

Report to the Audit and Compliance Committee
of the University of Houston System
Board of Regents
August 21, 2025

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

FY25 INTERNAL AUDIT ACTIVITY
since May 14, 2025

and

INTERNAL AUDIT REPORTS

AR2025-15	University of Houston Law Foundation Donor Agreement Expenditures
AR2025-16	University of Houston System, Contracts Requiring UHS Board of Regents Approval
AR2025-17	University of Houston-Clear Lake, Texas Higher Education Coordinating Board Facilities Development Projects
AR2025-18	University of Houston-Victoria, President's Travel & Entertainment FY 2025, September 1, 2024 through March 31, 2025
AR2025-19	University of Houston System, Compliance with Texas Education Code 51.3525

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

FY25 Internal Audit Activity

Since May 14, 2025 Board of Regents Audit and Compliance Committee Meeting

Audits Completed

- **AR2025-01** Contracts Requiring Board of Regents Approval (1st Quarter)
- **AR2025-02** Board of Regents Travel & Entertainment, FY24
- **AR2025-03** UH/UHS Chancellor/President's Travel & Entertainment, FY24
- **AR2025-04** UHCL President's Travel & Entertainment, FY24
- **AR2025-05** UHD President's Travel & Entertainment, FY24
- **AR2025-07** Contracts Requiring Board of Regents Approval (2nd Quarter)
- **AR2025-06** UHV President's Travel & Entertainment, FY24
- **AR2025-08** UHD Laboratory Safety and Compliance
- **AR2025-09** UH Joint Admission Medical Program (JAMP)
- **AR2025-10** UH Education Research Center
- **AR2025-11** UHS Emergency Management
- **AR2025-12** UHCL Joint Admission Medical Program (JAMP)
- **AR2025-13** UHS Annual Procurement Report
- **AR2025-14** Contracts Requiring Board of Regents Approval (3rd Quarter)
- **AR2025-15** UH Law Foundation Donor Agreement Expenditures
- **AR2025-16** Contracts Requiring Board of Regents Approval (4th Quarter)
- **AR2025-17** UHCL THECB Facilities Development Projects
- **AR2025-18** UHV President's Travel & Entertainment, FY25
- **AR2025-19** UHS Compliance with Education Code 51.3525 (DEI)

Internal Audit 08/21/25

Special Projects Completed

- UHS Institutional Compliance Fraud and Non- Compliance Hotline Reports (≈30)

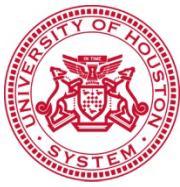
Audits in Progress

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

Special Projects in Progress

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

2 of 34



Internal Auditing Department

University of Houston Law Foundation Donor Agreement Expenditures

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2025-15

August 2025



Photo courtesy of <https://uhlawfoundation.org/images/2023HomeBuilding.jpg>

Contents

Objective..... 1

Background / Scope 1

What We Found..... 3

Issue 1 – Improve Financial Oversight for Law Foundation 3

Issue 2 – Conflicts of Interest Annual Attestation Non-Compliance..... 4

Issue 3 – Investment Policy(s)..... 4

Issue 4 – Update Internal Control Document 4

Issue 5 – Disaster Recovery Tabletop Exercises 5

Recommendations and Management’s Response..... 6

Methodology 10

Audit Standards 10

Objectives

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

- University of Houston (UH) Law Foundation (Foundation) is complying with key internal control requirements, as documented within the Organizational Support Agreement with the University of Houston.
- Foundation payment requests are reviewed, approved, and paid according to donor intent and University policies and procedures.
- The Abila MIP environment (which is on-premises at UH) is managed, secured and protected in accordance with expectations similar to other University of Houston computing environments.

