

Report to the Audit and Compliance Committee of the  
University of Houston System  
Board of Regents  
November 20, 2025

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

Fiscal Year 2026 INTERNAL AUDIT ACTIVITY  
since August 21, 2025

and

INTERNAL AUDIT REPORTS

AR2026-01	Contracts Requiring Board of Regent's Approval (July 1, 2025 through September 30, 2025)
AR2026-02	UHS Board of Regent's Travel and Entertainment, Fiscal Year 2025
AR2026-03	UH Chancellor/President's Travel and Entertainment, Fiscal Year 2025
AR2026-04	UHCL President's Travel and Entertainment, Fiscal Year 2025
AR2026-05	UHD President's Travel and Entertainment, Fiscal Year 2025
AR2026-07	UH Foundation Donor Agreement Expenditures
AR2026-08	Compliance with Education Code 51.9337

Note: This internal audit report is submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. This internal audit report is also submitted to the Governor's Office of Budget, Planning, and Policy; the State Auditor; and the Legislative Budget Board in order to comply with the Texas Government Code, Section 2102.0091.

# FY26 Internal Audit Activity

Since August 21, 2025 Board of Regents Audit and Compliance Committee Meeting

## Audits Completed

- **AR2026-01** Contracts Requiring Board of Regents Approval (1<sup>st</sup> Quarter)
- **AR2026-02** Board of Regents Travel & Entertainment, FY25
- **AR2026-03** UH/UHS Chancellor/President's Travel & Entertainment, FY25
- **AR2026-04** UHCL President's Travel & Entertainment, FY25
- **AR2026-05** UHD President's Travel & Entertainment, FY25
- **AR2025-07** UH Foundation Donor Agreement Expenditures
- **AR2026-08** Texas Education Code §51.9337 Compliance

## Special Projects Completed

- UHS Institutional Compliance Fraud and Non- Compliance Hotline Reports (≈52)

## Audits in Progress

- Board of Regents Travel and Entertainment FY26
- President's Travel and Entertainment, FY26 (UHS, UH, UHCL, and UHD)
- Contracts Requiring Board of Regents Approval (UHS)
- Procurement Card Management (UH and UHD)
- Laboratory Safety (UH)
- UH Inventory of Protected Health Information
- Information Technology Risk Assessment
- Continuous Control Monitoring

## Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UH Biology Department
- Research Center Budget/IDC
- UH Technology Department Expenditures



## Internal Auditing Department

# University of Houston System Contracts Requiring UHS Board of Regents Approval Report to the Audit and Compliance Committee of the UHS Board of Regents AR2026-01

November 2025



Photo courtesy of University of Houston Information Technology Services Webcams

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Executive Summary

The Internal Auditing Department (IAD) reviewed the solicitation/purchasing process surrounding contracts that required UHS Board of Regents approval from July 1, 2025, through September 30, 2025. IAD noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

Background

UHS procures construction services under the provisions of the Texas Education Code, Sections 51.778 – 51.785. These statutes address the following construction contract methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the UH Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The IAD reviews the RFQ / RFP publication, evaluation, and selection process for contracts requiring Board of Regents approval on an ongoing basis. The Internal Audit Department also reviews the procurement for other contracts requiring Board of Regents approval (RFQ/RFP, Invitation to Bid and Sole Source).

Objective

The objectives of this review are to determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for contracts requiring Board of Regents approval.

Scope of Work

The IAD review of procurement of contracts requiring Board of Regents approval covers the time period from July 1, 2025, through September 30, 2025.

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## Audit Procedures

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

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

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## Conclusion

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

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## Appendices

Analysis of internal audit activity related to the review of contracts requiring UHS Board of Regents approval award evaluations can be found in Appendix

1. The project and contract amounts listed in Appendix 1 reflect the figures provided by the UH Purchasing Department at the time of our review.

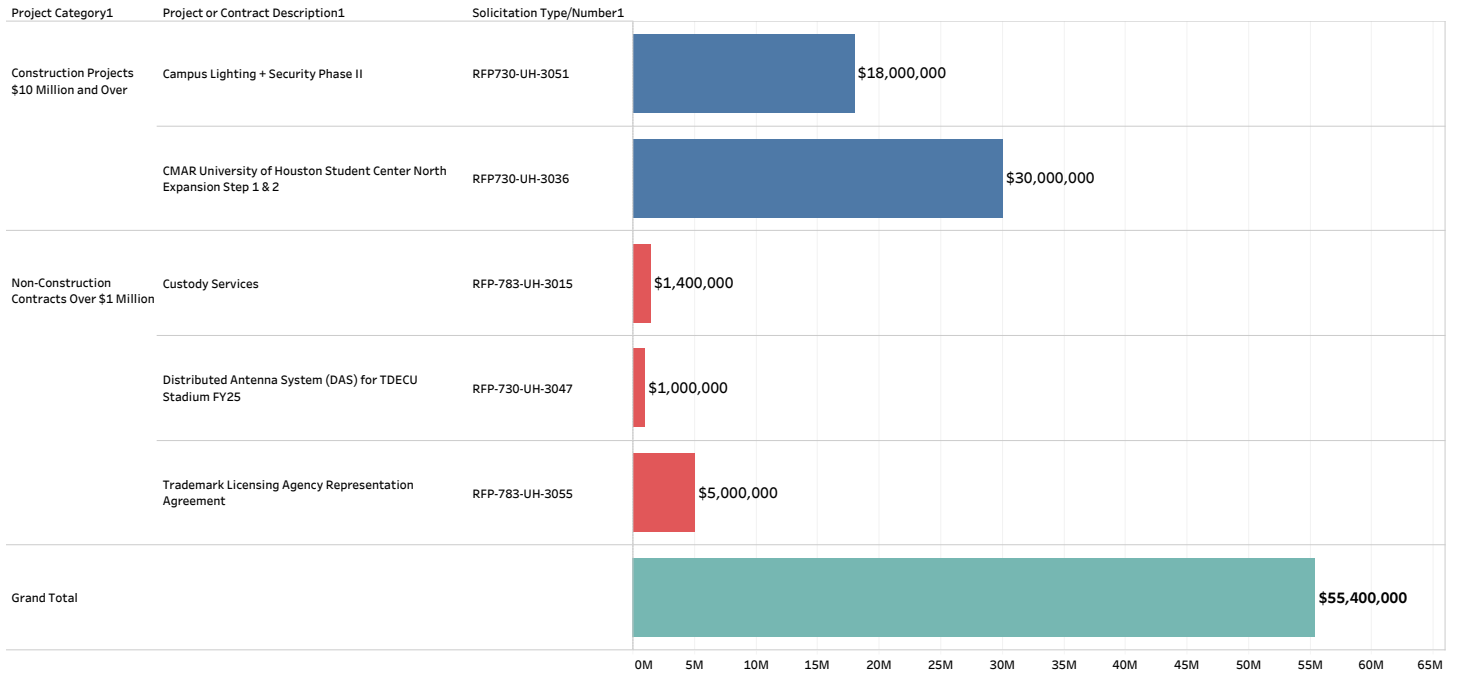
Contracts Requiring Board of Regents Approval  
Internal Audit Activity  
July 1, 2025, through September 30, 2025

<u>Project or Contract Description</u>	<u>Solicitation Type/Number</u>	<u>(\$ Millions)</u> <u>Amount</u>	<u>BOR</u> <u>Approval</u>
<b><u>Construction Projects \$10 Million and Over</u></b>			
Campus Lighting + Security Phase II	RFP-730-UofH-3051	\$18.0	5/19/2022
CMAR UH Student Center North Expansion Steps 1 & 2	RFQ-730-UofH-3036	\$30.0	11/21/2024
<b><u>Construction Projects Over \$1 Million and Under \$10 Million</u></b>			
No projects reviewed this quarter.			
<b><u>Non-Construction Contracts Over \$1 Million</u></b>			
Distributed Antenna System for TDECU Stadium FY25 Shortlist	RFP-730-UofH-3047	\$1.0	PENDING
Trademark Licensing Agency Representation Shortlist	RFP-783-UofH-3055	\$5.0	08/21/2025
Custody Services	RFP-783-UofH-3015	\$1.4	11/21/2024

Legend

CMAR - Construction Manager at Risk	RFP - Request for Proposal
AE - Architectural and Engineering Services (RFQ only)	RFQ - Request for Qualifications
	ITB - Invitation to Bid

Contracts Requiring Board of Regents Approval  
Internal Audit Activity  
July 1, 2025, through September 30, 2025



**Contracts Requiring Board of Regents Approval**  
**Internal Audit Activity**  
**January 1, 2025, through September 30, 2025**

Project Category1	Project or Contract Description1	Solicitation Type/Number1							
Construction Projects \$10 Million and Over	A&E Services for Agrawal Building - Laboratory Shell Space Bul..	RFQ730-UH-3034		\$35,000,000					
	A&E Student Center North Expansion - Award	RFQ730-25006		\$39,300,000					
	Campus Lighting + Security Phase II	RFP730-UH-3051		\$18,000,000					
	CMAR New Medical Research Building - Step 2	RFP730-24086		\$77,500,000					
	CMAR University of Houston Student Center North Expansion S..	RFP730-UH-3036		\$30,000,000					
Construction Projects Over \$1 Million and Under \$10 Million	Houston Science Center - New Fire Alarm Panel, Pump Replacem..	RFP730-25000		\$3,000,000					
	Landscape Services at University of Houston Sugar Land_Katy	RFP730-UH-3025		\$2,000,000					
	Mailbox Area Renovation and Lounge Refresh	RFP730-25004		\$4,500,000					
	Medium Voltage Electrical Services	RFP730-25007		\$3,400,000					
	Plant Chiller #3 Replacement	RFP730-UH-3019		\$6,500,000					
	UH Interior Renovation for the College of Liberal Arts and Social..	RFP730-25009		\$5,750,000					
Non-Construction Contracts Over \$1 Million	Continuing Services for Landscape Architecture	RFQ730-25005		\$1,800,000					
	Custody Services	RFP-783-UH-3015		\$1,400,000					
	Distributed Antenna System (DAS) for TDECU Stadium FY25	RFP-730-UH-3047		\$1,000,000					
	Energy Savings Performance Contract	RFQ730-24090		\$5,000,000					
	Municipal and Financial Advisory Services	RFP730-UH-3012		\$1,800,000					
	Parking Enterprise Systems - Award	RFP730-UH-3007		\$7,500,000					
	Trademark Licensing Agency Representation Agreement	RFP-783-UH-3055		\$5,000,000					
	UHV Custodial Services - Award	RFP730-25001		\$4,000,000					

**Grand Total**





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

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

Sincerely,



**UHS Internal Auditing Department**  
**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

**Phone:** (713) 743-8000

**Email:** [audit@uh.edu](mailto:audit@uh.edu)

**Website:** <https://uhsystem.edu/internal-audit>

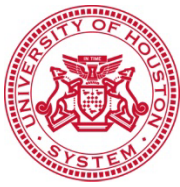
**Associate Chief Audit Executive**

Brandee O'Neal, CIA, CFE, CCEP

**Audit Team**

Eric Porter, CFE, Audit Supervisor

Stephanie Duron, Auditor I



## Internal Auditing Department

# University of Houston System Board of Regents' Travel and Entertainment, FY 2025

Management Action Memorandum  
AR2026-02

November 2025



Photo courtesy of University of Houston

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## Objective

To determine whether the University of Houston System (UHS) Board of Regents' travel and entertainment expenditures were properly documented and compliant with system and board policies.

