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# AGENDA

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## UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

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**DATE:** Wednesday, February 21, 2024  
**TIME:** 10:30 AM  
**PLACE:** Hilton University of Houston Hotel  
Conrad Hilton Ballroom, Second Floor  
4450 University Drive  
Houston, Texas 77204

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**Chair:** Gregory C. King  
**Vice Chair:** John A. McCall Jr.  
**Members:** Alonzo Cantu  
Jack Moore  
Ricky Raven  
Tilman J. Fertitta, Ex Officio

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- I. **Audit and Compliance Committee**  
*Presenter: Chair Greg C. King*
- A. Call to Order  
*Presenter: Chair Greg C. King*
- B. Approval of Committee Minutes  
  
- November 16, 2023, Audit & Compliance Committee Meeting  
  
**Action:** Approval
- C. Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended January 31, 2024, and Training Statistics for Fiscal Year 2024 4  
  
**Action:** Information
- D. Report on University of Houston System, Fraud and Non-Compliance Reports, Summary Report, Fiscal Year 2023 13

**Action:** Information

- E. Report on University of Houston System, External Audit Reports: 19  
- UH Athletics Department, Independent Accountants' Report  
on the Application of Agreed-upon Procedures, Fiscal Year 2023  
- UHS Endowment Fund, Independent Auditor's Report and  
Basic Financial Statements, Fiscal Year 2023 and 2022  
- UH Cancer Prevention Research Institute of Texas Grant  
Awards, Independent Accountants' Report on Application of  
Agreed-upon Procedures, Fiscal Year 2023

**Action:** Information

- F. Report on University of Houston System, UHS Financial 103  
Statements Certifications, Fiscal Year 2023

**Action:** Information

- G. Report on University of Houston System, Annual Procurement 115  
Report, Fiscal Year 2023

**Action:** Information

- H. Report on University of Houston System, Internal Audit Reports 132

**Action:** Information

II. **Executive Session**

1. Consultation with System Attorney Regarding Legal Matters and/or contemplated Litigation or Settlement Offers  
TEXAS GOV'T CODE SECTION 551.071
2. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property  
TEXAS GOV'T CODE SECTION 551.072
3. Deliberations Regarding a Prospective Gift  
TEXAS GOV'T CODE SECTION 551.073
4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers, or Employees including but not limited to the Chancellor, Presidents, Vice Chancellors, in the Division of Athletics and members of the Board of Regents.  
TEXAS GOV'T CODE SECTION 551.074

5. Confidentiality of government information related to security or infrastructure issues for computers.

TEXAS GOV'T CODE SECTION 552.139

III. **Report and Action from Executive Session**

*Presenter: Chair Greg C. King*

IV. **Adjourn**

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended January 31, 2024, and Training Statistics for Fiscal Year 2024

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Institutional Compliance Hotline Report summarizes the fraud and non-compliance hotline reports received for each institution during the applicable quarter, including the primary issue associated with the reports. The Training Statistics for Fiscal Year 2024 details the percentage of employees completing mandatory compliance training.

**SUPPORTING**

**DOCUMENTATION:** Institutional Compliance Hotline Report; Training Statistics for Fiscal Year 2024

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



1-23-2024

\_\_\_\_\_  
**SYSTEM-WIDE COMPLIANCE OFFICER**

Susan Koch

\_\_\_\_\_  
**DATE**



2/19/24

\_\_\_\_\_  
**CHANCELLOR**

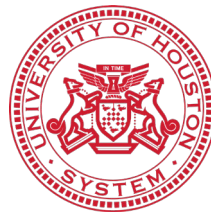
Renu Khator

\_\_\_\_\_  
**DATE**

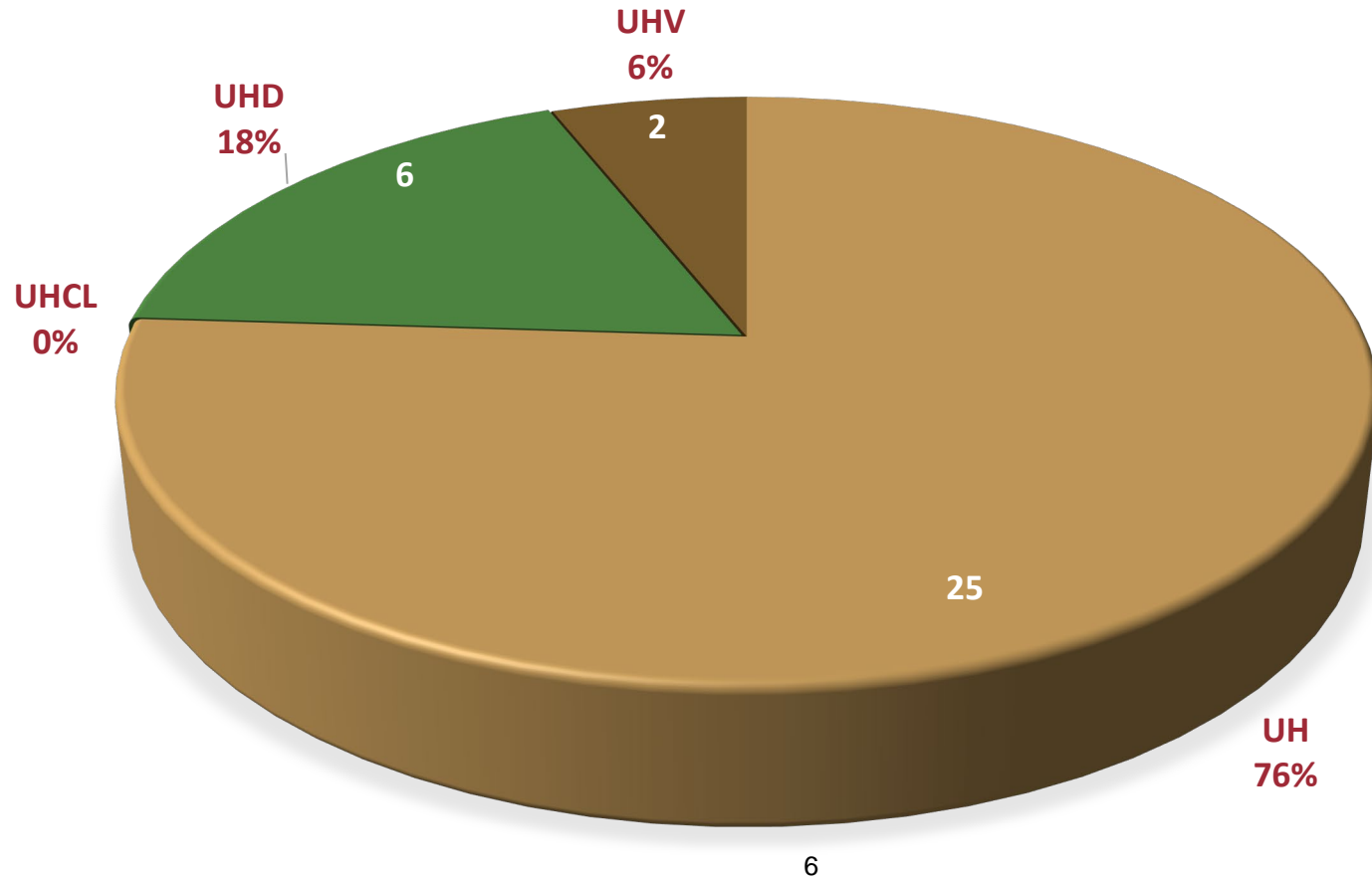


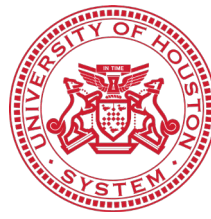
# University of Houston System

Institutional Compliance Hotline Report  
for the three months ended January 31, 2024 and Training Statistics for Fiscal Year 2024

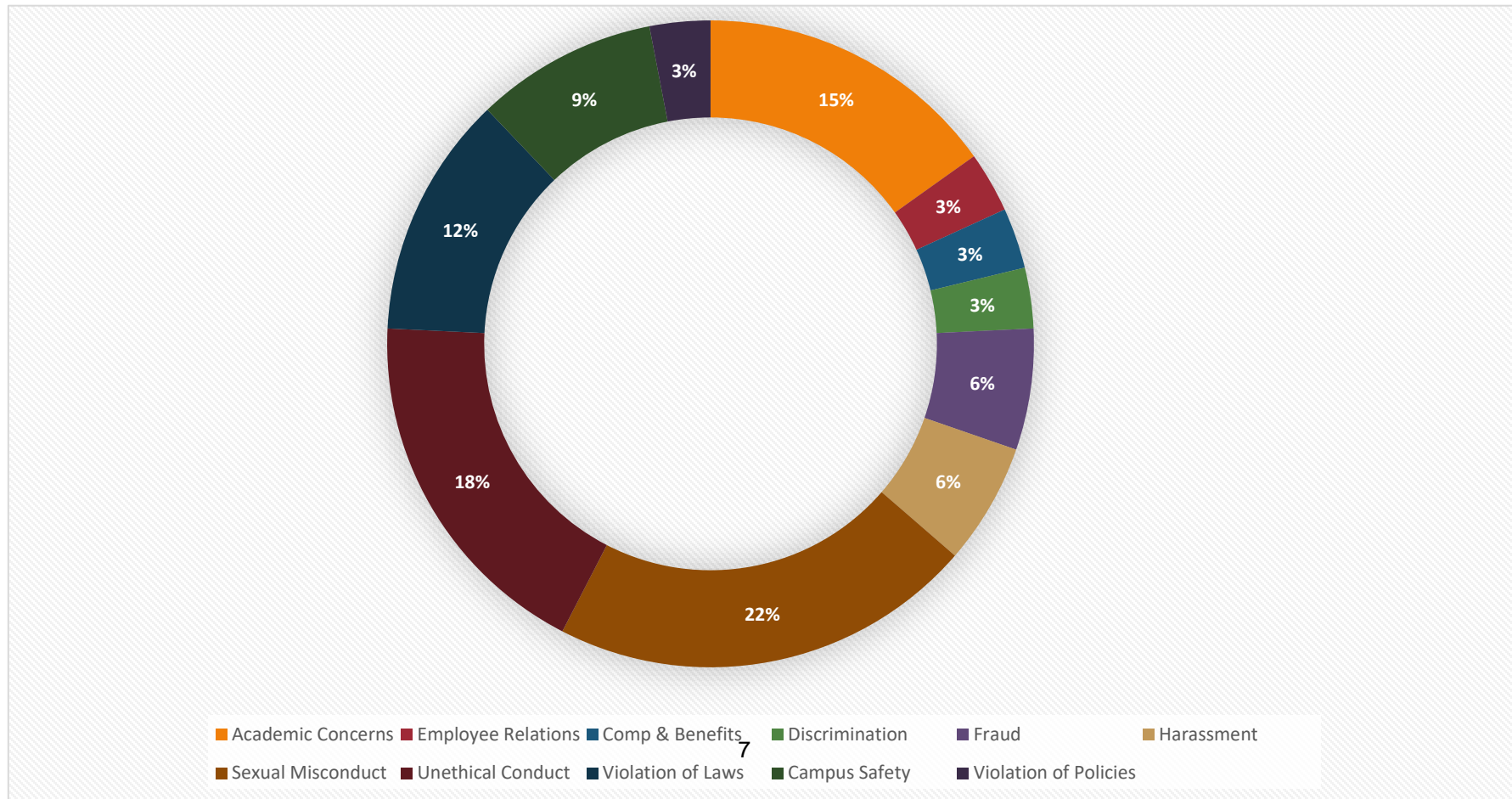


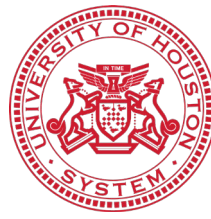
## Hotline Reports for all UHS Universities



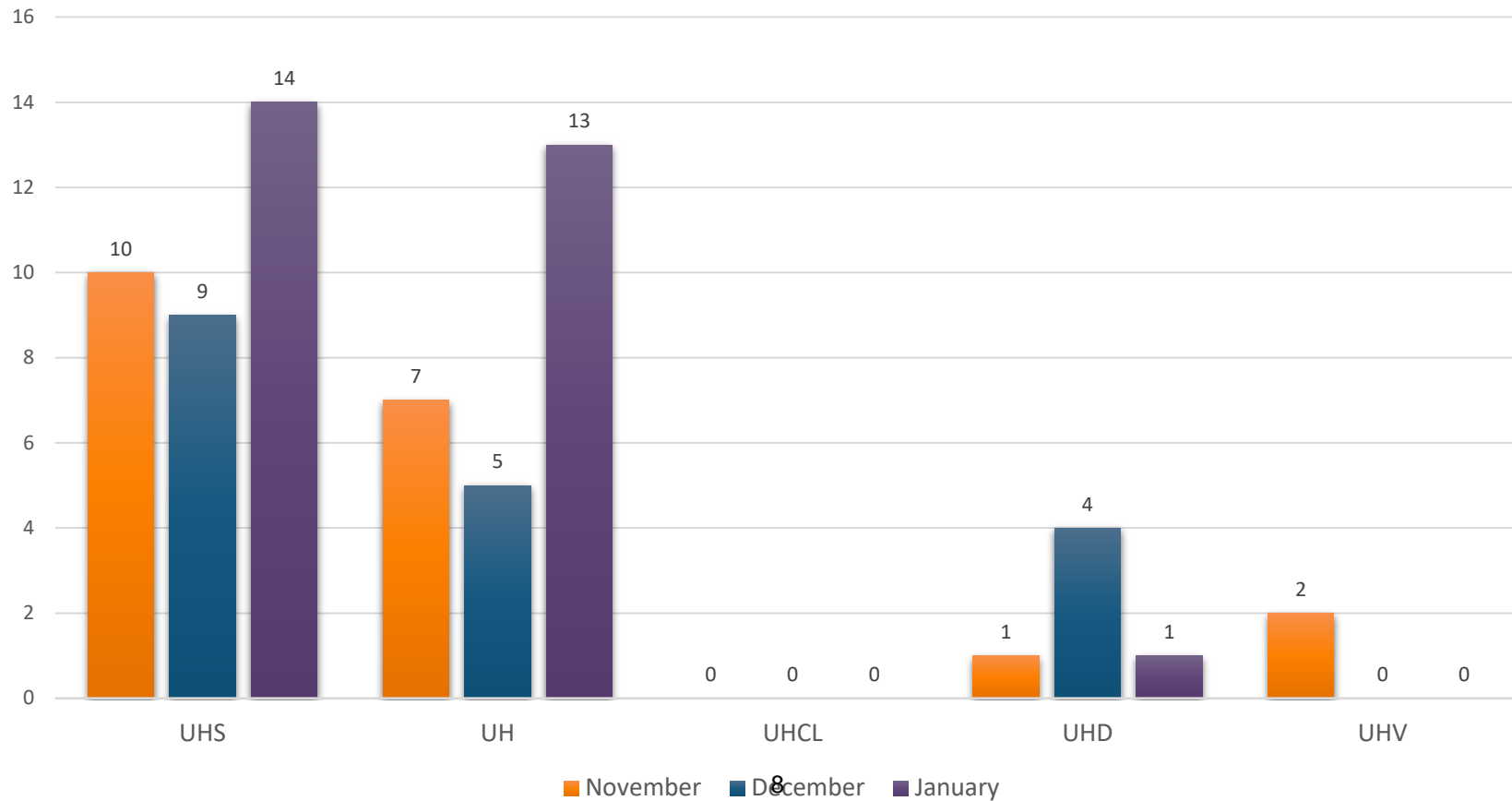


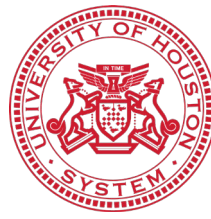
## Reported Issues by Type Across UHS



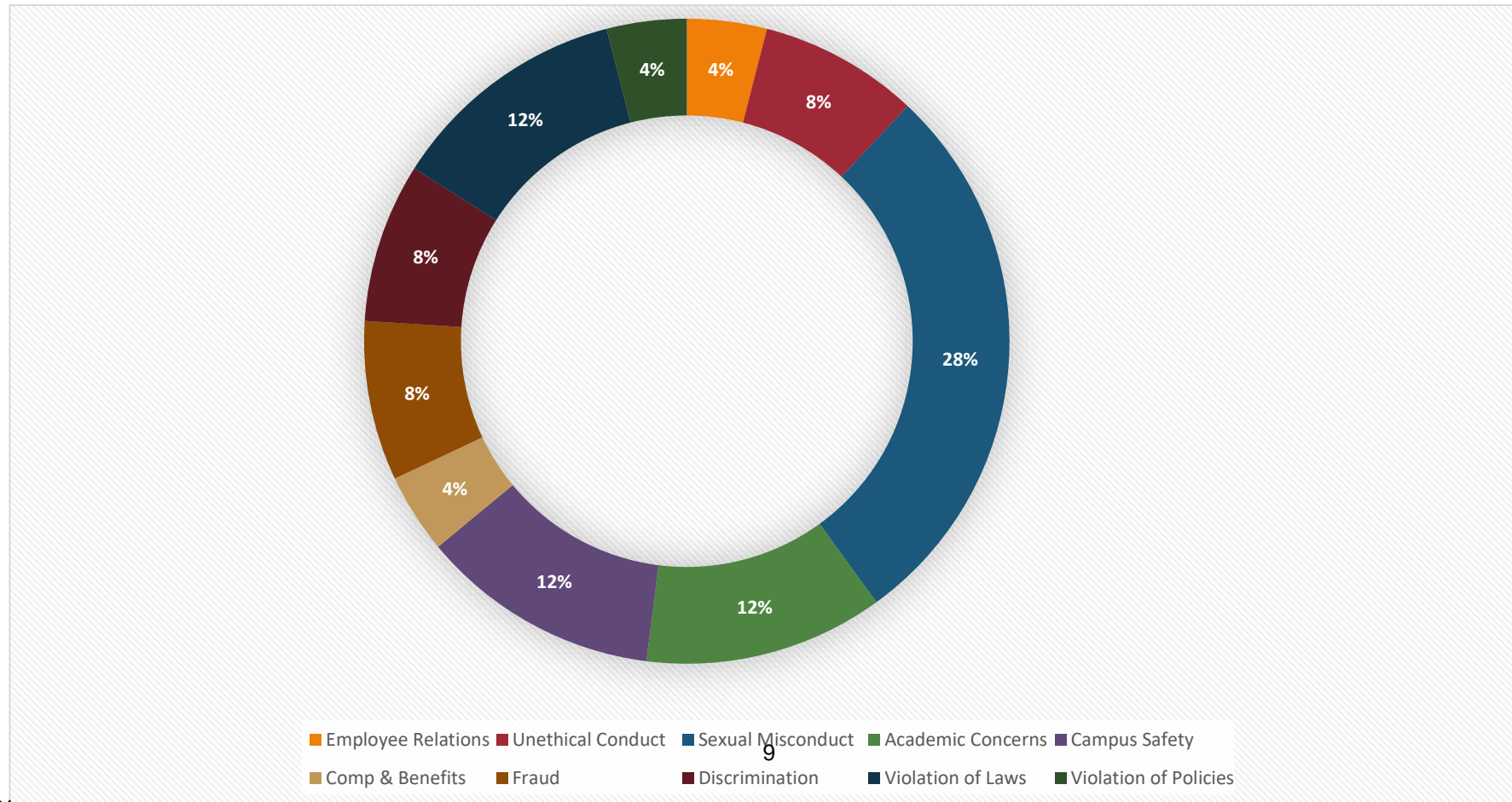


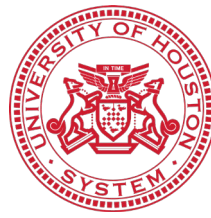
## Issues Reported by Month



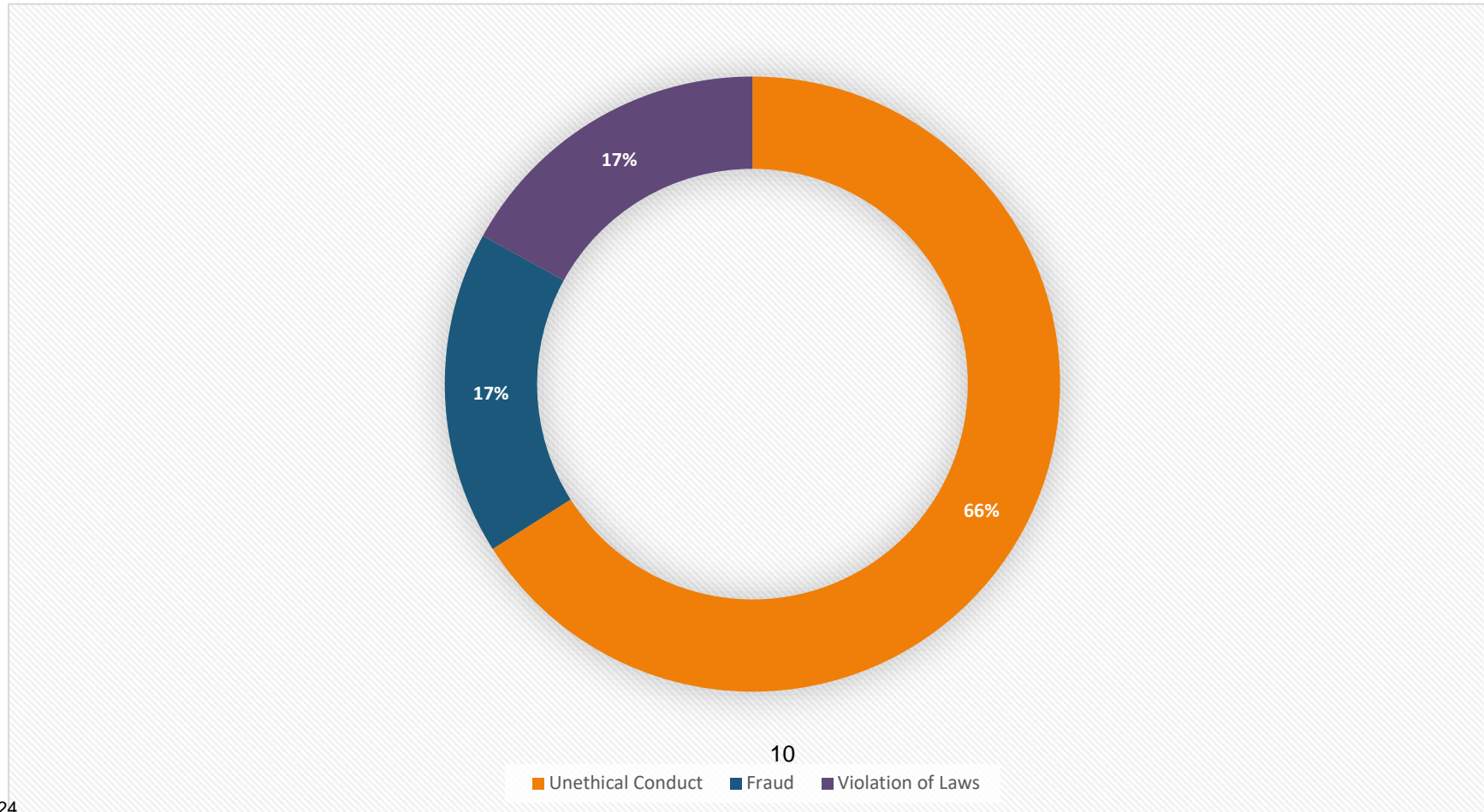


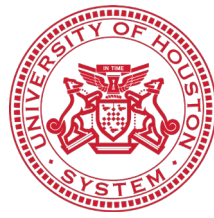
## UH Issue Breakdown



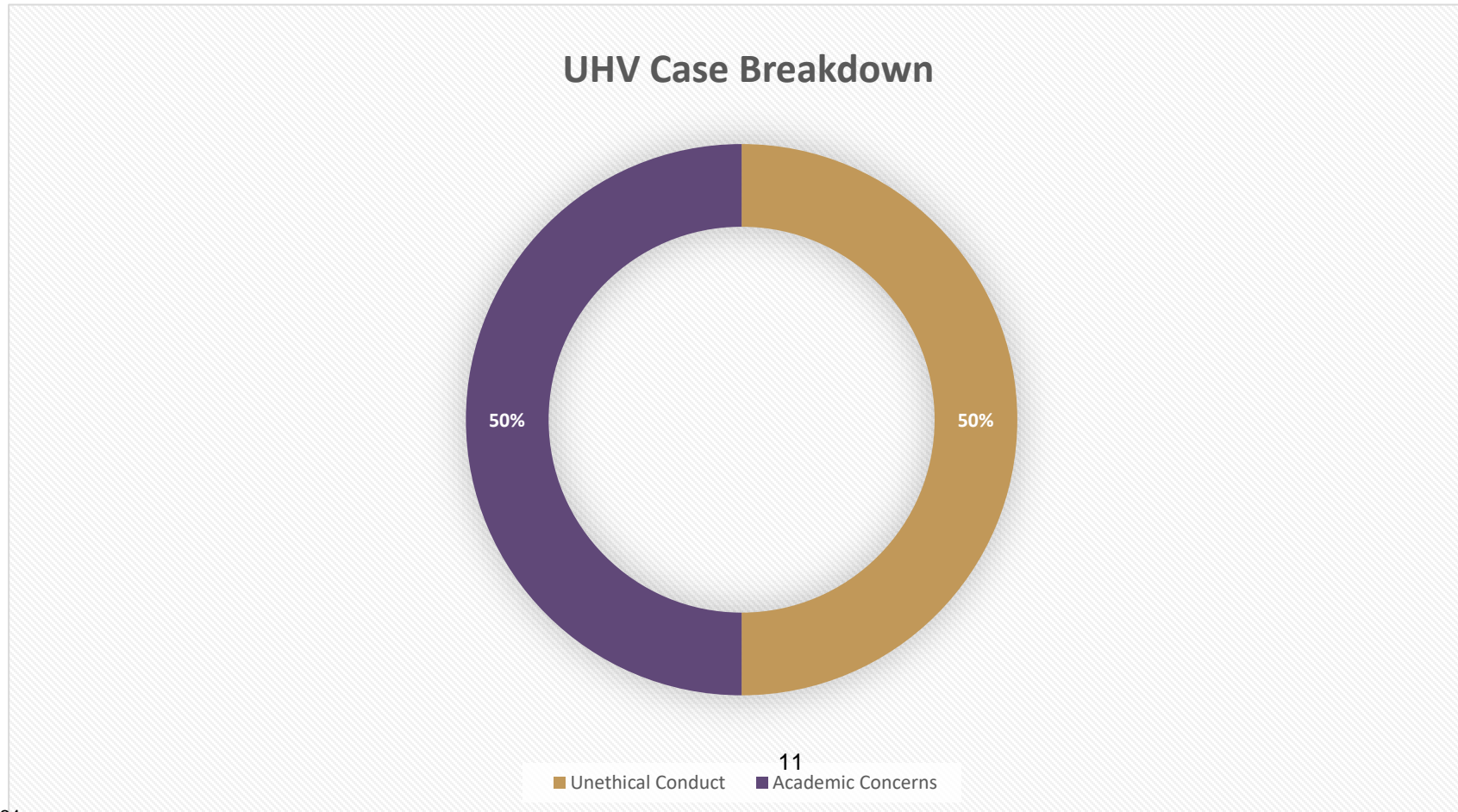


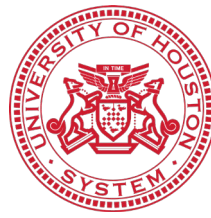
## UHD Issue Breakdown





## UHV Issue Breakdown





## Fiscal Year 2024 Training Statistics for Mandatory Compliance Training

University	FY 2023	FY 2024
UH	97%	100%
UHCL	100%	100%
UHD	99%	100%
UHV	100%	100%
UHS TOTAL	97%	100%

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Fraud and Non-Compliance Reports, Summary Report, Fiscal Year 2023

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The attached report summarizes the fraud and non-compliance hotline reports received for Fiscal Year 2023, as well as the top three reported hotline issues in the past three fiscal years. This report also details the outcome of hotline reports that were closed during the fiscal year and the composition of hotline reporters.