Background / Scope

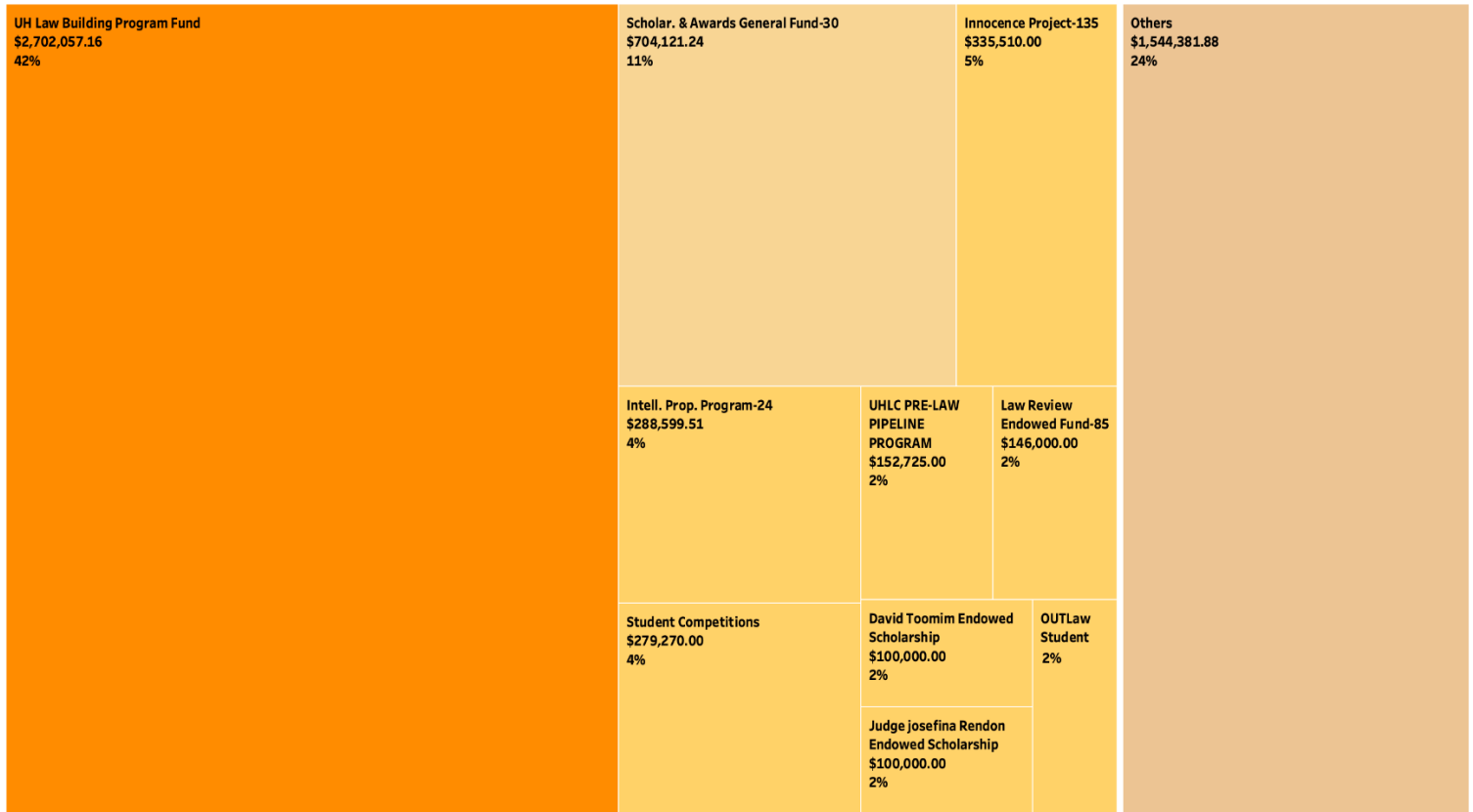
The Foundation provides independent support for advancing the educational, research, and charitable activities of the University of Houston Law Center (Law Center). The Foundation administers funds from gifts, donations, and grants to benefit student loan funds, scholarships, and professorships at the Law Center. The Foundation’s approximate annual budget is \$2.9 million, and their total restricted funds income is \$3.6 million as of 08/31/2024. The Net Assets of Foundation endowment total approximately \$36.4 million.

The Foundation has two full-time employees, a Director and an accountant, to manage the funds and work with the Law Center to ensure monies received are spent according to the donor’s intent, as stated in the donor agreement. The Executive Director oversees the operations of the Foundation.

The audit covered Foundation financial activities from the receipt of donations to the expenditure and reconciliation of funds during fiscal years 2023 and 2024.

Top 10 Restricted Funds with contributions during the year ended audit August 31, 2024

UH Law Foundation has a duty to ensure all expenditures on these funds follow the donors' intentions. Internal controls are essential to ensure compliance with donor agreements.