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## Background

At the request of the UHS Board of Regents (BOR), the UHS Department of Internal Auditing conducts annual reviews of the travel and entertainment expenditures of the UHS Board of Regents' members. The expenditures reviewed were funded by accounts from the BOR Office. Any travel and entertainment expenses funded by accounts outside of the BOR Office or by external organizations were not included in our review.

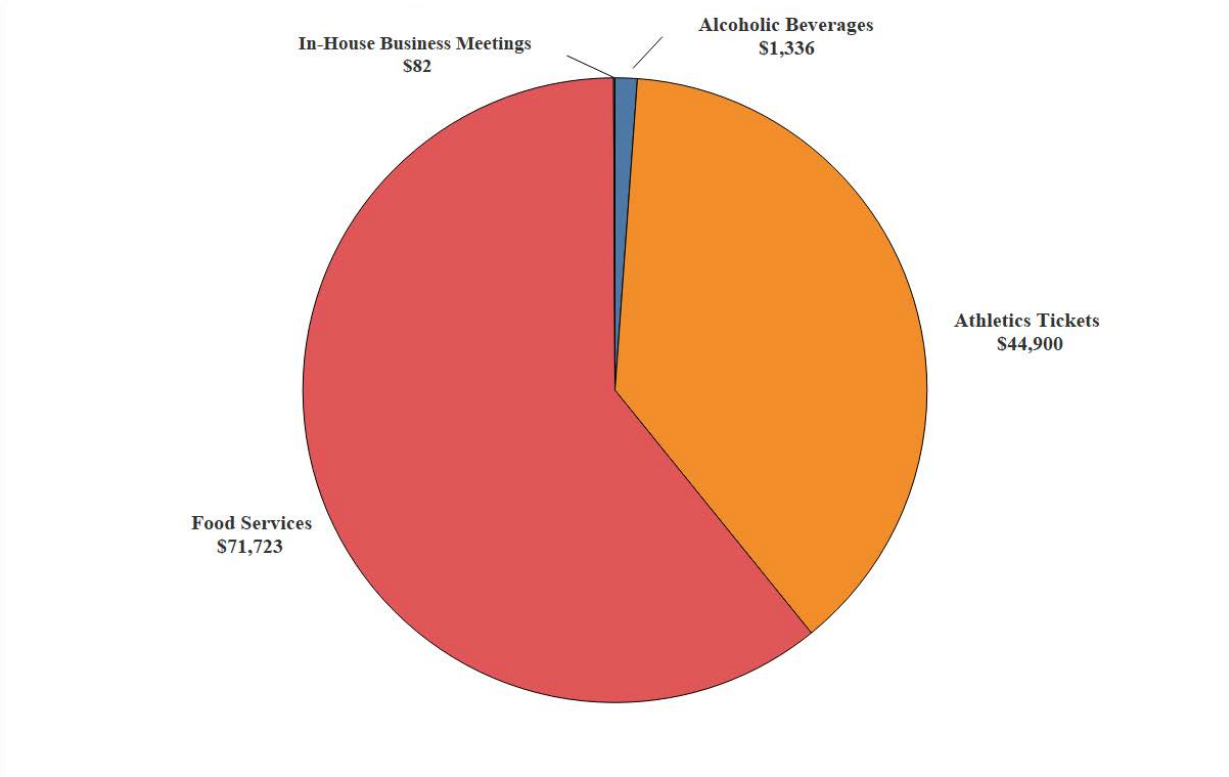
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## What We Found Summary

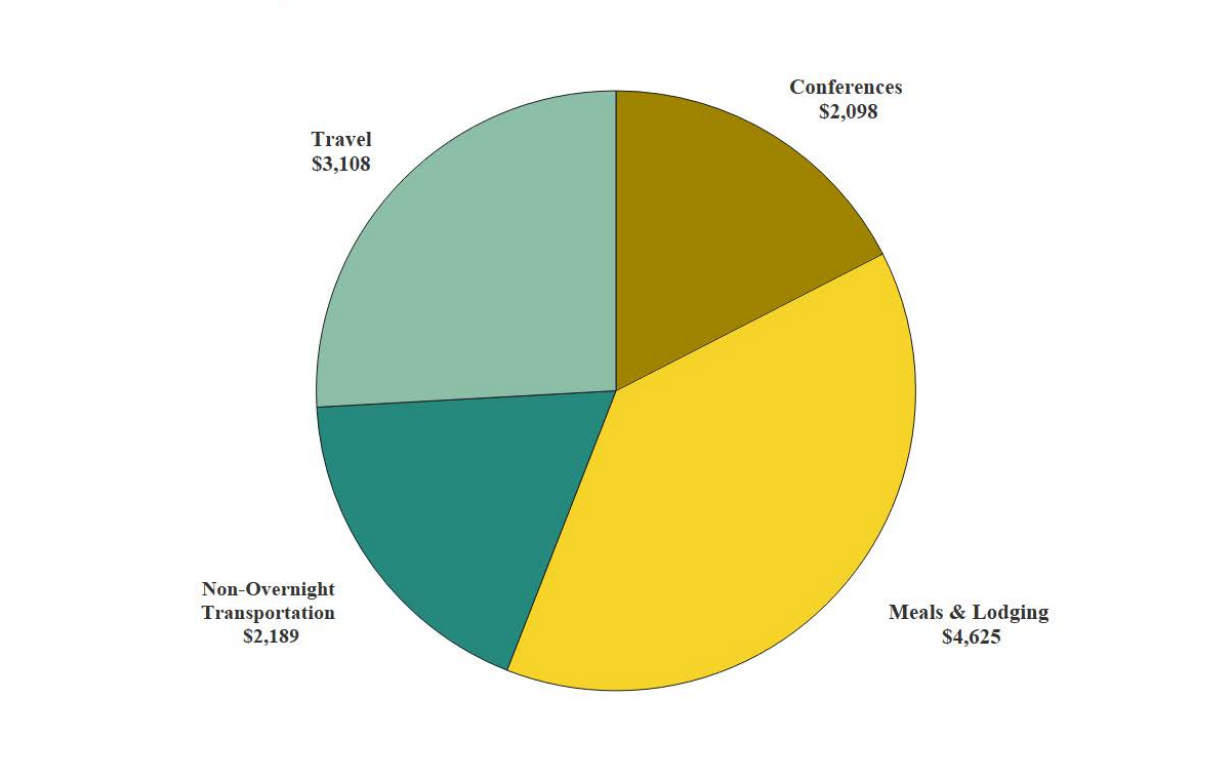
Our review identified \$12,021 in travel-related expenses and \$118,041 in entertainment-related expenses incurred during the period of September 1, 2024 through August 31, 2025. These expenditures were properly documented and in compliance with system and university policies.

The exhibits below provide a detailed breakdown of the fiscal year 2025 expenditures, as well as spending trends for fiscal years 2022 through 2025.