**SUPPORTING DOCUMENTATION:** Fraud and Non-Compliance Reports, Summary Report, Fiscal Year 2023

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



1-23-2024

\_\_\_\_\_  
**SYSTEM-WIDE COMPLIANCE OFFICER**

Susan Koch

\_\_\_\_\_  
**DATE**



\_\_\_\_\_  
**CHANCELLOR**

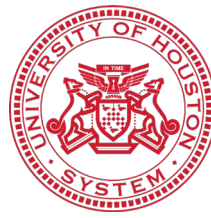
Renu Khator

\_\_\_\_\_  
2/19/24  
**DATE**

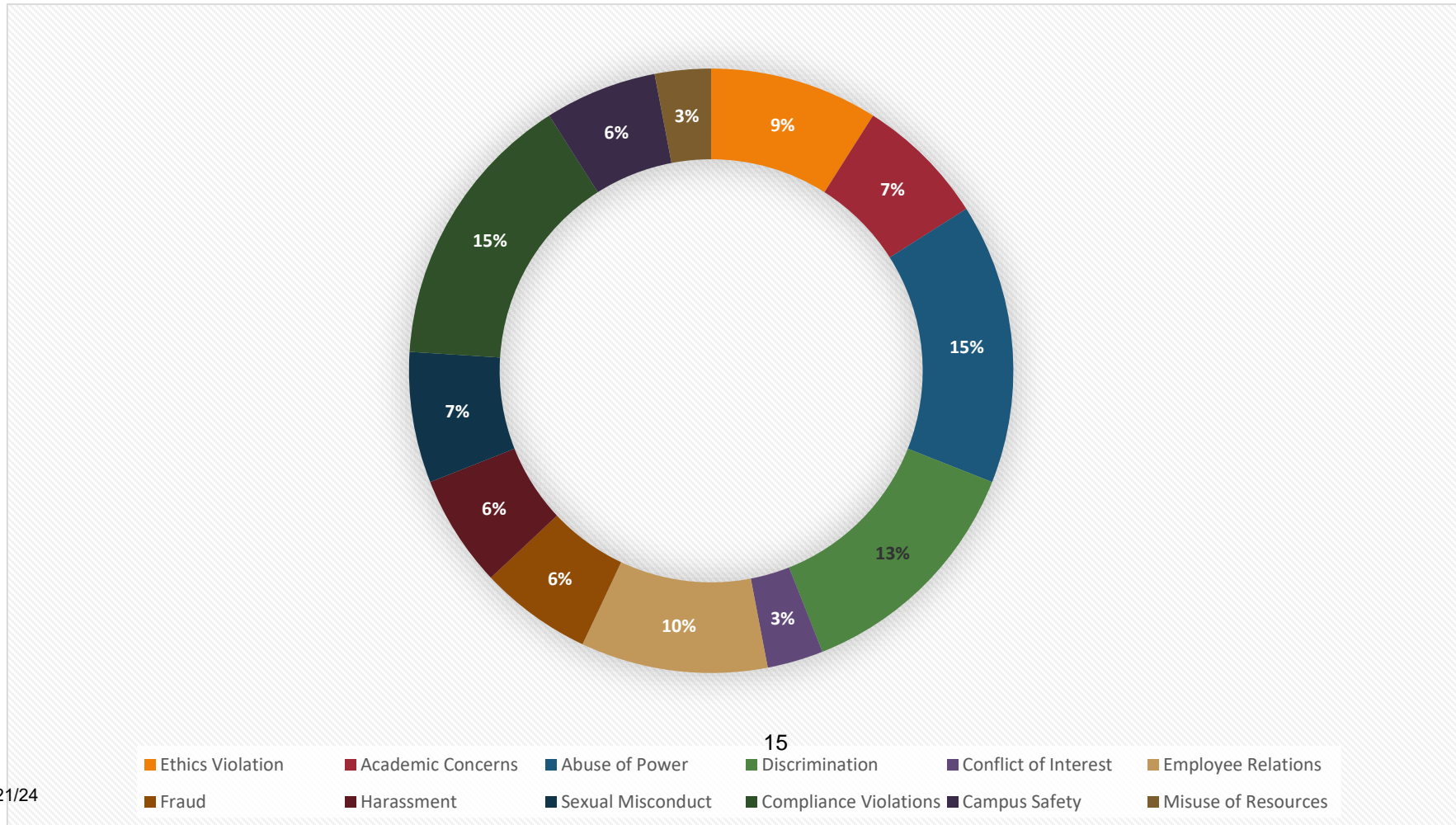


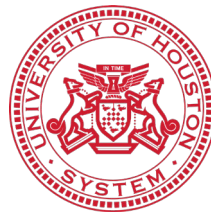
# University of Houston System

Report on Fraud and Non-Compliance Reports,  
Summary Report, Fiscal Year 2023



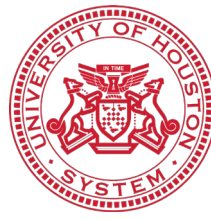
## Fiscal Year 2023 Reported Issues by Type Across UHS



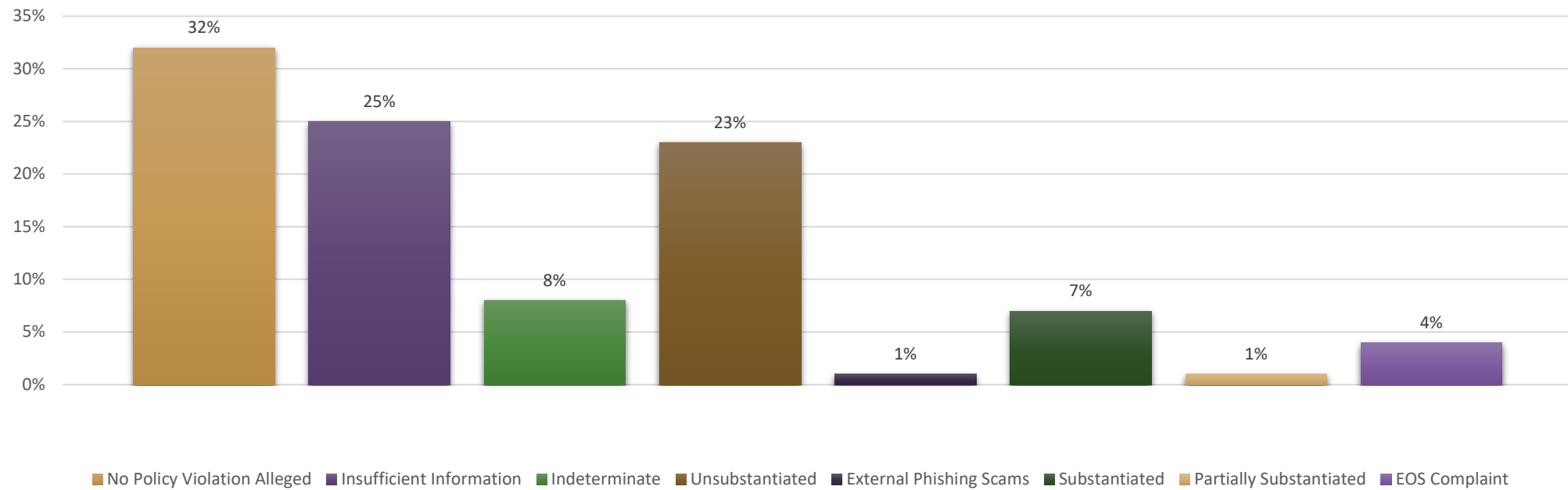


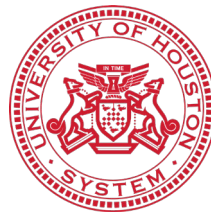
## Top 3 Reported Hotline Issues for the past 3 Fiscal Years - UHS

FY23	<ul style="list-style-type: none"><li>• Abuse of Power</li><li>• Compliance Violations</li><li>• Discrimination</li></ul>
FY22	<ul style="list-style-type: none"><li>• Compliance Violations</li><li>• Ethics Violations</li><li>• Discrimination</li></ul>
FY21	<ul style="list-style-type: none"><li>• Coronavirus</li><li>• Ethics Violations</li><li>• Academic Concerns</li></ul>

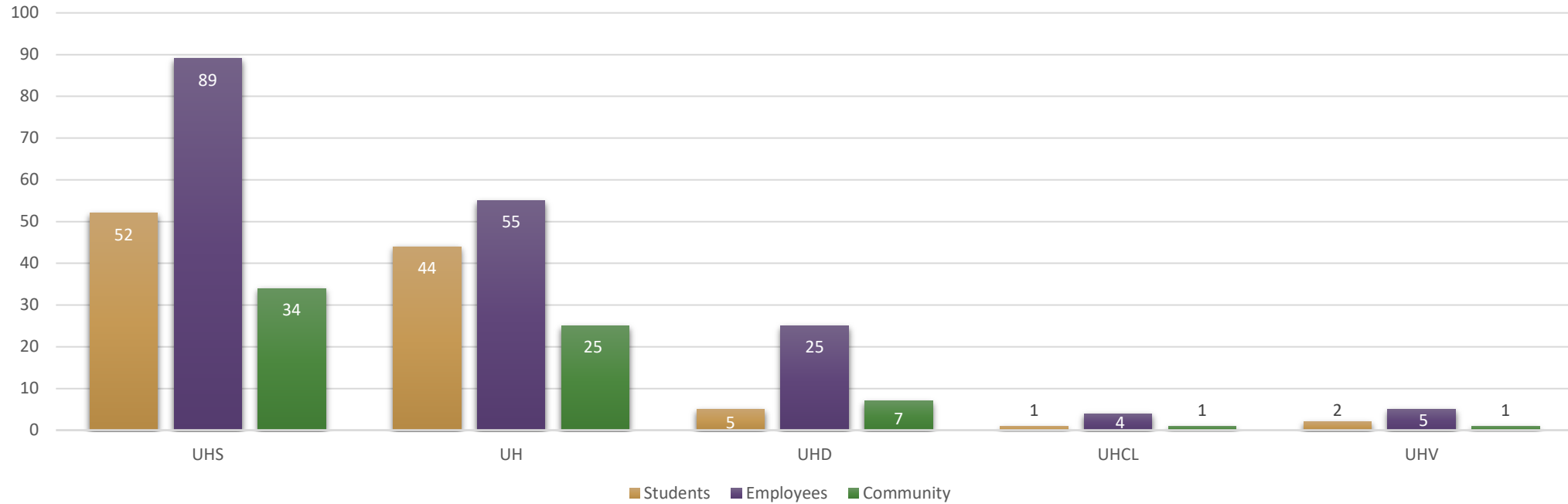


## Fiscal Year 2023 Outcome of Closed Hotline Reports





## Fiscal Year 2023 Breakdown of Hotline Reports by Type of Reporter



	% Submitted by Students	% Submitted by Employees	% Submitted by Community
UHS	30%	51%	19%
UH	35%	45%	20%
UHD	14%	67%	19%
UHCL	16.5%	18	66%
UHV	25%	62%	13%

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, External Audit Reports: UH Athletics Department, Independent Accountants' Report on the Application of Agreed-upon Procedures, Fiscal Year 2023; UHS Endowment Fund, Independent Auditor's Report and Basic Financial Statements, Fiscal Year 2023 and 2022; and UH Cancer Prevention Research Institute of Texas Grant Awards, Independent Accountants' Report on Application of Agreed-upon Procedures, Fiscal Year 2023

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise. The external audit reports are required by the following:

- UH Athletics Department – NCAA Constitution
- UHS Endowment Fund – Endowment Agreement
- UH Cancer Prevention Research Institute of Texas (CPRIT) – Administrative Code and Grant Provisions

**SUPPORTING**

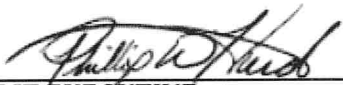

**DOCUMENTATION:** External Audit Reports

- UH Athletics Department, Independent Accountants' Report on the Application of Agreed-upon Procedures, Fiscal Year 2023
- UHS Endowment Fund, Independent Auditor's Report and Basic Financial Statements, Fiscal Year 2023 and 2022
- UH Cancer Prevention Research Institute of Texas Grant Awards, Independent Accountants' Report on Application of Agreed-upon Procedures, Fiscal Year 2023

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

 _____ CHIEF AUDIT EXECUTIVE	Phillip W. Hurd	2-1-24 _____ DATE
 _____ CHANCELLOR	Renu Khator	2/19/24 _____ DATE

# External Audit Reports

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise.

Report Name	Name of Firm	Presenter	Page
UH Athletics Department, Independent Accountants' Report on the Application of Agreed-upon Procedures, Fiscal Year 2023	James Moore & Co., P.L.	Shane Metzler, CPA-Manager (Presenting virtually)  Katie Davis, CPA, LSS Certified-Partner (Attending virtually)	2
UHS Endowment Fund, Independent Auditor's Report and Basic Financial Statements, Fiscal Year 2023 and 2022	FORVIS, LLP	Shekita S. Rawls, CPA (Presenting in person)  Angie K. Dunlap, CPA, Partner / Audit (Attending in person)	25
UH Cancer Prevention Research Institute of Texas (CPRIT) Grant Awards, Independent Accountants' Report on Application of Agreed-upon Procedures, Fiscal Year 2023	FORVIS, LLP	Shekita S. Rawls, CPA  Angie K. Dunlap, CPA, Partner / Audit (Attending in person)	73

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
INDEPENDENT ACCOUNTANTS' REPORT ON THE  
APPLICATION OF AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED AUGUST 31, 2023**

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
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AUGUST 31, 2023**

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Exhibit II – Notes to Statement of Revenues and Expenses	19 – 20
Exhibit III – Supplement to Statement of Revenues and Expenses	21

**INDEPENDENT ACCOUNTANTS' REPORT ON THE  
APPLICATION OF AGREED-UPON PROCEDURES**

Dr. Renu Khator, President,  
University of Houston:

We have performed the procedures enumerated below on the accompanying Statement of Revenues and Expenses (the Statement, see Exhibit I) of the University of Houston (the University) Intercollegiate Athletics Program (the Program) in compliance with the National Collegiate Athletic Association's (NCAA) Bylaw 20.2.4.17 for the year ended August 31, 2023. The University's management is responsible for the accompanying Statement and the Statement's compliance with those requirements for the year ended August 31, 2023.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the accompanying Statement is in compliance with the NCAA's Bylaw 20.2.4.17 for the year ended August 31, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Exceptions totaling the lesser of \$100,000 or 10% of the line item total to which an agreed-upon procedure has been applied to, other than exceptions related to internal control procedures of the Program, for which there are no thresholds, have been reported. The procedures and the associated findings are as follows:

**Agreed-Upon Procedures Related to the Statement of Revenues and Expenses**

<b>Procedure</b>	<b>Finding</b>
<b>All Revenue Categories</b>	
<ul style="list-style-type: none"> <li>Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the Program. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.</li> </ul>	No exceptions noted.

<b>Procedure</b>	<b>Finding</b>
<ul style="list-style-type: none"> <li>Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.</li> </ul>	No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.
<p><b>1. Ticket Sales</b></p> <ul style="list-style-type: none"> <li>Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Program in the statement and the related attendance figures and recalculate totals.</li> </ul>	No exceptions noted.
<p><b>2. Direct State or Other Governmental Support</b></p> <ul style="list-style-type: none"> <li>Compare direct state or other governmental support recorded by the Program during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals.</li> </ul>	As there was no direct state or other governmental support for the year ended August 31, 2023, this procedure was not performed.
<p><b>3. Student Fees</b></p> <ul style="list-style-type: none"> <li>Compare and agree student fees reported by the Program in the statement for the reporting to student enrollments during the same reporting period and recalculate totals.</li> <li>Obtain documentation of Institute's methodology for allocating student fees to intercollegiate athletics programs.</li> <li>If the Program is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.</li> </ul>	<p>We were unable to perform the procedure as outlined; however, we noted that the Student Fees Advisory Committee determines the amount of student fees the Program receives. We agreed the amount to support from the Committee and noted no exceptions.</p> <p>An understanding of the University's methodology was gained, and we noted the allocation was in accordance with the University's methodology.</p> <p>No exceptions noted.</p>
<p><b>4. Direct Institutional Support</b></p> <ul style="list-style-type: none"> <li>Compare the direct institutional support recorded by the Program during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.</li> </ul>	No exceptions noted.

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**Procedure**

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**Finding**

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**5. Less - Transfers to Institution**

- a. Compare the transfers back to the institution with permanent transfers back to the institution from the Program and recalculate totals.

As there were no transfers to institution for the year ended August 31, 2023, this procedure was not performed.

**6. Indirect Institutional Support (6 and 6A)**

- a. Compare the indirect institutional support recorded by the Program during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.

As there was no indirect institutional support for the year ended August 31, 2023, this procedure was not performed.

**7. Guarantees**

- a. Select a sample of settlement reports for away games during the reporting period and agree each selection to the Program's general ledger and/or the statement and recalculate totals.
- b. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the Program's general ledger and/or the statement and recalculate totals.

As guarantees for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.

As guarantees for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.

**8. Contributions**

- a. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.

No exceptions noted.

**9. In-Kind**

- a. Compare the in-kind recorded by the Program during the reporting period with a schedule of in-kind donations and recalculate totals.

As there were no in-kind revenues for the year ended August 31, 2023, this procedure was not performed.

**10. Compensation and Benefits Provided by a Third-Party**

- a. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the Program and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the Program's general ledger and/or the Summary and recalculate totals.

As there were no compensation and benefits provided by a third-party for the year ended August 31, 2023, this procedure was not performed.

**11. Media Rights**

- a. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the Program or through their conference offices as reported in the statement.
- b. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the Program's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.

As there were no media rights revenues for the year ended August 31, 2023, this procedure was not performed.

As there were no media rights revenues for the year ended August 31, 2023, this procedure was not performed.

**12. NCAA Distributions**

- a. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

As NCAA distributions for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.

**13. Conference Distributions and Conference Distributions of Football Bowl Generated Revenue (13 and 13A)**

- a. Obtain and inspect agreements related to the Program's conference distributions and participation in revenues from tournaments during the reporting period for relevant terms and conditions.
- b. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals.

Agreements were obtained and an understanding of relevant terms and conditions was gained.

No exceptions noted.

**14. Program Sales, Concessions, Novelty Sales and Parking**

- a. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals.

As program sales, concessions, novelty sales and parking for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed

<b>Procedure</b>	<b>Finding</b>
<b>15. Royalties, Licensing, Advertisements and Sponsorships</b>	
<ul style="list-style-type: none"> <li>a. Obtain and inspect agreements related to the Program’s participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period for relevant terms and conditions.</li> <li>b. Compare and agree the related revenues to the Program’s general ledger, and/or the statement and recalculate totals.</li> </ul>	<p>Agreements were obtained and an understanding of relevant terms and conditions was gained.</p> <p>No exceptions noted.</p>
<b>16. Sports Camp Revenues</b>	
<ul style="list-style-type: none"> <li>a. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain documentation of the Program’s methodology for recording revenues from sports- camps.</li> <li>b. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agree each selection to the Program’s general ledger, and/or the statement and recalculate totals.</li> </ul>	<p>As sports camp revenues for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.</p> <p>As sports camp revenues for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.</p>
<b>17. Athletics Restricted Endowment and Investment Income</b>	
<ul style="list-style-type: none"> <li>a. Obtain and inspect endowment agreements (if any) for relevant terms and conditions.</li> <li>b. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income deferred within the related endowment agreement and recalculate totals.</li> </ul>	<p>As athletics restricted endowment and investment income for the year ended August 31, 2023 was below 4% of total revenues, this procedure was not performed.</p> <p>As athletics restricted endowment and investment income for the year ended August 31, 2023 was below 4% of total revenues, this procedure was not performed.</p>
<b>18. Other Operating Revenue</b>	
<ul style="list-style-type: none"> <li>a. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.</li> </ul>	<p>As other operating revenues for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.</p>

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**Procedure**

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**Finding**

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**19. Football Bowl Revenues**

- a. Obtain and inspect agreements related to the Program's revenues from post-season football bowl participation during the reporting period to gain an understanding of the relevant term and conditions.
- b. Compare and agree the related revenues to the Program's general ledger, and or the statement and recalculate totals.

As football bowl revenues for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.

As football bowl revenues for the year ended August 31, 2023 were below 4% of total revenues, this procedure was not performed.

**All Expense Categories**

- Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4.0% of the total expenses, no procedures are required for that specific category.
- Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation.
- Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.

No exceptions noted.

No exceptions noted.

No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.

**20. Athletic Student Aid**

- a. Select a sample of students (10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail, with a maximum sample size of 40, and 20% of total student-athletes for institutions who have not, with a maximum sample size of 60) from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sponsored sport.
- b. Obtain individual student account detail for each selection and compare total aid in the institution's student system to the student's detail in CA or the institution report that ties directly to the NCAA Membership Financial Reporting System.

A sample of 38 student aid recipients was selected.

No exceptions noted.

Procedure	Finding
<p>c. <b>Division I Institutions Only:</b> Perform a check of each student selected to ensure their information was reported accurately in either the NCAA’s CA software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:</p> <ul style="list-style-type: none"> <li>• The equivalency value for each student-athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the Calculation of Revenue Distribution Equivalencies Report (CRDE) from CA as the numerator and the full grant amount which is the total cost for tuition, fees, required course-related books, room and board for an academic year as the denominator. If using the NCAA CA software, this equivalency value should already be calculated for you on the CRDE report labeled “Revenue Distribution Equivalent Award”.</li> <li>• Grants-in-aid is calculated by using the revenue distribution equivalencies by sport and in aggregate. (Athletic grant amount divided by the full grant amount).</li> <li>• Other expenses related to attendance (also known as cost of attendance) should not be included in grants-in-aid revenue distribution equivalencies. Only tuition, fees, room, board and course related books are countable for grants-in-aid revenue distribution per Bylaw 20.02.10). Note: for compliance purposes equivalencies may include other expenses related to attendance per Bylaw 15.02.2, however these expenses are not allowed to be included for revenue distribution equivalencies.</li> <li>• Full grant amount should be entered as a full year of tuition, not a semester or quarter.</li> <li>• Student-athletes are to be counted once, regardless of multiple sport participation, and should not receive a revenue distribution equivalency greater than 1.00.</li> <li>• Athletic grants are valid for revenue distribution purposes only in sports in which the NCAA conducts championships competition, emerging sports for women and football bowl subdivision football.</li> </ul>	<p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p>

<b>Procedure</b>	<b>Finding</b>
<ul style="list-style-type: none"> <li>Grants-in-aid are valid for revenue distribution purposes in NCAA sports that do not meet the minimum contests and participants' requirements of Bylaw 20.10.6.3.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>Institutions providing grants to student-athletes listed on the CRDE as "Exhausted Eligibility (fifth-year)" or "Medical" receive credit in the grants-in-aid component.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>The athletics aid equivalency cannot exceed maximum equivalency limits. However, the total revenue distribution equivalency can exceed maximum equivalency limits due to exhausted eligibility and medical equivalencies (reference Bylaw 15.5.3.1).</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>If a sport is discontinued and the athletic grant(s) are still being honored by the institution, the grant(s) are included in student-athlete aid for revenue distribution purposes.</li> </ul>	As there were no discontinued sports for the year ended August 31, 2023, this procedure was not performed.
<ul style="list-style-type: none"> <li>All equivalency calculations should be rounded to two decimal places.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>If a selected student received a Pell Grant, ensure the value of the grant is not included in the calculation of equivalencies or the total dollar amount of student athletic aid expense for the institution.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>If a selected student received a Pell Grant, ensure the student's grant was included in the total number and total dollar value of Pell Grants reported for Revenue Distribution purposes in the NCAA Membership Financial Reporting System.</li> </ul>	No exceptions noted.
<p><b>d.</b> Recalculate totals for each sport and overall.</p>	No exceptions noted.
<b>21. Guarantees</b>	
<p><b>a.</b> Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the Program's general ledger and/or the statement and recalculate totals.</p>	As guarantees for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<p><b>b.</b> Obtain and inspect contractual agreements pertaining to expenses recorded by the Program from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution to the Program's general ledger and/or the statement and recalculate totals.</p>	As guarantees for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.

**22. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

- a. Obtain and inspect a listing of coaches employed by the Program and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.
- b. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Program and related entities in the statement during the reporting period.
- c. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period.
- d. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

A listing of all coaches employed by the Program was obtained. A sample of five coaches for two pay periods each was selected, including the men's and women's basketball head coaches and the men's football head coach.

No exceptions noted.

No exceptions noted.

No exceptions noted.

**23. Coaching Salaries, Benefits, and Bonuses Paid by a Third-Party**

- a. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.
- b. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the Program in the statement during the reporting period.
- c. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party recorded by the institution in the statement during the reporting period and recalculate totals.

As there were no coaching salaries, benefits, and bonuses paid by a third-party for the year ended August 31, 2023, this procedure was not performed.

As there were no coaching salaries, benefits, and bonuses paid by a third-party for the year ended August 31, 2023, this procedure was not performed.

As there were no coaching salaries, benefits, and bonuses paid by a third-party for the year ended August 31, 2023, this procedure was not performed.

Procedure	Finding
<p><b>24. Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities</b></p> <p>a. Select a sample of support staff/administrative personnel employed by the Program and related entities during the reporting period.</p> <p>b. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period and recalculate totals.</p>	<p>A sample of five support staff/administrative personnel for two pay periods each was selected.</p> <p>No exceptions noted.</p>
<p><b>25. Support Staff/Administrative Compensation, Benefits, and Bonuses Paid by a Third-Party</b></p> <p>a. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period.</p> <p>b. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the Program in the statement during the reporting period and recalculate totals.</p>	<p>As there were no support staff/administrative compensation, benefits, and bonuses paid by a third-party for the year ended August 31, 2023, this procedure was not performed.</p> <p>As there were no support staff/administrative compensation, benefits, and bonuses paid by a third-party for the year ended August 31, 2023, this procedure was not performed.</p>
<p><b>26. Severance Payments</b></p> <p>a. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.</p>	<p>As there were no severance payments for the year ended August 31, 2023, this procedure was not performed.</p>
<p><b>27. Recruiting</b></p> <p>a. Obtain documentation of the Program's recruiting expense policies.</p> <p>b. Compare and agree to existing institutional- and NCAA-related policies.</p>	<p>As recruiting expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.</p> <p>As recruiting expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.</p>

<b>Procedure</b>	<b>Finding</b>
<ul style="list-style-type: none"> <li>c. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.</li> </ul>	As recruiting expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<b>28. Team Travel</b>	
<ul style="list-style-type: none"> <li>a. Obtain documentation of the Program’s team travel policies.</li> </ul>	We obtained and documented an understanding of the Program’s team travel policies.
<ul style="list-style-type: none"> <li>b. Compare and agree to existing institutional- and NCAA-related policies.</li> </ul>	No exceptions noted and policies are consistent with institutional and NCAA-related policies.
<ul style="list-style-type: none"> <li>c. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.</li> </ul>	No exceptions noted.
<b>29. Sports Equipment, Uniforms and Supplies</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As sports equipment, uniforms and supplies for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<b>30. Game Expenses</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As game expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<b>31. Fund Raising, Marketing and Promotion</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As fund raising, marketing, and promotion for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<b>32. Sports Camp Expenses</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As sports camp expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.

<b>Procedure</b>	<b>Finding</b>
<b>33. Spirit Groups</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As there were no spirit groups expenses for the year ended August 31, 2023, this procedure was not performed.
<b>34. Athletic Facilities Debt Service, Leases and Rental Fees</b>	
<ul style="list-style-type: none"> <li>a. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).</li> <li>b. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.</li> </ul>	No exceptions noted.
<b>35. Direct Overhead and Administrative Expenses</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	No exceptions noted.
<b>36. Indirect Institutional Support</b>	
<ul style="list-style-type: none"> <li>a. Tested with revenue section- Indirect Institutional Support.</li> </ul>	As there was no indirect institutional support for the year ended August 31, 2023, this procedure was not performed.
<b>37. Medical Expenses and Insurance</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As medical expenses and insurance for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<b>38. Memberships and Dues</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As memberships and dues for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.
<b>39. Student-Athlete Meals (non-travel)</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	No exceptions noted.