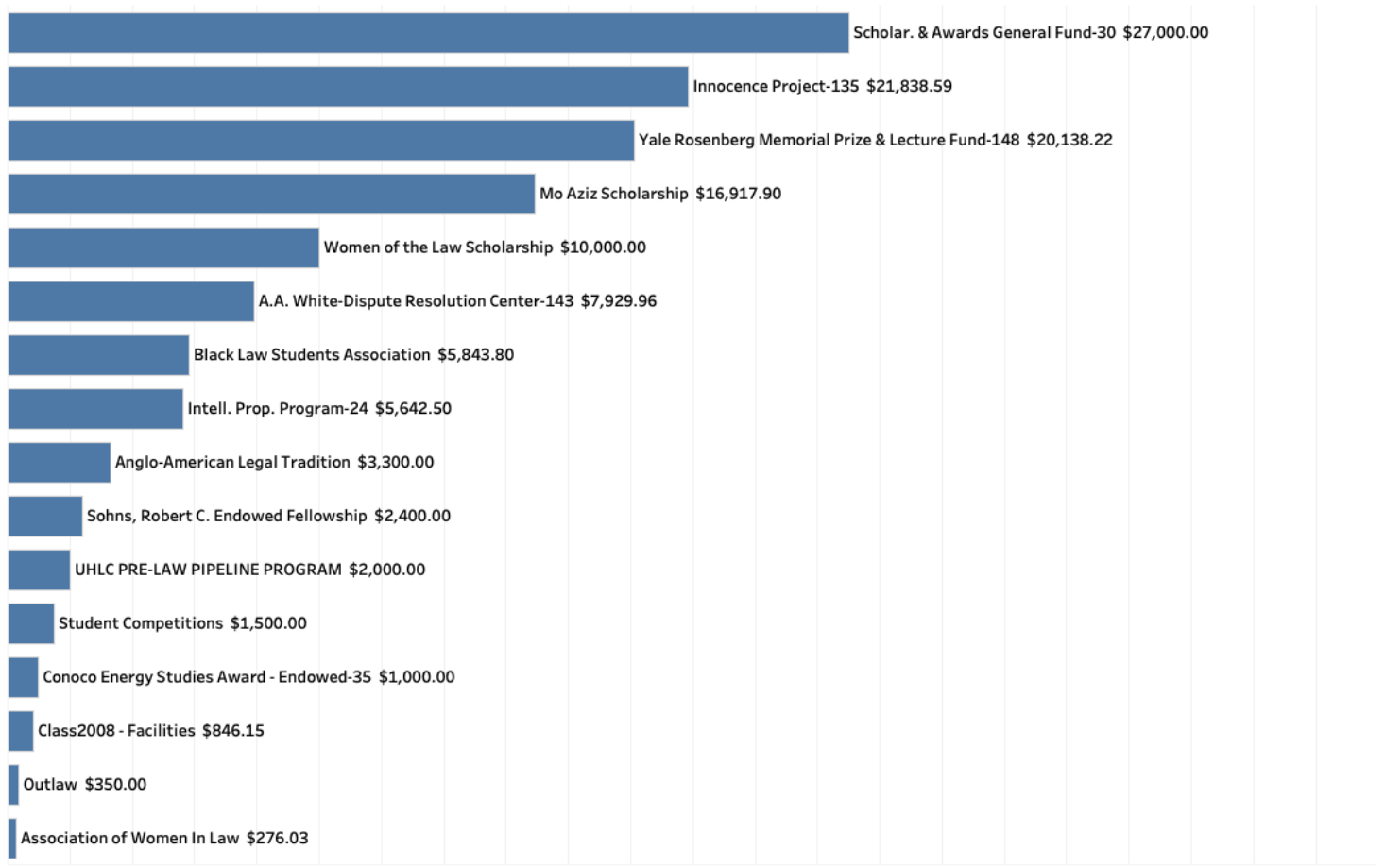


Top 5 disbursement categories for Law Center Foundation Restricted Funds for the year ended August 31, 2024



* This includes professorship/Faculty Chair stipends and benefits as well as specific research scholars and clinical staff on the innocence/death penalty and immigration grants.

Sampled 27 UH Law Foundation payment requests totaling \$126,983.15 to determine if they are reviewed, approved, and paid according to donor intent and University policies and procedures.



What We Found Summary

The University of Houston Law foundation had adequate controls in place for ensuring compliance with the Organizational Support Agreement; foundation payment requests were reviewed, approved, and paid according to requirements; and the Law Foundation financial system was managed, secured, and protected. However, we identified some areas where minor improvements could enhance the overall control structure. These issues are outlined below and discussed further in this audit report.

- Issue 1: Improve Financial Oversight for the Foundation
- Issue 2: Conflicts of Interest Annual Attestation Non-Compliance
- Issue 3: Update Investment Policy(s)
- Issue 4: Update Internal Control Document
- Issue 5: Disaster Recovery Tabletop Exercises

Issue 1 – Foundation Documentation

There were no scholarships distributed that were out of compliance with donor intent. However, there was insufficient documentation to support donor intent at the time of disbursement. The process has shown consistent compliance regarding budgetary approval and existence of funds, in accordance with board policy. Minor changes in the approval process can ensure donative intent is consistently outlined, satisfying the board’s oversight role.

Larger disbursements (i.e. those over \$10,000) consistently had dual signatures as

required by policy. However, the supporting documentation for these disbursements did not consistently contain sufficient information to allow a reviewer to determine whether recipients met all the required criteria for scholarship awards or for expense disbursements.

Additionally, some smaller dollar disbursements from the UH Law Center Class of 2008 endowment for improving the Law Center's Facilities were made by UH Law facilities department for employee's telecommunication reimbursement, meals at recognition events, and holiday gift cards. Although the UH Law Center facilities personnel used these funds in order to enhance their off-site communication with each other and support overall morale, these disbursements could be questioned as not directly benefiting the Law Center building, which was the stated purpose of this endowment.

Minor changes to internal processes and practices, which highlight donor's intent when approving an expenditure, would confirm compliance thereby significantly reducing the risk of noncompliance.

Issue 2 – Conflicts of Interest Annual Attestation Non- Compliance

During audit work, there were four board members in the last two years that did not complete a conflict-of-interest questionnaire as required by the University of Houston Organizational Support Agreement. According to the Organizational Support Agreement with University of Houston, each director, officer, and board member shall complete and submit a conflict-of-interest attestation annually.