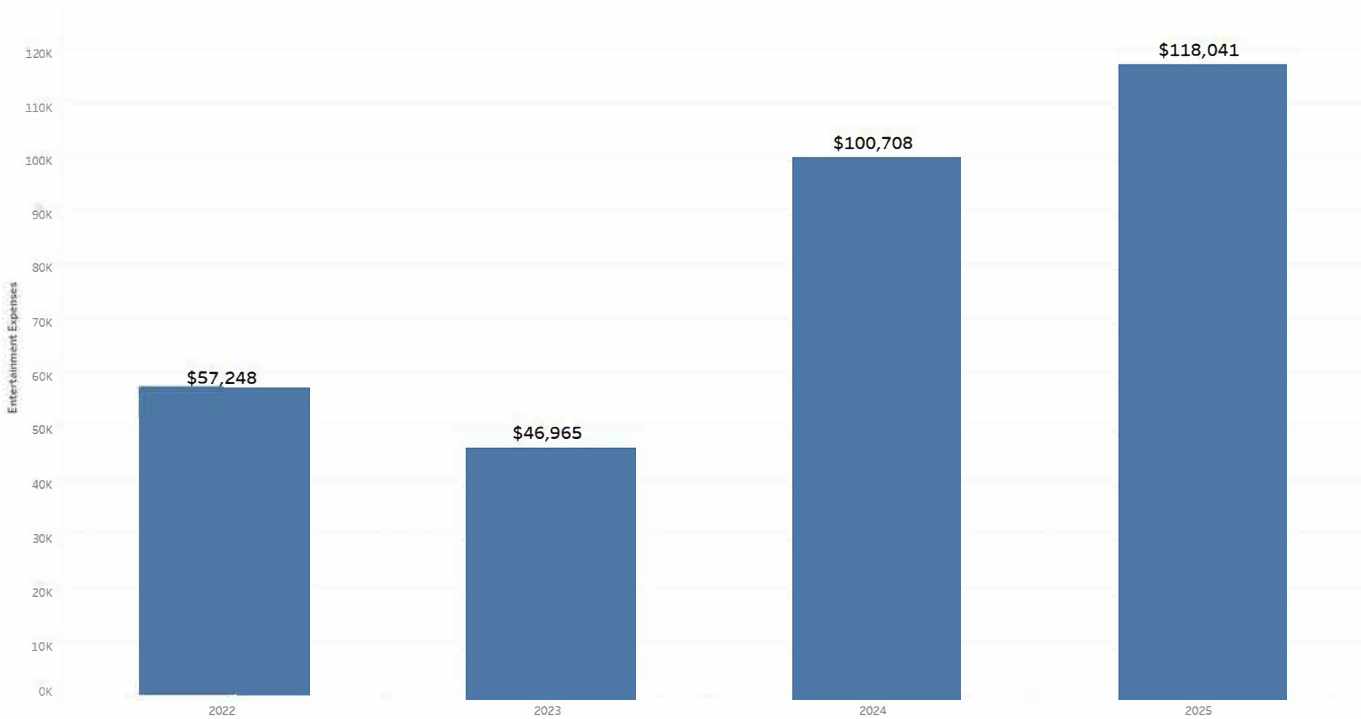
**BOR Entertainment Expenses FY25**



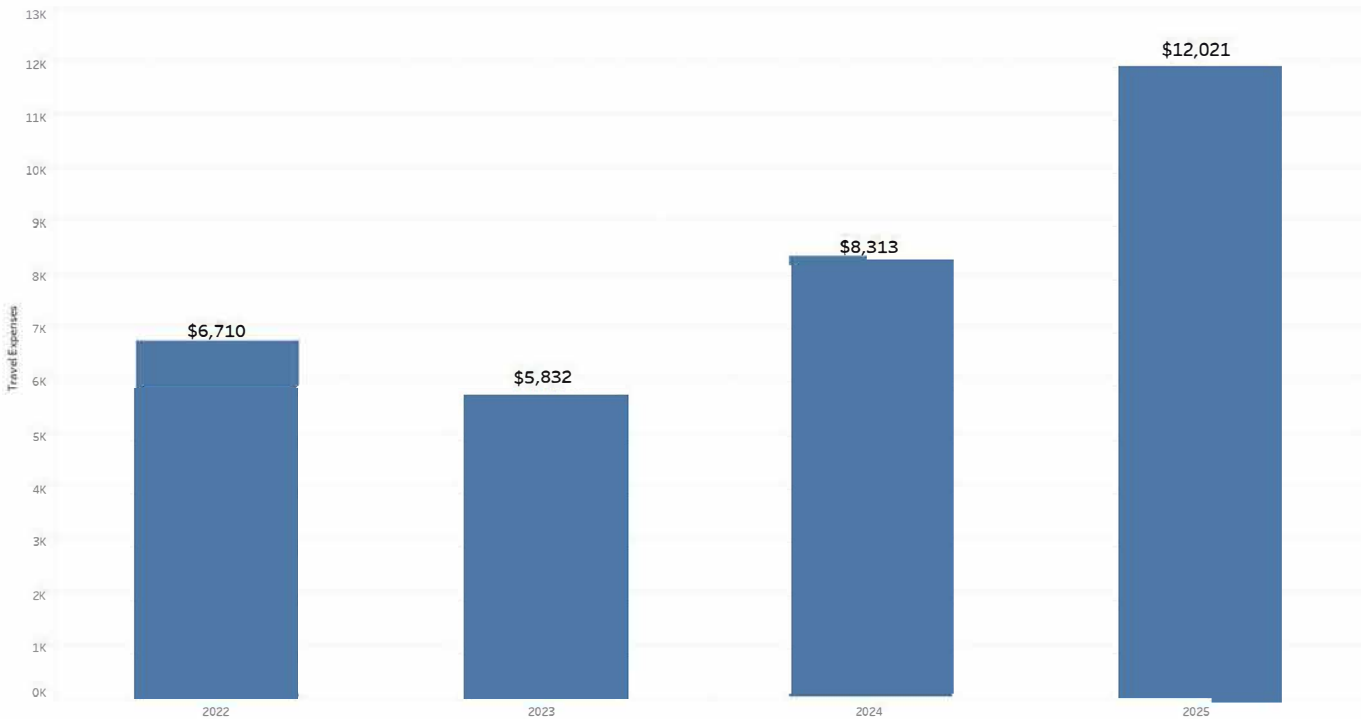
**BOR Travel Expenses FY25**



**BOR Entertainment Expenses FY22-25**



**BOR Travel Expenses FY22-25**



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## Methodology and Scope

The methodology used to conduct this audit included:

- Reviewing UHS, UH, and Board policies.
- Obtaining and reviewing travel and entertainment expenditure documentation from PeopleSoft Finance.
- Obtaining and reviewing travel expenditure documentation from Concur Travel.

The scope of this review was limited to September 1, 2024 through August 31, 2025. These expenditures were funded by accounts from the UHS BOR Office. Any travel and entertainment expenses funded by accounts outside of the UHS BOR Office or by external organizations were not included in our review.

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## Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the Global Internal Audit Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

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

The UHS Internal Auditing Department would like to thank the Board of Regents' Office for their cooperation and assistance during this review process.

Sincerely,



**UHS Internal Auditing Department**  
**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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**Website:** <https://uhsystem.edu/internal-audit>

**Associate Chief Audit Executive**

Brandee O'Neal, CIA, CFE, CCEP

**Audit Team**

Eric Porter, CFE, Audit Supervisor

Stephanie Duron, Auditor I

Charlotte Giesler, Auditor I

Aiden Ho, CIA, Auditor II

Jackie Martinez, CFE, Auditor II





## Internal Auditing Department

# University of Houston System UHS/UH Chancellor/President's Travel and Entertainment, FY25

Management Action Memorandum  
AR2026-03

November 2025



Photo courtesy of [2025 | University of Houston](#)



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Objective

To determine whether the University of Houston President and spouse travel and entertainment expenditures were properly documented and compliant with system and university policies.

Background

At the request of the UHS Board of Regents, the UHS Department of Internal Auditing conducts annual reviews of the travel and entertainment expenditures of the UH President and spouse. The expenditures reviewed were funded by accounts from the UH President’s Office. Any travel and entertainment expenses funded by accounts outside of the UH President’s Office or by external organizations were not included in our review.

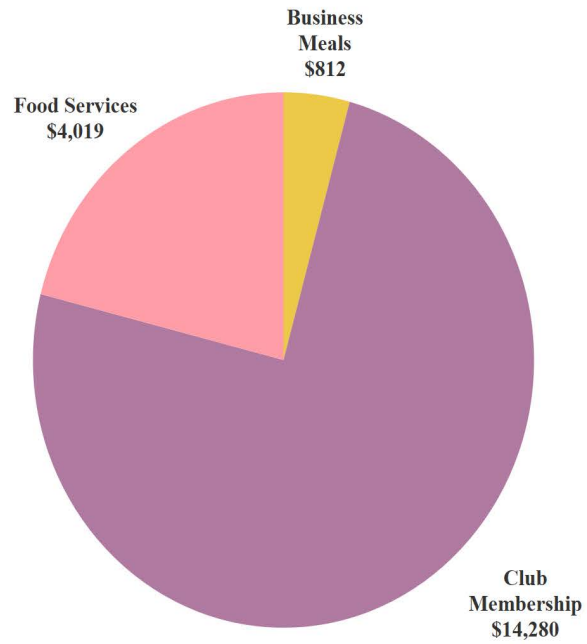
What We Found

Summary

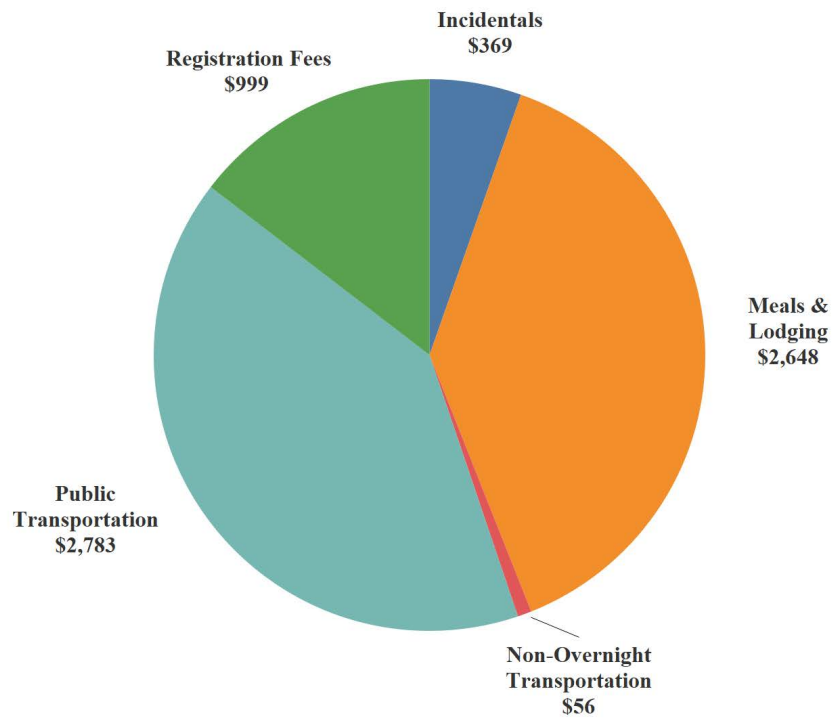
Our review identified \$6,855 in travel-related expenses and \$19,111 in entertainment-related expenses incurred during the period of September 1, 2024 through August 31, 2025. These expenditures were properly documented and in compliance with system and university policies.

The exhibits below provide a detailed breakdown of the fiscal year 2025 expenditures, as well as spending trends for fiscal years 2022 through 2025.

