameters specified in the project applications approved by the THECB.

The scope of the audit included facility development projects between September 2007 and December 2012, which met the THECB criteria for approvals or re-approvals. During this period, there were six projects which met the criteria. Our tests and reviews confirmed that the THECB rules for submission and approval/re-approval were in compliance.

Based upon interviews with relevant staff, review of supporting documents, and testing of projects, we believe that facilities projects are submitted to and approved by the THECB and are completed within the parameters specified by the THECB rules. No recommendations were necessary.

We appreciate the assistance we received from the Facilities Management staff throughout this audit. If you have any questions, please contact me at extension 2-2018.

MEMORANDUM: April 23, 2013

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cc: Dr. Ronald L. Elsenbaumer, UT Arlington, Provost and Vice President for Academic Affairs
Ms. Kelly Davis, UT Arlington, Vice President for Business Affairs and Controller
Mr. John Hall, UT Arlington, Vice President for Administration and Campus Operations
Mr. Bill Poole, UT Arlington, Assistant Vice President for Facilities Management
Ms. Amelia Whatley, UT Arlington, Facility Space Inventory Manager, Facilities Management
Mr. Charles B. Sims, UT Arlington, Director of Institutional Construction, Facilities Management
Mr. Paul Turcotte, Texas Higher Education Coordinating Board, Program Director
Dr. Pedro Reyes, UT System, Executive Vice Chancellor for Academic Affairs
Mr. Alan Marks, UT System, Attorney – General Law Section
Mr. J. Michael Peppers, UT System, Chief Audit Executive
Ms. Moshmee Kalamkar, UT System, Audit Manager
Mr. Ed Osner, Legislative Budget Board
Mr. Jonathan Hurst, Governor’s Office of Budget, Planning and Policy
Internal Audit Coordinator, State Auditor’s Office
Mr. Ken Levine, Sunset Advisory Commission
Report File

Background Information

Texas Education Code and THECB rules require that public institutions of higher education receive THECB approval or re-approval for real property acquisitions, new construction, addition projects, and repair and renovation projects financed from any source of funds, in accordance with the THECB Rules §17.10-§17.14.

The Texas Education Code requires the THECB to periodically conduct a comprehensive audit of all educational and general facilities on the campuses of public senior colleges and universities. Part of this process is having the internal audit function for the educational facility being audited conduct a review of projects and acquisitions of real property, over the preceding five years, to determine if they were submitted to the THECB and received all required approvals. Additionally, they are required to determine that the sample of projects was completed within the parameters specified in the project application approved by the THECB.

Objectives

The objectives of this audit were to determine if facilities development applications and acquisitions of real property during the prior five year period were:

- Submitted to and approved by the Texas Higher Education Coordinating Board (THECB).
- Completed within the parameters specified in the project applications approved by the THECB.

Scope and Methodology

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System Policy - UTS 129 titled "*Internal Audit Activities*" requires that we adhere to the *Standards*. The scope of the audit covered facilities development applications and acquisitions of real property for the period September 2007 through December 2012.

The THECB rules require that institutions submit for its consideration new construction projects costing \$4 million or more, repair and renovations projects costing \$4 million or more, acquisitions of real property, and gifts or donations of improved real property. Prior to September 1, 2009, the amounts were \$1 million for new construction and \$2 million for repair and renovation. Coordinating Board rules also require institutions to submit projects for re-approval if the total cost of a project exceeds cost estimates by more than 10%, the gross square footage is changed by more than 10%, the institution has not contracted for the project within

18 months from its final Coordinating Board approval date, or any funding source of an approved project is changed.

In the period beginning September 2007 through December 2012, there were 18 projects and land acquisitions potentially meeting the THECB criteria as defined above. The population was determined from a review of all capital projects as included in the University's Annual Financial Reports. From this population of projects, a sample of six projects meeting approval or re-approval requirements were chosen for testing and reviews as follows: Civil Engineering Lab; Engineering Research/Engineering Lab; College park; College Park Center; Energy Performance Contracts; and Heights on Pecan Apartments.

Audit Results

As discussed above, we tested a sample of six projects that met the THECB thresholds for review and approval. In all instances, the projects were submitted to and received approval from the THECB. As specified in the Texas Administrative Code Board Rule §17.14, projects and land acquisitions require re-approval when they meet any of the following conditions:

- Total project cost exceeds cost estimates by more than 10%;
- Gross square footage is changed by more than 10%;
- The institution has not contracted for the project within 18 months from its final Board approval date;
- Any funding source of an approved project is changed; or
- Property acquisitions are not completed within two years of THECB approval.

Of the six projects that required initial THECB approval, the Engineering Research/Engineering Lab project required re-approval based upon costs exceeding the initial approval by more than 10%. This project received re-approval and all six projects were completed within the required parameters.

Conclusion

Based upon interviews with relevant staff, review of supporting documents, and testing of projects, we believe that facilities projects are submitted to and approved by the THECB and are completed within the parameters specified by the THECB rules. No recommendations were necessary.

We appreciate the assistance we received from the Facilities Management staff, throughout this audit.