After completion of audit work and at the time of this report issuance to the UHS Board of Regents, all current board members had completed the 2023 and 2024 conflict of interest questionnaires.

When conflicts of interest are not disclosed and managed appropriately, they can lead to reputational damage for the Foundation and the University.

Issue 3 – Investment Policy

The Foundation's Investment Policy indicated that it was last approved by the Investment Committee and approved and adopted by the Law Foundation Board in 2010. Based on discussions, it was determined that The Foundation and UH Development verbally discusses the policy annually but no formal documentation is maintained of the review discussion nor is the policy updated to reflect the date of this review.

Issue 4 – Update Internal Control Document

Although the Internal Controls Document has a section on the MIP Abila Accounting Software, the document only states that administrative access is controlled by the Foundation Director. There is no mention of the Law Center IT and University IT and their responsibilities for general IT controls such as backup and restore, change controls, and disaster recovery planning.

The Foundation, Law Center IT, and UH University IT work as three separate units. The Internal Controls document only includes the roles of the Foundation and Law Center. Unclear roles and responsibilities could lead to data loss and an unsecure application/server and therefore these roles and responsibilities should be clearly documented.

Issue 5 – Disaster Recovery Tabletop

Although there is cooperation between the Foundation, Law Center IT, and UH University IT, the cooperation is not documented and tested as part of a comprehensive disaster recovery or business continuity plan. The Foundation, Law Center IT, and UH University IT work as three separate units with their own disaster recovery plans. Computer operation controls and business continuity plans are inadequate and do not ensure reliable and uninterrupted access to Abila application.

Recommendations and Management's Response

1

We recommend that the Foundation require Approval Request Forms to contain sufficient supporting documentation so that scholarship and fellowship award criteria can be confirmed, and that donor intent can be verified with disbursement approvals.

We recommend the Foundation Board review and approve groups of related expenses that total \$10,000 or more (such as multiple scholarships given roughly at the same time from the same donor). This would allow for donor intent to be independently confirmed prior to disbursement.

Additionally, when these scholarships and stipend payments are reviewed against donor restrictions, the recognition of the funding source should also be more clearly communicated as designated by selected donors.

Management's Response:

We acknowledge the recommendation related to disbursement approval documentation and the request for oversight in verifying donor intent and compliance with scholarship and stipend criteria.

Actions Taken and Planned Improvements:

1. Enhanced Documentation Requirements:

The Foundation will include a Scholarship Criteria Matrix and the Application Form with each Approval Request Form to ensure clear documentation of recipient eligibility and verification of donor intent. A certifying statement—"I certify that I meet all eligibility criteria for this scholarship and that the information I have provided is true and accurate to the best of my knowledge."—will be incorporated into the scholarship application form.

The Law Center Office of Student Services and Law Center Scholarship Committee will formally integrate this matrix into their review process, reinforcing compliance and transparency.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Assistant Dean of Student Services

Estimated Completion Date: 09/01/2025

2. Strengthened Oversight of Related Disbursements:

As of May 1, 2025, the Foundation President, in consultation with the Law Center Dean, has designated the Board Treasurer for reviewing and approving groups of related expenses totaling \$10,000 or more (such as multiple scholarships issued around the same time from the same funding source). Once this threshold is reached, the University accountant or director will forward the supporting documentation to the Treasurer for independent confirmation of donor intent prior to disbursement.

The effective date for this review process will be September 1, 2025, to ensure full alignment with related procedural updates—including the integration of the Scholarship Criteria Matrix into the Office of Student Services and Scholarship Committee's review process and the consistent inclusion of award letters.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Law Foundation Board Treasurer
- Law Foundation President

Estimated Completion Date: 09/01/2025**3. Improved Transparency and Communication:**

A copy of the recipient's award letter will consistently be a required document in the Approval Request Form. However, the accountant will check to ensure the donor's name is mentioned in the memo. This ensures that donors are properly acknowledged in all scholarship and fellowship awards before disbursement.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Assistant Dean of Student Services

Estimated Completion Date: 09/01/2025**2**

We recommend, as a part of Foundation oversight, there should be more thorough follow-up to ensure 100% compliance with all board members completing conflicts of interest attestation annually.

Management's Response:

We acknowledge oversight for all board members to complete the required Conflict of Interest Questionnaire. The Foundation is committed to ensuring full compliance with this requirement to protect both the Foundation and the University from potential reputational risks.

Actions Taken and Planned Improvements:

1. Escalation Process for Non-Compliance:

- Board members will receive up to three reminders, issued at two-week intervals, to complete the Conflict of Interest Questionnaire prior to initiating any escalation for non-compliance.
- If the Questionnaire remains incomplete after the final reminder, a formal notice will be issued by the Law Foundation President (or designee).
- Non-compliant board members will be asked to refrain from attending meetings until they complete the attestation, reinforcing accountability and transparency.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Law Foundation President

Estimated Completion Date: 09/01/2025

3

We recommend the Foundation document the review/update of the Investment Policy. If it has been discussed and changes are not needed add a reviewed date to the document for confirmation.