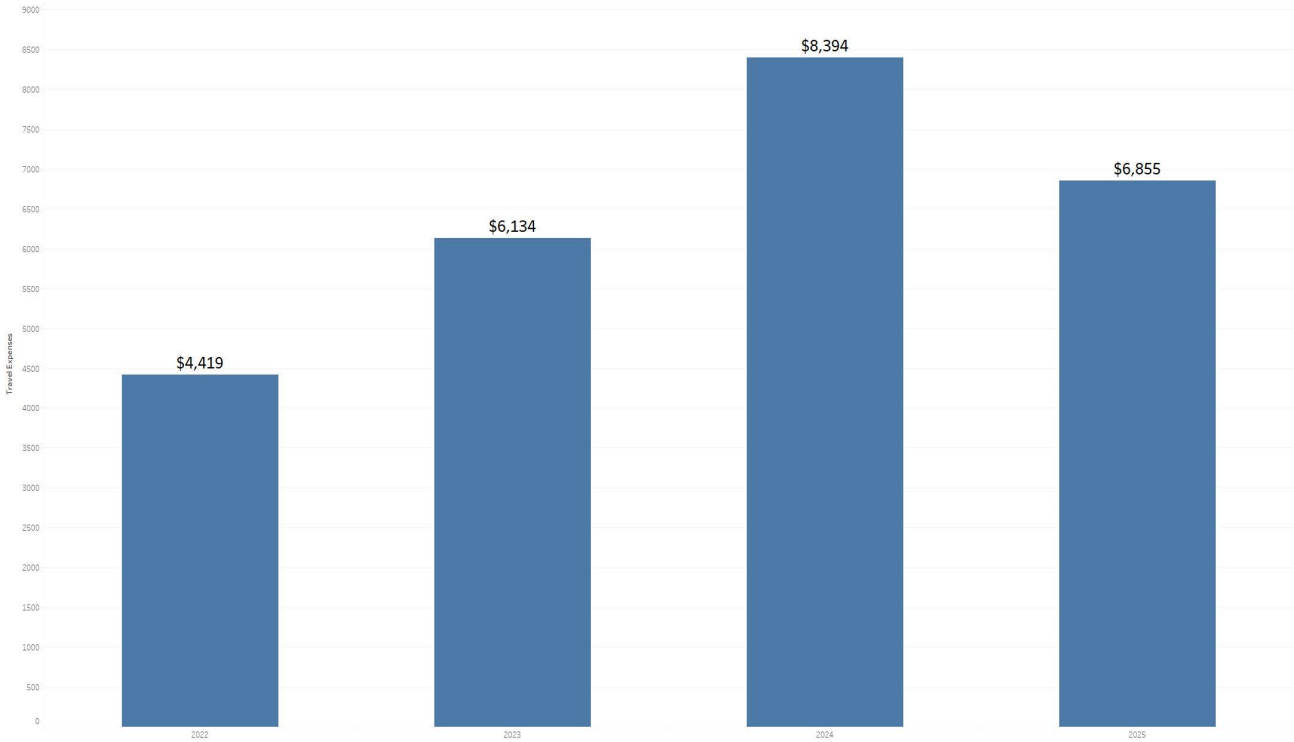
## UH Entertainment Expenses FY25



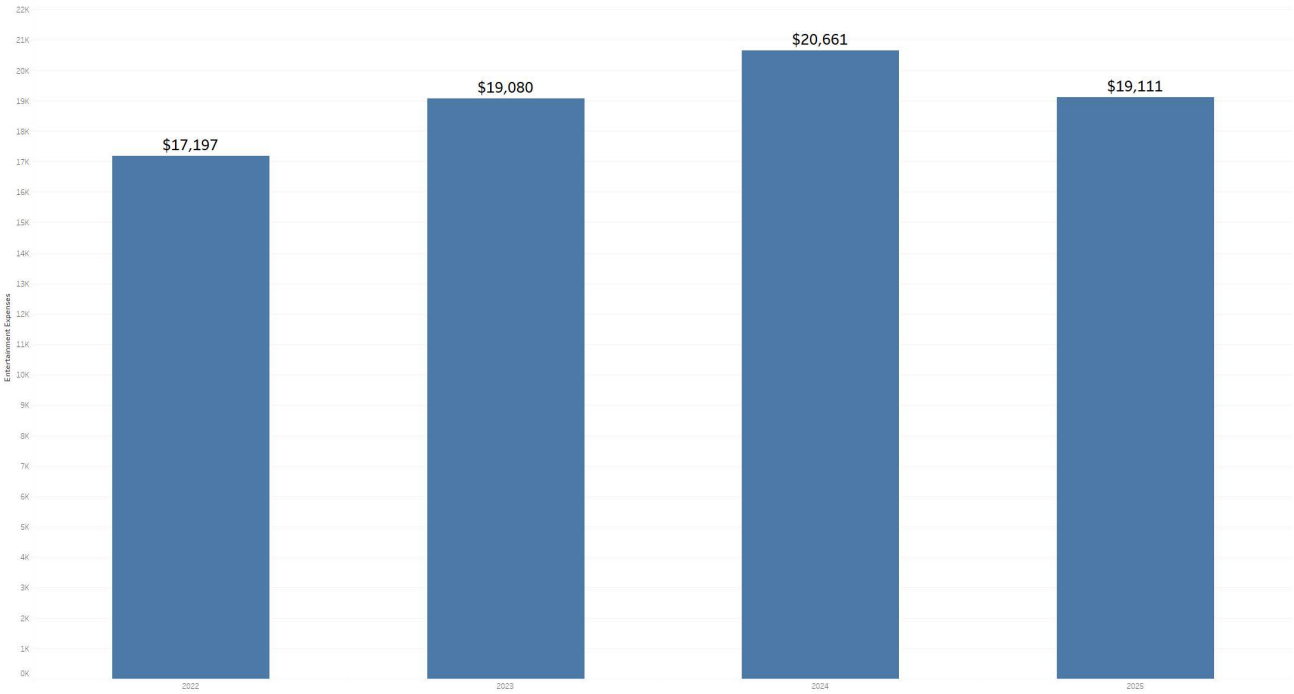
## UH Travel Expenses FY25



UH Travel Expenses FY22-25



UH Entertainment Expenses FY22-25



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## Methodology and Scope

The methodology used to conduct this audit included:

- Reviewing UHS and UH policies.
- Obtaining and reviewing travel and entertainment expenditure documentation from PeopleSoft Finance.
- Obtaining and reviewing travel expenditure documentation from Concur Travel.

The scope of this review was limited to September 1, 2024 through August 31, 2025. These expenditures were funded by accounts from the UH President's Office. Any travel and entertainment expenses funded by accounts outside of the President's Office or by external organizations were not included in our review.

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## Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the IIA's Global Internal Audit Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

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

The UHS Internal Auditing Department would like to thank the UH President's Office for their cooperation and assistance during this review process.

Sincerely,



**UHS Internal Auditing Department**  
**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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**Website:** <https://uhsystem.edu/internal-audit>

**Associate Chief Audit Executive**

Brandee O'Neal, CIA, CFE, CCEP

**Audit Team**

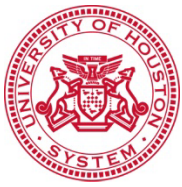
Eric Porter, CFE, Audit Supervisor

Stephanie Duron, Auditor I

Charlotte Giesler, Auditor I

Aiden Ho, CIA, Auditor II

Jackie Martinez, CFE, Auditor II



## Internal Auditing Department

# University of Houston-Clear Lake President's Travel and Entertainment, FY 2025

Management Action Memorandum  
AR2026-04

November 2025



Photo courtesy of [2025 | University of Houston-Clear Lake](#)

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Objective

To determine whether the University of Houston-Clear Lake (UHCL) President and spouse travel and entertainment expenditures were properly documented and compliant with system and university policies.

Background

At the request of the UHS Board of Regents, the UHS Department of Internal Auditing conducts annual reviews of the travel and entertainment expenditures of the UHCL President and spouse. The expenditures reviewed were funded by accounts from the UHCL President’s Office. Any travel and entertainment expenses funded by accounts outside of the UH President’s Office or by external organizations were not included in our review.

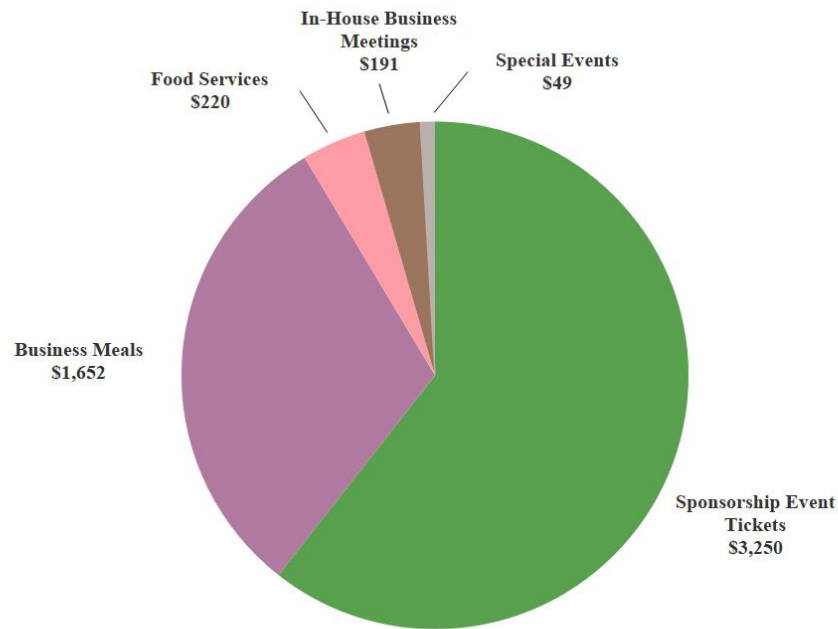
What We Found

Summary

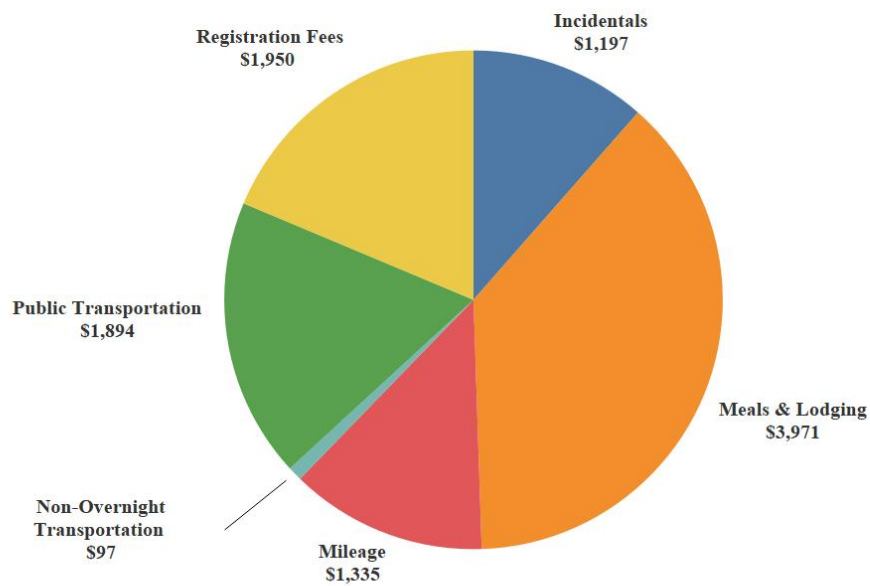
Our review identified \$10,444 in travel-related expenses and \$5,363 in entertainment-related expenses incurred during the period of September 1, 2024 through August 31, 2025. These expenditures were properly documented and in compliance with system and university policies.

The exhibits below provide a detailed breakdown of the fiscal year 2025 expenditures, as well as spending trends for fiscal years 2022 through 2025.