Procedure	Finding
<b>40. Other Operating Expenses</b>	
<p>a. Obtain general ledger detail and compare to the total expenses report. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</p>	<p>As other operating expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.</p>
<b>41. Football Bowl Expenses (41 and 41A)</b>	
<p>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</p>	<p>As football bowl expenses for the year ended August 31, 2023 were below 4% of total expenses, this procedure was not performed.</p>

**ADDITIONAL MINIMUM AGREED-UPON PROCEDURES**

In order for the NCAA to place reliance on the Division I financial reporting to calculate the Division I NCAA revenue distributions, which is a financial benefit to the institution, the following procedures are required:

**1. Grants-in-Aid:**

<p>a. Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistant (CA) or other report that supports the equivalency calculations from the institution between May and August. The NCAA Membership Financial Reporting System populates the sports from the NCAA Sports Sponsorship and Demographics Form as they are reported by the institution between May and August. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the CRDE or other report that supports the equivalency calculations, inquire about the discrepancy and report the justification in the AUP report.</p>	<p>No exceptions noted.</p>
<p>b. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission. Inquire and document an explanation for any variance greater than +/-4%.</p>	<p>We noted a 7.15% decrease from the prior year reported equivalencies was primarily due to reduction in the number of student-athletes receiving aid, as COVID extension student-athletes have exhausted their eligibility.</p>

**2. Sports Sponsorship:**

- |   |                             |
|---|-----------------------------|
| <p><b>a.</b> Obtain the institution’s Sports Sponsorship and Demographics Forms submitted to the NCAA for the reporting year. Validate that the countable NCAA sports reported by the institution met the minimum requirements, set forth in Bylaw 20.9.6.3, related to the number of contests and the number of participants. If the institution requested and/or received a waiver related to minimum contests or minimum participants for a sport, that sport would not qualify as a sponsored sport for the purposes of revenue distribution. Also, only sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football are eligible. Once the countable sports have been validated, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Note: Any discrepancies MUST be resolved within the NCAA Membership Financial Reporting System prior to the report being submitted to the NCAA.</p> | <p>No exceptions noted.</p> |
| <p><b>b.</b> Compare current year number of Sports Sponsored to prior year reported total per the Membership Financial Report submission. Inquire and document an explanation for any variance.</p>   | <p>No variance noted.</p>   |

**3. For Pell Grants:**

- |   |                             |
|---|-----------------------------|
| <p><b>a.</b> Agree the total number of Division I student-athletes who, during the academic year, received a Pell Grant award (e.g. Pell Grant recipients on Full Athletic Aid, Pell Grant recipients on Partial Athletic Aid and Pell Grant recipients with no Athletic Aid) and the total dollar amount of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the institution’s financial aid records, of all student-athlete Pell Grants. Note 1: Only Pell Grants for sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football are countable. Note 2: Student-athletes should only be counted once even if the athlete participates in multiple sports. Note 3: Individual student-aid file testing in step 31 above should tie any selected student athletes who received Pell Grants back to the report of all student athlete Pell Grants to test the completeness and accuracy of the report.</p> | <p>No exceptions noted.</p> |
|---|-----------------------------|

Procedure	Finding
<p>b. Compare current year Pell Grants total to prior year reported total per the Membership Financial Report submission. Inquire and document an explanation for any variance greater than +/- 20 grants.</p>	<p>We noted no variance exceeding the threshold.</p>

**MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS**

**50. Excess Transfers to Institution**

<p>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</p>	<p>As there were no excess transfers to institution for the year ended August 31, 2023, this procedure was not performed.</p>
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**51. Conference Realignment Expenses**

<p>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</p>	<p>No exceptions noted.</p>
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**52. Total Athletics Related Debt**

<p>a. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained.</p>	<p>No exceptions noted.</p>
<p>b. Agree the total annual maturities and total outstanding athletic related to supporting documentation and the institution's general ledger, if applicable.</p>	<p>No exceptions noted.</p>

**53. Total Institutional Debt**

<p>a. Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements, if available, or the institution's general ledger.</p>	<p>No exceptions noted.</p>
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**54. Value of Athletics Dedicated Endowments**

<p>a. Obtain a schedule of all athletics dedicated endowments maintained by the Program, the institution, and affiliated organizations. Agree the fair market value in the schedule(s) to supporting documentations, the general ledger(s) and audited financial statements, if available.</p>	<p>No exceptions noted.</p>
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**55. Value of Institutional Endowments**

<p>a. Agree the total fair market value of institutional endowments to supporting documentation, the institution's general ledger and/or audited financial statements, if available.</p>	<p>No exceptions noted.</p>
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**Procedure**

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**Finding**

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**56. Total Athletics Related Capital Expenditures**

- |   |                      |
|---|----------------------|
| <b>a.</b> Obtain a schedule of athletics related capital expenditures made by the Program, the institution, and affiliated organizations during the reporting period, additions only.                     | No exceptions noted. |
| <b>b.</b> Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | No exceptions noted. |

**Agreed-Upon Procedures Related to Affiliated and Outside Organizations****Procedure**

1. The Program shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Program has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Program shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

**Results**

The Program identified the University of Houston Foundation (the Foundation) as the only athletics-related affiliated and outside organization making expenditures for, or on behalf of the Program or its employees. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of Program. For the year ended August 31, 2023, the Foundation recognized expenses of \$669,597 on behalf of the Program.

**Finding**

No exceptions noted.

**Procedure**

2. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Program's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

**Results**

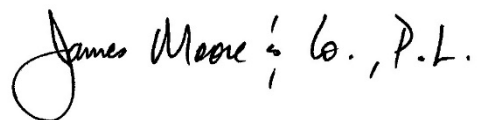
We noted that the audited financial statements of the Foundation for the year ended August 31, 2023 had not yet been released as of the date of the report; however, we obtained and read the audited financial statements of the Foundation for the year ended August 31, 2022. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation.

**Finding**

No exceptions noted.

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement of Revenues and Expenses (Exhibit I) of the University and the accompanying notes to the Statement of Revenues and Expenses (Exhibit II). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



Gainesville, Florida  
January 11, 2024

UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2023  
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'  
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
<b>Revenues</b>						
1 Ticket sales	\$ 2,630,645	\$ 1,606,527	\$ 29,814	\$ 261,078	\$ 376,736	\$ 4,904,800
2 Direct state or other governmental support	-	-	-	-	-	-
3 Student fees	-	-	-	-	8,588,476	8,588,476
4 Direct institutional support	-	-	-	-	39,658,543	39,658,543
5 Less - transfers to institution	-	-	-	-	-	-
6 Indirect institutional support	-	-	-	-	-	-
6A Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	-	-
7 Guarantees	200,000	-	-	6,500	-	206,500
8 Contributions	257,745	499,439	3,001	719,253	8,635,173	10,114,611
9 In-kind	-	-	-	-	-	-
10 Compensation and benefits provided by a third-party	-	-	-	-	-	-
11 Media rights	-	-	-	-	-	-
12 NCAA distributions	-	-	-	-	2,316,865	2,316,865
13 Conference distributions (non media and non football bowl)	-	-	-	-	6,774,461	6,774,461
13A Conference distributions of football bowl generated revenue	-	-	-	-	-	-
14 Program sales, concessions, novelty sales and parking	20,612	12,585	-	-	1,411,072	1,444,269
15 Royalties, licensing, advertisement and sponsorships	-	-	-	-	5,648,678	5,648,678
16 Sports camp revenues	-	105,213	7,336	298,299	-	410,848
17 Athletics restricted endowment and investment income	20,255	12,657	-	90,937	241,925	365,774
18 Other operating revenue	(2,634)	11,520	325	392,964	1,087,026	1,489,201
19 Football bowl revenues	681,487	-	-	-	-	681,487
Total operating revenues	<u>3,808,110</u>	<u>2,247,941</u>	<u>40,476</u>	<u>1,769,031</u>	<u>74,738,955</u>	<u>82,604,513</u>
<b>Expenses</b>						
20 Athletic student aid	3,348,690	501,188	583,739	4,088,040	273,386	8,795,043
21 Guarantees	200,000	807,696	30,500	61,037	-	1,099,233
22 Coaching salaries, benefits and bonuses paid by the university and related entities	8,422,901	5,637,759	780,784	3,399,145	-	18,240,589
23 Coaching salaries, benefits and bonuses paid by a third-party	-	-	-	-	-	-
24 Support staff/administrative compensation, benefits and bonuses paid by the university and related entities	2,284,020	1,263,738	257,723	556,110	9,353,173	13,714,764
25 Support staff/administrative compensation, benefits and bonuses paid by a third-party	-	-	-	-	-	-
26 Severance payments	-	-	-	-	-	-
27 Recruiting	469,540	174,212	75,727	344,822	-	1,064,301
28 Team travel	977,577	1,406,105	538,621	1,795,470	187,068	4,904,841
29 Sports equipment, uniforms and supplies	1,211,265	247,659	86,270	801,580	141,380	2,488,154
30 Game expenses	399,013	317,562	61,340	508,907	296,249	1,583,071
31 Fund raising, marketing and promotion	6,593	37,456	424	42,040	757,384	843,897
32 Sports camp expenses	59,685	57,249	6,110	90,599	-	213,643
33 Spirit groups	-	-	-	-	-	-
34 Athletic facilities debt service, leases and rental fees	-	-	-	-	9,752,593	9,752,593
35 Direct overhead and administrative expenses	1,184,801	444,429	162,851	692,422	9,923,127	12,407,630
36 Indirect institutional support	-	-	-	-	-	-
37 Medical expenses and insurance	19,365	30,012	-	39,991	1,282,567	1,371,935
38 Memberships and dues	2,570	110	220	4,149	23,194	30,243
39 Student-athlete meals (non-travel)	1,455,175	187,556	86,332	530,647	1,359,765	3,619,475
40 Other operating expenses	14,230	5,137	2,245	101,595	513,976	637,183
41 Football bowl expenses	502,301	-	-	-	-	502,301
41A Football bowl expenses - coaching compensation/bonuses	248,458	-	-	-	-	248,458
Total operating expenses	<u>20,806,184</u>	<u>11,117,868</u>	<u>2,672,886</u>	<u>13,056,554</u>	<u>33,863,862</u>	<u>81,517,354</u>
<b>Results of operations</b>	<u>\$ (16,998,074)</u>	<u>\$ (8,869,927)</u>	<u>\$ (2,632,410)</u>	<u>\$ (11,287,523)</u>	<u>\$ 40,875,093</u>	<u>1,087,159</u>
50 Excess transfers to institution	-	-	-	-	-	-
51 Conference realignment expenses	-	-	-	-	-	2,500,000
<b>Excess (deficiency) of revenues over (under) expenses (see Note 5)</b>	-	-	-	-	-	<u>\$ (1,412,841)</u>
<b>Other reported items</b>						
52 Total athletics related debt	-	-	-	-	-	<u>\$ 115,938,485</u>
53 Total institutional debt	-	-	-	-	-	<u>\$ 1,314,162,989</u>
54 Value of athletics dedicated endowments	-	-	-	-	-	<u>\$ 9,424,267</u>
55 Value of institutional endowments	-	-	-	-	-	<u>\$ 785,766,425</u>
56 Total athletics related capital expenditures	-	-	-	-	-	<u>\$ 67,592</u>

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2023  
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’  
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(1) **Basis of Accounting:**

The statement of revenues and expenses of the University of Houston (the University) Intercollegiate Athletics Program (the Program) has been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital assets purchased with an original cost of \$5,000 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally ranging from 5 to 10 years). Costs to maintain or repair these assets are expensed as incurred. Costs incurred for the construction of buildings or other permanent facilities are not capitalized as part of the Program’s accounts but are recorded by the University as assets of other funds.

(3) **Contributions:**

The University and the University of Houston Foundation (the Foundation) serve as the official legal conduits for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Program. The Program received contributions of \$10,114,611 during the year ended August 31, 2023. There were no individual contributions exceeding 10% of total contributions, as reported in the statement of revenues and expenses, for the year ended August 31, 2023.

(4) **Long-term Debt:**

The following is a schedule of future principal and interest payments for long term debt as of August 31, 2023:

<b>Fiscal Year Ending August 31,</b>	<b>Long Term Debt</b>		<b>Total Principal and Interest</b>
	<b>Principal</b>	<b>Interest</b>	
2024	\$ 4,554,585	\$ 3,870,248	\$ 8,424,833
2025	4,657,475	3,774,316	8,431,791
2026	4,793,920	3,684,281	8,478,201
2027	4,889,810	3,594,148	8,483,958
2028	5,000,700	3,487,412	8,488,112
2029-2033	26,431,995	15,527,325	41,959,320
2034-2038	29,530,000	10,981,543	40,511,543
2039-2043	13,195,000	7,034,600	20,229,600
2044-2048	11,460,000	4,269,397	15,729,397
2049-2052	11,425,000	1,157,134	12,582,134
Total	<u>\$115,938,485</u>	<u>\$ 57,380,404</u>	<u>\$173,318,889</u>

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2023  
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’  
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(5) **Surplus/Deficit Allocations:**

The Program is allowed to carry forward all available fund equity balances at the end of each fiscal year to the next fiscal year. Deficits are funded by the Program using the accumulated fund equity from sufficient net position available. The surplus fund balance was carried forward from prior fiscal years to fund the expenditures that resulted in the deficiency of revenues under expenses of \$(1,412,841) for the year ended August 31, 2023.

**UNIVERSITY OF HOUSTON INTERCOLLEGIATE ATHLETICS PROGRAM**  
**SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES**  
**VARIATION ANALYSIS OF THE TOTAL REVENUES AND EXPENSES**  
**TO PRIOR PERIOD AMOUNTS AND BUDGET ESTIMATES**  
**FOR THE YEAR ENDED AUGUST 31, 2023**  
**(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'**  
**REPORT ON APPLYING AGREED-UPON PROCEDURES)**

	<u>2023</u>	<u>2022</u>	<u>\$ Variance</u>	<u>% Variance</u>	<u>Variation Explanation</u>
<b>Revenues</b>					
08 Contributions	\$ 10,114,611	\$ 7,575,763	\$ 2,538,848	33.51%	In FY23 there were off-setting variances to the categories of Athletics Debt Service and Contributions related to the first phase of a capital project for the football operations center. Booked cash flow donations for this facility was \$1.7M in FY23. Also, in FY23 the department saw a return to pre-COVID giving levels in the annual fund (growth of approx. \$900k in the H2606 cost center).
<b>Expenses</b>					
34 Athletic facilities debt service, leases and rental fees	\$ 9,752,593	\$ 6,351,071	\$ 3,401,522	53.56%	In FY23 there were off-setting variances to the categories of Athletics Debt Service and Contributions related to the first phase of a capital project for the football operations center. Initial debt service for this facility was \$2.19M in FY23. Additionally, FY23 saw a 5% increase to borrowing rates resulting in commercial paper interest growing by \$1.1M from the prior year.

**Note 1:** The budget estimates for the University of Houston Intercollegiate Athletics Program generated by their ERP system are prepared in a format consistent with GAAP rather than in a format consistent with the revenue and expense categories specified by the NCAA. Thus, the variance analysis of total revenues and expenses to the budget estimates for the year ended August 31, 2023, was not be performed. However, management does perform budget to actual comparison and analysis on a variety of budgetary bases throughout the fiscal year.

# FORVIS Report to the Board of Regents, Audit and Compliance Committee, and Management

## University of Houston System Endowment Fund

### Results of the 2023 Financial Statement Audit, Including Required Communications

August 31, 2023

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"><li>• As of and for the year ended August 31, 2023</li><li>• Conducted in accordance with our contract dated July 12, 2023</li></ul>
<b>Our Responsibilities</b>	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.</p>
<b>Your Responsibilities</b>	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>





Matter	Discussion
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• The Board of Regents, Audit and Compliance Committee, and Management</li> <li>• Others within the Entity</li> </ul>

**Qualitative Aspects of Significant Accounting Policies & Practices**

**Significant Accounting Policies**

Significant accounting policies are described in Note 2 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- No matters are reportable.

**Unusual Policies or Methods**

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable.

**Alternative Accounting Treatments**

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable.

**Management Judgments & Accounting Estimates**

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management’s estimation process and our procedures for testing the reasonableness of those estimates include:

- Fair value of investments

**Financial Statement Disclosures**

The following area involves particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Determination of fair values

**Our Judgment About the Quality of the Entity’s Accounting Principles**

During the course of the audit, we made the following observations regarding the Entity’s application of accounting principles:

- No matters are reportable.



## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

## Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable.

## Uncorrected Misstatements

- No uncorrected misstatements to report.

## Other Required Communications

### Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (see Attachment)



## Attachments

### Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.



**Attachment A**

**Management Representation Letter**



*Representation of:*  
University of Houston System Endowment Fund  
Ezekiel W. Cullen Building  
4302 University Drive, Room 10F  
Houston, Texas 77024

*Provided to:*  
**FORVIS, LLP**  
Certified Public Accountants  
2700 Post Oak Boulevard, Suite 1500  
Houston, Texas 77056

The undersigned (“We”) are providing this letter in connection with FORVIS’ audits of our financial statements as of and for the years ended August 31, 2023 and 2022.

Our representations are current and effective as of the date of FORVIS’ report: February 13, 2024.

Our engagement with FORVIS is based on our contract for services dated: July 12, 2023.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### **Broad Matters**

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.

3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of the governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

***Government Auditing Standards***

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, including those pertaining to adopting, approving, and amending budgets, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

**Misappropriation, Misstatements, & Fraud**

11. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities, or net position.
12. We have no knowledge of fraud or suspected fraud affecting the entity involving:

- a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
13. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity’s assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
  14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, analysts, SEC or other regulators, citizens, suppliers, or others.
  15. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

#### **Ongoing Operations**

16. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing or bonding, significant credit quality problems, including significant volatility in the values of real estate and other collateral supporting loans, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, capital, etc., that could negatively impact the entity’s ability to meet regulatory capital requirements or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity’s financial statements. Further, management and governance are solely responsible for all aspects of managing the entity.

#### **Related Parties**

17. We have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

18. We understand that the term related party refers to:
  - Affiliates
  - Management and members of their immediate families

- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

#### **Litigation, Laws, Rulings, & Regulations**

19. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
20. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

#### **Financial Statements & Reports**

21. With regard to supplementary information:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

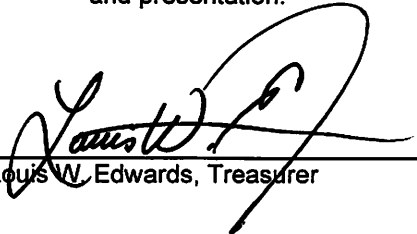
#### **Transactions, Records, & Adjustments**

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have everything we need to keep our books and records.

24. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

**Governmental Accounting & Disclosure Matters**

25. With regard to deposit and investment activities:
- a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Investments by endowments are properly valued.
  - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges
26. Components of net position (restricted and unrestricted) are properly classified and, if applicable, approved.
27. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance is available and have determined that net position is properly recognized under the policy.
28. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
29. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

  
\_\_\_\_\_  
Louis W. Edwards, Treasurer

*Lavonda Luckett*  
\_\_\_\_\_  
Lavonda M. Luckett, Interim Executive Director  
of Financial Reporting, University of Houston  
System



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# **University of Houston System Endowment Fund**

## **Independent Auditor's Report and Financial Statements**

August 31, 2023 and 2022

# University of Houston System Endowment Fund

## August 31, 2023 and 2022

### Contents

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## Independent Auditor's Report

Board of Regents  
University of Houston System  
Houston, Texas

### **Opinion**

We have audited the financial statements of the University of Houston System (the System) Endowment Fund (the Endowment Fund), as of and for the year ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Endowment Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Endowment Fund as of August 31, 2023 and 2022 and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in *Note 1*, the financial statements present only the financial position, changes in net position, and cash flows of the Endowment Fund and do not purport to and do not present fairly the financial position of the System as of August 31, 2023 and 2022, the changes in its net position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment Fund's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Endowment Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**FORVIS, LLP**

Houston, Texas  
February 13, 2024

# University of Houston System Endowment Fund

## Management's Discussion and Analysis (Unaudited)

### August 31, 2023

#### **Introduction**

The following Management's Discussion and Analysis (MD&A) provides an overview of the activities and the financial position of the fund for the fiscal year ended August 31, 2023, as compared to the fiscal year ended August 31, 2022, with summary comparisons for the fiscal year ended August 31, 2021. This MD&A offers a summary of significant current year activities of the University of Houston System (the UH System) Endowment Fund (the Endowment Fund), resulting changes in net assets, and currently known economic conditions and facts. This analysis should be read in conjunction with the Endowment Fund's basic financial statements and the notes to the financial statements. Responsibility for the financial statements, related footnote disclosures, and MD&A rests with the Endowment Fund's management.

The UH System is a governmental entity of the State of Texas. The Endowment Fund is a fund group of the UH System's reporting entity. The financial statements of the Endowment Fund have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

During fiscal year 2023, the Endowment Management Committee of the UH System Board of Regents (Board of Regents) continued to review existing objectives, risks, asset allocation, and manager structure within the endowment portfolio and adjust as deemed appropriate. The Endowment Fund Statement of Investment Objectives and Policies, among other things, establishes financial objectives for the endowment and an asset allocation with targets and ranges and categorizes each asset class as either a risk reducer or a driver of return.

#### **Endowment Fund Structure**

Gifts to the UH System are placed in the Endowment Fund for investment and oversight purposes. The Board of Regents strives to maintain a plan to preserve and augment the value of the endowment. The Board of Regents works to preserve the broad objective of investing endowment assets so as to preserve both their real value and the long-range purchasing power of endowment income. The Endowment Management Committee of the Board of Regents is responsible for reviewing and approving investment managers and monitoring investment performance and allocations of funds to asset classes to ensure appropriate diversification of investment risks for the Endowment Fund, as well as making recommendations to the Board of Regents for any changes to the investment policy.

The Endowment Fund is a pooled investment fund consisting of approximately 2,108 individual endowments benefiting the four UH System universities. The investment pool functions similarly to a mutual fund, with each endowment account owning units that represent a claim on the Endowment Fund's net position. By pooling the investments, the UH System achieves increased diversification of investment risks and more effective management of endowment assets.

## Management of the Fund

The Endowment Fund retains 95 independent investment managers who pursue various portfolio management strategies to diversify risk and maximize the total return through a variety of capital market cycles. Investment manager diversification of the Endowment Fund's assets is as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<u>Developed U.S. Equity</u>			
Northern Trust	11%	11%	13%
Columbia Management	6	4	7
Vulcan Value Partners	5	5	8
Gotham	0	0	0
Cougar Investment Fund	<2	<1	<1
Subtotal – developed U.S. equity	22	20	28
<u>Developed International Equity</u>			
William Blair	4	4	7
Silchester	5	5	7
Global Alpha	3	3	3
Subtotal – developed international equity	12	12	17
<u>Developing Markets</u>			
Doddington Emerging Markets	1	1	1
Somerset	0	0	1
Edgbaston Asian Equity	1	1	1
Subtotal – developing markets	2	2	3
<u>Global Equity</u>			
Arrowstreet Global Equity	4	4	0
<u>Absolute Return</u>			
Anchorage Capital Partners	0	0	0
HBK	2	2	2
Davidson Kempner	2	2	2
Whipporwill	0	0	<1
Standard Life	0	0	<1
400 Capital Credit Opps	2	2	0
Subtotal – absolute return	6	6	4
<u>Hedged Equity</u>			
Highline Capital	0	0	0
Lakewood	0	0	1
SRS Partners	1.5	2	1
Subtotal – hedged equity	1.5	2	2
<u>Marketable Real Assets</u>			
Vanguard	1	1	1
T. Rowe Price	1	2	1
Subtotal – marketable real assets	2	3	2

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Fixed Income</b>			
Lord Abbett	4.2%	4%	0%
Loop Capital (Formerly Smith Graham)	4.5	2	6
Loomis Sayles	1.6	1	2
PIMCO	1.6	2	2
Subtotal – fixed income	11.9	9	10
<b>Private Investments</b>			
Berwind Property Group VII	<1	<1	<1
Berwind Property Group VIII	<1	<1	<1
Newlin Realty Partners	<1	<1	<1
Newlin Realty Partners II	<1	<1	<1
Commonfund Capital International VI	<1	<1	<1
Commonfund Capital PE VII	<1	<1	<1
Commonfund Capital Venture VIII	<1	<1	<1
Denham Commodity Partners	<1	<1	<1
Denham Oil and Gas	1	<1	<1
EnCap Flatrock Midstream II-C	<1	<1	<1
EnCap Flatrock Midstream III	<1	<1	<1
Embarcadero Capital	1	<1	<1
Enervest Fund XIV-A	<1	<1	<1
Frontenac Fund XII	<1	<1	0
Advent International GPE VII	<1	<1	<1
Advent International GPE VIII-B	<1	<1	<1
Advent International GPE IX	<1	<1	<1
GCM Grosvenor Advance	<1	<1	0
EnCap Energy VII-B	1	<1	<1
J.H. Whitney VII	<1	<1	<1
TrueBridge – Kauffman Fellows II	<1	<1	<1
TrueBridge – Kauffman Fellows III	<1	<1	<1
TrueBridge – Kauffman Fellows IV	1	1	1
TrueBridge – Kauffman Fellows V	<1	<1	<1
TrueBridge – Kauffman Fellows VI	<1	<1	<1
TrueBridge Capital Partners – VII	<1	<1	0
Dover Street VIII	<1	<1	<1
Dover Street X	0	<1	<1
LiveOak Venture Partners I	<1	<1	<1
Silver Lake Partners V	<1	<1	<1
Jackson Square Ventures II	<1	<1	<1
Jackson Square Ventures III	<1	<1	<1
Mercury Fund IV	<1	<1	<1
Penzance DC Real Estate Fund	<1	<1	<1
Penzance DC Real Estate Fund II	<1	<1	<1
Silver Lake Partners IV	<1	<1	<1
Silver Lake Partners VI	<1	0	0
Acme Fund III	<1	<1	<1
Silver Lake Partners VI	<1	<1	<1
SV Life Sciences Fund VI	<1	<1	<1
Great Hill Equity Partners V	<1	<1	<1

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<u>Private Investments (Continued)</u>			
Great Hill Equity Partners VI	1%	1%	1%
Great Hill Equity Partners VII	<1	<1	<1
Dover Street IX	<1	<1	<1
Fisher Lynch Buyout II	<1	<1	<1
Binary Capital Fund II	<1	<1	<1
Fisher Lynch Venture II	<1	<1	<1
ASF VIII B	<1	<1	<1
Vivo Capital Fund IX	<1	<1	<1
US Venture Partners XII	<1	<1	<1
Kelso X	<1	<1	<1
Kelso XI	<1	0	0
Thoma Bravo XIII-A	<1	<1	<1
Thoma Bravo XIV-A	<1	<1	<1
Energy Spectrum VIII	<1	<1	<1
Great Point Partners III	<1	<1	<1
PeakSpan II	<1	<1	<1
Clear Ventures II	<1	<1	<1
Hastings IV-B	<1	<1	<1
Lexington Capital VIII	<1	<1	<1
Lexington Capital IX	<1	<1	<1
LiveOak Venture II	<1	<1	<1
Weathergage Venture IV	<1	<1	<1
Blackstone Europe V	<1	<1	<1
Blackstone Real Estate IX	<1	<1	<1
Blackstone Real Estate Europe VI	<1	<1	<1
EnCap Energy XI	<1	<1	<1
Insight Equity III	<1	<1	<1
Francisco Partners IV-A	1	<1	<1
Francisco Partners V	<1	1	<1
Francisco Partners VI	<1	<1	<1
Trident VII	1	<1	<1
Trident VIII	<1	<1	<1
EnCap Energy X	<1	<1	<1
EnCap Midstream IV	<1	<1	<1
Blackstone Real Estate Partners VIII	<1	<1	<1
Dalfen Last Mile Industrial Fund	0	<1	0
Windrose Health Investors VI	0	<1	0
Subtotal – private investments	<u>38</u>	<u>36</u>	<u>31</u>
Cash and equivalents	<u>3</u>	<u>4</u>	<u>3</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

## **Investment Manager Allocation**

Investment managers are given discretion to manage the assets in each portfolio to best achieve investment objectives within the policies and requirements established by the Board of Regents. The objectives and comparative benchmarks are used to evaluate manager performance. The Endowment Management Committee reviews performance and adjusts allocation to investment managers and asset classes in response to current or future anticipated market conditions. Quarterly performance reports are distributed to the Endowment Management Committee.

## **Endowment Payout Policy**

The Endowment Management Committee is responsible for reviewing the income payout rate of the Endowment Fund, which is a balance between current income needs and long-term investment objectives. The Endowment Fund will maintain a payout rate of approximately 4% to 5%, with any change to this range to be approved by the Board of Regents. The endowment income payout rate for the fiscal years ended August 31, 2023, 2022, and 2021 was 4% of the average market value for the 12 prior fiscal quarters. If an endowment has been in existence less than 12 quarters, the average is based on the number of quarters in existence. This trailing 12-quarter method is used to smooth large year-over-year changes in market value, thereby allowing the UH System's colleges and departments to more reasonably predict future distributions of endowment income intended to benefit their area.

In the three fiscal years 2021 through 2023, endowment payouts to the beneficiary accounts, excluding distributed income returned to principal, in total and by the System's components were as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
University of Houston	\$ 29,002,071	\$ 25,553,818	\$ 21,751,756
UH – Clear Lake	1,169,459	1,058,335	986,030
UH – Downtown	1,612,583	1,418,119	1,257,931
UH – Victoria	581,108	527,258	489,421
System-wide endowments	5,480,380	5,008,240	4,681,360
Totals	<u>\$ 37,845,601</u>	<u>\$ 33,565,770</u>	<u>\$ 29,166,498</u>

## **Overview of the Financial Statements**

The financial statements for the fiscal year ended August 31, 2023 are presented comparatively to financial statements issued for the fiscal year ended August 31, 2022. The financial statements have been prepared in accordance with the standards of GASB, which establishes generally accepted accounting principles for state and local governments. The three primary financial statements presented are (1) the statements of net position, (2) the statements of revenues, expenses, and changes in net position, and (3) the statements of cash flows. The information contained in the financial statements of the Endowment Fund is incorporated within the UH System's Combined Annual Financial Report.

The financial operations of the UH System, and therefore inclusively the Endowment Fund, are considered a business-type (or proprietary fund) activity. The operating activities of the UH System are financed by tuition and fees, state appropriations, contracts and grants, and auxiliary enterprise revenue. The Endowment Fund is an internally managed pooled-fund and its beneficiaries are internal to the UH System. The statements of net position report resources held and administered by the UH System, as described in the previous sections of this MD&A. These resources are customarily characterized by the existence of a

written agreement that affects the degree of management involvement, the programs supported by income earned by the resources, and the length of time that the resources are held by the UH System.