Management's Response:

We acknowledge the recommendation regarding the Foundation's Investment Policy and the need for clearer documentation of its annual review.

Actions Taken and Planned Improvements:

1. Annual Review Documentation Enhancement:

The Foundation President and the VP of Advancement Development at the University of Houston conduct an annual review of the Investment Policy during their annual meeting, as reflected in meeting agenda. However, we recognize that the absence of an updated date on the policy document led to concerns regarding compliance.

To strengthen our internal controls, the Foundation will retain meeting notes as supporting documentation and ensure that a formal notation of the review is added to the Investment Policy document itself.

2. Process for Investment Policy Changes:

If any changes to the Investment Policy are warranted, they will be formally reviewed by the Board for approval before implementation.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Associate Dean of Alumni Relations
- Law Foundation President
- VC/VP, University Advancement

Estimated Completion Date: 04/01/2026

4

We recommend the Foundation update the Internal Controls document to include a section which describes the roles and responsibilities of Law Center IT and University IT(UIT) for updating and maintaining the MIP Abila software and UIT server on which the application is housed.

Management's Response:

We acknowledge the recommendation regarding the need for clearer documentation of IT roles and responsibilities in the Internal Controls Document.

Actions Taken and Planned Improvements:

1. Update to the Internal Controls Document:

- The Foundation will update the Internal Controls Document to clearly outline the roles and responsibilities of all relevant units, including the Foundation, Law Center IT, and UH University IT.
- This update will specify each unit's responsibilities regarding backup and restore procedures, change controls, and disaster recovery planning for the MIP Abila Accounting Software.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Director, College IT Support
- System Administrator 2 from UH Central IT

Estimated Completion Date: 09/01/2025**5**

We recommend Foundation consider tabletop disaster recovery exercise(s) to ensure all three parties (Foundation, Law Center IT, and UIT) are able to collaborate and ensure timely recovery of IT operations should adverse events occur.

Management's Response:

We acknowledge the recommendation regarding the need for a more coordinated and documented disaster recovery and business continuity plan for the Abila application.

Actions Taken and Planned Improvements:

Disaster Recovery and Business Continuity Testing: The Foundation, in collaboration with Law Center IT and UH University IT, will conduct a tabletop disaster recovery exercise to assess and improve response coordination.

Responsible Party:

- Executive Director, Business Operations
- Law Foundation Director
- Director, College IT Support
- System Administrator 2 from UH Central IT

Estimated Completion Date: 09/01/2025

Methodology

The methodology used to conduct this audit included:

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

Audit Standards

The Internal Auditing Department conducted this performance audit in accordance with 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 Law Foundation and University of Houston Law Center for their cooperation and assistance during this audit process.

Sincerely,



**UHS Internal Auditing Department
Chief Audit Executive**

Phillip Hurd, CIA, CEEP

Phone: (713) 743-8000

Email: audit@uh.edu

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

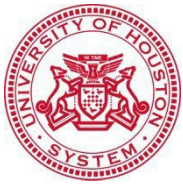
Director, Operational and Financial Audits

Brandee O'Neal, CIA, CFE, CCEP

Audit Team

M'Shiela Hawthorne, Visual Risk IQ

Joe Oringel, Visual Risk IQ



Internal Auditing Department

University of Houston System Contracts Requiring UHS Board of Regents Approval

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2025-16

August 2025



Photo courtesy of University of Houston Information Technology Services Webcams

Contents

Executive Summary

Background.....

Objective.....

Scope of Work.....

Audit Procedures.....

Conclusion

Appendices.....

2

2

2

2

3

3

3

Executive Summary

The Internal Auditing Department (IAD) reviewed the solicitation/purchasing process surrounding contracts that required UHS Board of Regents approval from April 1, 2025, through June 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 April 1, 2025, through June 30, 2025.

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.

Conclusion

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

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
April 1, 2025, through June 30, 2025

<u>Project or Contract Description</u>	<u>Solicitation Type/Number</u>	<u>(\$ Millions) Amount</u>	<u>BOR Approval</u>
<u>Construction Projects \$10 Million and Over</u>			
A&E Services for Agrawal Building - Laboratory Shell Space Build Out	RFQ730-UH-3034	\$35.0	2/19/2025
<u>Construction Projects Over \$1 Million and Under \$10 Million</u>			
Plant Chiller #3 Replacement	RFP730-UH-3019	\$6.5	8/23/2023
Medium Voltage Electrical Services	RFP730-25007	\$3.4	2/21/2024
Houston Science Center - New Fire Alarm Panel, Pump Replacement and Fire Sprinkler System	RFP730-25000	\$3.0	5/15/2024
Landscape Services at University of Houston Sugar Land_Katy	RFP730-UH-3025	\$2.0	2/19/2025
<u>Non-Construction Contracts Over \$1 Million</u>			
Energy Savings Performance Contract	RFQ730-24090	\$5.0	Initial contract under \$1 million. Approval not required.