## UHCL Entertainment Expenses FY25

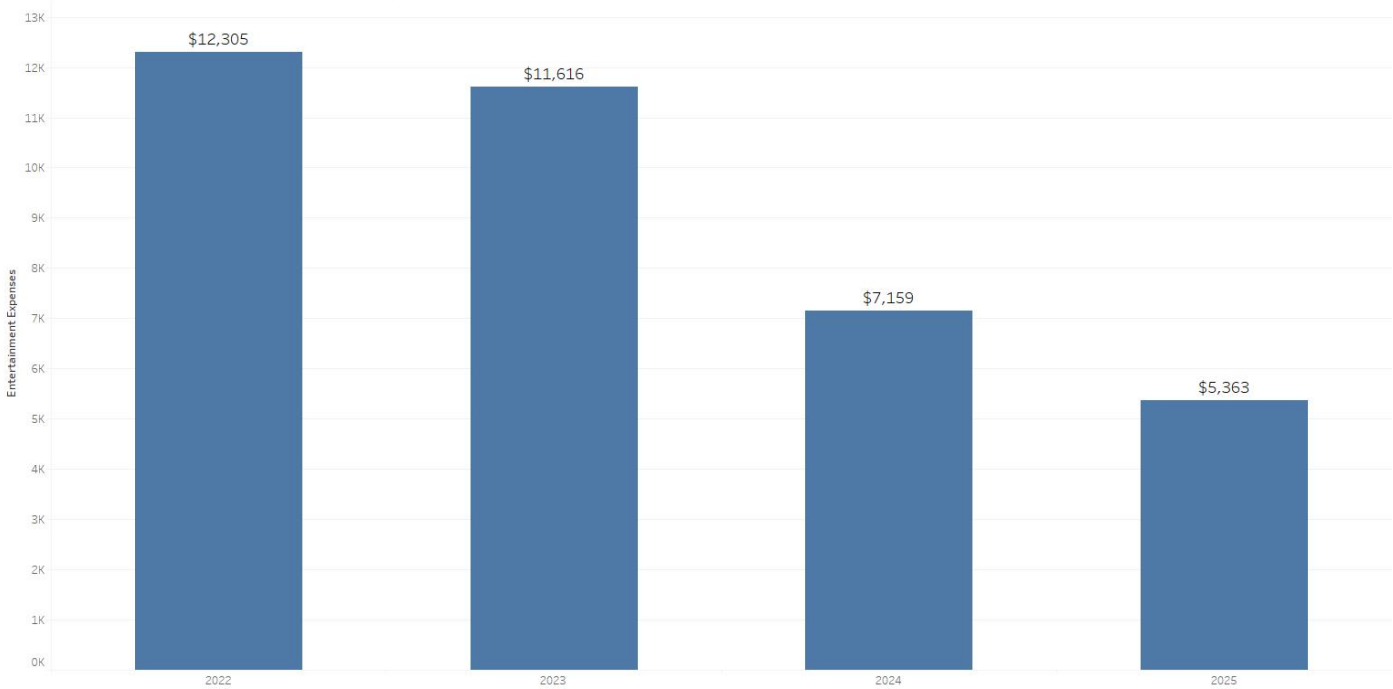


## UHCL Travel Expenses FY25

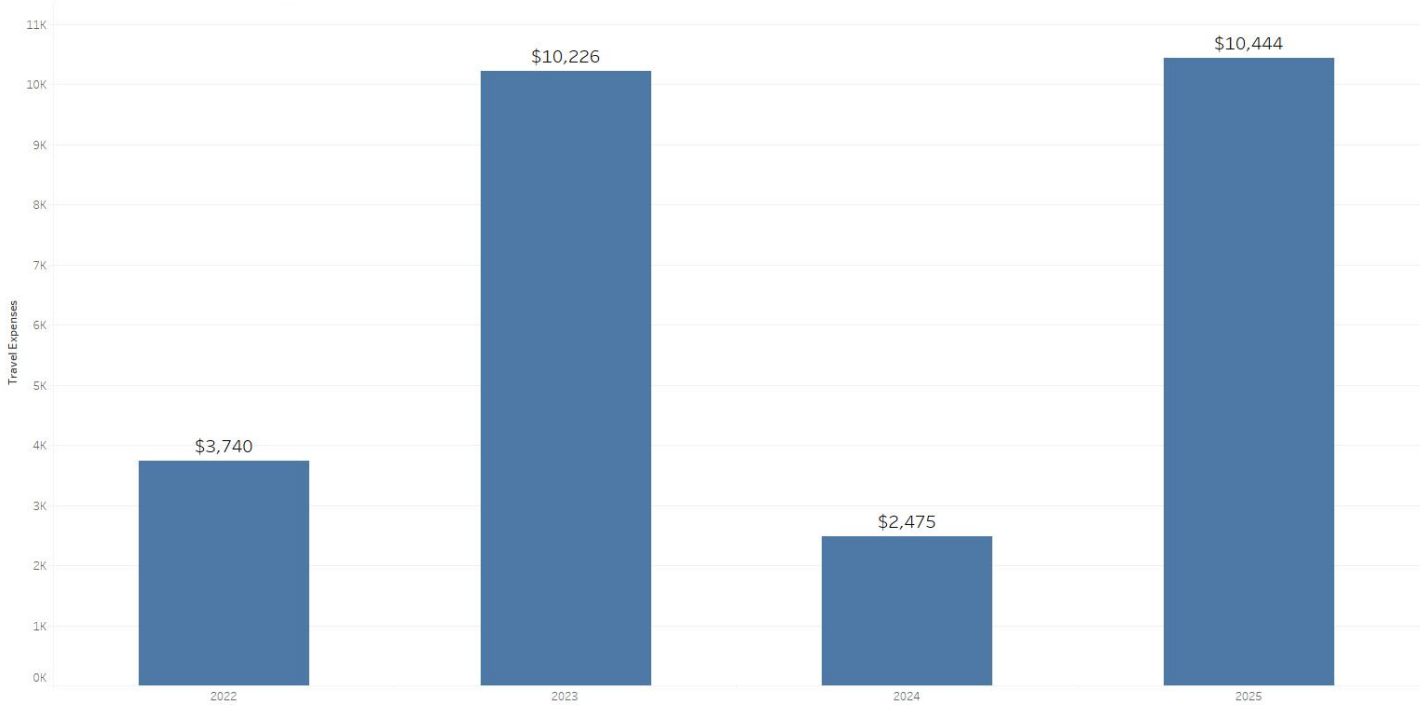




UHCL Entertainment Expenses FY22-25



UHCL Travel Expenses FY22-25



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## Methodology and Scope

The methodology used to conduct this audit included:

- Reviewing UHS and UHCL policies.
- Obtaining and reviewing travel and entertainment expenditure documentation from PeopleSoft Finance.
- Obtaining and reviewing travel expenditure documentation from Concur Travel.

The scope of this review was limited to September 1, 2024 through August 31, 2025. These expenditures were funded by accounts from the UHCL President's Office. Any travel and entertainment expenses funded by accounts outside of the President's Office or by external organizations were not included in our review.

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## Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the IIA's Global Internal Audit Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

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

The UHS Internal Auditing Department would like to thank the UHCL President's Office for their cooperation and assistance during this review process.

Sincerely,



**UHS Internal Auditing Department**  
**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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**Website:** <https://uhsystem.edu/internal-audit>

**Associate Chief Audit Executive**

Brandee O'Neal, CIA, CFE, CCEP

**Audit Team**

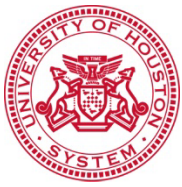
Eric Porter, CFE, Audit Supervisor

Stephanie Duron, Auditor I

Charlotte Giesler, Auditor I

Aiden Ho, CIA, Auditor II

Jackie Martinez, CFE, Auditor II



## Internal Auditing Department

# University of Houston-Downtown President's Travel and Entertainment, FY 2025

Management Action Memorandum  
AR2026-05

November 2025



Photo courtesy of [2025 | University of Houston-Downtown](#)

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## Objective

To determine whether the University of Houston-Downtown (UHD) President and spouse travel and entertainment expenditures were properly documented and compliant with system and university policies.

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## Background

At the request of the UHS Board of Regents (BOR), the UHS Department of Internal Auditing conducts annual reviews of the travel and entertainment expenditures of the UHS Board of Regents' members. The expenditures reviewed were funded by accounts from the BOR Office. Any travel and entertainment expenses funded by accounts outside of the BOR Office or by external organizations were not included in our review.

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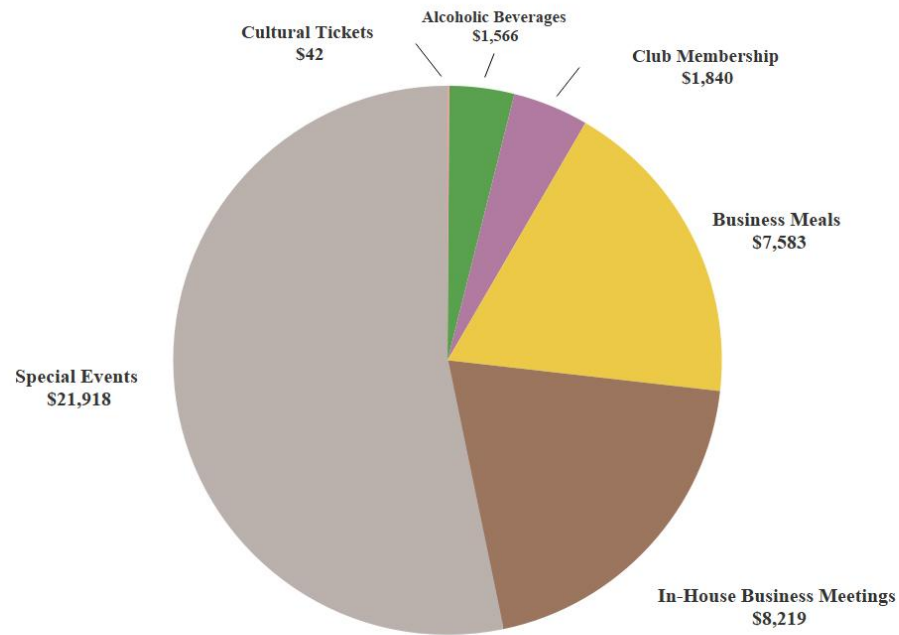
## What We Found

### Summary

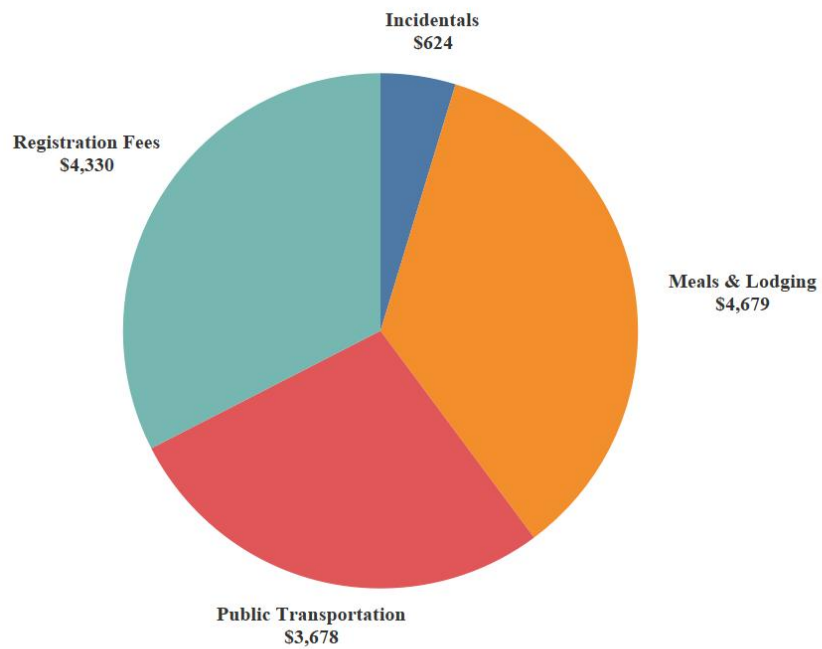
Our review identified \$13,311 in travel-related expenses and \$41,169 in entertainment-related expenses incurred during the period of September 1, 2024 through August 31, 2025. These expenditures were properly documented and in compliance with system and university policies.

The exhibits below provide a detailed breakdown of the fiscal year 2025 expenditures, as well as spending trends for fiscal years 2022 through 2025.