### **Statements of Net Position**

The statements of net position reflect the Endowment Fund’s assets and liabilities using the economic resources measurement focus and accrual basis of accounting, and represents the financial position as of the conclusion of the fiscal year. Net position is equal to assets minus liabilities. Unrestricted net position is available to the UH System for any lawful purpose. Unrestricted net position often has constraints imposed by management, but such constraints can be removed or modified. Restricted net position represents net position that can be utilized only in accordance with third party-imposed restrictions. On August 31, 2023, the Endowment Fund’s assets totaled \$1.065 billion and liabilities totaled \$46.1 million, resulting in a net position of \$1.019 billion.

The net position of the Endowment Fund as contributed by the UH System’s components as of August 31, 2023, compared to the corresponding values as of August 31, 2022 and 2021, were as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
University of Houston	\$ 785,766,425	\$ 756,835,268	\$ 803,460,608
UH – Clear Lake	31,228,552	30,256,010	33,945,631
UH – Downtown	45,009,811	42,921,200	46,824,868
UH – Victoria	15,240,961	14,868,641	16,592,608
System-wide endowments	142,104,711	139,330,686	156,218,276
Totals	<u>\$ 1,019,350,460</u>	<u>\$ 984,211,805</u>	<u>\$ 1,057,041,991</u>

### ***Variance Analysis – Changes in the Statements of Net Position***

	<b>2023</b>	<b>2022</b>	<b>Change 2023–2022</b>	<b>2021</b>
Total assets	\$ 1,065,404,503	\$ 1,027,784,534	\$ 37,619,969	\$ 1,094,032,080
Total liabilities	46,054,043	43,572,729	2,481,314	36,990,089
Restricted, nonexpendable endowments	723,518,238	695,670,162	27,848,076	735,191,126
Restricted, expendable endowments	61,693,693	60,434,582	1,259,111	67,632,780
Unrestricted endowments	<u>234,138,529</u>	<u>228,107,061</u>	<u>6,031,468</u>	<u>254,218,085</u>
Net position	<u>\$ 1,019,350,460</u>	<u>\$ 984,211,805</u>	<u>\$ 35,138,655</u>	<u>\$ 1,057,041,991</u>

- Total assets: The \$37.6 million increase in fiscal year 2023 is primarily attributable to an increase in the fair value of investments.
- Total liabilities: The \$2.5 million increase in liabilities is primarily attributable to an increase in amounts payable to other System components at fiscal year-end 2023.
- Restricted, nonexpendable endowments: The \$27.8 million increase in restricted nonexpendable endowments is primarily attributable to an increase in the fair value of investments.
- Restricted, expendable endowments: The \$1.3 million increase in restricted expendable endowments is primarily attributable to an increase in the fair value of investments.

- Unrestricted endowments: The \$6.0 million increase is primarily attributable to an increase in the fair value of investments.

### **Statements of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position contains information about the additions to, the deductions from, and the resulting net increase or decrease in the fair value of the net assets for the fiscal year. During fiscal year 2023, the Endowment Fund received \$22.1 million of gifts and other receipts, interest and investment income of \$15.0 million, and a \$53.4 million net increase in the fair value of investments. The Endowment Fund's total deductions for fiscal year 2023 were \$55.4 million, including \$37.8 million earmarked for distribution to the beneficiary endowment accounts under the planned payout policy and \$7.7 million for gift acquisition and fundraising efforts. As a result of these activities, the Endowment Fund realized an increase in net position of \$35.1 million for fiscal year 2023.

### ***Variance Analysis – Changes in the Statements of Revenues, Expenses, and Changes in Net Position***

	<b>2023</b>	<b>2022</b>	<b>Change 2023–2022</b>	<b>2021</b>
Contributions to endowments	\$ 22,102,454	\$ 45,440,623	\$ (23,338,169)	\$ 34,349,600
Net realized and unrealized appreciation (depreciation)	53,434,934	(88,273,792)	141,708,726	259,452,351
Other nonoperating expenses	(55,408,811)	(48,230,386)	(7,178,425)	(44,054,743)
Interest and investment income	15,010,078	18,233,369	(3,223,291)	13,494,126
Increase (decrease) in net position	<u>\$ 35,138,655</u>	<u>\$ (72,830,186)</u>	<u>\$ 107,968,841</u>	<u>\$ 263,241,334</u>

- Contributions to endowments decreased \$23.3 million in 2023 as compared to 2022.
- Changes in investment activities included a \$53.4 million net appreciation in the fair value of investments in fiscal year 2023 compared to \$88.3 million net depreciation in fiscal year 2022. This net change fiscal year-over-year is the result of an increase in global equities, hedge funds, and private real assets in fiscal year 2023. Interest and investment income decreased by \$3.2 million as compared to 2022. Fund deductions increased by \$7.2 million from 2022 to 2023. The Endowment Fund established a tiered payout policy for underwater endowments effective 2016. The institutional advancement fee was approved by the Board of Regents to offset costs associated with gift acquisition and fundraising efforts at the UH System components. Administrative costs increased by \$1.1 million from fiscal year 2023 compared to fiscal year 2022. Administrative costs are comprised primarily of investment management fees and consulting fees, and these costs will fluctuate year-over-year as fees are calculated based on the market value of the funds under each firm's advisement.

### **Statements of Cash Flows**

The statements of cash flows explain the changes during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The statements of cash flows should be read in conjunction with related disclosures and information in the other financial statements.

## **Capital Assets**

The Endowment Fund does not hold any capitalized assets, such as buildings or furniture and equipment. The Endowment Fund invests in financial instruments, which constitutes most of the Endowment Fund's assets. Although the Endowment Fund is generally not prohibited from acquiring tangible physical assets to be held as investments for their appreciation qualities, such assets are typically not acquired or held by the Endowment Fund. Presently, the Endowment Fund holds certain parcels of land, which were received as gifts and are being held for future sale.

## **Debt Administration**

The Endowment Fund does not issue long-term debt. The Endowment Fund is not currently engaged in any long-term financing transactions. The operation and administration of the Endowment Fund is currently structured such that its annual financial obligations and expenses are satisfied through earnings and other fund additions.

## **Economic Outlook**

Global equities eked out modest gains. In the U.S., the S&P 500 Index and the Nasdaq broke three straight weeks of declines, adding 0.8% and 1.8%, respectively, for the week. Returns outside the U.S. were challenged by negative sentiment surrounding China and a stronger U.S. dollar – the DXY Index added 0.7%.

Investors were focused on two key events: the Nvidia second-quarter earnings announcement and the Jackson Hole Symposium. Nvidia's results exceeded already-elevated expectations and provided improved forward guidance, but a more hawkish tone from Fed Chair Jerome Powell tempered price action for the week. He reiterated that the central bank is prepared to raise rates further if needed and will "proceed carefully." Further, Powell indicated the Fed will maintain a restrictive policy stance until it is confident that inflation is moving toward the stated 2% target. In response, short-term interest rates moved higher, with the 2-year Treasury yield ending the week 14 basis points higher at 5.06%.

Finally, spot WTI Crude Oil prices fell 2.7% – ending the week below \$80 per barrel – given as growth concerns around China weighed on prices.

Any questions related to the MD&A or financial statements should be directed to the University of Houston, Office of the Treasurer, P.O. Box 988, Houston, TX 77001-0988.

## **The Basic Financial Statements**

**University of Houston System Endowment Fund**  
**Statements of Net Position**  
**August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 26,768,052	\$ 42,619,803
Interest and dividends receivable	937,931	569,718
Total current assets	27,705,983	43,189,521
Noncurrent assets:		
Investments	1,037,698,520	984,595,013
Total assets	1,065,404,503	1,027,784,534
<b>Liabilities</b>		
Current liabilities:		
Payable for investments purchased	433,994	2,306,560
Due to other components	45,620,049	41,266,169
Total liabilities	46,054,043	43,572,729
<b>Net Position</b>		
Restricted for nonexpendable endowments	723,518,238	695,670,162
Restricted for expendable endowments	61,693,693	60,434,582
Unrestricted	234,138,529	228,107,061
Total net position	\$ 1,019,350,460	\$ 984,211,805

**University of Houston System Endowment Fund**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest and investment income	\$ 15,010,078	18,233,369
Net realized and unrealized appreciation (depreciation)	53,434,934	(88,273,792)
Other nonoperating expenses	(55,408,811)	(48,230,386)
Total nonoperating revenues (expenses)	13,036,201	(118,270,809)
<b>Contributions to Endowments</b>	22,102,454	45,440,623
<b>Change in Net Position</b>	35,138,655	(72,830,186)
<b>Net Position, Beginning of Year</b>	984,211,805	1,057,041,991
<b>Net Position, End of Year</b>	\$ 1,019,350,460	\$ 984,211,805

**University of Houston System Endowment Fund**  
**Statements of Cash Flows**  
**Years Ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>	\$ <u>0</u>	\$ <u>0</u>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Contributions to endowments	22,102,454	45,440,623
Increase in due to other components	<u>4,353,880</u>	<u>5,301,718</u>
Net cash provided by noncapital and related financing activities	<u>26,456,334</u>	<u>50,742,341</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	<u>0</u>	<u>0</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales and maturities of investments	3,166,757,857	2,862,954,591
Payments to purchase investments	(3,214,287,257)	(2,915,843,909)
Interest and dividends received on investments	15,010,078	18,235,771
Payments for asset management and stewardship	<u>(9,788,763)</u>	<u>(6,966,632)</u>
Net cash used in investing activities	<u>(42,308,085)</u>	<u>(41,620,179)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(15,851,751)	9,122,162
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>42,619,803</u>	<u>33,497,641</u>
<b>Cash and Cash Equivalents, End of Year</b>	\$ <u>26,768,052</u>	\$ <u>42,619,803</u>

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2023 and 2022

#### 1) Reporting Entity

University of Houston System (the System) is an agency of the State of Texas, established by the State of Texas to provide undergraduate and graduate university instruction, scholarly research, and public service in the Houston, Texas, area. The System is the State of Texas' only metropolitan higher education system, encompassing four universities and two multi-institution teaching centers. University of Houston System Endowment Fund (the Endowment Fund) is a fund group of the System reporting entity, with the earliest endowment having been established in 1950. The accompanying financial statements present only the Endowment Fund of the System as of August 31, 2023 and 2022, the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Endowment Fund is a fund group that accounts for all of the System's endowment assets pooled together to ensure better management and uniform accountability for those assets. The Endowment Fund provides financial support for the System's students and the System's research endeavors. The Endowment Fund is presently comprised of approximately 2,108 restricted and unrestricted endowment funds located in the System's four universities and multi-institution teaching centers. Restricted endowment funds are funds with respect to which a donor or other outside entity has stipulated that the principal be maintained inviolate and in perpetuity, and that only the income from the investments is available for expenditure. Unrestricted endowment funds consist of funds for which the donor did not impose any restriction as to their use, as well as funds that are designated by the System's Board of Regents, rather than the donor, to function as endowment funds. The principal of these funds may be expended at the discretion of the System's Board of Regents.

#### 2) Summary of Significant Accounting Policies

##### (a) General

All financial accounting records of the Endowment Fund are maintained by the System's Office of the Associate Vice Chancellor for Finance in accordance with accounting principles generally accepted in the United States of America for colleges and universities.

##### (b) Basis of Accounting and Presentation

The Endowment Fund is reported as a single-purpose business-type activity entity. The financial statements of the Endowment Fund have been prepared using the economic resources measurement focus and accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they are incurred.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2023 and 2022

(c) *Cash and Cash Equivalents*

The Endowment Fund believes the carrying value of cash and temporary investments approximates fair value. The Endowment Fund considers investments purchased with a maturity of three months or less from the statement of net position date to be cash equivalents.

(d) *Investments*

In accordance with GASB No. 72, *Fair Value Measurement and Application*, investments are recorded at fair value. Fair value is based on published closing market prices on the last trading day of the fiscal year. In the case of pooled funds or mutual funds, the fair value is determined as the number of units or shares held in the fund multiplied by the price per unit or share as publicly quoted. Investments in which a public market does not exist are based on the Endowment Fund's ownership interest in the net asset value (NAV) of each fund as reported by the fund managers. When fund managers do not provide the NAV of each fund at fiscal year-end, the fair value is estimated by the System using the most recent statement and adding contributions and subtracting the distributions during the intervening period. In accordance with GASB No. 52, *Land and Other Real Estate Held as Investments by Endowments*, land and other real estate held as investments are recorded at fair value. Chapter 163 of the Texas Property Code (also cited as the *Uniform Prudent Management of Institutional Funds Act*) grants the System the authority to spend net appreciation.

Because of inherent uncertainties of valuations, management's and fund managers' estimates of fair value may differ from the values that would have been used had a ready market existed.

Investments received as gifts are initially recorded at estimated fair value based on appraised values or broker closing prices for stocks at the date of the gift.

Short-term investments comprise U.S. government obligations and corporate obligations with a maturity date of less than one year as of the statement of net position date.

(e) *Net Position*

The Endowment Fund's net position is classified as follows:

*Restricted for nonexpendable endowments:* Net position for restricted nonexpendable endowment funds are maintained permanently by the System following the externally imposed stipulations.

*Restricted for expendable endowments:* Net position for restricted expendable endowment funds are those that may be expended for either a stated purpose or for a general purpose subject to externally imposed stipulations.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2023 and 2022

*Unrestricted:* Net position for unrestricted endowment funds are donated by third parties or created internally by the System and represent resources that are available without restrictions to the System.

When both restricted and unrestricted resources are available for use, it is the Endowment Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **(f) Revenue Recognition**

Contributions to the Endowment Fund and transfers-in from other funds, such as distribution payouts returned by beneficiaries for reinvestment, are recognized as additions to the Endowment Fund's assets. Dividend income is recorded as income on the date the stock traded ex-dividend. Interest is recognized on fixed-income investments on the accrual basis.

Net realized and unrealized appreciation represents both realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gain or loss is computed as the difference between the cost of marketable securities sold and the sale price. The cost of marketable securities sold is determined on specific identification of investments sold. Realized gain is recorded as of the trade date regardless of when the transaction is settled. Unrealized gains or losses are calculated based on the changes in investment fair value between the beginning and end of the fiscal year for investments held since the beginning of the year, or as the difference between the fair value at end-of-year and the purchase cost for investments purchased during the year. Unrealized gains (losses) are determined and recorded as of the fiscal year-end.

The Endowment Fund does not currently earn or incur operating revenues and expenses.

#### **(g) Distribution Payout**

Effective September 1, 2018, the System's Board of Regents adopted an endowment payout policy whereby the payout rate is based on a percentage of the fiscal year-end net position averaged over a 12-quarter rolling period. For the fiscal years 2023 and 2022, the payout rate was 4% applied to the endowment's average net position balances for the preceding 12 quarters. If an endowment was in existence less than 12 quarters, the average was based on the number of quarters the endowment was in existence. Effective May 1, 2009, no endowment receives a pro rata income distribution from current fiscal year contributions. The payout is calculated and recorded at the end of each fiscal year. Actual endowment return earned in excess of distributions is reinvested. For years actual endowment return is less than the distribution payout, the shortfall is covered by realized returns from prior years.

#### **(h) Institutional Advancement Assessment**

The System will annually assess a reasonable fee against the earnings of specified endowment funds to offset expenses associated with gift acquisition and fundraising at the

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2023 and 2022

component universities. The System's Board of Regents shall annually review and approve the fee. The fee will be based as a percentage of the fiscal year-end market value averaged over rolling 12 quarter periods. For the fiscal years 2023 and 2022, the assessment fee was 1.2%. If an endowment has been in existence less than 12 quarters, the average will be based on the number of quarters in existence.

The assessment is made at the end of each fiscal year to make funds available for the System's institutional advancement activities in the following fiscal year. The total amount assessed for the years ended August 31, 2023 and 2022 was \$7,774,448 and \$7,700,399, respectively.

#### (i) *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

### 3) **Authorized Investments**

The System's Board of Regents is charged with the fiduciary responsibility for preserving and augmenting the value of the Endowment Fund. The System retains the services of a custodial financial institution under a master trust custodian agreement, as well as the services of independent investment managers each of whom plays a part in meeting the System's goals over a variety of capital market cycles. The System's Board of Regents has adopted a written investment policy, including investment manager guidelines for each of the separately invested accounts of the Endowment Fund, regarding the investment of endowment assets as defined in the System's Investment Policies. The primary long-term financial objective for the Endowment Fund is to preserve the real (inflation adjusted) purchasing power of endowment assets when measured over rolling periods of at least five years. The medium term objective is to outperform each of the capital markets in which the endowment assets are invested, measured over rolling periods of 3 to 5 years or complete market cycles, with emphasis on whichever measure is longer.

### 4) **Derivatives**

Derivatives are investment products that may be a security or contract that derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The Endowment Fund did not directly invest in derivatives during the years ended August 31, 2023 or 2022 and held no direct derivative instruments at August 31, 2023 or 2022.

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

**5) Cash and Investments**

**(a) Composition of Cash and Cash Equivalents**

Cash and cash equivalents consist of money market funds and securities maturing within three months totaling \$26,768,052 and \$42,619,803 at August 31, 2023 and 2022, respectively. The money market funds are invested in commercial paper, certificates of deposit, repurchase agreements, corporate notes, time deposits, and similar short-term investments considered generally acceptable and prudent for money market funds.

Cash and cash equivalents included in the statements of net position consist of the items reported below:

	<b>2023</b>	<b>2022</b>
Cash	\$ 6,141	\$ 3,013,546
Money market funds	26,978,128	39,606,257
Claim on cash	(216,217)	-
Total cash and cash equivalents	\$ 26,768,052	\$ 42,619,803

**(b) Reconciliation of Cash and Investments to Statements of Net Position**

Total cash and investments at August 31, 2023 and 2022 are as follows:

	<b>Fair Value</b>	
<b>Type of Security</b>	<b>2023</b>	<b>2022</b>
Cash	\$ 6,141	\$ 3,013,546
Money market funds	26,978,128	39,606,257
U.S. government obligations	7,305,472	18,167,977
U.S. government agencies	13,942,023	6,194,614
Fixed income (non-government/agency)	18,082,269	20,722,909
U.S. equity securities	257,078,705	234,530,287
Global equities excluding U.S.	195,136,724	178,755,686
Hedged equity funds	28,269,427	32,200,534
Inflation hedge funds (including REITs)	31,692,338	30,866,788
Absolute return funds	38,158,857	35,878,285
Private equity investments	448,032,705	427,277,933
Total investments	1,064,682,789	1,027,214,816
Less cash and cash equivalents	(26,984,269)	(42,619,803)
Total noncurrent investments	\$ 1,037,698,520	\$ 984,595,013

**University of Houston System Endowment Fund**  
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**(c) Investment Maturities**

As of August 31, 2023 and 2022, the Endowment Fund had the following investments and weighted-average maturities:

Investment Type	2023		2022	
	Fair Value	Weighted-average Maturity (Years)	Fair Value	Weighted-average Maturity (Years)
U.S. government obligations <sup>(1)</sup>	\$ 7,305,473	4.17	\$ 18,167,977	3.70
U.S. government agencies <sup>(1)</sup>	13,942,024	23.86	6,194,614	20.86
U.S. fixed income (non-government/agency) <sup>(1)</sup>	18,082,269	11.75	20,722,909	13.06
Equity, mutual funds, other investments	<u>1,025,353,023</u>	Untenured	<u>982,129,316</u>	Untenured
Total investments at fair value	<u>\$ 1,064,682,789</u>		<u>\$ 1,027,214,816</u>	
Weighted-average maturity of tenured portfolio		14.64		10.10

(1) Includes tenured securities classified as cash equivalents and short-term investments.

**(d) Asset Selection and Allocation**

The Endowment Fund’s Statement of Investment Objectives and Policies governs the overall allocation of endowment funds to asset classes and considerations of limits to investment risk exposures. Allocation of funds to asset classes is based on expected returns, risk levels, desired risk diversification, interaction of various asset classes, and income generation and capital appreciation potentials of each asset class. The market value of investments in each asset class is maintained within an approved range of ratios to the market value of the Endowment Fund’s total investments, except for minor deviations due to fluctuations in market value. The Endowment Management Committee monitors asset allocation targets and limits and may authorize the reallocation of funds among investment managers. The Endowment Fund currently invests in a broad array of asset classes in order to diversify the portfolio’s risk. Marketable securities, such as domestic or international common stocks, domestic bonds, equity money market funds, and cash equivalents, comprise 62% of the overall investment portfolio (“portfolio”) at the end of fiscal year 2023. Marketable alternative investments (*i.e.*, inflation hedges, commingled funds invested in marketable securities, absolute return, and hedged equity) represent 10% of the portfolio, and non-marketable alternative investments (*i.e.*, venture capital, private equity, real estate, natural resources, energy) constitute 28% of the portfolio on a funded basis. The Endowment Fund’s

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

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overall investment risk is diversified by asset class and within each class by strategy, economic sector, geography, industry, market capitalization, manager and, with regard to non-marketable alternatives, by vintage year as well. Such diversification is aimed at managing the risks specifically associated with any single strategy, economic sector, geographic area, industry, vintage year, or manager.

#### (e) *Investment-Related Risks*

*Custodial Credit Risk* – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the Endowment Fund will not be able to recover its deposits. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Endowment Fund will not be able to recover the value of its investment or collateral securities that may be in the possession of another party. Securities owned by the endowment but held in custody by the endowment custodian may be lent to other parties through a contract between the System and the custodian pursuant to a written agreement approved by the Board of Regents. As of August 31, 2023 and 2022, the System did not have a securities-lending agreement with its custodian. Managers may not enter into securities-lending agreements without the consent of the Board of Regents. The System recognizes, however, that, for those investments placed in commingled vehicles, the Board of Regents cannot dictate whether or not the manager will engage in securities lending. Therefore, the System and its investment consultant make every effort either to avoid commingled investments, or to otherwise limit investment to those managers who will not engage in securities lending. The limited partnerships of marketable and non-marketable alternative investments are excluded from this limitation. At August 31, 2023 and 2022, the Endowment Fund’s total investments at fair value under a master trust custodian agreement with a third-party financial institution were \$197,763,098 and \$481,550,852, respectively. The third-party custodian operates its business world-wide and, at August 31, 2023 and 2022, held risk insurance contracts with various local and foreign insurance organizations providing coverage for loss due to theft, fraud, and damage to securities while in the custodian’s custody; loss of securities while in transit; property damage; and loss due to business interruption, acts of terrorism, officer negligence, and general liability. The insurance coverage limits ranged from \$1,000,000 to \$500,000,000. The coverage did not protect against market risks and fluctuations associated with market investments.

At August 31, 2023 and 2022, the Endowment Fund’s investments at fair value not covered by the master trust custodian agreement were \$867,423,627 and \$503,044,161, respectively. These investments were under various custodian agreements between the investment managers and the investment funds or limited partnerships in which the Endowment Fund is invested. The investments are subject to custodial risks associated with those independent investment managers and to market risks and fluctuations associated with market investments. The System controls these risks through its credit and concentration risk policies as described in the credit risk and concentration of credit risk paragraph below.

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

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investment, the greater the sensitivity of its value to changes in market interest rates. The System's investment policy, by way of the investment manager guidelines, requires the weighted average duration of the portfolio should remain in a range of a minimum of 90% and a maximum of 110% of the Barclays Aggregate Bond Index for active fixed income managers in which a separate account structure exists. The System's investment policy is driven primarily by the goal to preserve the long-term real (inflation adjusted) purchasing power of endowment assets while achieving short-term maximum earnings with an acceptable level of risk. In order to balance these two primary goals, the Board of Regents is closely involved in managing the exposure to declines in investment fair value and earnings.

*Credit Risk and Concentration of Credit Risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures, and amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. In accordance with the System's investment policy and manager guidelines, where applicable, investments in securities within the fixed income allocation of the portfolio must have an average portfolio credit quality of AA or better, although active managers may choose to hold select investment grade securities with lower ratings. Securities should be readily marketable and liquid. The investment manager guidelines, where applicable, limit the amount each active manager may invest in any one issuer.

Other than U.S. government securities (including agency securities), no security may be purchased so that it will constitute more than 5% of the market value of the portfolio; however, obligations issued or guaranteed by the full faith and credit of the U.S. government may be held without limitation. The System's endowment funds also include an allocation to alternative investments, which by their nature, include higher levels of risk, including credit and concentration of credit risk, with the expectation of higher returns relative to traditional equities and fixed income securities. The investment policy does not specify limits as to credit quality or concentration for alternatives as these investments may include highly concentrated positions and may include investing in companies that are either privately held or in financial distress.

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The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments as of August 31, 2023 are as follows:

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
U.S. Treasury Note	0.13%	01/15/2024	\$ 1,324,107.00	NA	0.12%
U.S. Treasury Note	0.25%	06/15/2024	1,176,673.75	NA	0.11%
U.S. Treasury Note	1.25%	12/31/2026	2,371,523.60	NA	0.22%
U.S. Treasury Note	2.63%	05/31/2027	70,386.00	NA	0.01%
U.S. Treasury Note	1.25%	04/30/2028	300,808.95	NA	0.03%
U.S. Treasury Note	1.88%	02/15/2032	75,677.40	NA	0.01%
U.S. Treasury Note	3.50%	02/15/2033	1,986,296.10	NA	0.19%
FHLMC Pool #G0-1837	5.00%	07/01/2035	11,351.61	NA	0.00%
FHLMC Pool #G0-8588	4.00%	05/01/2044	28,116.38	NA	0.00%
FHLMC Pool #G0-8615	3.50%	11/01/2044	11,160.67	NA	0.00%
FHLMC Pool #G0-8667	3.50%	09/01/2045	88,143.10	NA	0.01%
FHLMC Pool #G0-8698	3.50%	03/01/2046	52,674.83	NA	0.00%
FHLMC Pool #G0-8699	4.00%	03/01/2046	91,102.39	NA	0.01%
FHLMC Pool #G0-8681	3.50%	12/01/2045	195,411.31	NA	0.02%
FHLMC Pool #G0-8687	3.50%	01/01/2046	285,195.95	NA	0.03%
FHLMC Pool #G0-8732	3.00%	11/01/2046	322,098.59	NA	0.03%
FHLMC Pool #G0-8707	4.00%	05/01/2046	126,233.90	NA	0.01%
FHLMC Pool #G0-8747	3.00%	02/01/2047	320,784.03	NA	0.03%
FHLMC Pool #G1-8561	3.00%	07/01/2030	4,407.71	NA	0.00%
Federal Home Ln Bk Cons Bd	5.45%	04/25/2025	273,179.50	NA	0.03%
Federal Home Ln Bk Cons Bd	6.00%	08/28/2026	349,678.00	NA	0.03%
FHLMC Pool #Sb-8186	4.50%	09/01/2037	559,490.28	NA	0.05%
FHLMC Pool #Sd-1392	3.50%	07/01/2052	718,403.69	NA	0.07%
FHLMC Pool #Sd-1966	4.00%	11/01/2052	753,407.71	NA	0.07%
FHLMC Pool #Sd-7524	3.00%	08/01/2050	740,685.35	NA	0.07%
FHLMC Pool #Sd-8289	5.50%	01/01/2053	306,483.38	NA	0.03%
FHLMC Pool #G6-7702	4.00%	01/01/2047	470,167.86	NA	0.04%
FHLMC Pool #G6-0024	3.50%	05/01/2043	51,106.05	NA	0.00%
FHLMC Pool #Ra-8249	5.50%	11/01/2052	1,125,476.17	NA	0.11%
Federal Home Ln Mtg Corp	6.00%	06/03/2026	298,740.00	NA	0.03%
FNMA Pool #0254903	5.00%	10/01/2033	48,135.18	NA	0.00%
FHLMC Multiclass Mtg 5231 Va	4.00%	07/25/2033	306,775.82	NA	0.03%
FNMA Pool #0555330	5.50%	04/01/2033	26,346.16	NA	0.00%
FNMA Pool #0Ah3384	3.50%	01/01/2041	248,345.49	NA	0.02%
FNMA Pool #0A10160	4.50%	05/01/2041	59,209.86	NA	0.01%
FNMA Pool #0A11697	4.00%	10/01/2041	6,871.56	NA	0.00%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FNMA Pool #0A13802	3.00%	02/01/2028	42,644.31	NA	0.00%
FNMA Pool #0A14911	3.00%	10/01/2027	18,310.93	NA	0.00%
FNMA Pool #0A17306	4.50%	09/01/2042	33,211.09	NA	0.00%
FNMA Pool #0A17521	5.00%	06/01/2039	205,048.50	NA	0.02%
FNMA Pool #0A17767	4.50%	06/01/2044	97,477.33	NA	0.01%
FNMA Pool #0A19578	4.00%	06/01/2045	12,973.38	NA	0.00%
FNMA Pool #0A18383	4.50%	10/01/2045	16,748.17	NA	0.00%
FNMA Pool #0As5696	3.50%	08/01/2045	20,440.36	NA	0.00%
FNMA Pool #0725231	5.00%	02/01/2034	8,006.55	NA	0.00%
FNMA Pool #0725690	6.00%	08/01/2034	14,795.00	NA	0.00%
FNMA Pool #0725704	6.00%	08/01/2034	16,364.62	NA	0.00%
FNMA Pool #0725773	5.50%	09/01/2034	52,344.70	NA	0.00%
FNMA Pool #0735925	5.00%	10/01/2035	59,567.44	NA	0.01%
FNMA Pool #0745428	5.50%	01/01/2036	34,514.13	NA	0.00%
FNMA Pool #0Bm1909	4.00%	02/01/2045	186,744.43	NA	0.02%
FNMA Pool #0Cb2283	2.00%	12/01/2051	601,645.06	NA	0.06%
FNMA Pool #0Fm7973	4.00%	08/01/2051	602,260.87	NA	0.06%
FNMA Pool #0995112	5.50%	07/01/2036	14,151.43	NA	0.00%
FNMA Pool #0Ma3088	4.00%	07/01/2047	44,894.14	NA	0.00%
FNMA Pool #0Ma4562	2.00%	03/01/2052	315,069.80	NA	0.03%
FNMA Pool #0Ma4656	4.50%	06/01/2052	286,433.62	NA	0.03%
FNMA Pool #0Ma4785	5.00%	10/01/2052	580,463.21	NA	0.05%
FNMA Pool #0Ma4807	5.50%	10/01/2052	597,460.02	NA	0.06%
FNMA Pool #0Ad0198	5.50%	09/01/2038	18,505.48	NA	0.00%
FNMA Pool #0Ad7128	4.50%	07/01/2040	45,310.87	NA	0.00%
FNMA Pool #0Ae0698	4.50%	12/01/2040	6,157.55	NA	0.00%
FNMA Pool #0Ae0949	4.00%	02/01/2041	44,732.20	NA	0.00%
GNMA II Pool #0Ma3663	3.50%	05/20/2046	90,996.70	NA	0.01%
GNMA II Pool #0Ma8348	5.00%	10/20/2052	854,796.95	NA	0.08%
GNMA II Pool #0Ma8569	5.00%	01/20/2053	1,097,029.02	NA	0.10%
GNMA II Pool #0005056	5.00%	05/20/2041	26,545.75	NA	0.00%
AT&T Inc	5.40%	02/15/2034	539,532.15	BBB	0.05%
American Express Co	3.95%	08/01/2025	271,661.60	BBB+	0.03%
Autonation Inc	3.85%	03/01/2032	372,658.00	BBB-	0.04%
Baker Hughes Holdings Llc / Ba	3.34%	12/15/2027	162,265.25	A-	0.02%
Bank Of America Corp	3.42%	12/20/2028	573,006.25	A-	0.05%
Bank Of America Corp	1.92%	10/24/2031	301,739.90	A-	0.03%
Bank 2021-Bnk31 Bn31 A4	2.04%	02/15/2054	506,720.00	AAA	0.05%
Bank 2018-Bnk12 Bn12 As	4.48%	05/15/2061	313,146.80	AAA	0.03%
Blackstone Private Credit Fund	2.63%	12/15/2026	460,180.25	BBB-	0.04%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Citigroup Inc	3.98%	03/20/2030	239,379.40	BBB+	0.02%
Citigroup Inc	3.79%	03/17/2033	169,597.35	BBB+	0.02%
Expedia Group Inc	2.95%	03/15/2031	145,528.38	BBB	0.01%
Fifth Third Bancorp	4.77%	07/28/2030	116,975.00	BBB+	0.01%
General Motors Financial Co In	2.70%	08/20/2027	368,997.25	BBB	0.03%
Goldman Sachs Group Inc/The	2.60%	02/07/2030	291,273.15	BBB+	0.03%
Goldman Sachs Group Inc/The	2.64%	02/24/2028	271,458.00	BBB+	0.03%
Home Partners Of Amer 3 A 144A	2.20%	01/17/2041	306,245.01	NA	0.03%
Hyundai Auto Receivables B A4	0.60%	02/16/2027	393,554.25	AAA	0.04%
Jbs Usa Lux Sa / Jbs Usa Food	5.50%	01/15/2030	145,218.00	NA	0.01%
JPMorgan Chase & Co	4.01%	04/23/2029	492,392.25	A-	0.05%
JPMorgan Chase & Co	2.07%	06/01/2029	291,709.80	A-	0.03%
JPMorgan Mortgage 4 A12 144A	3.00%	10/25/2052	460,282.95	NA	0.04%
Kyndryl Holdings Inc	3.15%	10/15/2031	501,287.55	BBB-	0.05%
Morgan Stanley Bank Of C32 A4	3.72%	12/15/2049	839,673.00	NA	0.08%
Morgan Stanley Capital I L5 A4	2.73%	05/15/2054	740,187.00	AAA	0.07%
Morgan Stanley Morgan Stanley Bank Of C29 A4	2.94%	01/21/2033	348,253.50	A-	0.03%
Nov Inc	3.33%	05/15/2049	608,835.50	NA	0.06%
National Rural Utilities Coope	3.60%	12/01/2029	542,146.55	BBB	0.05%
Oshkosh Corp	4.15%	12/15/2032	374,723.60	A-	0.04%
Public Storage Operating Co	3.10%	03/01/2030	286,068.25	BBB	0.03%
Charles Schwab Corp/The	2.25%	11/09/2031	501,797.00	A	0.05%
Simon Property Group Lp	5.64%	05/19/2029	373,916.25	A-	0.04%
Southern California Edison Co	2.20%	02/01/2031	346,681.95	A-	0.03%
State Street Corp	4.20%	03/01/2029	71,109.00	A-	0.01%
T-Mobile Usa Inc	5.16%	05/18/2034	291,300.00	A	0.03%
Towd Point Mortgage 2 A1 144A	3.38%	04/15/2029	358,440.00	BBB	0.03%
Toyota Auto Receivables 2 A A3	3.25%	03/25/2058	249,277.58	NA	0.02%
	1.23%	06/15/2026	312,422.50	NA	0.03%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
United Airlines 2016-1 Class A	3.10%	01/07/2030	154,017.25	NA	0.01%
Utah St	4.55%	07/01/2024	49,672.00	AAA	0.00%
Viatrix Inc	2.70%	06/22/2030	121,932.00	BBB-	0.01%
Vmware Inc	3.90%	08/21/2027	748,842.30	BBB-	0.07%
Vulcan Materials Co	5.80%	03/01/2026	405,680.40	BBB+	0.04%
Wells Fargo Bank Na	6.40%	08/07/2026	250,862.50	A+	0.02%
Wells Fargo & Co	5.39%	04/24/2034	365,377.50	BBB+	0.03%
Wells Fargo & Co	5.57%	07/25/2029	283,783.05	BBB+	0.03%
Wisconsin Power And Light Co	3.95%	09/01/2032	382,594.80	A	0.04%

The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments as of August 31, 2022 are as follows:

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
U.S. Treasury Note	0.13%	10/15/2023	\$ 1,373,116	NA	0.13%
U.S. Treasury Note	0.13%	01/15/2024	2,742,744	NA	0.27%
U.S. Treasury Note	0.13%	01/31/2023	3,170,132	NA	0.31%
U.S. Treasury Note	0.38%	01/31/2026	1,238,957	NA	0.12%
U.S. Treasury Note	1.25%	04/30/2028	321,581	NA	0.03%
U.S. Treasury Note	1.63%	05/15/2031	363,202	NA	0.04%
U.S. Treasury Note	0.25%	06/15/2024	1,157,343	NA	0.11%
U.S. Treasury Note	1.38%	11/15/2031	335,064	NA	0.03%
U.S. Treasury Note	1.25%	12/31/2026	3,280,562	NA	0.32%
U.S. Treasury Note	1.88%	02/15/2032	905,526	NA	0.09%
U.S. Treasury Note	2.88%	05/15/2032	1,207,015	NA	0.12%
U.S. Treasury Note	2.63%	05/31/2027	72,750	NA	0.01%
U.S. Treasury Note	3.25%	06/30/2029	793,760	NA	0.08%
U.S. Treasury Note	3.25%	06/30/2027	1,206,225	NA	0.12%
FHLMC Pool #G0-1837	5.00%	07/01/2035	13,815	NA	0.00%
FHLMC Pool #G0-8588	4.00%	05/01/2044	32,923	NA	0.00%
FHLMC Pool #G0-8615	3.50%	11/01/2044	13,294	NA	0.00%
FHLMC Pool #G0-8667	3.50%	09/01/2045	104,654	NA	0.01%
FHLMC Pool #G0-8698	3.50%	03/01/2046	62,306	NA	0.01%
FHLMC Pool #G0-8699	4.00%	03/01/2046	106,779	NA	0.01%
FHLMC Pool #G0-8681	3.50%	12/01/2045	232,048	NA	0.02%
FHLMC Pool #G0-8687	3.50%	01/01/2046	339,711	NA	0.03%
FHLMC Pool #G0-8732	3.00%	11/01/2046	381,734	NA	0.04%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FHLMC Pool #G0-8707	4.00%	05/01/2046	150,351	NA	0.01%
FHLMC Pool #G0-8747	3.00%	02/01/2047	379,746	NA	0.04%
FHLMC Pool #G1-8561	3.00%	07/01/2030	5,745	NA	0.00%
FHLMC Pool #SB-8186	4.50%	09/01/2037	682,775	NA	0.07%
FHLMC Pool #SD-7524	3.00%	08/01/2050	878,238	NA	0.09%
FHLMC Pool #G6-7702	4.00%	01/01/2047	560,370	NA	0.05%
FHLMC Pool #G6-0024	3.50%	05/01/2043	59,416	NA	0.01%
FNMA Pool #0254903	5.00%	10/01/2033	59,864	NA	0.01%
FHLMC MULTICLASS MTG 5231 VA	4.00%	07/25/2033	347,679	NA	0.03%
FNMA Pool #0555330	5.50%	04/01/2033	33,029	NA	0.00%
FNMA Pool #0AH3384	3.50%	01/01/2041	298,853	NA	0.03%
FNMA Pool #0AL0160	4.50%	05/01/2041	69,933	NA	0.01%
FNMA Pool #0AL1697	4.00%	10/01/2041	8,239	NA	0.00%
FNMA Pool #0AL3519	4.50%	11/01/2041	9,591	NA	0.00%
FNMA Pool #0AL3322	4.00%	02/01/2043	10,702	NA	0.00%
FNMA Pool #0AL3802	3.00%	02/01/2028	62,365	NA	0.01%
FNMA Pool #0AL4911	3.00%	10/01/2027	27,754	NA	0.00%
FNMA Pool #0AL7306	4.50%	09/01/2042	38,561	NA	0.00%
FNMA Pool #0AL7521	5.00%	06/01/2039	254,351	NA	0.02%
FNMA Pool #0AL7767	4.50%	06/01/2044	114,929	NA	0.01%
FNMA Pool #0AL9578	4.00%	06/01/2045	15,509	NA	0.00%
FNMA Pool #0AL8383	4.50%	10/01/2045	19,760	NA	0.00%
FNMA Pool #0AS5696	3.50%	08/01/2045	24,070	NA	0.00%
FNMA Pool #0725231	5.00%	02/01/2034	9,822	NA	0.00%
FNMA Pool #0725690	6.00%	08/01/2034	17,962	NA	0.00%
FNMA Pool #0725704	6.00%	08/01/2034	20,322	NA	0.00%
FNMA Pool #0725773	5.50%	09/01/2034	64,226	NA	0.01%
FNMA Pool #0735925	5.00%	10/01/2035	72,737	NA	0.01%
FNMA Pool #0745428	5.50%	01/01/2036	42,232	NA	0.00%
FNMA Pool #0BM1909	4.00%	02/01/2045	220,583	NA	0.02%
FNMA Pool #0995112	5.50%	07/01/2036	17,323	NA	0.00%
FNMA Pool #0MA3088	4.00%	07/01/2047	53,128	NA	0.01%
FNMA Pool #0AD0198	5.50%	09/01/2038	22,532	NA	0.00%
FNMA Pool #0AD7128	4.50%	07/01/2040	53,802	NA	0.01%
FNMA Pool #0AE0698	4.50%	12/01/2040	7,249	NA	0.00%
FNMA Pool #0AE0949	4.00%	02/01/2041	53,318	NA	0.01%
GNMA II Pool #0MA3663	3.50%	05/20/2046	109,320	NA	0.01%
GNMA II Pool #0005056	5.00%	05/20/2041	30,964	NA	0.00%
Amazon.Com Inc	3.45%	04/13/2029	402,259	AA	0.04%
American Express Co	4.05%	05/03/2029	315,867	BBB+	0.03%

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Apple Inc	3.35%	02/09/2027	354,294	AA+	0.03%
Autonation Inc	3.85%	03/01/2032	442,416	BBB-	0.04%
Baker Hughes Holdings Llc /Ba	3.34%	12/15/2027	192,079	A-	0.02%
Bank Of America Corp	3.42%	12/20/2028	677,331	A-	0.07%
Bank Of America Corp	3.12%	10/24/2031	356,818	A-	0.03%
Bank 2021-Bnk31 Bn31 A4	2.04%	02/15/2054	534,317	AAA	0.05%
Bank 2018-Bnk12 Bn12 As	4.49%	05/15/2061	326,002	AAA	0.03%
Blackstone Private Credit Fund	2.63%	12/15/2026	528,600	BBB-	0.05%
California St	4.60%	04/01/2038	377,768	AA-	0.04%
Capital One Prime Auto Re 1 A3	2.51%	11/15/2023	10,333	AAA	0.00%
Citigroup Inc	3.98%	03/20/2030	285,828	BBB+	0.03%
Citigroup Inc	3.79%	03/17/2033	207,287	BBB+	0.02%
Expedia Group Inc	2.95%	03/15/2031	633,143	BBB-	0.06%
Meta Platforms Inc 144A	3.50%	08/15/2027	548,864	AA-	0.05%
General Motors Financial Co In	2.70%	08/20/2027	431,218	BBB	0.04%
Goldman Sachs Group Inc/The	2.60%	02/07/2030	347,721	BBB+	0.03%
Goldman Sachs Group Inc/The	2.64%	02/24/2028	317,867	BBB+	0.03%
Home Depot Inc/The	0.90%	03/15/2028	106,346	A	0.01%
Home Partners Of Amer 3 A 144A	2.20%	01/17/2041	331,231	NA	0.03%
Honda Auto Receivables 20 2 A3	2.52%	06/21/2023	6,492	NA	0.00%
Intel Corp	1.60%	08/12/2028	281,967	A+	0.03%
Jpmorgan Chase & Co	4.01%	04/23/2029	582,866	A-	0.06%
Jpmorgan Chase & Co	2.99%	06/01/2029	338,179	A-	0.03%
J.P. Morgan Mortgage 4 A12 144A	3.00%	10/25/2052	561,316	NA	0.05%
Kyndryl Holdings Inc 144A	3.15%	10/15/2031	528,832	BBB-	0.05%
Merck & Co Inc	2.15%	12/10/2031	444,189	A+	0.04%
Morgan Stanley Bank Of C32 A4	3.72%	12/15/2049	873,639	NA	0.09%
Morgan Stanley Capital I L5 A4	2.73%	05/15/2054	786,285	AAA	0.08%
Morgan Stanley	2.94%	01/21/2033	422,289	A-	0.04%
Morgan Stanley Bank Of C29 A4	3.33%	05/15/2049	624,631	NA	0.06%
Nov Inc	3.60%	12/01/2029	628,861	BBB	0.06%

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
National Rural Utilities Coope	4.15%	12/15/2032	465,456	A-	0.05%
New York City Ny Transitional	3.55%	08/01/2028	441,559	AAA	0.04%
Public Storage	2.25%	11/09/2031	609,210	A	0.06%
Simon Property Group Lp	2.20%	02/01/2031	417,914	A-	0.04%
Southern California Edison Co	3.50%	10/01/2023	74,668	A-	0.01%
Southern California Edison Co	4.20%	03/01/2029	82,299	A-	0.01%
Target Corp	1.95%	01/15/2027	321,564	A	0.03%
Towd Point Mortgage 2 A1 144A	3.25%	03/25/2058	350,730	NA	0.03%
Triton Container Fin 1A A 144A	2.11%	09/20/2045	555,068	A	0.05%
United Airlines 2018-1 Class A	3.50%	09/01/2031	114,273	NA	0.01%
United Airlines 2016-1 Class A	3.10%	01/07/2030	184,133	NA	0.02%
Utah St	4.55%	07/01/2024	80,872	AAA	0.01%
Verizon Communications Inc	2.55%	03/21/2031	748,356	BBB+	0.07%
Vmware Inc	3.90%	08/21/2027	888,503	BBB-	0.09%
Vornado Realty Lp	2.15%	06/01/2026	467,062	BBB-	0.05%
Wfrbs Commercial Mortga C12 As	3.56%	03/15/2048	595,320	AAA	0.06%
Wfrbs Commercial Mortga C13 As	3.35%	05/15/2045	49,333	NA	0.00%
Wisconsin Power And Light Co	3.95%	09/01/2032	469,454	A	0.05%

**(f) Alternative Investments**

Investments reported at fair value of approximately \$393,952,384 and \$503,044,161 as of August 31, 2023 and 2022, respectively, are not publicly traded and have been estimated by management and fund managers in the absence of readily available market values. These funds are invested with external investment managers, generally in commingled funds, limited liability partnerships, or corporations in which the System has an interest, who invest, for example, in hedge funds, real estate, natural resources, private equity, managed futures, and distressed opportunities. These investments are domestic and international in nature and some of the investments may not be realized for a period of several years after the investments are made. Risks associated with these investments include liquidity risk, market risk, event risk, foreign exchange risk, interest rate risk, and investment manager risk.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2023 and 2022

More specifically, the risks include the following:

*Non-regulation risk* – Historically, these funds were not required to register with the Securities and Exchange Commission (SEC) and, therefore, were not subject to regulatory control. With the passage of the *Dodd-Frank Act of 2010*, almost all alternative investment managers are required to register with the SEC under the *Investment Advisers Act of 1940*. As of August 31, 2022, the Endowment Fund has no specific policy statement with respect to non-regulation risk. The policy does contain limitations on the percent that can be allocated to alternative investments.

*Managerial risk* – Fund managers for non-publicly traded investments may fail to produce the intended returns and are not subject to oversight. However, the fund managers are subject to oversight by the Endowment Fund. The Endowment Fund has no specific policy statement with respect to managerial risk for alternative investments. However, the Endowment Fund diversifies across managers to mitigate systematic and organizational risk without creating over-diversification. The Endowment Fund further attempts to mitigate managerial risk by emphasizing the qualitative evolution of managers, discouraging the use of significant leverage, emphasizing managers with a demonstrated skill in generating returns.

*Liquidity risk* – Many of the Endowment Fund’s investment funds impose restrictions on redemptions or require multi-year lock-up periods that restrict investors from redeeming their shares or may impose penalties to redeem. The Endowment Fund has no specific policy statement with respect to liquidity risk. The policy does contain limitations on the percent that can be allocated to alternative investments and liquidity is measured.

*Limited transparency* – Any unregistered investment vehicles are not required to disclose the holdings in their portfolios to investors. This risk is mitigated somewhat by the *Dodd-Frank Act of 2010* and the increased transparency provided by the requirement to file Form ADV with the SEC. The Endowment Fund has no specific policy statement with respect to transparency risk.

*Investment strategy risk* – Alternative investments often employ sophisticated and more risky investment strategies, as compared to traditional investments, and one or more may use leverage, which could result in volatile returns. To mitigate this risk, emphasis is placed on those managers who have extensive experience in employing these strategies, a demonstrated ability to consistently employ them effectively, and an established track record of superior performance. The Endowment Fund has no specific policy statement with respect to investment strategy risk. The policy does contain limitations on the percent that can be allocated to alternative investments.

*Foreign currency risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Endowment Fund’s non-U.S. dollar investments. Investment managers may hedge some, all, or none of their foreign currency risk. The Endowment Fund has no specific policy statement with respect to foreign currency risk.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2023 and 2022

#### 6) Fair Value Measurements

The Endowment Fund applies GASB guidance on fair value measurements and disclosures, which requires enhanced disclosure about the investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured for actively quoted prices generally will have a high degree of market price observability and a lesser degree of judgment used in measuring fair value.

All investments are measured and reported at fair value on a recurring basis and are classified and disclosed in one of the following categories.

**Level 1** – Quoted prices in active markets for identical investments.

**Level 2** – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

**Level 3** – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

Investments held by the Endowment Fund for which market quotes are readily available are valued based on third-party pricing systems and reported at quoted prices as of the reporting date. Investments held for which market quotes are not readily available are reported based on appraised value. Investments with funds held and invested by external managers where the Endowment Fund holds a share of the external manager's fund are valued and reported at NAV and are not categorized according to fair market value.

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

Assets at fair value as of August 31, 2023 and 2022 were as follows:

<b>August 31, 2023</b>				
<b>Investment Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 41,700,307	\$ -	\$ -	\$ 41,700,307
Externally managed domestic	72,438,247	-	-	72,438,247
Externally managed international	13,334,412	-	-	13,334,412
Fixed income – money market and bond mutual funds	26,984,269	-	-	26,984,269
Corporate obligations	18,082,269	-	-	18,082,269
U.S. government agencies	13,942,023	-	-	13,942,023
U.S. government obligations	7,305,472	-	-	7,305,472
Totals	\$ 193,786,999	\$ 0	\$ 0	\$ 193,786,999

<b>August 31, 2022</b>				
<b>Investment Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 45,201,413	\$ -	\$ -	\$ 45,201,413
Externally managed domestic	76,467,289	-	-	76,467,289
Externally managed international	12,005,771	-	-	12,005,771
Fixed income – money market and bond mutual funds	42,619,803	-	-	42,619,803
Corporate obligations	20,722,909	-	-	20,722,909
U.S. government agencies	6,194,614	-	-	6,194,614
U.S. government obligations	18,167,977	-	-	18,167,977
Totals	\$ 221,379,776	\$ 0	\$ 0	\$ 221,379,776

Investments measured at NAV as of August 31, 2023 and 2022 were as follows:

<b>August 31, 2023</b>				
<b>Investment Category</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Equity funds	\$ 153,109,954	\$ -	As needed	30-60 days
Externally managed domestic	250,552,282	76,858,524	N/A	30–60 days
Externally managed international	270,153,903	62,639,151	N/A	30–60 days
International equities	195,136,724	-	As needed	5 days
Other commingled funds	1,942,927	-	As needed	3 days
Totals	\$ 870,895,790	\$ 139,497,675		

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

**August 31, 2022**

<b>Investment Category</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Equity funds	\$ 117,221,196	\$ -	As needed	30-60 days
Externally managed domestic	240,739,113	79,490,651	N/A	30-60 days
Externally managed international	267,392,256	44,970,619	N/A	30-60 days
International equities	178,755,686	-	As needed	5 days
Other commingled funds	1,726,789	-	As needed	3 days
Totals	<u>\$ 805,835,040</u>	<u>\$ 124,461,270</u>		

**(a) *Equity Funds***

This type includes investments in one fund at August 31, 2023 and 2022 that invests primarily in U.S. equities. Managers have the ability to shift investments from small to large cap stocks and from a net long position to a net short position. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with 30 to 60 days' notice.

**(b) *Externally Managed Domestic***

This type includes investments in 42 and 41 funds at August 31, 2023 and 2022, respectively, that invest in inflation hedges, oil and gas, real estate properties, renewable natural resources, public and private equities, healthcare, and venture capital. Managers have the ability to invest in natural resources, venture capital, private equity real estate, multi-strategy funds, and the secondary market. Managers have the ability to shift investments in the portfolio to gain the best advantage in the market. Approximately 10% and 11% of this class is invested in natural resources, 14% and 34% in venture capital, 12% and 11% in real estate, 57% and 37% in private equity, and 7% and 7% in multi strategies at August 31, 2023 and 2022, respectively. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with 30 to 60 days' notice, but early redemption requires complete exit from the fund. Funds in this category have expected maturity dates that range from 5 to 10 years.

**(c) *Externally Managed International***

This type includes investments in 44 and 42 funds at August 31, 2023 and 2022, respectively, that invest in inflation hedges, hedged investments, oil and gas, real estate properties, technology, public and private domestic and international equities, fixed income securities, alternative market equities, long and short equities, global secondary, and global venture capital. Approximately 5% and 4% of the portfolio is invested in real estate, 59% and 59% in private equity, 17% and 17% in venture capital, 8% and 8% in the secondary market, and 12% and 12% in public and private domestic and global equities at August 31, 2023 and 2022, respectively. For those managers who invest in equities and real estate, they have the ability to shift investments from long to short term and international to domestic. The fair

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with 30 to 60 days' notice, but early redemption requires complete exit from the fund. Funds in the category have expected maturity dates that range from 5 to 10 years.

**(d) Fixed Income – Money Market and Bond Mutual Funds**

This type includes temporary investments in cash equivalents such as money market funds by managers whose NAV is classified in another category. Managers have the ability to shift investments. The fair values of the investments in this type have been determined using the cash value of the temporary investment. These investments are not intended for redemption as they represent a short-term transaction within a separate category.

**(e) International Equities**

This type includes investments in five and four funds at August 31, 2023 and 2022, respectively, that invest in international equities. The managers have the ability to shift investments to gain a more favorable outcome. The fair value of the investment in this type has been determined using the NAV per share of the investment. The investment in this category can be redeemed with five days' notice.

**(f) Other Commingled Funds**

This type includes investments in two funds at August 31, 2023 and 2022 that invest primarily in equities. One equity fund is managed by University of Houston C.T. Bauer College of Business and stocks are traded on a daily basis. The second fund is a bond fund that comprises 95% of this category. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with three days' notice.

**7) Due to Other Components**

Due to other components at August 31, 2023 and 2022 consists of the following:

	<b>2023</b>	<b>2022</b>
Payable to System components under the income payout policy	\$ 37,845,601	\$ 33,565,770
Payable to System components for institutional advancement	7,774,448	7,700,399
Total due to other components	\$ 45,620,049	\$ 41,266,169

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2023 and 2022**

**8) Related-Party Transactions**

In addition to the transfers-in described in the revenue recognition policy in *Note 2* and distributions to other components described in *Note 7*, the Endowment Fund received in-kind contributions from the System in the form of personnel costs, office facilities, equipment, and supplies during the years ended August 31, 2023 and 2022. The total estimated value of these in-kind contributions received from the System was between \$900,000 and \$1,000,000 for fiscal years 2023 and 2022.

**9) Administrative Costs**

The Endowment Fund pays custodial fees and expenses to the financial institution, which acts as the custodian of the portion of the Endowment Fund's assets managed under a master trust custodian agreement. The fees are based on the number of accounts, market value of the securities, and transaction activities in accordance with the master trust custodian agreement.

Additionally, the Endowment Fund incurs asset management fees from the independent investment managers of the Endowment Fund. The fees are generally assessed on a quarterly basis on a percentage of the market value of investments held by each investment manager.

The Endowment Fund incurs other expenses related to its operations primarily consisting of professional service fees and expenses. The total fees and expenses incurred by the Endowment Fund for the years ended August 31, 2023 and 2022 were \$9,788,763 and \$6,966,632, respectively, and were included in net appreciation of investments on the accompanying statements of revenues, expenses, and changes in net position.

**10) Income Taxes**

The System, of which the Endowment Fund is a division, is a university established as an agency of the State of Texas prior to 1969 and is qualified as a governmental entity not generally subject to federal income tax by reason of being a state or political subdivision thereof, or an integral part of a state or political subdivision thereof or an entity whose income is excluded from gross income for federal income tax purposes under Section 115 of the Internal Revenue Code of 1986. However, as a state college or university, the System is subject to unrelated business income pursuant to Internal Revenue Code of 1986 Section 511(a)(2)(B). No material unrelated business income tax was incurred for the years ended August 31, 2023 and 2022. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**11) Subsequent Event**

In the months subsequent to the fiscal year-end, the U.S. and world's financial markets, as measured by the global stock markets, have continued to be unpredictable. These and other economic events have had an effect on the value of investments held by the Endowment Fund. Interim valuation information is not available for all investments through the date of this report. However, for the Endowment Fund, investment appreciation subsequent to year-end and through December 31, 2023 was \$36,690,001 (unaudited). As of that date, the Endowment Fund's total net position was \$1,101,876,726 (unaudited).

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## University of Houston

### Independent Accountants' Report on Application of Agreed-upon Procedures

August 31, 2023



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## Independent Accountants' Report on Application of Agreed-upon Procedures

Board of Regents  
University of Houston System  
Houston, Texas

We have performed the procedures enumerated in the attachment to this report on the University of Houston's (the University) compliance with the requirements set forth in the Cancer Prevention and Research Institute of Texas's (CPRIT) *Grant Policies and Procedures Guide* as of and for the year ended August 31, 2023. The management of the University is responsible for its aforementioned compliance with the requirements set forth in CPRIT's *Grant Policies and Procedures Guide*.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing the University's compliance with CPRIT's *Grant Policies and Procedures Guide* as of and for the year ended August 31, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in the attachment to this report.

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with CPRIT's *Grant Policies and Procedures Guide*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the specified parties above and is not intended to be, and should not be, used by anyone other than these specified parties.