Legend

CMAR - Construction Manager at Risk







AE - Architectural and Engineering Services (RFQ only)

RFP - Request for Proposal















RFQ - Request for Qualifications

ITB - Invitation to Bid

Contracts Requiring Board of Regents Approval
Internal Audit Activity
April 1, 2025, through June 30, 2025

Project Category	Project or Contract Description	Solicitation Type/Number	
Construction Projects \$10 Million and Over	A&E Services for Agrawal Building - Laboratory Shell Space Build Out	RFQ730-UH-3034	 \$35,000,000
Construction Projects Over \$1 Million and Under \$10 Million	Houston Science Center - New Fire Alarm Panel, Pump Replacement and Fire Sprinkler System	RFP730-25000	 \$3,000,000
	Landscape Services at University of Houston Sugar Land_Katy	RFP730-UH-3025	 \$2,000,000
	Medium Voltage Electrical Services	RFP730-25007	 \$3,400,000
	Plant Chiller #3 Replacement	RFP730-UH-3019	 \$6,500,000
Non-Construction Contracts Over \$1 Million	Energy Savings Performance Contract	RFQ730-24090	 \$5,000,000
Grand Total			 \$54,900,000

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

Project Category	Project or Contract Description	Solicitation Type/Number							
Construction Projects \$10 Million and Over	A&E Services for Agrawal Building - Laboratory Shell Space Build Out	RFQ730-UH-3034		\$35,000,000					
	A&E Student Center North Expansion - Award	RFQ730-25006		\$39,300,000					
	CMAR New Medical Research Building - Step 2	RFP730-24086		\$77,500,000					
Construction Projects Over \$1 Million and Under \$10 Million	Houston Science Center - New Fire Alarm Panel, Pump Replacement and Fire Sprinkler System	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 Sciences T2 Building #508	RFP730-25009		\$5,750,000					
Non-Construction Contracts Over \$1 Million	Continuing Services for Landscape Architecture	RFQ730-25005		\$1,800,000					
	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					
	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

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

Director, Operational and Financial Audits

Brandee O'Neal, CIA, CFE, CCEP

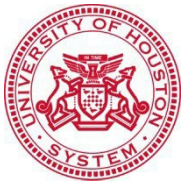
Audit Team

Tony Moreno, Auditor IV

Eric Porter, Auditor III

Kathy Gonzalez, Auditor II

Stephanie Duron, Auditor I



Internal Auditing Department

University of Houston-Clear Lake Texas Higher Education Coordinating Board Facilities Development Projects

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2025-17

August 2025



Photo courtesy of <https://www.uhd.edu/student-affairs/health-wellness/campus-recreation/facilities>

Contents

Objective	2
What We Found.....	2
Background	2
Methodology and Scope	2
Audit Standards	2

Objective

To determine whether the University of Houston-Clear Lake (UHCL) was compliant with Texas Administrative Code (TAC) and Texas Higher Education Coordinating Board (THECB) requirements regarding facilities development projects (capital projects) approvals and reporting.

What We Found Summary

The UHCL was compliant with TAC Title 19, Part 1, Chapter 17, Subchapter B, Rule 17.20 for submitting facilities development projects to THECB.

Background

THECB supports the state’s higher education systems through various efforts, including collecting and reporting data regarding facilities planning and usage to the legislature. As part of this effort, THECB must periodically conduct a comprehensive audit of all education and general facilities on the campuses of public senior colleges and universities. As part of this comprehensive audit, the institution's internal auditing department reviews the institutions reporting of repairs, renovations, new construction, real property purchases, energy performance savings contracts, and capital construction assistant projects that meet specific usage and dollar thresholds.

Methodology and Scope

The methodology used to conduct this audit included a review of TAC; THECB guidelines; current university policies and procedures; internal facilities and financial reports; and THECB reports and application submissions. The audit scope included facilities development (capital) projects at UHCL from fiscal years 2018 through 2025.

Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Professional Practices Framework. 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.

The UHS Internal Auditing Department would like to thank the University of Houston and University of Houston-Clear Lake Facilities Departments 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

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

Director, Operational and Financial Audits

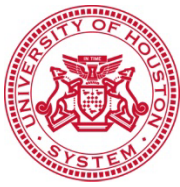
Brandee O'Neal, CIA, CFE, CCEP

Audit Team

Tony Moreno, Auditor IV

Aiden Ho, Auditor I

Jackie Martinez, Auditor I



Internal Auditing Department

University of Houston-Victoria President's Travel & Entertainment FY 2025, September 1, 2024 through March 31, 2025

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2025-18

August 2025



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

Contents

Contents

Objective

Background

What We Found.....

Methodology and Scope.....

Audit Standards.....

1

1

1

1

3

3

Objective

To determine whether the University of Houston-Victoria (UHV) 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 UHV President and spouse. The expenditures reviewed were funded by accounts from the UHV President’s Office. Any travel and entertainment expenses funded by accounts outside of the UHV President’s Office or by external organizations were not included in our review.