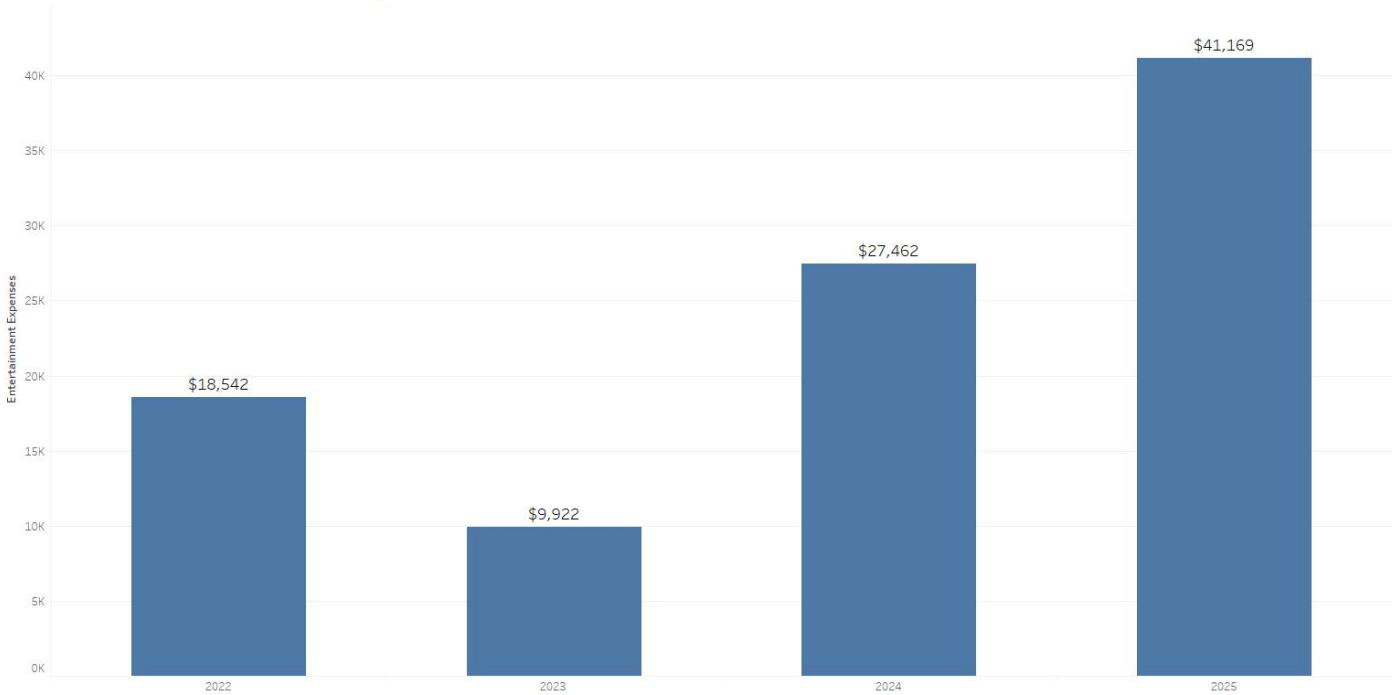
## UHD Entertainment Expenses FY25



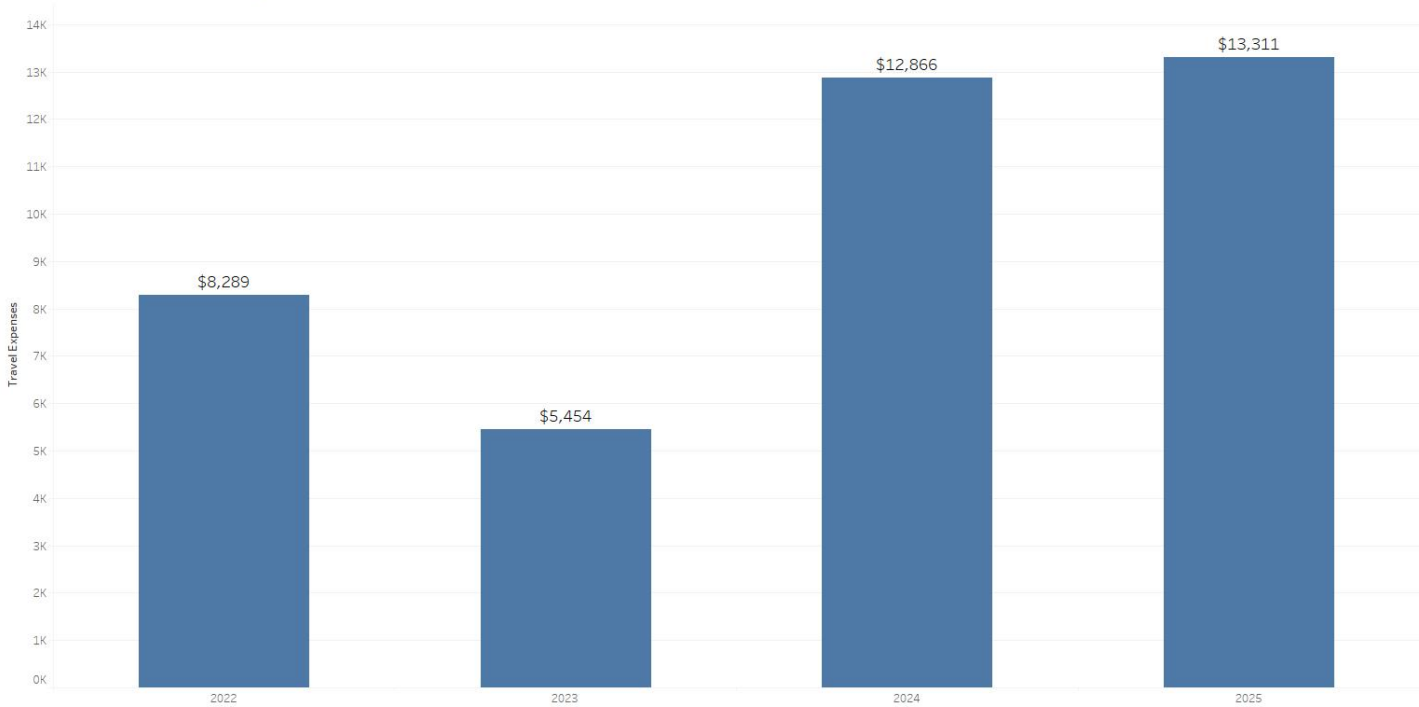
## UHD Travel Expenses FY25



UHD Entertainment Expenses FY22-25



UHD Travel Expenses FY22-25



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## Methodology and Scope

The methodology used to conduct this audit included:

- Reviewing UHS and UHD policies.
- Obtaining and reviewing travel and entertainment expenditure documentation from PeopleSoft Finance.
- Obtaining and reviewing travel expenditure documentation from Concur Travel.

The scope of this review was limited to September 1, 2024 through August 31, 2025. These expenditures were funded by accounts from the UHD President's Office. Any travel and entertainment expenses funded by accounts outside of the President's Office or by external organizations were not included in our review.

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## Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the IIA's Global Internal Audit Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.



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The UHS Internal Auditing Department would like to thank the UHD President's Office for their cooperation and assistance during this review process.

Sincerely,



**UHS Internal Auditing Department**  
**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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**Website:** <https://uhsystem.edu/internal-audit>

**Associate Chief Audit Executive**

Brandee O'Neal, CIA, CFE, CCEP

**Audit Team**

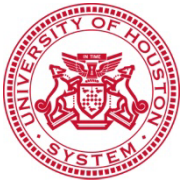
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## Internal Auditing Department

### University of Houston System UH Foundation Donor Agreement Expenditures

Report to the Audit and Compliance Committee of the UHS Board of Regents  
AR2026-07

November 2025



Photo courtesy of [Brand Fundamentals | UH Brand Center | University of Houston](#)

# Objective

The objectives of this audit included determining whether there are adequate internal controls in place to ensure:

- University of Houston Foundation (Foundation) is complying with key requirements related to internal controls, as documented within the Organizational Support Agreement with University of Houston.
- Foundation payment requests are reviewed, approved, and paid according to donor intent and University policies and procedures.
- Foundation’s financial application, Accufund Accounting software and its IT environment is managed in a secure and reliable manner to support confidentiality, integrity, and availability of application systems and data.

# Background

In a higher education environment, foundations are separately incorporated nonprofit entities that exist to support the mission of the university. Donors make gifts to the foundation, often with restrictions that specify how their funds may be used (e.g., scholarships, research, or capital projects). Each foundation, as the legal recipient and steward of those gifts, is responsible for ensuring donor intent is honored and for maintaining appropriate records for donor reporting.

The UH Foundation is a separately incorporated nonprofit entity that exists to support the mission of the University of Houston System, the University of Houston, University of Houston-Downtown, and University of Houston-Clear Lake. The UH Foundation operates for the advancement and general welfare of the educational, research, and charitable activities of the UH System and universities.

The foundation’s investment income was \$20.8 million and total restricted gift income (i.e. contributions) was \$9.8 million, totaling \$30.6 million for fiscal years 2023 and 2024 (see figure 1). During fiscal years 2023 and 2024, the foundation disbursed \$18.8 million to UH for support (see figure 2).

The UH Foundation has an accounting manager to manage the funds and work with UH to ensure monies received are spent according to the donor’s intent, as stated in the donor agreement. The Board President oversees the operations of the Foundation.

Figure 1

Contribution, Grants, and Investment Income for fiscal years 2023(14.17M) and 2024 (\$16.45M) totaling \$30.6 million.  
UH Foundation has a duty to ensure all expenditures on these funds follow the donor’s intentions. Internal controls are essential to ensure compliance with donor agreements.

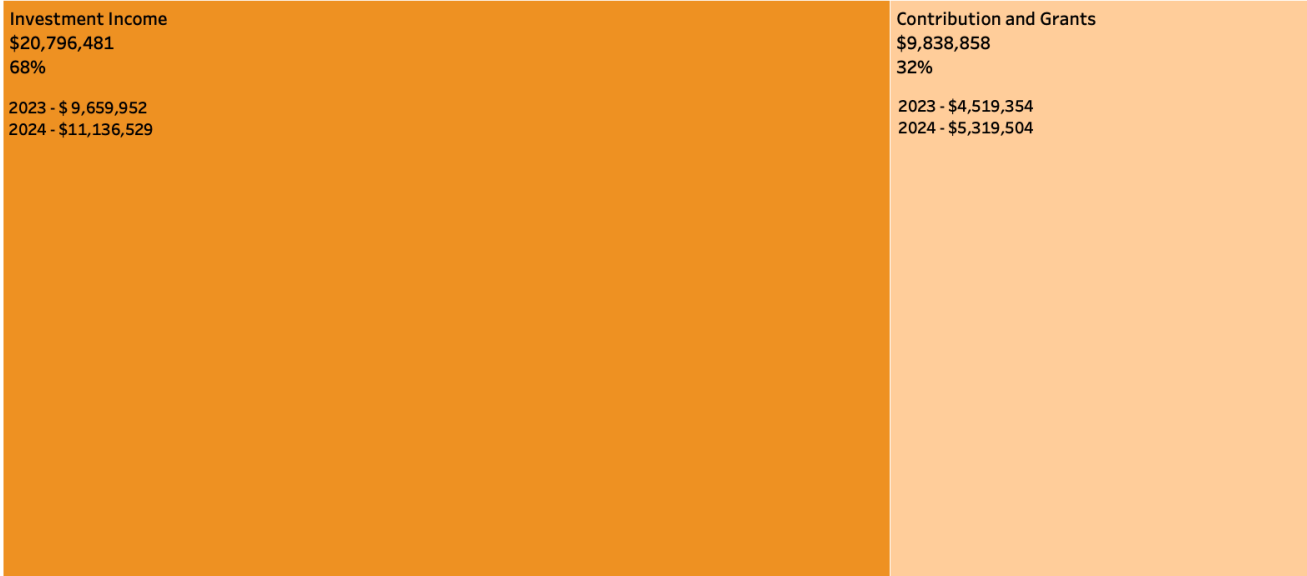


Figure 2

Expenses for fiscal years 2023 (\$10.47M) and 2024 (\$11.53M) totaling \$22 million.