**FORVIS,LLP**

Houston, Texas  
January 15, 2024

**University of Houston**  
**Agreed-upon Procedures**  
**Year Ended August 31, 2023**

**Processes and Controls**

Procedures:

1. Inquire of the University's management about whether they have assessed the adequacy of internal controls addressing grant noncompliance, errors and fraud. Observe documentation of that assessment. Compare the items listed in the risk assessment to the following controls and assess whether the following were included:
  - a. Contract compliance, including submission;
  - b. Expenditures, including payroll and equipment;
  - c. Project income; and
  - d. Reporting, including performance measurement, matching, indirect cost application and early termination.
2. Confirm that the University has documented policies and procedures to account for the receipts and disbursement of the CPRIT funds.

Finding:

No exceptions noted.

**Contract**

Procedures:

1. Obtain the contract proposal for each grant tested and determine whether the contract included internal Institutional Review Board approval for the use of human subjects, animals or biohazards. If so, obtain documentation from the grantee showing that the applicable review was done by the appropriate board prior to contract execution as evidenced by signature of board meeting minutes.
2. Determine, through comparison to the University's policies, whether the University is required to have a written standard of conduct and comply with federal law to promote objectivity in research. If so, verify that a conflict of interest statement(s) for all individual principal investigators was signed prior to the effective date of the grant and that the conflict of interest statement(s) was (were) updated as necessary to comply with these provisions.
3. Inquire of management and/or those charged with grant oversight whether the grantee completed all assurances and certifications in Attachment C, Assurances and Certifications, of the grant contract.

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

Finding:

No exceptions noted.

**Indirect Costs**

Procedures:

1. Obtain and read each grant contract and assess whether there is an indirect cost rate specified.
2. To test the indirect cost rate, select a sample of the lesser of 10 percent or 25 indirect costs charged to the grant and perform the following:
  - a. Obtain a list of eligible indirect costs from the University. Agree the description of the costs in the sample to the list of eligible costs. Obtain supporting documentation for the transactions in the sample and assess whether the description is valid. Document any exceptions.
  - b. Obtain from the University's accounting records the listing of direct costs charged to the grant. Compare the sample of indirect costs to the listing of direct costs to assess whether they were not included as direct costs. Document any exceptions.
3. Select a sample of two (2) financial status report (Form 269a) submissions for each grant and recompute the indirect cost rate used based on the requirements noted in the grant contract obtained in procedure 1 above. Compare the recalculated rate to the rate used and document any variance.

Finding:

No exceptions noted. In procedure 2, the sample was 22 items.

**Matching (Research Awards Only)**

Procedures:

1. Obtain each grant contract and assess whether it includes a matching funds requirement. If it does not, no further procedures in this section are necessary. Note: Matching fund requirements applicable to public and private institutions of higher education allow the grantee to receive partial or full matching funds credit. See section "Matching Funds – Certification and Verification."
2. Inquire of management and/or those charged with grant oversight whether a tracking mechanism, such as a separate fund/account, was created to track matching fund expenditures. Document management's response.

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

3. Obtain the grantee's matching certification to assess whether matching funds (as noted in the grant contract obtained in 1 above) were certified prior to grant start. View the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant only. Document any variance in the amount of matching funds.
4. As of the end of the CPRIT program year, view the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant(s) only that is the subject of the award. Obtain the bank statement(s) related to the account(s) that hold(s) the match funds and tie in the total bank balance per the grantee's records to the month-end reconciliation.

Finding:

Three of the selected grants had matching funds requirements: RP180466, RP200409, RR220008. No exceptions noted.

**Expenditures (Excluding Payroll-related Transactions)**

Procedures:

1. Inquire of management and/or those charged with grant oversight as to whether the University has a purchasing policy that establishes a competitive procurement process and safeguards against bias or conflicts of interest.
2. Inquire of management and/or those charged with grant oversight whether the University has a process in place to ensure that entities only purchase from a vendor list (which excludes vendors that are federally debarred or suspended) that has been approved by management and/or those charged with governance as evidenced by signature and date. Document management's response.
3. To test non-payroll direct expenditures for each grant, select a sample of the lesser of 10 percent or 60 non-payroll related expenditures. For each item selected, perform the following:
  - a. Agree the sample disbursement to the receipt or invoice supporting the amount and payee.
  - b. Observe physical or electronic evidence of approval to determine whether the purchase was approved and/or reviewed by management or those involved with oversight of the grant (with knowledge of the grant requirements).
  - c. Trace the description of the purchased goods and/or services received to the underlying supporting documentation and agree the description to items allowable per Uniform Grant Management Standards (UGMS), the grant contract, and the CPRIT Policies and Procedures Guide.

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

- d. If the item selected is travel related, assess whether the travel was related to the grant based on the inquiry of management or review of supporting documentation. Compare the description of the travel to the narrative and assess whether any discrepancy exists.
- e. If the item selected is related to international travel, observe physical or electronic evidence of approval to determine whether it was approved by CPRIT prior to the initiation of the travel.
- f. If the expended item was transacted prior to the related CPRIT grant being awarded, obtain evidence to assess whether the costs were authorized by CPRIT per review of correspondence or other verification documentation.
- g. Assess whether the vendor was preapproved by the University prior to the purchase by agreeing the vendor to the preapproved vendor list noted in procedure 2 above.
- h. Compare the purchase to the approved grant budget and assess whether the purchase was included in a category in the approved grant budget provided to CPRIT.
- i. Obtain supporting documentation that the transaction occurred during the period covered by the grant award.

Finding:

No exceptions noted. In Procedure 3, the sample was 16 items.

**Expenditures (Payroll-related Transactions)**

Procedures:

- 1. Inquire of management and/or those charged with grant oversight to assess whether the University has a formal system to track time and effort of employees associated with the grant.
- 2. To test payroll direct expenditures for each grant, select a sample of the lesser of 10 percent or 60 payroll-related transactions from the fiscal year.
- 3. For employees that work solely in a single award/funding stream or cost objective, observe documentation covering the period in which the transaction occurred showing that the employee had a semi-annual certification signed by the employee or a supervisory official.
  - a. Note that the budgeted payroll costs pertaining to the selected employee or the position, related to the selected employee, have been included in the approved grant budget;
  - b. Obtain supporting documentation that the transaction occurred during the period covered by the grant award;

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

- c. Agree the time allocated to the grant for the related pay period to the employee's time sheet or similar support;
- d. Assess whether the employee's time sheet or similar documentation was approved by a supervisor;
- e. Agree the employee's pay rate per the transaction to the employee's pay rate per their employee file and that the rate was properly approved; and
- f. Assess whether the grantee has reported each employee whose salary or partial salary is paid by a CPRIT grant in the original Personnel Level of Effort (PLOE) submitted with the grant application.

Finding:

No exceptions were noted. In Procedure 2, the sample was 31 items.

**Equipment**

Procedure:

- 1. For each grant, select a sample of the lesser of 10 percent or 25 equipment purchases during the fiscal year, and assess whether:
  - a. The purchase was included in a category in the contract approved budget.
  - b. The University's internal procedures for recording the receipt of the equipment were followed.
  - c. The item was included in the grant Inventory Report submitted to CPRIT.
  - d. If the purchase was greater than \$5,000, verify that the purchase was authorized by CPRIT prior to the purchase.
  - e. Observe the purchase documentation and assess whether the University has title to the equipment purchased or fabricated with grant funds.
  - f. If the University still owns the equipment, observe the equipment's physical location, assess whether it is located at the University and agree the equipment's property tag to the property identification number reported in the inventory report to CPRIT.
  - g. Obtain supporting documentation that the transaction occurred during the period covered by the grant award.

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

Finding:

None of the selected grants had equipment purchases.

**Revenue Sharing and Project Income**

Procedures:

1. Inquire of management whether any revenue was generated by the grant project during the preceding fiscal year.
2. Assess whether revenue or project income collected by the University for the year has been identified for each grant in accordance with the grant contract or CPRIT approval and reported on the annual Revenue Sharing/Program Income Report form to CPRIT.
3. For revenue sharing, obtain documentation to assess whether revenue generated by the sale or licensing of products or research developed through a CPRIT grant resulted in payment made to CPRIT and that the payment is accurate based on the grant contract and Revenue Sharing/Program Income Report form.

Finding:

According to the Director, Research Financial Services, no grants generated program income.

**Reporting**

Procedures:

1. Inquire of the University's management and those charged with oversight over the CPRIT grant as to whether they are aware of any instances related to CPRIT grants of fraud, illegal acts, or noncompliance, and whether they have been properly reported to the granting agency. Document management's response regarding any such acts that were reported.
2. To test the reporting requirements, select a sample of reporting time periods for the following reports:
  - a. **Quarterly** – Select two Financial Status Reports (due within 90 days of the end of the fiscal quarter). For Prevention Grants, also select two quarters of Data Elements.
  - b. **Annual** – Select the current years, Grant Progress Report and Project Data, and other required annual reports (due within 60 days of the anniversary date of the Contract). The Grant Progress Report is filed along with the Single Audit Determination form, Historically Underutilized Business report, listing of equipment, inventory and Revenue Sharing/Program Income Report form.

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

- c. **End of Contract Term** – Grant Final Report, a final grant progress report shall be filed no more than 90 days after the termination date of the Contract. The final grant progress report shall include a comprehensive description of the grantee's progress toward completing the scope of work specified by the Contract, as well as other information specified by CPRIT.
  - d. **Tranche Grant Progress Report (Product Development grantees only)** – In addition to annual Grant Progress Reports, Product Development grantees may submit a Grant Progress Report at the completion of specific tranches of funding specified in the Award Contract. A Tranche Grant Progress Report is not required when the completion of the tranche coincides with the end of the grant year. In that event, the annual Grant Progress Report is sufficient.
3. Perform the following procedures over the reports:
- a. Obtain applicable documentation and/or correspondence and assess whether required reports were filed within required timeframes as noted above.
  - b. Obtain documentation and/or correspondence to assess whether the reports were reviewed and approved by management and/or those charged with oversight over the grant prior to submission.
  - c. Agree all financial information included in reimbursement request reports for each request, and cumulatively for the reporting period, to the University's general ledger.
  - d. If applicable, assess whether any reimbursements payments have been withheld by inquiring of management and/or those charged with grant oversight. Document management's response for the reason for a delay in payment related to not complying with a grant contract requirement or any state or federal law. If funds had been withheld, note whether the withheld payments were released per applicable documentation.
  - e. For the Grant Progress Reports, in addition to the procedures above, assess whether the progress report includes a Single Audit Determination form, an inventory form, a Revenue Sharing/Program Income Report and a Historically Underutilized Business/Texas Supplier report. Note any missing reports.
  - f. For the Grant Progress Reports, in addition to the procedures above, confirm that the other key data points related to project data (*i.e.*, publications, patent information, commercialization, etc.) are accurate for the period and supported by documentation from the University. Note any incorrect amounts.

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

Finding:

No exceptions noted. According to the Director, Research Financial Services, the University did not receive any product development grants.

**Grant Closeout**

Procedures:

1. Obtain correspondence and/or related documentation showing the date that the grantee submitted all required reports (as defined by the contract) to CPRIT to assess whether the submission was completed within the 145-day closeout period following the end of the contract term for each grant.
2. Select the last financial status report for the grant and assess whether it was submitted in a timely manner (as defined by the Contract) and that the related payment was received. If payment was delayed, inquire of management the reason for the delay and document the response.

Finding:

According to the Director, Research Financial Services, none of the selected grants closed as of August 31, 2023.

**Sampling**

When selecting a sample, we will follow CPRIT's recommendation and use the guidance from the AICPA's Audit and Accounting Guide: *Government Auditing Standards* and Circular A-133 Audits, Chapter 11 – Audit Sampling Considerations of Circular A-133 Compliance Audits:

Table 7: Audit Sampling Considerations

Frequency or Population Size	Sample Size
Quarterly (4)	2
Monthly (12)	3
Semimonthly (24)	6
Weekly (52)	8
<b>Greater than 52 transactions:</b>	
Expenditures	Lesser of 10% or 60
All other	Lesser of 10% or 25

**University of Houston**  
**Agreed-upon Procedures (Continued)**  
**Year Ended August 31, 2023**

We chose three grants from the schedule of CPRIT awards for testing as follows:

1. RP180466: Integrated Single-Cell Biomarkers of T-Cell Efficiency
2. RP200409: Transdiagnostic Cognitive Behavioral Therapy for Smokers with Anxiety and Depression
3. RR220008: Recruitment of First-Time, Tenure-Track Faculty Members

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, UHS Financial Statements  
Certifications, Fiscal Year 2023

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Planner, item number 3.13, requires that the UH System Chancellor and UH System Chief Financial Officer certify the annual financial statements for the UH System as a whole, and that each university President and Chief Financial Officer certify the annual financial statements for their respective university.

Included in the report are the following key points:

- Financial Certification Process
- University of Houston/UH System Administration, and UH System Certification Letter
- University of Houston-Clear Lake Certification Letter
- University of Houston-Downtown Certification Letter
- University of Houston-Victoria Certification Letter


**SUPPORTING**

**DOCUMENTATION:** Financial Statements Certification Letters – Fiscal Year 2023 (all universities)  
and Financial Certification Process


**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Phillip W. Hurd

2-1-24  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/19/24  
\_\_\_\_\_  
**DATE**

Inter-Office Memorandum

To: Karin Livingston  
Associate Vice Chancellor/Vice President, Finance

Raymond S. Bartlett  
Senior Vice Chancellor/Senior Vice President, Administration and Finance

Dr. Renu Khator  
Chancellor/President

From: Usha Mathew  
Assistant VP for Finance/Controller

Date: December 15, 2023

Subject: Financial Certification Letters

Attached are the FY2023 Financial Certification Letters for all UHS components, and an explanation of the process. These letters will be presented at the February 21, 2024 Board of Regents meeting. Also attached is a description of the Financial Certification Letter process.

Please sign where indicated and kindly return to me by January 10<sup>th</sup>, 2024

Thank you.

## Financial Certification Process

- UH-Clear Lake, UH-Downtown, and UH-Victoria Chief Accounting Officers, Chief Financial Officers, and Presidents certified that the financial reports for their university are true and correct to the best of their knowledge.
- University of Houston and UH System Administration administrators and unit heads representing 134 departments completed the FY23 Department Fraud Risk Survey, which included questions about verifying cost center transactions, reporting instances of fraud and non-compliance, and other internal controls. According to the survey results, internal controls are adequate to ensure that the financial transactions created for FY23 by UH/UHSA departments are true and correct.
- Usha Mathew (Assistant VP for Finance/Controller), Lavonda Lockett (Interim Executive Director of Financial Reporting), Gretta McClain Gibbs (Director of Accounting Services), Karin Livingston (Associate VC/VP for Finance), Raymond Bartlett (Senior VC/VP of Administration and Finance), and Dr. Renu Khator (Chancellor/President) signed the Certification Letter for UH, UHSA, and UH System Consolidated based on:
  - Department surveys, which indicate internal controls are adequate within UH and UHSA departments to ensure correct financial transactions.
  - Certifications signed by UHCL, UHD, and UHV representatives.
  - Their knowledge and review of the FY23 Annual Financial Report for UH, UHSA, and UH System Consolidated.
- The certification letters are presented at the February 21, 2024 Board of Regents meeting.

# University of Houston, UH System Administration, and UH System Certification Letter

December 05, 2023

Mr. Jack B. Moore  
Chair, Audit and Compliance Committee  
UH System Board of Regents, 128 E Cullen Bldg.  
4302 University Dr.  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of financial statements and footnote information for the University of Houston, UH System Administration, and UH System as a whole for the period ended August 31, 2023.

## **Management Representations Related to Financial Statements**

I have reviewed the financial statements of the University of Houston, UH System Administration, and UH System as a whole and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of these financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Senior Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH System's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH System have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).

## University of Houston, UH System Administration, and UH System Certification Letter

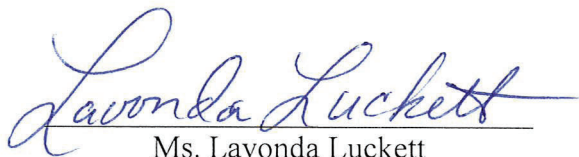
6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the University of Houston, UH System Administration, and UH System consolidated of, and for, the periods presented in this report. (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.)
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2023 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.



Ms. Usha Mathew

Assistant Vice President for Finance  
and Controller, University of Houston

12/05/2023  
Date



Ms. Lavonda Luckett

Interim Executive Director of  
Financial Reporting, University of  
Houston

12/6/23  
Date

University of Houston, UH System Administration, and UH System  
Certification Letter

  
Ms. Gretta McClain Gibbs


Director of Accounting Services,  
University of Houston

12/6/23  
Date

  
Ms. Karin Livingston

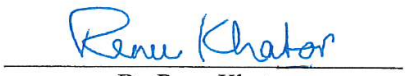
Associate Vice Chancellor of Finance,  
UH System  
Associate Vice President of Finance,  
University of Houston

12/18/23  
Date

  
Mr. Raymond Bartlett

Senior Vice Chancellor of  
Administration & Finance, UH System  
Senior Vice President of  
Administration & Finance, University  
of Houston

12/21/23  
Date

  
Dr. Renu Khator

Chancellor, UH System  
President, University of Houston

01/18/2024  
Date

# UH-Clear Lake Certification Letter

November 22, 2023

Mr. Jack B. Moore  
Chair, Audit and Compliance Committee  
UH System Board of Regents, 128 E Cullen Bldg.  
4302 University Dr.  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of UH-Clear Lake financial statements and footnote information for the period ended August 31, 2023.

## Management Representations Related to Financial Statements

I have reviewed the financial statements of UH-Clear Lake and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of UH-Clear Lake financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Senior Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH-Clear Lake's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH-Clear Lake have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).

## UH-Clear Lake Certification Letter

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH-Clear Lake as of, and for, the periods presented in this report. (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.)
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2023 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.




Dr. Sherry Hawn

Associate Vice President  
Business Operations, UH Clear Lake

11/20/23

Date



Mr. Mark Denney

Vice President of Administration and  
Finance, UH Clear Lake

11/20/23

Date



Dr. Richard Walker

President, UH Clear Lake

11/20/23

Date

# UH Downtown Certification Letter

November 22, 2023

Mr. Jack B. Moore  
Chair, Audit and Compliance Committee  
UH System Board of Regents, 128 E Cullen Bldg.  
4302 University Dr.  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of UH Downtown's financial statements and footnote information for the period ended August 31, 2023.

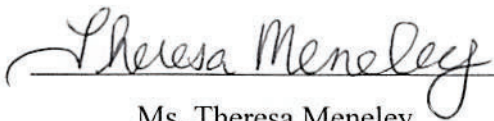
## Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Downtown and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Downtown's financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Senior Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Downtown's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Downtown have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).

## UH Downtown Certification Letter

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Downtown as of, and for, the periods presented in this report. (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.)
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2023 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.

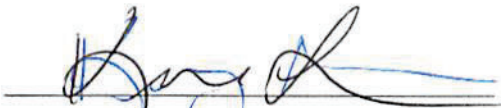


Ms. Theresa Meneley

Associate Vice President  
Business Affairs, UH Downtown

11/22/23

Date

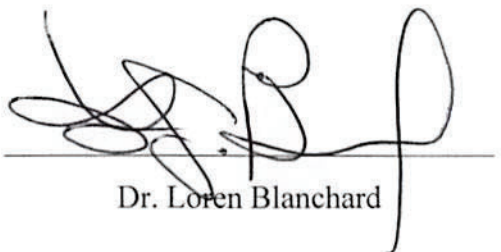


Ms. Kimberly Thomas

Vice President of Administration and  
Finance, UH Downtown

11/27/23

Date



Dr. Loren Blanchard

President, UH Downtown

11/27/2023

Date

# UH Victoria Certification Letter

November 22, 2023

Mr. Jack B. Moore  
Chair, Audit and Compliance Committee  
UH System Board of Regents, 128 E Cullen Bldg.  
4302 University Dr.  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of the UH Victoria's financial statements and footnote information for the period ended August 31, 2023.

## Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Victoria and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Victoria's financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Senior Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Victoria's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Victoria have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

## UH Victoria Certification Letter

7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Victoria as of, and for, the periods presented in this report. (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.)
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Senior Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2023 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.

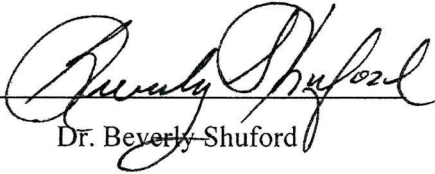


Ms. Erin Goodwin

Senior Finance Director,  
UH Victoria

12/6/2023

Date



Dr. Beverly Shuford

Vice President of Administration and  
Finance, UH Victoria

12/8/23

Date



Dr. Robert K. Glenn

President, UH Victoria

12/08/23

Date

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Annual Procurement Report, Fiscal Year 2023

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

Board of Regents policy 55.01.4, Reporting to the Board, requires that an annual report be submitted to the Board for:

- a. All payments for professional or consulting services made during the previous fiscal year from systemwide sources to a single entity that exceeded \$250,000;
- b. All payments for construction, equipment, goods and service contracts during the previous fiscal year from systemwide sources to a single entity that exceeded \$1,000,000; and
- c. All contracts that require enhanced contract or performance monitoring under Sections 2261.253, 2261.254 and 2261.255 of the Texas Government Code.

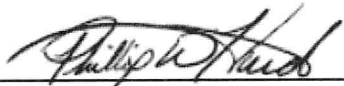
**SUPPORTING**

**DOCUMENTATION:** Board of Regents Annual Procurement Report, Fiscal Year 2023

**FISCAL NOTE:**


**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

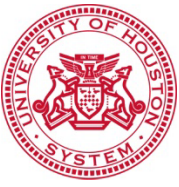
  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Phillip W. Hurd

2-1-24

\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

  
\_\_\_\_\_  
**DATE**



# The University of Houston System Annual Procurement Report, FY 2023

February 2024



Cover Photo: UH breaks ground on the Football Operations Center [Houston Football@UHCougarFB] (Nov. 17, 2023) [Tweet].

The UHS Annual Procurement Report provides information regarding the System's payments made to a single entity during the previous fiscal year from System-wide sources when payments exceed specific thresholds. In addition, the report provides information on active contracts, over \$1 million, which require enhanced monitoring. The report is compiled by the Financial Compliance and Contract Reporting Department and reviewed by Internal Audit for completeness, accuracy, and appropriate methodology in preparing the report.

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## Objectives

### Objective 1

Determine whether UHS has adequate procedures in place to ensure compliance with the following:

- UHS Board of Regents Policy 55.01.04, Reporting to the Board.
- Texas Government Code, Chapter 2261, State Contracting Standards and Oversight.

### Objective 2

Verify the accuracy of the Annual Procurement Report completed by the Financial Compliance and Contract Reporting Department.

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## Background

The Board of Regents' (BOR) contracting policy established requirements for agreements requiring Board approval, authority delegation, and annual reports to the Board for certain contracts. The BOR reporting policy addressing this requirement is as follows:

Following the end of each fiscal year, a report shall be submitted to the Board for:

- A. All payments for professional or consulting services made during the previous fiscal year from Systemwide sources to a single entity that exceeded \$250,000,
- B. All payments for construction, equipment, goods and service contracts during the previous fiscal year from System-wide sources to a single entity that exceeded \$1,000,000, and
- C. All contracts that require enhanced contract or performance monitoring under Sections 2261.253 to 2261.255 of the Texas Government Code.

The report shall be subject to the Department of Internal Auditing's review for compliance with the applicable laws and UHS policies. Investment agreements are not included in this reporting requirement.

# Observations and Audit Opinion

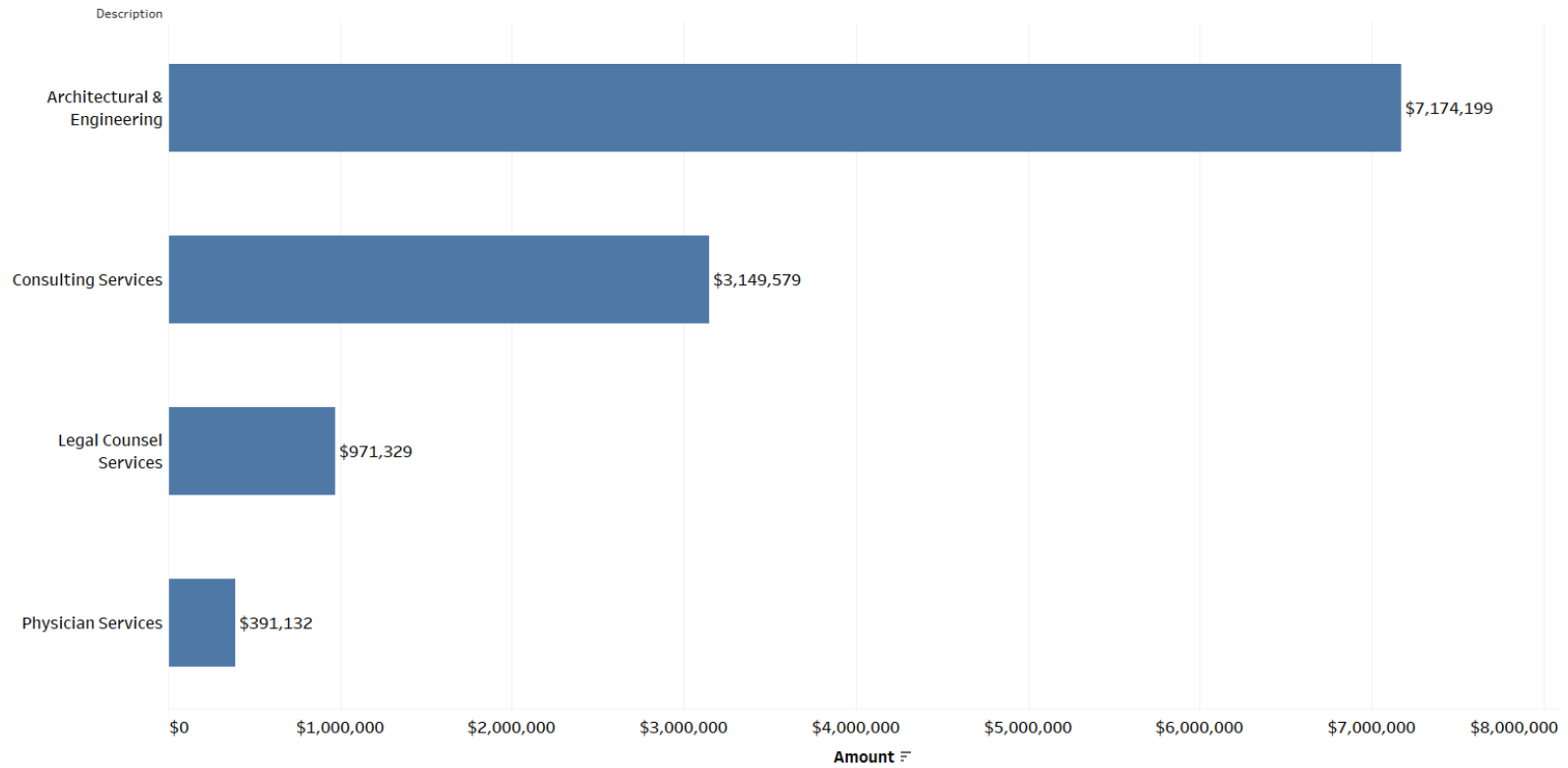
The report preparation methodology appears to be reasonable, the report appears to be accurate, and the report satisfies the annual reporting requirement for procurement activity, as outlined in BOR policy 55.01.04.

For the fiscal year 2023, the amount for consulting and professional services expended to a single entity exceeding \$250,000 (per entity) from a systemwide source totaled approximately \$11.7 million.

For fiscal year 2023, the total amount for construction, equipment, goods and service contracts to a single entity exceeding \$1,000,000 (per entity) was approximately \$254.9 million.

The chart below shows payments by category for professional/consulting services for fiscal year 2023. Attachment A in the appendix lists the payments by vendor.