Texas Senate Bill 2361, 89th(R) establishes that UHV will transfer to Texas A&M University System (TAMUS) effective September 1, 2025. Effective May 27, 2025, a Memorandum of Understanding was entered into between UHV and TAMUS to evidence mutual agreement to support the transfer of governance of UHV to TAMUS. As a result, the UHS Internal Auditing Department’s travel and entertainment expenditure testing for FY 2025 was limited to September 1, 2024 through March 31, 2025.

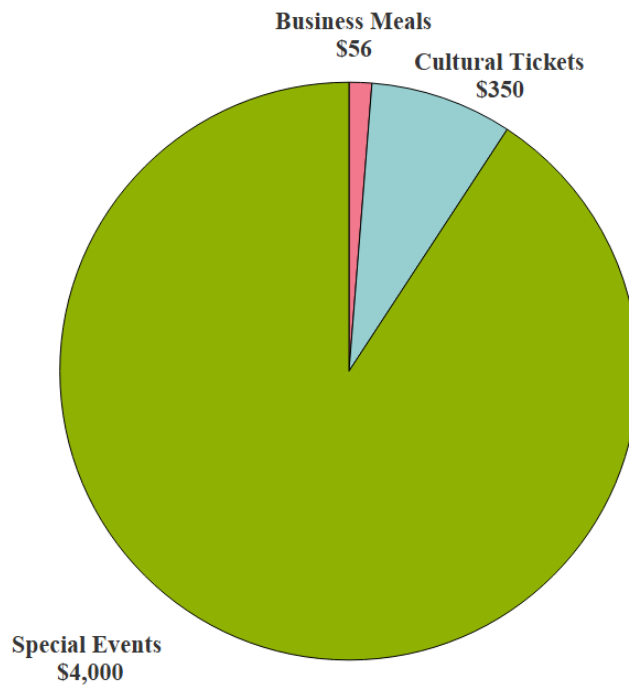
What We Found

Summary

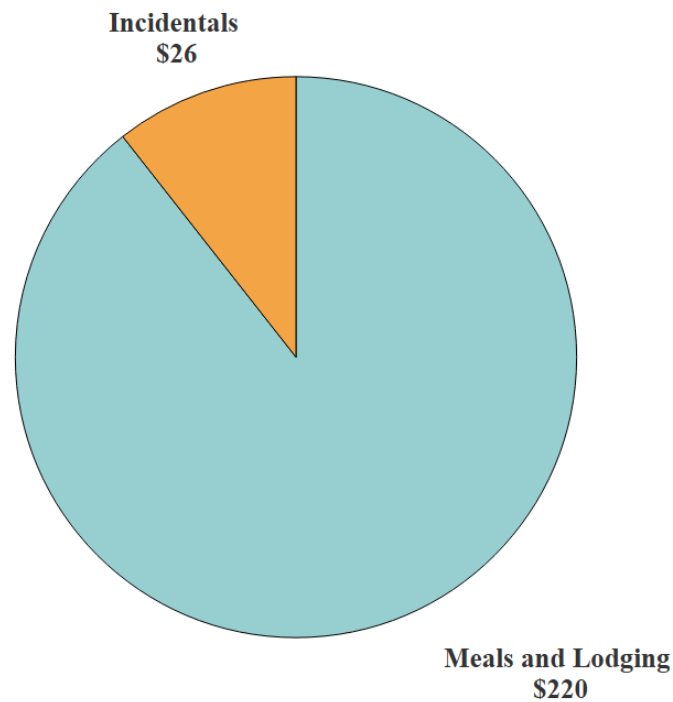
Our review identified \$246 in travel-related expenses and \$4,406 in entertainment-related expenses incurred during the period of September 1, 2024 through March 31, 2025. These expenditures were properly documented and in compliance with system and university policies.

The exhibits below provide a detailed breakdown of the fiscal year 2025, periods 1–7, expenditures.

UHV President Entertainment Expense



UHV President Travel Expense



Methodology and Scope

The methodology used to conduct this audit included:

- Reviewing UHS and UHV 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 March 31, 2025. These expenditures were funded by accounts from the UHV 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.

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 UHV President's Office for their cooperation and assistance during this review process.

Sincerely,



UHS Internal Auditing Department
Chief Audit Executive

Phillip Hurd, CIA, CEEP

Phone: (713) 743-8000

Email: audit@uh.edu

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

Director, Operational and Financial Audits

Brandee O'Neal, CIA, CFE, CCEP

Audit Team

Tony Moreno, Senior Auditor

Stephanie Duron, Auditor I

Charlotte Giesler, Auditor I



Internal Auditing Department

University of Houston System Compliance with Texas Education Code § 51.3525

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2025-19

August 2025



Photo courtesy of University of Houston System website: uhsystem.edu

Contents

Executive Summary 2

Scope of Work 2

Certification Reviews..... 2

Institutional Reviews 3

Conclusion..... 4

Executive Summary

The University of Houston System and its associated universities are in substantive compliance with Texas Education Code (TEC) § 51.3525, which mandates that institutions of higher education adhere to strict guidelines regarding hiring, employment practices, and diversity initiatives.