<div>University of Houston Support</div> <div>\$18,750,021</div> <div>85%</div> <div>2023 - \$8,908,711</div> <div>2024 - \$9,841,310</div>	
	Administrative Costs
	\$1,640,877
	7%
	2023 - \$810,035
	2024 - \$830,842
	Investment Management Fees
	\$1,624,154
	7%
	2023 - \$757,703
	2024 - \$866,451

## What We Found Summary

We found that the UH foundation generally complies with internal control key requirements as identified in the Organizational Support Agreement between the Foundation and the University of Houston. However, enhancements, on the university side particularly, are needed in documentation practices, continuity of operations, and disaster recovery planning. UHS must strengthen its oversight of Foundation provided funds to ensure adherence to donor intent and institutional policy.

## Issue 1 – Foundation Expenditure Oversight

Oversight within the **UH departments receiving funds** from the Foundation is insufficient to ensure funds are spent appropriately, donor intent is honored, and adequate documentation is maintained to support expenditures.

The Foundation, as the legal recipient and steward of donor gifts, is responsible for ensuring donor intent is honored and maintaining appropriate records for donor reporting. Funds are transferred to university departments either as reimbursements for expenditures already incurred (expenditures and/or scholarships) or as advances (e.g. grants, other “pass through” funds, etc.) for anticipated expenses. Once transferred, **operational responsibility shifts to the receiving departments**, which are accountable for ensuring expenditures comply with donor restrictions and institutional policies. The foundation **relies on departments to spend funds appropriately** and provide and maintain sufficient documentation to support donor intent was met. Departments rely on the foundation to communicate donor intent and maintain central records for stewardship purposes.

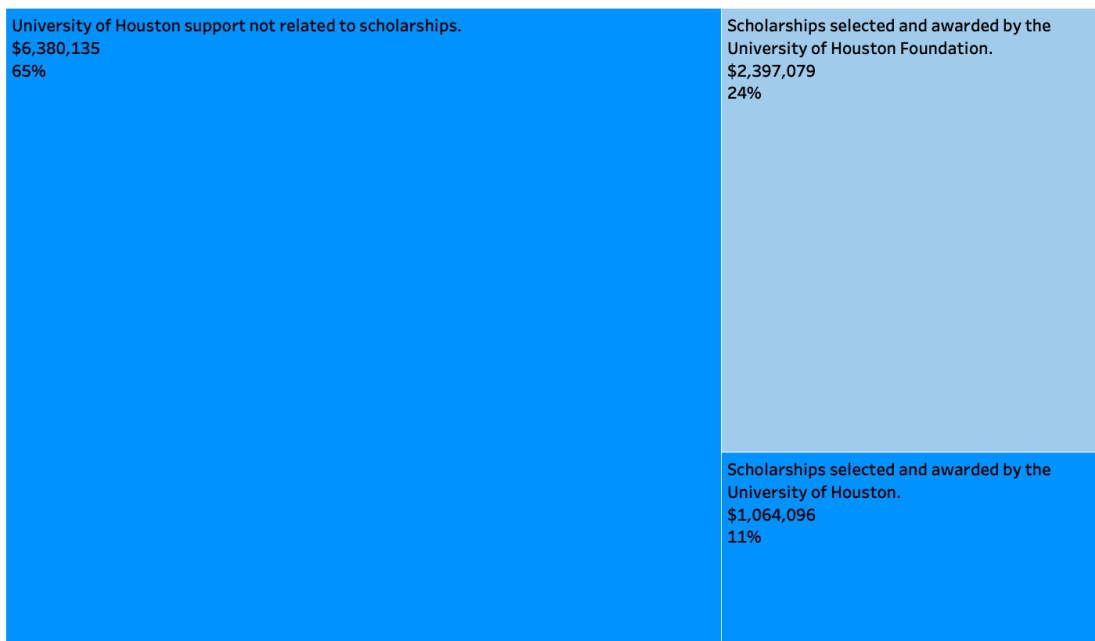
Our testing included expenditures for fiscal years 2023 and 2024. In fiscal year 2024, the foundation disbursed \$ 9.84 million for UH support, including scholarships, advances, and other support (see Figure 3 below). Of this amount, \$7.4 million (\$6.4 million and \$1 million) or 75% was transferred directly to UH departments, thereby shifting operational

responsibility for fiduciary oversight and compliance with donor and expenditure requirements to those areas.

Within the tested transactions from fiscal years 2023 and 2024, 11 transactions (25%) totaling \$421,546 (50% see Figure 4 below) represented advance transfers of funds for future use/anticipated expenses. The remaining payments related to disbursements requiring direct approval from the foundation leadership (scholarships).

Figure 3

Further Breakdown of University of Houston Support for FY 2024 totaling \$9.84 million.



We tested payments for supporting documentation to substantiate the appropriateness of expenditures, confirm adherence to donor intent, and demonstrate compliance with applicable expenditure policies and procedures.

We found numerous instances where supporting documentation did not provide reasonable assurance of the appropriateness of expenditures (some expenditures appeared questionable), confirm adherence to donor intent, and demonstrate compliance. In addition, departments requesting funds did not apply the same level of fiduciary oversight, diligence or responsibility to those funds as they do funds under their direct management. Some of the instances related to:

- Payments for travel-related expenses with limited detail. Specific examples included payments for travel expenses related to speaker honoraria where travel details were insufficient to determine if UH expenditure guidelines were followed (e.g. economy airfare, etc.)
- Payments for questionable items. Specific examples included travel/resort related expenses with unclear business purposes.
- Advance (advances) funding without reconciliation to actual expenses (see figure 4 for advance funding). Some of these are funds “passed-through” the foundation for grants and other payments on behalf of the University.

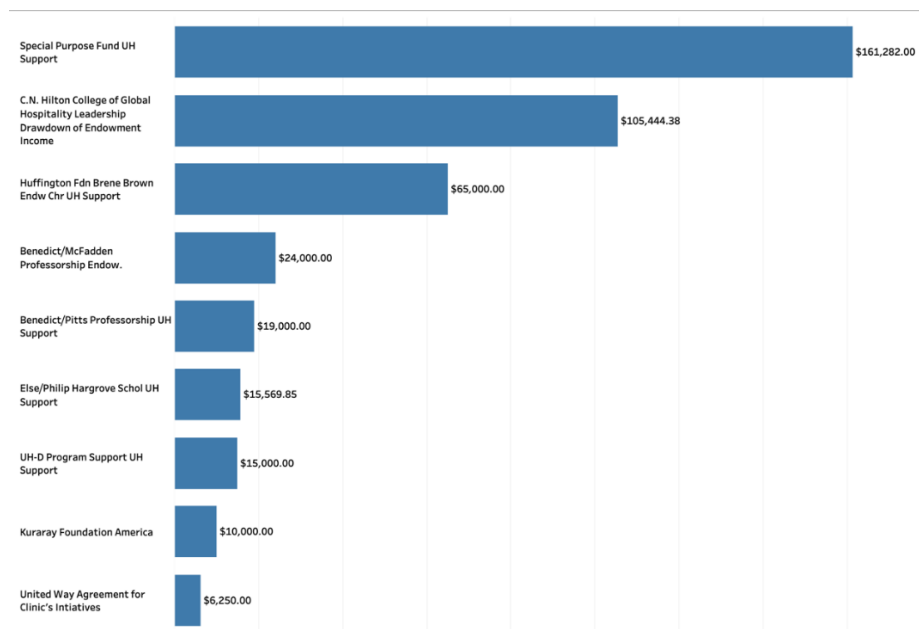
- Scholarships funded without documentation of criteria met (see issue 2 below)

**UHS policies** and procedures do not clearly require the same level of fiduciary oversight for funds originating from the Foundation as funds managed directly within UH. When requesting funds, departments typically submit a form with a description of purpose and benefit, internal UH approvals, and varying levels of supporting documentation. The Foundation's review is limited to confirming fund availability and authorization of the request, rather than verifying expenditures are fully supported and compliant with donor restrictions. UH leadership has expressed that this is the responsibility of the requesting UH department.

Limited documentation or review to substantiate the appropriateness of expenditures, confirm adherence to donor intent, and demonstrate compliance with applicable expenditure policies and procedures could lead to a loss of future funding.

Figure 4

*UH Foundation Advanced Colleges and Departments \$421,546*



Note: Determination that the disbursement was an advance was based on review of supporting documentation.

## Issue 2 – Scholarship Documentation

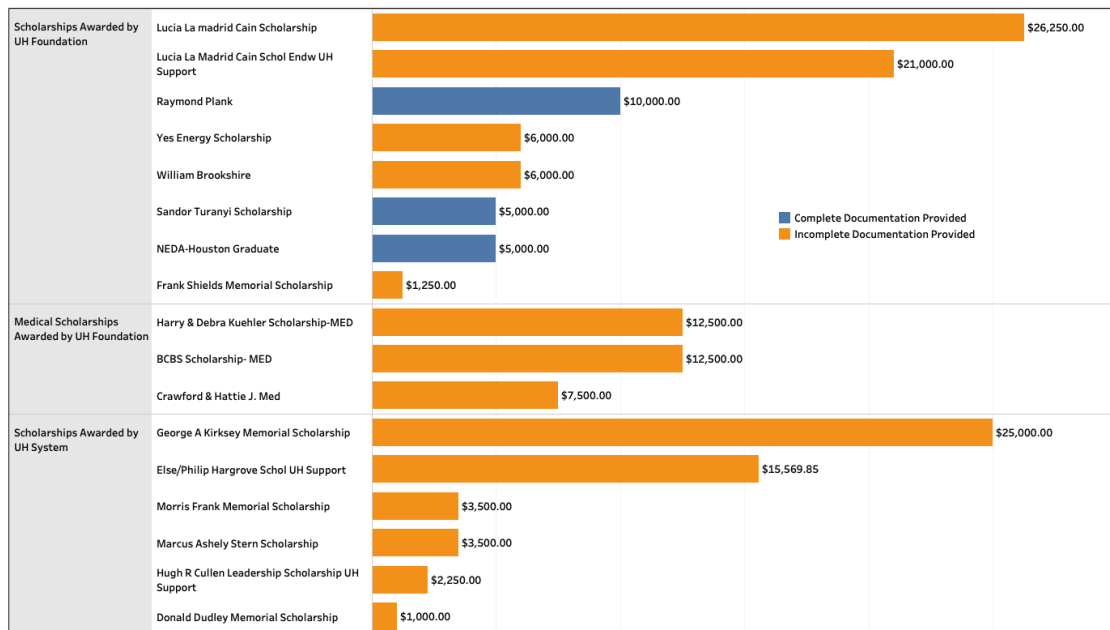
The Foundation does not maintain adequate documentation to demonstrate that recipients met the required criterion for scholarships awarded. The Foundation awards/funds scholarships to UH students in multiple ways.