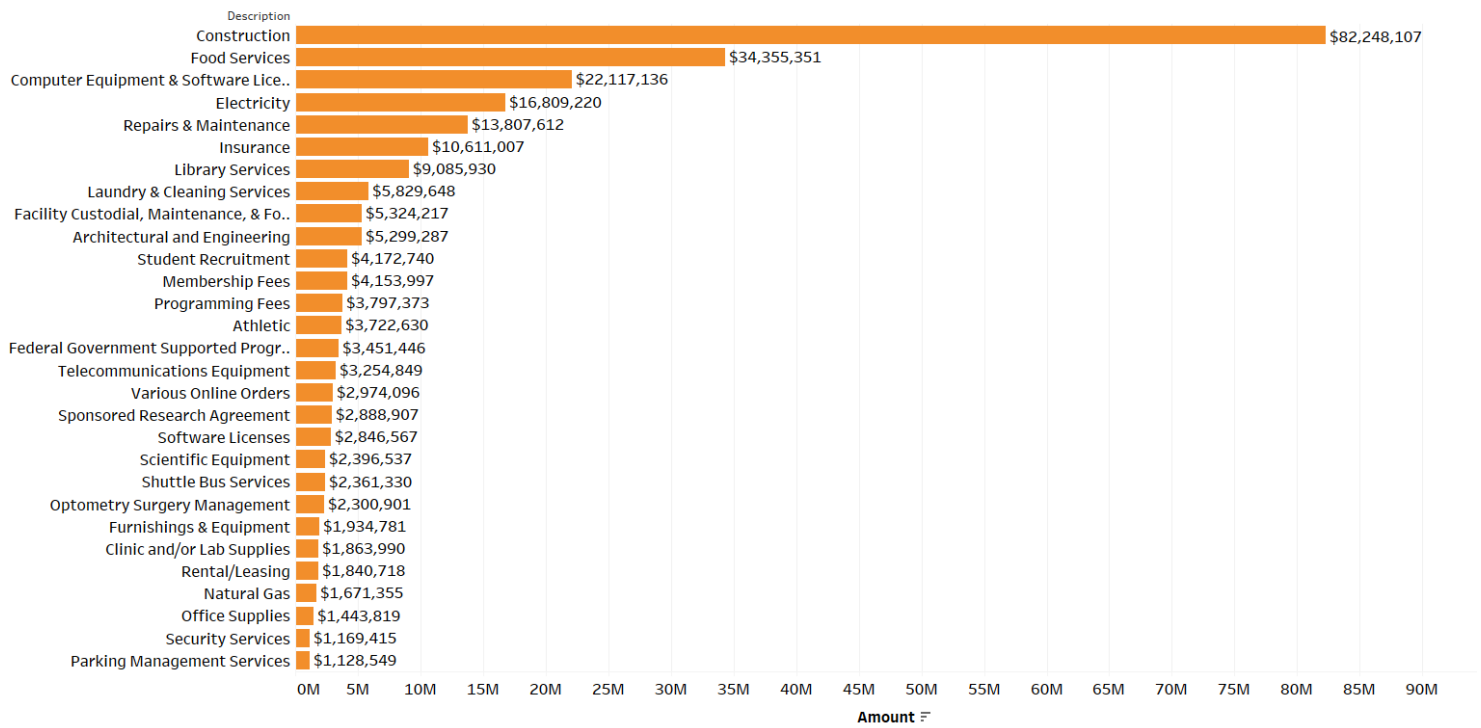
Attachment A  
All Payments for Professional or Consulting Services from System-Wide Sources to a Single Entity that Exceeded \$250,000



The chart below shows vendor payments for construction, equipment, goods and service contracts by category for fiscal year 2023. Attachment B in the appendix lists payments by vendor.

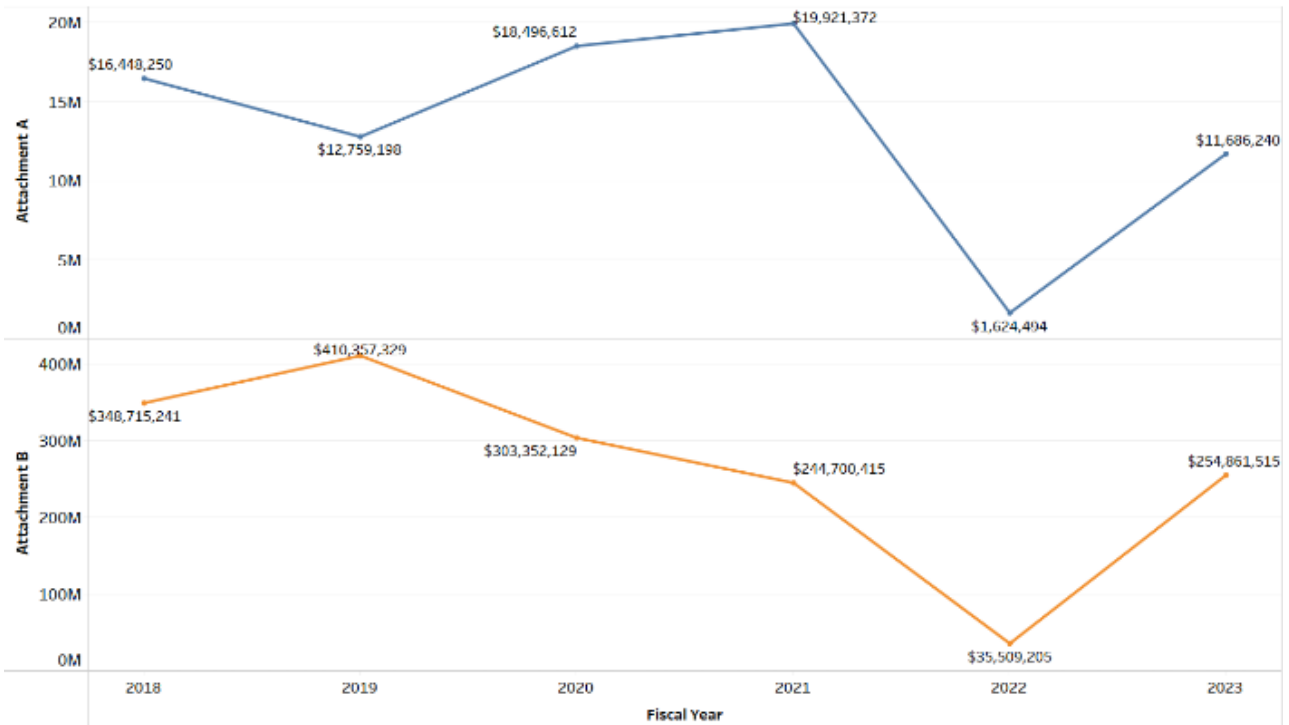
Attachment B

All Payments for Construction, Equipment, Goods and Service Contracts from System-Wide Sources to a Single Entity that Exceeded \$1,000,000



The graph below shows payments to vendors by year for the last six fiscal years, FY2018-FY2023.

Payments to a Single Entity FY2018 - FY2023



Measure Names

- Attachment A - All Payments for Professional or Consulting Services
- Attachment B - All Payments for Construction, Equipment, Goods and Service Contracts

The number of contracts requiring enhanced monitoring (\$1 million or more) totaled 75 contracts and represented \$629.8 million (see Attachment C-1).

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## Scope

The Internal Auditing Department reviewed the report procedures methodology and the report to determine the methodology used would ensure the report was accurate for the fiscal year 2023. Internal Auditing did not review contracts to ensure individual contracts were monitored.

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## Methodology

The methodology used to conduct this audit included:

- Reviewing UHS policies and procedures related to completing the Annual Procurement Report.
- Reviewing statutes related to completing the Annual Procurement Report.
- Interviewing Financial Reporting employees to identify processes related to completing the Annual Procurement Report.
- Running queries independently to verify amounts listed in the Annual Procurement Report.
- Reviewing past reports to identify spending trends.

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## Audit Standards

This review was conducted in accordance with Generally Accepted Government Auditing Standards. These standards require that the audit is 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 Financial Compliance and Contract Reporting Department for their cooperation and assistance during this audit process.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip Hurd". The signature is fluid and cursive, with the first name "Phillip" and last name "Hurd" clearly distinguishable.

**Chief Audit Executive**

Phillip Hurd, CIA, CEEP

**UHS Internal Auditing Department**

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

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

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

**Director, Operational and Financial Audits**

Brandee O'Neal, CIA, CFE

**Audit Team**

Eric Porter, Auditor III

Aiden Ho, Auditor I

## Attachment A

### All Payments for Professional or Consulting Services during FY2023 from System-Wide Sources to a Single Entity that Exceeds \$250,000

Vendor Name	Category	Total for FY2023
SMITHGROUP INC	Architectural & Engineering	1,731,143
PAGE SOUTHERLAND PAGE INC	Architectural & Engineering	1,687,956
DLR GROUP INC OF TEXAS	Architectural & Engineering	1,405,852
UNIV OF HOUSTON	Consulting Services	730,200
WALTER P MOORE & ASSOCIATES INC	Architectural & Engineering	463,721
GREENWOOD/ASHER & ASSOCIATES INC	Consulting Services	460,221
SHEPLEY BULFINCH RICHARDSON & ABBOTT INC	Architectural & Engineering	455,119
AON CONSULTING INC	Consulting Services	437,376
BRAILSFORD & DUNLAVEY INC	Consulting Services	423,874
A-G ADMINISTRATORS LLC	Consulting Services	410,000
HELLMUTH OBATA & KASSABAUM INC	Architectural & Engineering	391,454
UNIV OF HOUSTON	Physician Services	391,132
PERKINS & WILL, INC	Architectural & Engineering	388,060
SHACKELFORD, BOWEN, MCKINLEY AND NORTON,	Legal Counsel Services	367,280
ATTAIN CONSULTING GROUP LLC	Consulting Services	364,056
HUITT ZOLLARS INC	Architectural & Engineering	361,229
BLANK ROME LLP	Legal Counsel Services	350,017
MCALLISTER AND QUINN LLC	Consulting Services	323,852
INFRASTRUCTURE ASSOCIATES	Architectural & Engineering	289,665
JACKSON WALKER LLP	Legal Counsel Services	254,032
<b>Grand Total</b>		<b><u>11,686,239</u></b>

## Attachment B

### All Payments for Construction, Equipment, Goods Service Contracts during FY2023 from System-Wide Sources to a Single Entity that Exceeds \$1,000,000

Vendor Name	Category	Total for FY2023
COMPASS GROUP USA INC	Food Services	32,840,403
J T VAUGHN CONSTRUCTION LLC	Construction	30,643,314
TURNER CONSTRUCTION COMPANY	Construction	17,620,343
CAVALLO ENERGY TEXAS LLC	Electricity	16,809,220
ARTHUR J GALLAGHER & CO.	Insurance	9,359,162
DPR CONSTRUCTION A GENERAL PARTNERSHIP	Construction	8,344,508
EBSCO INDUSTRIES INC	Library Services	7,990,667
P D MORRISON ENTERPRISES INC	Repairs & Maintenance	6,872,544
AUSTIN COMMERCIAL, LP	Construction	6,738,307
HIED INC	Computer Equipment & Software Licenses	6,548,686
SOJI SERVICES INC	Laundry & Cleaning Services	5,829,648
OVG FACILITIES LLC	Facility Custodial, Maintenance, & Food Services	5,324,217
WHITING-TURNER CONTRACTING COMPANY	Construction	4,983,072
SUMMUS INDUSTRIES INC	Computer Equipment & Software Licenses	4,171,097
FOLLETT CORPORATION	Federal Government Supported Program	3,451,446
AMAZON.COM, INC.	Various Online Orders with P-Card & Vouchers	2,974,096
AMERESCO INC	Construction	2,967,833
AMERICAN ATHLETIC CONFERENCE	Membership Dues	2,661,000
ORACLE AMERICA, INC	Computer Equipment & Software Licenses	2,555,593
TSP SPECIALTY PRODUCTS LTD	Construction	2,526,961
FISHER SCIENTIFIC CO LLC	Scientific Equipment	2,396,537
GROOME TRANSPORTATION OF TEXAS LLC	Shuttle Bus Services	2,361,330
E CITY INTERACTIVE INC	Student Recruitment	2,311,561
ADVANTAGE SURGICAL PARTNERS LLC	Optometry Surgery Management	2,300,901
NOBLE TEXAS BUILDERS LLC	Construction	2,179,108
HVAC MECHANICAL SERVICES OF TEXAS LTD	Repairs & Maintenance	2,171,301

<b>Vendor Name</b>	<b>Category</b>	<b>Total for FY2023</b>
PUBLIC BROADCASTING SERVICE	Programming Fees	2,142,092
NETSYNC NETWORK SOLUTIONS INC	Telecommunications Equipment	2,017,166
ABM TEXAS GENERAL SERVICES	Repairs & Maintenance	1,988,471
J TYLER SERVICES INC	Furnishings & Equipment	1,934,781
DLR GROUP INC OF TEXAS	Architecture and Engineering/Administrative Costs	1,871,294
ALCON VISION LLC	Clinic and/or Lab Supplies	1,863,990
ACADEMIC PARTNERSHIPS LLC	Student Recruitment	1,861,179
LONE STAR COLLEGE SYSTEM	Rental/Leasing	1,840,718
NASH INDUSTRIES INC	Repairs & Maintenance	1,765,063
MCA COMMUNICATIONS INC	Computer equipment & Software Licenses	1,751,239
SMITHGROUP INC	Architectural and Engineering	1,731,143
MOBIUS PARTNERS LTD	Computer Equipment & Software Licenses	1,697,965
PAGE SOUTHERLAND PAGE INC	Architectural and Engineering	1,696,850
TEXAS GENERAL LAND OFFICE	Natural Gas	1,671,355
NATIONAL PUBLIC RADIO	Programming Fees	1,655,281
BUCKEYE TECHNOLOGY SOLUTIONS	Computer Equipment and Software Licenses	1,531,807
ARAMARK CORPORATION	Food Services	1,514,948
INSTRUCTURE INC	Software licenses	1,513,518
NIKE USA INC	Athletic Equipment	1,512,129
TELLEPSEN BUILDERS LP	Construction	1,509,852
EAB GLOBAL INC	Membership Fees	1,492,997
BAYLOR COLLEGE OF MEDICINE	Sponsored Research Agreement	1,473,750
TEJAS OFFICE PRODUCTS INC	Office Supplies	1,443,819
UNIV OF TEXAS-AUSTIN	Sponsored Research Agreement	1,415,157
SHI GOVERNMENT SOLUTIONS INC	Computer Equipment & Software Licenses	1,349,805
RAIN KING INC	Construction	1,335,400
SET SOLUTIONS INC	Software licenses	1,333,049
ORACLE ELEVATOR HOLDCO INC	Computer Equipment & Software Licenses	1,326,451
TEXAS CHILDRENS HOSPITAL	Construction	1,303,390
ARTHUR J GALLAGHER RISK MANAGEMENT	Insurance	1,251,845

<b>Vendor Name</b>	<b>Category</b>	<b>Total for FY2023</b>
LAYER 3 COMMUNICATIONS LLC	Telecommunications Equipment	1,237,683
APPLE INC	Computer Equipment	1,184,493
ANDY FRAIN SERVICES INC	Security Services	1,169,415
ENDEAVOR OLE PARENT LLC	Athletic Team Travel	1,156,608
REPUBLIC PARKING SYSTEM	Parking Management Services	1,128,549
ELSEVIER INC	Library Services	1,095,263
COTTON COMMERCIAL USA INC	Construction	1,087,338
SHORTS TRAVEL MANAGEMENT INC	Athletic Team Travel	1,053,893
BIO LANDSCAPE & MAINTENANCE INC	Repairs and maintenance	1,010,233
ELECTRIC POWER SYSTEMS INTERNATIONAL INC	Construction	1,008,681
<b>Grand Total</b>		<b><u>254,861,515</u></b>

# Attachment C-1

## Existing UH System Contracts that Require Enhanced Contract or Performance Monitoring as of August 31, 2023 (per Texas Government Code 2261.253, 2261.254, and 2261.255)

#	Vendor Name	Contract Description	Contract Start Date	Contract End Date	Contract Amount/Max	Procurement Method	Board Approved	Performance
1	A Status Construction LLC	Job Order Contracts	5/1/2021	4/30/2023	\$10,000,000	Request for Proposal	5/16/2019	Satisfactory
2	ABM Texas General Services, Inc.	Campus Wide Irrigation, Landscaping and Mowing Services	2/5/2020	12/31/2022	\$3,000,000	Request for Proposal	5/16/2019	Satisfactory
3	ABM Texas General Services, Inc.	Katy and Sugar Land Campus Facility Management	6/10/2020	7/31/2023	\$3,200,000	Request for Proposal	5/16/2019	Satisfactory
4	Academic Partnerships	On-line Marketing for Degree Programs	1/1/2018	5/31/2024	\$9,562,840	Request for Proposal	3/8/2018	Satisfactory
5	AECOM Technical Services Inc	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020	Satisfactory
6	Affinity Licensing LLC	Trademark Licensing Agency Representation	1/1/2021	12/31/2023	\$4,100,000	Request for Proposal	12/3/2020	Satisfactory
7	AHI Facility Services Inc	Custodial Services	12/1/2018	12/31/2021	\$2,500,000	Request for Proposal	5/24/2018	Satisfactory
8	Armko Industries	Continuing Services Agreement (CSA) for Building Envelope Services	9/1/2018	9/1/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
9	Austin Commercial LP	John M. O'Quinn Law Building	1/29/2020	8/31/2022	\$69,925,000	Request for Qualifications	2/27/2020	Satisfactory
10	Aviles Engineering Corporation	Continuing Services Agreement (CSA) for Materials Testing	9/1/2018	8/31/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
11	Bank of America	Treasury Management and Merchant Services	6/1/2019	6/1/2024	\$25,200,000	Request for Proposal	8/23/2018	Satisfactory
12	BKD LLP	External Audit Services	11/7/2018	8/31/2023	\$1,037,185	Request for Qualifications	3/8/2018	Satisfactory
13	Blackbaud	Fundraising Constituent Relationship Management System (Software)	3/12/2020	12/31/2023	\$1,300,489	Request for Proposal	5/16/2019	Satisfactory
14	Blackmon Mooring of Texas Inc.	Disaster Restoration and Emergency Recovery Service Agreement	6/1/2018	5/31/2021	\$10,000,000	Request for Proposal	5/18/2017	Satisfactory
15	Brand Value Accelerator, LLC	Digital Marketing	11/1/2017	8/31/2021	\$2,024,217	Request for Proposal	5/21/2020	Satisfactory
16	Brown & Root Industrial Services LLC	Job Order Contracts	5/1/2021	4/30/2023	\$10,000,000	Request for Proposal	5/16/2019	Satisfactory
17	Campos Engineering Inc.	Continuing Services Agreement (CSA) for Testing, Adjusting, and Balancing	9/1/2018	8/31/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
18	Campus Management Corporation	Customer Relationship Management System	3/3/2016	8/31/2022	\$1,411,668	Request for Proposal	5/21/2020	Satisfactory
19	CMC Development & Construction Corporation LLC	Student Health Building -HR Renovation	2/1/2021	7/21/2021	\$2,401,331	Competitive Sealed Proposal	8/20/2020	Satisfactory
20	Collegiate Enterprise Solutions, LLC dba The Registry for College and University	Executive Staffing Services	1/29/2018	8/31/2021	\$1,400,000	Request for Proposal	8/20/2020	Satisfactory
21	Con-Real Support Group LP	Project Management Augmentation	12/1/2021	11/30/2026	\$5,000,000	Request for Proposals	2/28/2019	Satisfactory

#	Vendor Name	Contract Description	Contract Start Date	Contract End Date	Contract Amount/Max	Procurement Method	Board Approved	Performance
22	DNA Studios, LLC	Athletics Production Services	9/1/2020	8/31/2023	\$1,912,500	Request for Proposal	5/21/2020	Satisfactory
23	DPR Construction	Hilton Expansion & Renovation	9/23/2019	12/31/2022	\$22,210,000	Request for Qualifications	2/28/2019	Satisfactory
24	EBSCO Information Services	Library Subscription Services	11/1/2020	8/31/2023	\$18,465,000	Request for Proposal	5/21/2020	Satisfactory
25	EBSCO Information Services	Library Subscription Services	9/1/2020	8/31/2025	\$4,940,325	Request for Proposal	2/28/2019	Satisfactory
26	eCity Interactive Inc	Marketing strategy and services	11/12/2021	11/12/2022	\$1,309,526	Request for Proposals	5/20/2021	Satisfactory
27	EMR Elevator, Inc	Campus Elevator Maintenance and Modernization	12/1/2021	11/30/2026	\$2,026,704	Request for Proposals	2/27/2020	Satisfactory
28	Engineered Air Balance Co. Inc.	Continuing Services Agreement (CSA) for Testing, Adjusting, and Balancing	9/1/2018	8/31/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
29	Ex Libris (USA) Inc	Library Services Platform	5/31/2019	5/30/2024	\$1,608,719	Request for Proposal	3/8/2018	Satisfactory
30	EYP, Inc.	TMC Building Renovation	11/17/2020	12/31/2022	\$2,000,000	Request for Proposal	8/22/2019	Satisfactory
31	Follett	Management of the UHS Bookstores	9/16/2019	9/15/2024	\$6,725,000	Request for Proposal	5/16/2019	Satisfactory
32	Gutier LLC	Third Ward Advancing Community Engagement Institute (TW-ACE)	12/16/2020	8/31/2021	\$1,897,334	Competitive Sealed Proposal	3/8/2018	Not Satisfactory
33	Hewlett Packard Enterprise	High Performance Computing System	3/12/2020	6/30/2025	\$2,491,351	Sole Source	2/27/2020	Satisfactory
34	JBCR, Inc. DBA Skelton Business Equipment	Copier Lease and Maintenance	8/1/2021	7/31/2024	\$4,500,000	Request for Proposal	5/20/2021	Satisfactory
35	Johnson Controls Fire Protection LP	Multiple Fire Alarm Upgrades - Phase 2	9/24/2021	9/13/2022	\$1,187,599	Sole Source	8/20/2020	Satisfactory
36	JT Vaughn Construction LLC	Recreation Sports Field Project	4/11/2022	9/8/2022	\$1,111,327	Request for Proposals	2/24/2022	Satisfactory
37	JT Vaughn Construction LLC	Hunter Hall Emergency Generator	2/28/2022	11/28/2022	\$1,448,000	Request for Proposals	12/2/2021	Satisfactory
38	Kirksey Architects, Inc.	Hilton Expansion & Renovation	7/26/2019	12/31/2022	\$2,482,000	Request for Qualifications	2/28/2019	Satisfactory
39	Kitchell Contractors, Inc.	Graduate College of Social Work	11/22/2019	1/31/2021	\$3,390,500	Construction Manager at Risk	8/22/2019	Satisfactory
40	Layer 3 Communications, LLC	Campus Network Infrastructure	8/12/2021	8/11/2026	\$12,000,000	Request for Proposal	5/20/2021	Satisfactory
41	LCCx LLC d/b/a Lackey de Carvajal Cx	Continuing Services Agreement (CSA) for Testing, Adjusting, and Balancing	9/1/2018	8/31/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
42	MCA Communications	Hyflex Classroom Upgrades	12/22/2021	4/22/2022	\$3,187,725	Request for Proposals	8/26/2021	Satisfactory
43	MCA Communications, Inc.	Classroom Upgrade Project	12/22/2021	4/22/2022	\$3,599,343	Request for Proposals	8/26/2021	Satisfactory
44	Nash Industries Inc	Job Order Contracts	5/1/2021	4/30/2023	\$10,000,000	Request for Proposal	5/16/2019	Satisfactory
45	NEPC, LLC	Investment consultant for UHS Endowment and Non-Endowed Investments	3/1/2021	2/29/2024	\$1,960,000	Request for Proposal	12/3/2020	Satisfactory
46	Noble Texas Builders, LLC	Job Order Contracts	5/1/2021	4/30/2023	\$10,000,000	Request for Proposal	5/16/2019	Satisfactory
47	Oracle America, LLC	Oracle Enterprise System Software Maintenance and Support	127 9/1/2021	8/31/2031	\$28,675,000	Sole Source	8/26/2021	Satisfactory

#	Vendor Name	Contract Description	Contract Start Date	Contract End Date	Contract Amount/Max	Procurement Method	Board Approved	Performance
48	OVG Facilities*	Athletics Facility Custodial Services, Facility Maintenance Services, and Food Services	8/1/2019	7/31/2024	\$108,540,910	Request for Proposal	7/19/2019	Satisfactory
49	P.D. Morrison Enterprises, Inc.	MRO Inventory, Supplies Management and Services for Facilities Services Supplies	12/1/2018	11/30/2021	\$22,000,000	Request for Qualifications	11/16/2017	Satisfactory
50	Page Southerland Page, Inc.	Core Renovations	1/24/2019	12/15/2024	\$1,365,940	Request for Qualifications	8/23/2018	Satisfactory
51	Parchment, LLC	Academic Transcript Delivery and Diploma Replacement Order Processing Service	9/1/2021	8/31/2024	\$2,500,000	Request for Proposal	5/20/2021	Satisfactory
52	Perkins & Will Inc	Auxiliary Retail Center	9/1/2020	12/31/2022	\$2,847,445	Request for Qualifications	11/14/2019	Satisfactory
53	Price Consulting Inc	Continuing Services Agreement (CSA) for Building Envelope Services	9/1/2018	9/1/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
54	Professional Service Industries, Inc	Continuing Services Agreement (CSA) for Materials Testing	9/1/2018	8/31/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
55	Quadient Inc. (formerly known Neopost USA)	Package Lockers	4/1/2020	8/31/2028	\$1,502,392	Texas Smart Buy	5/20/2021	Satisfactory
56	Quorum Group LLCDBA Takeform	Exterior Wayfinding Signage	2/26/2021	9/14/2021	\$1,518,632	Request for Proposal	8/22/2019	Satisfactory
57	RR Williams & Associates Inc	Hilton Expansion & Renovation	11/30/2021	8/31/2024	\$2,000,000	Request for Proposals	5/20/2021	Satisfactory
58	Shepley Bulfinch	John M. O'Quinn Law Building	10/4/2019	3/31/2022	\$6,190,000	Request for Qualifications	2/27/2020	Satisfactory
59	Simpson, Bumpertz & Heger Inc	Continuing Services Agreement (CSA) for Building Envelope Services	9/1/2018	9/1/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
60	Smith Group	Student Wellness & Success Center	3/5/2020	7/31/2022	\$2,550,000	Request for Qualifications	8/22/2019	Satisfactory
61	Smith Group, Inc.	Health and Wellness Center	6/7/2021	8/31/2023	\$1,541,639	Request for Qualifications	8/20/2020	Satisfactory
62	SOJI Services Inc. DBA Metroclean	Custodial Services	5/1/2022	4/30/2029	\$24,000,000	Request for Proposals	5/20/2021	Satisfactory
63	State Office of Risk Management	Workers Compensation/Risk Management Services	9/1/2021	8/31/2023	\$2,360,540	Sole Source	12/2/2021	Satisfactory
64	Technolutions	Customer Relationship Management (CRM) for Enrollment Services	3/1/2022	6/30/2027	\$2,000,342	Request for Proposals	8/26/2021	Satisfactory
65	Tellepsen Builders, LP	Core Renovations	6/25/2019	11/30/2024	\$65,817,787	Construction Manager at Risk	8/23/2018	Satisfactory
66	Terracon Consultants, Inc	Continuing Services Agreement (CSA) for Materials Testing	9/1/2018	8/31/2021	\$1,500,000	Request for Qualifications	3/8/2018	Satisfactory
67	Texas Liqua Tech Services, Inc	One Main Building Waterproofing	5/28/2021	12/31/2022	\$1,232,725	Cooperative Contract	5/20/2021	Satisfactory
68	Thermo Fisher Scientific	Scanning Electron Microscope	12/22/2021	12/31/2026	\$2,049,350	Sole Source	12/2/2021	Satisfactory
69	Turner Construction Company	Auxiliary Retail Center	11/17/2020	12/31/2022	\$32,958,890	Request for Qualifications	11/14/2019	Satisfactory
70	Vaughn Construction LLC	Science, Engineering, & Research HVAC Upgrades &	7/1/2019	4/30/2024	\$12,957,000	Request for Proposals	12/2/2021	Satisfactory

#	Vendor Name	Contract Description	Contract Start Date	Contract End Date	Contract Amount/Max	Procurement Method	Board Approved	Performance
71	VisionPoint Marketing	Digital marketing for University of Houston Programs	4/13/2021	6/30/2022	\$1,396,304	Request for Proposals	12/2/2021	Satisfactory
72	Winstead PC	Legal Services	9/1/2021	8/31/2023	\$1,500,000	Request for Qualifications	8/26/2021	Satisfactory
73	Winvale (PMWeb)	Project Management Information System (Facilities & Construction Management)	9/1/2019	8/31/2024	\$1,114,249	Sole Source	8/22/2019	Satisfactory
74	Zayo Group Fiber Optics	Fiber Optic Cable Services	12/30/2004	10/12/2025	\$1,500,000	Request for Proposal	5/16/2019	Satisfactory
75	Zuri Group	Fundraising Constituent Relationship Management System (Conversion & Implementation Services)	9/1/2020	8/31/2023	\$2,194,050	Request for Proposal	5/16/2019	Satisfactory
	<b>Grand Total</b>				<b>\$629,828,878</b>			

## Attachment C-2

### New UH System Contracts that Require Enhanced Contract or Performance Monitoring as of August 31, 2023 (per Texas Government Code under Sections 2261.253, 2261.254, and 2261.255)

Vendor Name	Contract Description	Contract Start Date	Contract End Date	Contract Amount/Max	Procurement Method	Board Approved
SmithGroup Inc	Academic Building 2	7/1/2022	7/31/2024	\$3,695,000	Request for Qualifications	12/2/2021
Turner Construction Company	Auxiliary Retail Center	8/1/2020	12/31/2022	\$35,899,439	CMAR	12/2/2021
Whiting-Turner Construction Company	Campus Recreation and Wellness Center Interior Improvements	3/31/2023	3/6/2024	\$6,466,951	CMAR	12/2/2021
Ameresco	Energy Performance Savings Contract	5/23/2022	6/1/1938	\$3,346,186	Cooperative Contract (Texas TIPS)	12/2/2021
CMC Development & Construction Corporation LLC	Lighting & Security Upgrades	9/1/2022	1/15/2023	\$2,955,500	Competitive Sealed Proposal	8/20/2020
DLR Group Inc of Texas	Football Operations Bldg	6/1/2022	12/31/2024	\$4,999,075	Request for Qualifications	2/24/2022
Siemens Industry Inc	UH Lab HVAC Maintenance and Repairs	12/1/2022	11/31/25	\$2,500,000	Request for Proposal	2/24/2022
AMB Architects PLLC	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
O'Connell Roberston & Associates Inc	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
Stern and Bucek Architects PLLC	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
Courtney Harper + Partners LC.	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
PBK Architects Inc.	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
Kirksey Architects Inc	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
Huitt-Zollars, Inc.	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
Ziegler Cooper Inc DBA Ziegler Cooper Architects	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
Hellmuth, Obata and Kassabaum LP.	Architectural Services CSA	6/1/2022	6/1/2025	\$1,500,000	Request for Qualifications	12/3/2020
PBK Architects Inc.	Northwest Campus Phase 2 and University North Building	3/1/2023	10/17/2025	\$1,820,850	Request for Qualifications	5/19/2022
Infrastructure Canvas LMS	Learning Management System	1/1/2023	12/31/2025	\$2,863,523	Sole Source	5/19/2022
JT Vaughn Construction LLC	Cougar Woods Generator	9/1/2022	11/6/2023	\$2,251,000	CSP	5/19/2022
JT Vaughn Construction LLC	South Campus Fueling Station	11/16/2022	3/11/2024	\$1,448,500	CSP	5/19/2022
Rain King Inc	Center Building Roof Replacement	4/6/2023	10/30/2023	\$1,331,000	CSP	5/19/2022
Vendor: Aramark Educational Services LLP	Conrad N. Hilton College of Global Hospitality Leadership Food and Beverage Management Services	3/1/2023	12/31/2025	\$7,250,000	Request for Proposal	12/1/2022
Canteen Compass USA	UHS Snack Vending Revenue Contract	2/1/2023	1/31/2028	\$1,146,500	Request for Proposal	12/1/2022

Vendor Name	Contract Description	Contract Start Date	Contract End Date	Contract Amount/Max	Procurement Method	Board Approved
Whiting-Turner Construction Company	TDECU Premium Seating	10/1/2022	8/31/2023	\$3,235,000	CMAR	11/30/2022
Noble Texas Builders, LLC	Fine Arts Building Water Infiltration & Foundation Repairs	2/20/2023	9/30/2023	\$1,565,405	CSP	11/30/2022
Whiting-Turner Construction Company	Guy V. Lewis Development Center Men's and Women's Locker Room Renovations	6/15/2023	1/1/2024	\$4,075,308	CMAR	2/23/2023
E Contractors	Houston Public Media Infrastructure Upgrades	4/24/2023	9/27/2024	\$2,843,735	CSP	2/23/2023
Kimley-Horn and Associates Inc	Civil Engineering Continuing Services Agreement	3/8/2023	3/8/2026	\$1,250,000	Request for Qualifications	2/24/2022
3L USA LLC	University Vehicle Fueling	2/1/2023	2/28/2026	\$2,585,000	Request for Proposal	8/1/2022
Dowley Security Systems Inc	Campus Cabling, AV, and Security Systems Infrastructure	11/7/2022	11/6/2027	\$2,000,000	Request for Proposal	8/1/2022
Focus EduSolutions	Continuing Education Course Development, production, marketing and recruitment	1/1/2023	12/31/2025	\$2,030,000	Request for Proposal	5/19/2022
Advantage Surgical Partners LLC	Ambulatory Surgery Center Services	11/1/2022	10/31/2025	\$17,000,000	Request for Proposal	5/19/2022
Thermo Fisher Scientific	Mass Spectrometry Equipment	3/28/2023	3/28/2023	\$2,020,200	Cooperative Purchasing Program	2/24/2023
Dowley Security Systems Inc	Campus Cabling, AV, and Security Systems Infrastructure	12/1/2022	11/30/2023	\$1,289,578	Request for Proposal	5/24/2018
<b>Grand Total</b>				<b><u>\$131,367,750</u></b>		

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Internal Audit Reports

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Fiscal Year 2024 Internal Audit Activity since November 16, 2023, and Internal Audit Reports issued since the November 16, 2023, Audit & Compliance Committee meeting of the Board of Regents of the University of Houston System are provided.