Scope of Work

This report is prepared to demonstrate that The University of Houston System and its associated universities are following TEC § 51.3525, which mandates that institutions of higher education adhere to strict guidelines regarding hiring, employment practices, and diversity initiatives. The following certifications and actions demonstrate our commitment to complying with these statutory requirements.

Certification Reviews

1. Hiring and Employment Practices

Internal auditing has reviewed relevant actions, policies, processes, and sampled hiring packets and confirmed that The University of Houston System and its associated universities does not have any office, division, or unit established for influencing hiring or employment practices based on race, sex, color, or ethnicity, except as required by federal law. We utilize color-blind and sex-neutral hiring processes in compliance with all applicable state and federal antidiscrimination laws.

2. Differential Treatment and Special Benefits

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution does not promote differential treatment or provide special benefits to individuals based on race, color, or ethnicity, except as required by federal law.

3. Policy Promotion and Implementation

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution does not promote policies or procedures related to race, color, or ethnicity without approval from the institution’s General Counsel and the Texas Higher Education Coordinating Board, ensuring compliance with court orders and laws.

4. Training, Programs, and Activities

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution does not conduct trainings or activities based on race, color,

ethnicity, gender identity, or sexual orientation, unless developed and approved for legal compliance purposes.

5. Diversity, Equity, and Inclusion (DEI) Roles

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution has not hired or contracted for a DEI office, except as federally required.

6. DEI Statements

Internal auditing has reviewed relevant actions, policies, processes, and sampled hiring packets and confirmed that the institution does not require or solicit DEI statements from individuals as a condition of employment or participation in institutional activities.

7. Preference in Employment or Participation

Internal auditing has reviewed relevant actions, policies, processes, and sampled hiring packets confirmed that the institution does not give preference based on race, sex, color, ethnicity, or national origin, except as required by federal law.

8. DEI Training Requirements

Internal auditing has reviewed relevant training actions and confirmed that the institution does not require DEI training as a condition of enrollment or participation, except as allowed by the law.

9. Disciplinary Policies

Internal auditing has reviewed relevant policies and procedures and confirmed that the institution has policies to discipline employees or contractors violating the provisions of TEC § 51.3525, including termination if necessary.

10. Use of State Appropriations

Internal auditing has reviewed relevant actions and confirmed that no state appropriations for FY25 were spent on DEI in violation of TEC § 51.3525.

Institutional Reviews

In the past fiscal year, The University of Houston System and its associated universities has undertaken the following actions to ensure compliance with TEC § 51.3525:

- **Management Attestations:**

Internal auditing confirmed that the Chancellor, Presidents, Provosts, and Deans signed attestations confirming that a DEI review was completed for their college/department/division to ensure compliance with TEC § 51.3525.

- **Websites:**

Internal auditing reviewed UHS, UH, UHCL, and UHD websites for DEI content that would violate TEC § 51.3525. In instances where specific DEI content was identified, General Counsel was consulted as to the legality of the content. When required, departments were notified to remove the content from their websites.

- **Scholarship Criteria:**

Internal Auditing reviewed the criteria for scholarships administered by UH, UHCL, and UHD. We identified four scholarships held at UH that either give preference to or require recipients to be female (1), male (1), Hispanic (1), or international (1). We identified one active UHCL scholarship that requires recipients to be female. Our findings were reported to General Counsel for review and they required the departments to take action by way of transferring these scholarships to an outside non-profit entity for holding, administration and award. We found no other scholarships held by any university in the UH System that were not compliant with TEC § 51.3525.

- **Training and Awareness Programs:**

Internal Auditing confirmed employee mandatory training addressing workplace discrimination is in place. However, a more comprehensive DEI training that covers areas addressed by TEC § 51.3525 would better help to ensure TEC § 51.3525 compliance.

- **Monitoring and Compliance Checks:**

Internal audit confirmed a monitoring system is in place to regularly check for compliance with TEC § 51.3525. In addition, compliance audits will be conducted periodically, and any identified issues will be reported to the General Counsel's office promptly.

Conclusion

Internal auditing concludes, based on the evidence, that the UHS and its associated universities are in substantive compliance with the requirements of TEC § 51.3525.

The University of Houston System and its associated universities have undergone extensive analysis, led by the General Counsel's Office, of policies, procedures, and associated documents to ensure a fair, equitable, and legally compliant environment for all students, staff, and faculty. Internal Auditing will continue to audit our practices and policies to ensure ongoing compliance with TEC § 51.3525.

The UHS Internal Auditing Department would like to thank all those involved 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

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

Director, Operational and Financial Audits

Brandee O'Neal, CIA, CFE, CCEP

Audit Team

Kathy Gonzalez, CCRP

Charlotte Giesler

Stephanie Duron

Aiden Ho

Jackie Martinez, CFE

Leonard Chance

Eric Porter, CFE