- **Foundation Direct Award** – The Foundation uses software to match applicants to donor criteria based on responses provided during the application process. The software maintains the criterion match for record keeping.
- **Foundation Review and Approval** – Candidate pools are reviewed in collaboration with the department scholarship committee (UH College of Medicine). The Foundation leadership meets with departmental representatives to discuss applicants and provides approval before awards are finalized. The Foundation does not maintain documentation for recipient criterion match.
- **Departmental Award** – The Foundation transfers money to the department, which assumes full responsibility for selecting recipients and disbursing awards. In this model, the foundation has no direct involvement in the award process beyond providing the funds. The Foundation does not maintain documentation for recipient criterion match.

During fiscal years 2023 and 2024, the Foundation disbursed over \$6.1 million in scholarships over the period reviewed. We reviewed documentation for \$163,820 (3%) to determine if recipients met established criteria. Adequate documentation was not maintained to demonstrate that recipients met the established criteria for \$143,820 (88%) of the scholarship award documentation reviewed. Figure 5 below represents total scholarship documentation expenditures reviewed, highlighting (orange) transactions with inadequate documentation maintained by the Foundation to support the recipient meeting scholarship criteria.

Figure 5

### *Scholarship Award Documentation Reviewed*



### **Issue 3 – Continuity and Disaster Recovery Plan**

The Foundation depends on its IT consultant for support and operation of its accounting software application and related systems. However, services are only provided on a “best efforts” basis, with no guaranteed service levels, creating significant risk of system downtime.

Business continuity is further undermined by the absence of a coordinated disaster recovery plan. The Foundation and its IT consultant operate separately, with their own plans, but cooperation is neither documented nor tested. As a result, controls over computer operations and continuity are inadequate to ensure reliable and uninterrupted access to the accounting software.

Finally, the roles and responsibilities of the Foundation and its IT consultant are not documented. This lack of clarity increases the risk of data loss and system insecurity. Documenting responsibilities is crucial for protecting the application and infrastructure.



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## Recommendations and Management's Response

- 1** To strengthen oversight and compliance with donor intent and ensure proper stewardship of restricted funds:
1. **Policy Alignment** – Clarify university policies and procedures to explicitly state that donor-restricted funds from the Foundation, whether reimbursements or advances, are subject to the same fiduciary and documentation requirements as other institutional funds. (UHS)
  2. **Oversight** – Establish controls requiring departments to apply the same fiduciary standards to Foundation funds as to their own. Departments must review and internally approve requests, ensuring documentation supports compliance with donor restrictions before submitting them to the Foundation. Controls should center on departmental review of documentation related to the expense/advance and higher-level approval. Approval should not be guaranteed and include an appropriate review of the appropriateness/compliance of the expense to donor restrictions and UHS expenditure requirements. (UHS)
  3. **Training and Communication** – Reinforce fiduciary responsibility across departments through training and guidance, emphasizing that donor-restricted funds must be used and documented in accordance with both donor intent and institutional policy. (UHS)
  4. **Documentation Standards** – Require requesting departments to provide complete supporting documentation that demonstrates compliance with donor restrictions, in addition to fund availability and request authorization. If the documentation submitted by the department does not sufficiently support compliance with donor restrictions, the Foundation should deny the request until appropriate documentation is provided by the department. (Foundation)

### Management's Response:

UH Foundation (UHF) - UHF has always required all requests to provide supporting documentation that demonstrates compliance with donor restrictions. Higher-level signature authority is required. If that is not provided, the payment request is denied.

UH System – The Division of Administration and Finance and the Division of Advancement and Alumni agree with these recommendations and will create a working group that will: 1) review University policies that address foundations or address fiduciary standards of documentation and oversight for travel, reimbursements, procurement and payments to ensure that they clearly identify that these requirements apply to all funds whether held at the University or at a foundation; 2) update policies as needed; 3) develop a resource manual for foundations to use in ensuring that appropriate documentation and oversight is provided, including checklists of necessary documentation; and 4) develop an ongoing communication method with the Foundations and the University community.

**Responsible Party:** Karin Livingston, Sr AVC/AVP Finance and Ben Spofford, Senior Director of Administration, Advancement & Alumni

**Estimated Completion Date:** December 31, 2026

- 2** The UH Foundation should require UH departments requesting advance funding to submit a reconciliation of actual expenditures against the proposed budget. This reconciliation must be reviewed and approved by a higher-level authority (not the original requestor) to confirm the budget was followed, expenditures complied with donor intent/university policies and were appropriate. Any unused funds should be returned to the Foundation within a reasonable timeframe after the funded activity is complete.

**Management's Response:**

UH Foundation - UHF will establish a policy that no funds will be disbursed without proof of actual (rather than estimated) expenditures, and therefore, UHF will disburse only the exact amount expended. Note: Additional language on the request form currently includes higher-level signature authority and must show that the use of funds matches donor intent.

UH System - The Division of Advancement and Alumni will work with the University of Houston Foundation to modify procedures for advance funding to include a requirement to include a budget, establish a timeline for completion of use of funds, and a requirement for the requesting department to submit a final reconciliation to the Foundation. System policies and Foundation Memorandums of Agreement will be updated to specify the requirements. These requirements and recommended techniques will be communicated to the Foundations.

**Responsible Party:** Karin Livingston, Sr AVC/AVP Finance and Ben Spofford, Senior Director of Administration, Advancement & Alumni

**Estimated Completion Date:** December 31, 2026

- 3** We recommend the UH Foundation maintain supporting documentation to support scholarship recipient compliance with the scholarship criteria. For UH Foundation awarded scholarship, the internal documentation of the scholarship award software should be sufficient. However, for UH awarded scholarships, the UH department awarding the scholarship should provide the UH Foundation with appropriate documentation to support the recipient meeting the required scholarship criteria (e.g. spreadsheet from committee indicating review of recipients meeting criteria).

**Management's Response:**

UH Foundation - UHF will require that, in the future, any UH scholarship committee will be required to confirm and provide detailed support that each student being awarded a scholarship meets the scholarship requirements. We believe it is incumbent on the UH committees to follow the scholarship criteria for any student they select.

**UH System** - The Division of Advancement and Alumni will update appropriate University policies to document the information required to be provided to the Foundation for scholarships awarded by UH departments including the time frame for submission. System policies and Foundation Memorandums of Agreement will be updated to specify the requirements. These requirements and recommended techniques will be communicated to the Foundations.

**Responsible Party:** Karin Livingston, Sr AVC/AVP Finance and Ben Spofford, Senior Director of Administration, Advancement & Alumni

**Estimated Completion Date:** December 31, 2026

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## Recommendations and Management's Response Continued

**4** The UH Foundation should document a continuity and disaster recovery plan which includes:

- Foundation considers and documents tabletop disaster recovery exercises to ensure both the Foundation and its IT consultant are able to collaborate and ensure timely recovery of IT operations should adverse events occur.
- A section which describes the roles and responsibilities of UH Foundation and its IT consultant for updating and maintaining the accounting software and server on which the application is housed.

### Management's Response:

UH Foundation – UHF is updating and formalizing its Disaster Recovery Plan in collaboration with our I.T. professionals to enhance preparedness and ensure continuity of operations and timely recovery of I.T. operations. This includes updating and maintaining the accounting software and server.

UH System - The Division of Advancement and Alumni will update appropriate University policies to require that System Foundations have a documented continuity of operations plan that is provided to the System on an annual basis. System policies and Foundation Memorandums of Agreement will be updated to specify the requirements. These requirements and recommended techniques will be communicated to the Foundations.

**Responsible Party:** Karin Livingston, Sr AVC/AVP Finance and Ben Spofford, Senior Director of Administration, Advancement & Alumni

**Estimated Completion Date:** December 31, 2026

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## Methodology/ Scope

The methodology used to conduct this audit included:

- Reviewed the Foundation Agreement with University of Houston
- Reviewed applicable policies and procedures.
- Obtained copies of revenue and expense reports for the Foundation
- Obtained copies of the Donor Agreements
- Obtained expenditure transaction supporting documentation from the Foundation.
- Interviewed Foundation, Foundation IT consultant, and University personnel.

Our audit covered fiscal years 2023 and 2024.

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## Audit Standards

The Internal Auditing Department conducted this performance audit in accordance with the IIA's Global Internal Audit Standards and the Generally Accepted Government Auditing Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

Sincerely,



**UHS Internal Auditing Department**

**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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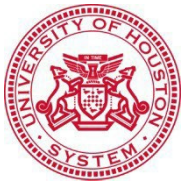
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Brandee O'Neal, CIA, CFE, CCEP

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## Internal Auditing Department

# University of Houston System Compliance with Texas Education Code §51.9337

Report to the Audit and Compliance Committee of the UHS Board of Regents  
AR2026-08

November 2025



Photo courtesy of [University of Houston - University of Houston System \(uhsystem.edu\)](https://uhsystem.edu)

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## Objective

To assess whether the institution has adopted the rules and policies required by Texas Education Code §51.9337. Texas Education Code §51.9337 was added with the passing of Senate Bill 20 during the Texas 84th Legislature and became effective September 1, 2015.

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## Background

Texas Education Code §51.9337 requires the chief auditor of an institution of higher education to annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor. This code requires the System to establish policies and procedures for:

- Code of ethics
- Code of conduct
- Conflict of interest
- Investigations
- Purchasing requirements and guidelines
- Contracting requirements and guidelines
- Standards for conducting audits

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## What We Found Summary

The University of Houston System has established policies and procedures that comply with Texas Education Code §51.9337.

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## Methodology and Scope

The methodology used to conduct this audit included a review of current policies and procedures.

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## Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the IIA's Global Internal Audit Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.



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

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip Hurd", written in a cursive style.

**UHS Internal Auditing Department  
Chief Audit Executive**

Phillip Hurd, CIA, CCEP

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