The Internal Audit Reports included will be filed with the Governor's Office of Budget, Planning, and Policy; the State Auditor's Office; and the Legislative Budget Board, within the next 30 days, as required by the Texas Government Code, Section 2102.0091.

**SUPPORTING**

**DOCUMENTATION:** Internal Audit Activity and Internal Audit Reports


**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Phillip W. Hurd

2-1-24  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/19/24  
\_\_\_\_\_  
**DATE**

Report to the Audit and Compliance Committee  
of the University of Houston System  
Board of Regents  
February 21, 2024

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

FY 2024 INTERNAL AUDIT ACTIVITY  
since November 16, 2023

and

INTERNAL AUDIT REPORTS

AR2024-07 Contracts Requiring Board of Regents' Approval  
AR2024-08 UHCL Laboratory Safety

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.

# FY24 Internal Audit Activity

Since November 16, 2023 Board of Regents Audit and Compliance Committee Meeting

## Audits Completed

- Contracts Requiring Board of Regents Approval  
AR2024-01  
AR2024-07
- Board of Regents Travel and Entertainment FY23  
AR2024-02
- Chancellor/President's Travel and Entertainment FY23 (UHS/UH)  
AR2024-03
- UHCL President's Travel and Entertainment FY23  
AR2024-04
- UHD President's Travel and Entertainment FY23  
AR2024-05
- UHV President's Travel and Entertainment FY23  
AR2024-06
- UHCL Laboratory Safety  
AR2024-08

## Special Projects Completed

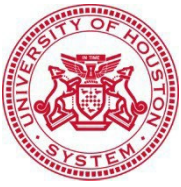
- UHS Institutional Compliance Fraud and Non- Compliance Hotline Reports (≈34)

## Audits in Progress

- Travel Expense (UH, UHCL, and UHD)
- Board of Regents Travel and Entertainment FY24
- President's Travel and Entertainment FY24 (UH, UHCL, UHD and UHV)
- Contracts Requiring Board of Regents Approval (UHS)
- Procurement Card Management (UH, UHD, and UHV)
- Research Lab Safety (UH and UHD)
- UHV Scholarships
- UH College of Medicine Joint Admission Medical Program
- UH Minors on Campus
- UH ERC

## Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UH information security (multiple reports)
- UHCL Apartment Contract
- UH Bursar's Office
- UHCL Conflict of Interest
- UH Biology Department
- UHD Veterans Services
- UHCL College of Human Sciences and Humanities



## Internal Auditing Department

# Report to the Audit and Compliance Committee of the UHS Board of Regents on:

## Contracts Requiring Board of Regents Approval

AR2024-07

February 2024



Photo courtesy of University of Houston Purchasing Department website

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## Contents

Executive Summary .....	1
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Scope of Work.....	1
Audit Procedures .....	2
Conclusion .....	2
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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 October 1, 2023 through December 31, 2023. 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 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.

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## 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.

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## Scope of Work

The IAD review of procurement of contracts requiring Board of Regents approval covers the time period from October 1, 2023 through December 31, 2023.

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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 Purchasing Department Flowcharts for projects/contracts requiring UHS Board of Regents approval can be found in Appendix 2 (major construction projects) and Appendix 3 (other contracts requiring UHS Board of Regents approval).

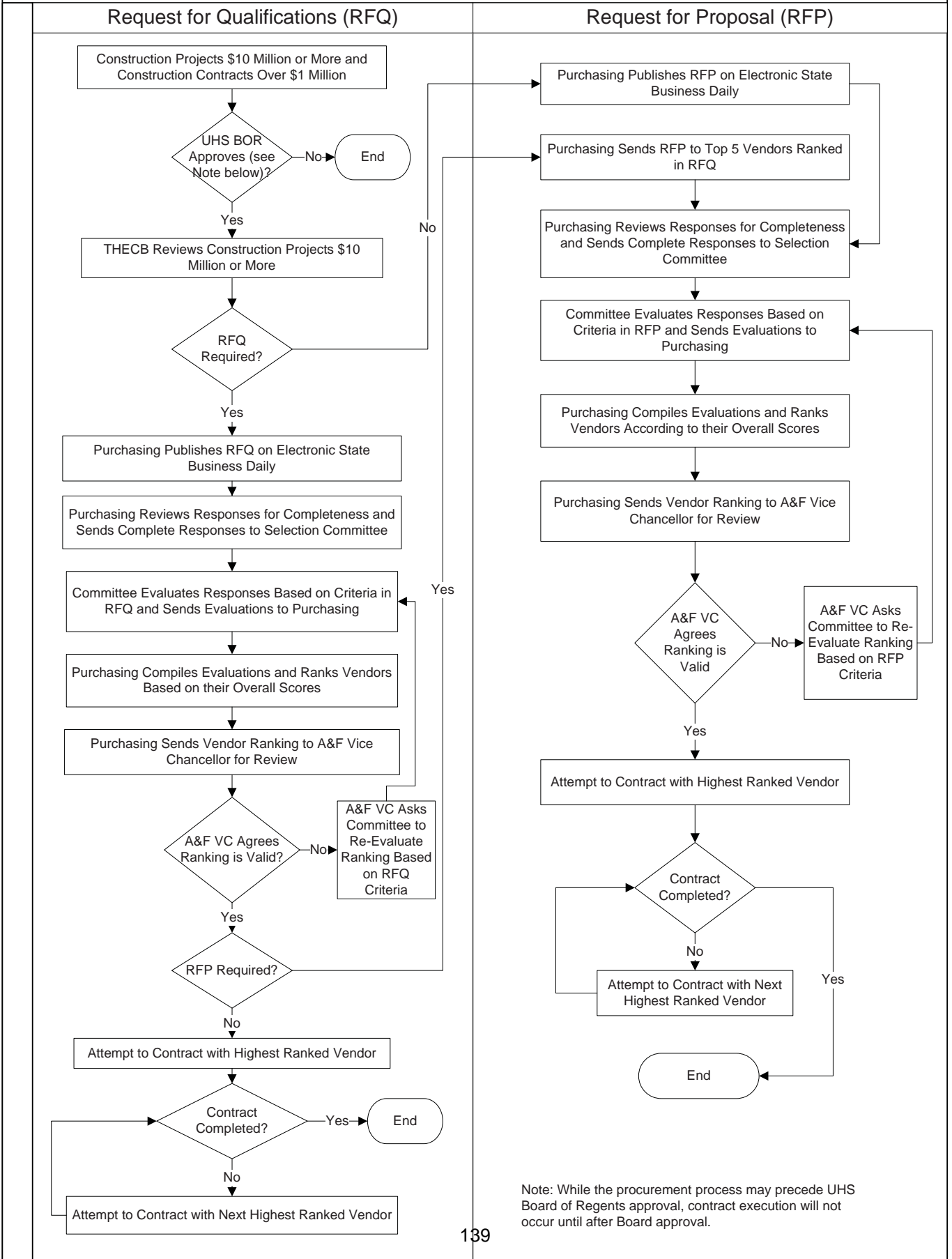
Contracts Requiring Board of Regents Approval  
Internal Audit Activity  
October 1, 2023 to December 31, 2023

Project or Contract Description	Solicitation Type	(\$ Millions) Amount	BOR Approval		Internal Audit Review	
			FCMP Comm. (Scope)	F&A Comm. (Financing)	Initiated	Completed
			Date	Date		
<b><u>Construction Projects \$10 Million and Over</u></b>						
UHD - CMAR UHD Welcome Center and One Main Renovations	RFP	44.9	11/21/2022	11/21/2022	✓	
UH - CMAR TMC Building #701 Renovation Step 1	RFQ	30.5	11/21/2022	11/21/2022	✓	
UH - CMAR Agnes Arnold Hall	RFQ	61.1	8/17/2023	8/17/2023	✓	
UH - CMAR Hobby School Step 1	RFQ	52.0	2/17/2022	2/17/2022	✓	
UH - CMAR Innovation Hub at the University of Houston Central Campus	RFQ	72.4	11/21/2022	11/21/2022	✓	
<b><u>Construction Projects Over \$1 Million and Under \$10 Million</u></b>						
UHV - Totah Building Demo and Smith Hall Parking	RFP	2.0	N/A	8/17/2023	✓	✓
<b><u>Non-Construction Contracts Over \$1 Million</u></b>						
UHS - Construction Audit CSA	RFQ	3.0	N/A	2/17/2022	✓	✓
UHS - System Wide Natural Gas	RFP	7.5	N/A	12/2/2021	✓	✓
UH - MRO SCS	RFP	38.0	N/A	5/11/2023	✓	✓
UHS - Commissioning Services	RFQ	3.0	N/A	5/11/2023	✓	✓
UHS - TABS on As Needed Basis	RFQ	3.0	N/A	5/11/2023	✓	✓
UHS - Microsoft Software Services	RFP	6.5	N/A	11/21/2023	✓	✓
UHCL - Print and Mail Services Operations	RFP	2.0	N/A	11/21/2023	✓	✓
UHS - Security Guard Services	RFP	11.3	N/A	11/21/2023	✓	

CMAR - Construction Manager at Risk  
 AE - Architectural and Engineering Services (RFQ only)  
 SS - Sole Source  
 ITB - Invitation to Bid  
 ✓ - Initiated or Completed in the current period.  
 ✓ - Initiated or Completed in a prior period.

RFP - Request for Proposal  
 RFQ - Request for Qualifications  
 FE - Furnishings and Equipment  
 CSP - Competitive Sealed Proposal

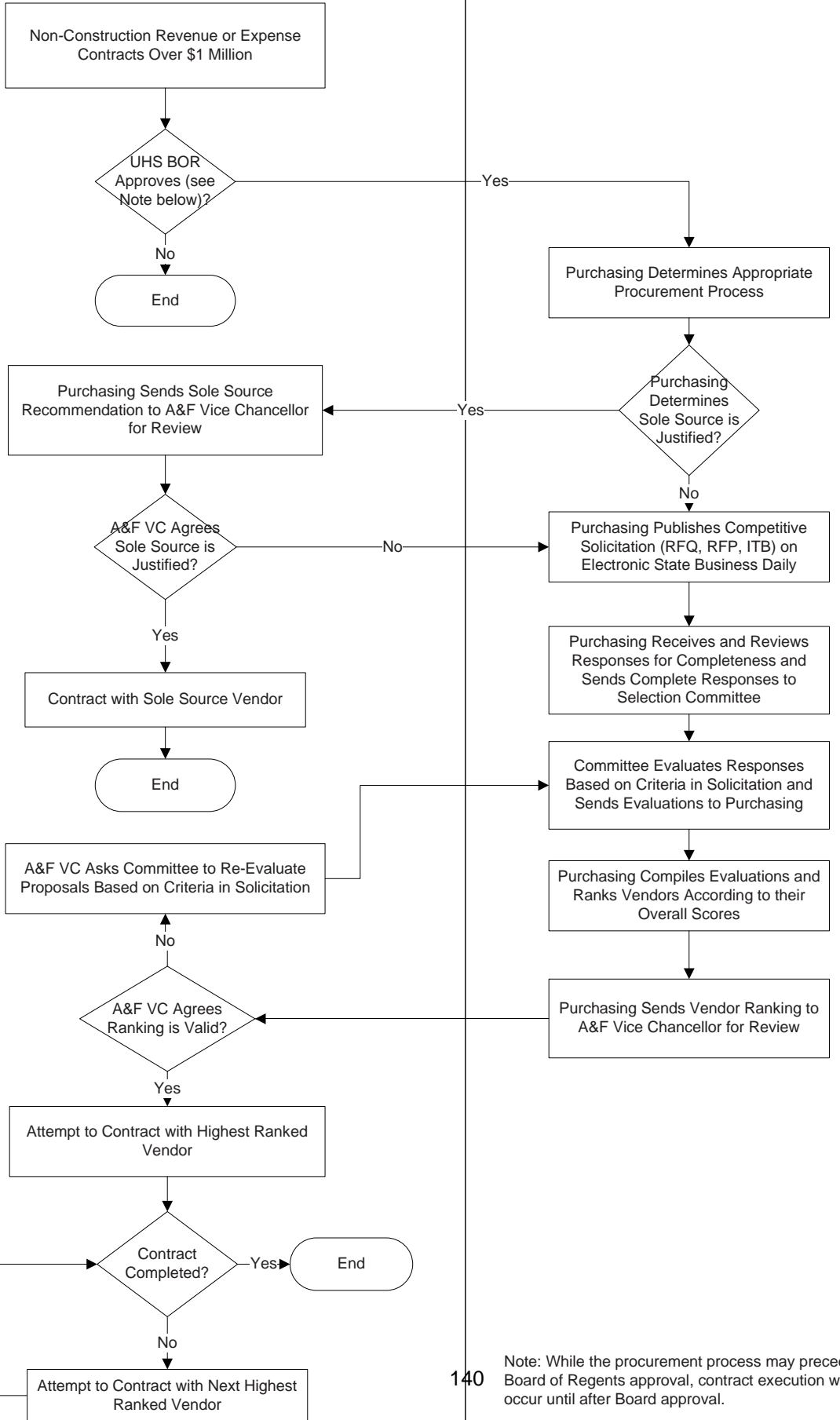
University of Houston System Construction Projects \$10 Million or More and Construction Contracts Over \$1 Million



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.

Approval Process

Procurement Process



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.

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>

**Director, Operational and Financial Audits**

Brandee O'Neal, CIA, CFE

**Audit Team**

Tony Moreno, Auditor IV

Kathy Gonzalez, Auditor II



## Internal Auditing Department

# The University of Houston-Clear Lake Laboratory Safety

Report to the Audit and Compliance Committee of the  
UHS Board of Regents  
AR2024-08



The University of Houston-Clear Lake (UHCL) houses a multitude of laboratories utilized for both educational and research purposes. Working in a laboratory can pose various risks. UHCL laboratory personnel and students face potential exposure to multiple hazards such as chemical, biological, and physical elements. UHCL manages these hazards by implementing risk mitigation methods and conducting safety training programs. The responsibility for supervising laboratory safety activities and research compliance at UHCL is divided among the Environmental Health and Safety (EHS) Department, Office of Sponsored Programs (OSP) and the college/department that houses the laboratory.

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## Objective

Ensure whether there is adequate oversight and effective policies and procedures to ensure laboratory safety and compliance.

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## Background

The organizational complexity in handling laboratory safety activities presents challenges in supervising laboratories' safety and compliance, as it is currently spread across various departments. These departments include Environmental Health and Safety (EHS), the Office of Sponsored Programs (OSP), and the college/department that houses the laboratory.

The EHS department's primary objective is to establish a secure, responsible, and healthy environment conducive to teaching, learning, research, and employment. EHS is dedicated to identifying and addressing potential safety hazards, offering guidance to relevant departments for corrective measures, and delivering training and education to minimize avoidable risks. The OSP serves as the main contact for inquiries related to research compliance and is responsible for ensuring adherence to research standards. OSP stated they don't have overall responsibility for lab safety. However, lab safety is a quintessential element to safe, secure, and efficient research. Each department housing laboratories is also responsible for ensuring compliance and safety.

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## What We Found Summary

The audit identified governance challenges and deficiencies in laboratory safety management and oversight that require attention through:

- Establishing a suitable framework for governance and supervision concerning the roles, responsibilities, and communication pathways related to laboratory safety.
- Reviewing, developing, and implementing essential policies, procedures, and manuals.
- Conducting laboratory safety inspections, preparing laboratory safety inspection reports, and verifying the implementation of corrective measures.

---

## Issue 1

### Governance

IAD identified governance issues related to laboratory safety and compliance, including:

- Ineffective governance structure
- Unclear delineation of roles and responsibilities
- Lack of inter-departmental communication

The OSP, EHS and colleges/departments housing laboratories share the responsibility for ensuring laboratory safety and compliance. However, their specific roles and responsibilities lack clear definition. This has led to reduced efficiency, lack of accountability and possible safety risks.

There is no formal communication between EHS, OSP, and colleges/departments housing laboratories. Laboratory safety activities and/or laboratory safety inspection results are not communicated among the various parties. This has resulted in a lack of shared awareness regarding the activities and accomplishments of the three areas.

In addition, accessing information related to compliance and safety regarding laboratories is challenging and there appears to be a lack of established connections among the different involved parties. The EHS webpage provides information related to various UHCL policies and procedures for laboratory safety. The OSP research compliance webpage section provides information related to animal care, human subjects, conflict of interest, and export controls. The information has to be accessed through a UHCL web search for safety information and the webpages do not refer to view laboratory safety and compliance information on each separate webpage.

The structure, roles, and responsibilities within EHS have evolved in recent years. EHS previously reported to the Director of Emergency Management, but now reports directly to the Associate Vice President of Facilities Management and Construction. In 2016, EHS was staffed with a director, a senior business assistant, three coordinators, and two technicians. Since 2016, the department has lost the Director, senior business assistant, a coordinator, and a technician. None of these positions have been filled. Currently, the department is staffed with two coordinators (industrial hygiene and laboratory safety) and one technician (industrial hygiene/safety). The one coordinator that is assigned laboratory safety and compliance duties has also been tasked with duties unrelated to laboratory safety and compliance.

The job descriptions of EHS staff have not been updated since 2017 and do not reflect current responsibilities. There is a noticeable discrepancy between these documented responsibilities and the actual duties being performed, indicating a misalignment between current job functions and their respective descriptions.

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## Issue 2

### Oversight

IAD identified oversight and management deficiencies related to laboratory safety and compliance including:

- Conducting annual laboratory safety inspections
- Reviewing, developing, and implementing policies and procedures
- Conducting annual laboratory room access reviews

After COVID and upon returning to regular business, EHS has failed to achieve its objective of conducting annual laboratory safety inspections and lacks a clear strategy to catch up on these overdue inspections. Furthermore, EHS lacks a system for tracking and reporting to ensure that previously identified laboratory safety issues have been appropriately resolved. Additionally, while previous laboratory safety inspection reports have been provided to the researchers and laboratory supervisors, they have not been submitted to the OSP.

IAD conducted site visits to multiple UHCL laboratories and observed the following conditions:

- Absence of hazard signage on laboratory room entrance doors.
- Insufficiently secured hydrogen tank lines.
- Improper workstation set up.
- Improperly stored chemicals.

EHS has made efforts to disseminate essential laboratory safety information through their webpage, including a range of policies, procedures, and manuals. However, there are certain essential elements that are currently absent, specifically:

- EHS lacks a policy that provides an overview of the department's roles, responsibilities, and programs.
- EHS lacks established procedures for laboratory room registration; verifying the completion of required laboratory safety training; and working in laboratories after hours or working alone.

Furthermore, the Laboratory Safety Manual and Chemical Hygiene Plan has not undergone a review since July 2012. Similarly, EHS publicizes the Department of Risk Management's Safety and Health Program Manual on its website and this manual has not undergone a review since April 1, 2008. This raises concerns about their current relevance and effectiveness.

The laboratory rooms at UHCL store hazardous materials, equipment, and potentially valuable intellectual property that necessitates thorough security measures to deter unauthorized access and theft. Entry to these laboratory rooms is authorized through the use of keys or access cards. Annual key control and access card reviews, which are essential for maintaining safety and security standards, are not conducted.

---

## Recommendations and Management Responses

1

To address governance challenges related to laboratory safety and compliance, UHCL should:

- Establish clear laboratory safety and compliance roles and responsibilities among EHS, OSP and the colleges/departments.
- Establish formal communication channels between EHS, OSP, and the colleges/departments, which should at least encompass the formal exchange of laboratory room registrations, training, laboratory inspections, inspection reports, and follow-ups on items requiring correction.
- Examine the effectiveness of the EHS' department's organizational setup in handling laboratory safety duties and implement necessary modifications.
- Assess and adjust the number of staff dedicated to laboratory safety to ensure it meets the goals of education, research, and laboratory safety protocols.
- Review and update the EHS job descriptions.

**Management Response:** UHCL agrees with the findings. Utilizing the University's shared governance process, the Facilities Support Services Committee will establish an Environmental Health and Safety subcommittee. This subcommittee will include representation from the Office of Environment Health and Safety, the Office of Research and Sponsored Programs and college representation. This subcommittee will be responsible for managing lab safety policies, procedures, and guidelines.

**Corrective Action Plan:**

- UHCL will review, amend, and validate laboratory safety and compliance roles and responsibilities amongst Environment Health and Safety, the Office of Sponsored Program and colleges/departments. The roles and responsibilities of each of these areas will be outlined in the university's Lab Safety Manual and will be reviewed periodically.
- Through the shared governance process, UHCL will ensure that there is a formal exchange of communication regarding laboratory room registrations, training, laboratory inspections, inspection reports, and follow-ups on items requiring correction amongst Environment Health & Safety, Office of Sponsored Programs and the colleges/departments.
- UHCL will review Environment Health and Safety's organizational setup in handling laboratory safety duties and implement best practices and necessary modifications.
- UHCL will conduct a review of the laboratory Environment Health and Safety staff size and assignments. We will look at peer institutions as well as best practices to determine if adjustments and/or modifications are needed.
- The Manager, Environmental Health and Safety, with support from the Associate Vice President of Facilities, Maintenance and Construction (FMC) will collaborate with the Office of Human Resources to review and update all Environment Health and Safety job descriptions.

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## Recommendations and Management Responses Continued

**Responsible Contact:** Manager EHS to be named, and Douglas Wells, Associate Vice President, FMC

**Proposed Implementation Date:** September 1, 2024

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To address oversight and management deficiencies related to laboratory safety and compliance, EHS should:

- Develop a formal EHS policy.
- Align with industry best practices and fully utilize existing system resources, such as comprehensive training programs.
- Implement a risk-based, cyclical inspection schedule, ensuring each laboratory undergoes a thorough annual inspection tailored to its specific risk profile.
- Establish a comprehensive tracking and reporting system to ensure that all previously identified laboratory safety inspection issues and recommendations are properly addressed.
- Communicate the findings of laboratory safety inspections to appropriate parties, including the OSP and departments.
- Ensure identified laboratory room issues are addressed.
- Develop procedures related to laboratory room registration; verifying the completion of required laboratory safety training; and working in laboratories after hours or working alone.
- Conduct a review of the Laboratory Safety Manual and Chemical Hygiene Plan and Safety and Health Program Manual and update, as necessary.
- Conduct annual key control and access card reviews.

**Management Response:** UHCL agrees with the findings. UHCL is committed to maintaining a safe laboratory environment for all employees, students and visitors. We will encourage all faculty, researchers and students to take reasonable precautions to protect the health and safety of everyone. This goal is achieved through appropriate compliance with university policies, procedures, and lab safety guidelines as well as relevant training.

**Corrective Action Plan:**

- UHCL will develop an Environment Health and Safety policy that will inform UHCL faculty, staff, students, contractors and visitors of the department's programs and policies. Additionally, this policy will detail the governance areas for which the shared governance Environment Health and Safety subcommittee will be responsible for.
- UHCL will review its Environmental Health and Safety practices and training programs and align itself with industry best practices.

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## Recommendations and Management Responses Continued

- The Manager, Environmental Health and Safety, with support from the Associate Vice President of FMC, will establish a lab safety inspection plan. As part of a comprehensive workplace health and safety plan, Environment Health and Safety will perform comprehensive safety inspections of laboratories and shop areas periodically, to identify and promptly address workplace hazards.
- Through UHCL's shared governance process, a formal communication plan for inspection findings will be developed. All appropriate parties, including the Office of Sponsored programs and affected departments will be notified.
- The Manager, Environmental Health and Safety, with support from the Associate Vice President of FMC, will ensure that identified laboratory room issues are addressed.
- The Environment Health and Safety shared governance subcommittee will be responsible for managing lab safety policies, procedures, and guidelines. This will include developing procedures related to laboratory room registration, verifying the completion of required laboratory safety training, etc.
- Annually, The Manager, Environmental Health and Safety, with support from the, Associate Vice President of FMC will review and update all Environment Health and Safety Manuals, as necessary.
- The Manager, Environmental Health and Safety, with support from the Associate Vice president of FMC, will collaborate with the Office of Public Safety to ensure that an annual key control and access card review is completed and access is updated upon the conclusion of the review.

**Responsible Contact:** Manager EHS to be named, and Douglas Wells, Associate Vice President, FMC

**Proposed Implementation:** September 1, 2024.

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## SCOPE

The scope of this audit included research laboratory safety and compliance policies, procedures, and oversight functions, focusing on fiscal years 2022 and 2023.

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## Methodology

The methodology used to conduct this audit included:

- Reviewing applicable regulatory requirements and best practices.
- Reviewing applicable policies and procedures.
- Interviewing personnel related to laboratory safety and compliance.
- Performing on-site walkthroughs of key processes.
- Performing on-site visits to laboratories.

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## Audit Standards

This operational audit was conducted in accordance with the International Professional Practices Framework and 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 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 operational 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 UHCL EHS department for their cooperation and assistance during this audit process.

Sincerely,

**Chief Audit Executive**

Phillip Hurd, CIA, CCEP

A handwritten signature in black ink that reads "Phillip Hurd". The signature is written in a cursive, flowing style.

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