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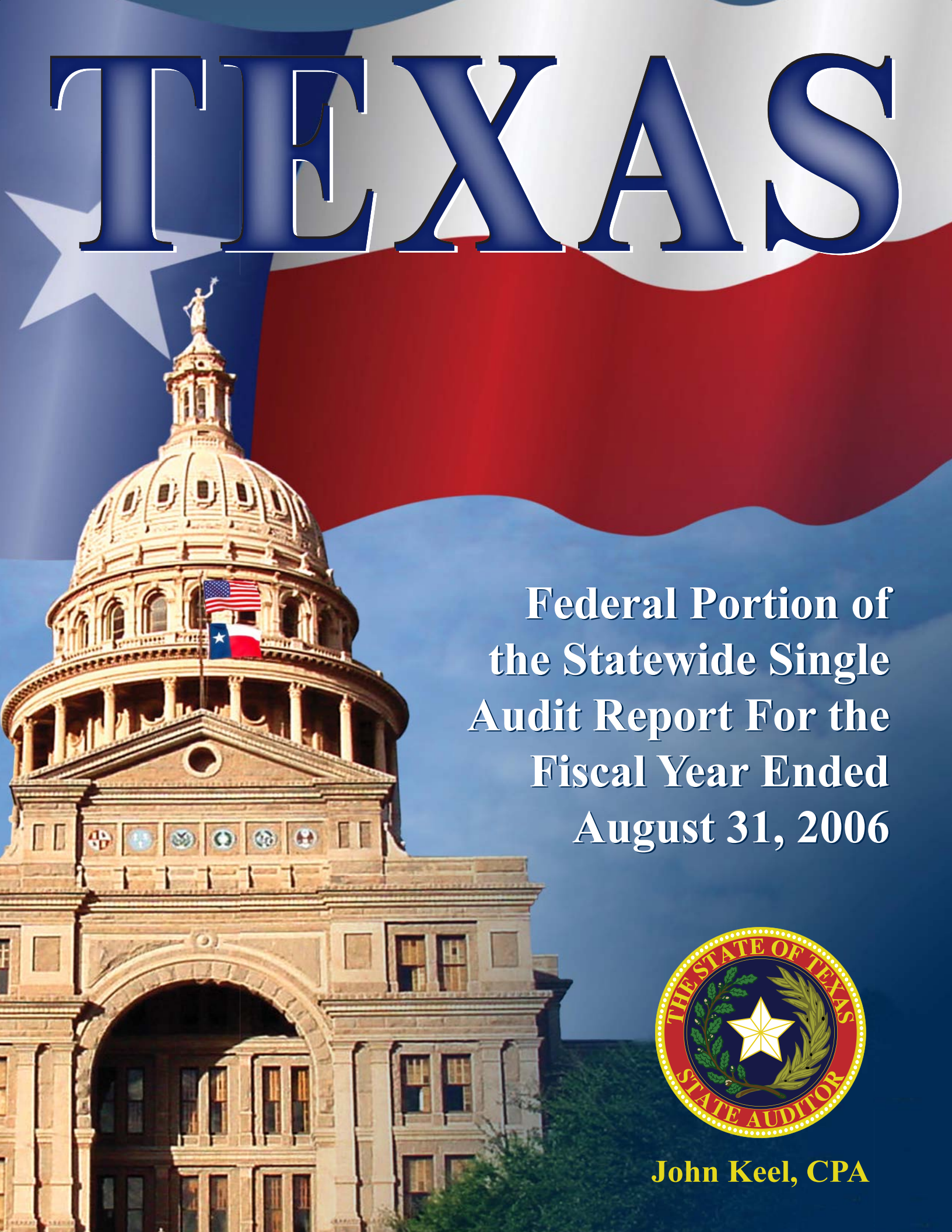

Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2006

THE STATE OF TEXAS
STATE AUDITOR

John Keel, CPA

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Independent Auditors' Reports

Federal Portion of
Statewide Single Audit Report

For the Year Ended August 31, 2006

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State Auditor's Office
John Keel, CPA
State Auditor

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the State of Texas as of and for the year ended August 31, 2006, and have issued our report thereon dated February 20, 2007.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Texas's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in note 1 to the Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of Federal Awards does not include expenditures of federal awards for three component units of the State of Texas. Each of those component units has its own independent audit in compliance with OMB Circular A-133.

John Keel, CPA
State Auditor

February 20, 2007

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

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

Compliance

We have audited the compliance of the State of Texas (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2006, except those requirements discussed in the fifth following paragraph. We also did not audit the State's compliance with compliance requirements applicable to the Student Financial Assistance Cluster and the Research and Development Cluster, which is approximately 11.5% of total federal assistance received by the State. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. The Student Financial Assistance Cluster and the Research and Development Cluster are identified in the accompanying Schedule of Findings and Questioned Costs as major Federal programs and were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the Student Financial Assistance Cluster and the Research and Development Cluster, is based solely on the report of the other auditor. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

Our audit described below does not include expenditures of Federal awards for four component units of the State of Texas for financial statement purposes. Each of those agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

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

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

Agency/University	Program	Compliance Requirement	Finding Number
Health and Human Services Commission	CFDA 93.767 - State Children's Insurance Program	Eligibility	07-12
	CFDA 93.558 - Temporary Assistance for Needy Families Food Stamp Cluster Medicaid Cluster	Eligibility	07-13
	CFDA 93.558 - Temporary Assistance for Needy Families	Special Tests and Provisions	07-15
Health and Human Services Commission Department of Family and Protective Services Department of State Health Services	CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.667 - Social Services Block Grant CFDA 93.767 - State Children's Insurance Program CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.994 - Maternal and Child Health Services Block Grant to the States Food Stamp Cluster Medicaid Cluster	Procurement and Suspension and Debarment	07-19
Department of Housing and Community Affairs	CFDA 93.569 - Community Services Block Grant	Subrecipient Monitoring	07-22
Department of Public Safety	Homeland Security Cluster	Allowable Costs/Cost Principles	07-24

Agency/University	Program	Compliance Requirement	Finding Number
Department of Public Safety	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544) CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)	Reporting	07-26
Department of State Health Services	CFDA 93.217 - Family Planning - Services CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.667 - Social Services Block Grant CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.940 - HIV Prevention Activities - Health Department Based CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Subrecipient Monitoring	07-36
Texas State Library and Archives Commission	CFDA 45.310 - Grants to States	Cash Management	07-37
Sul Ross State University	Student Financial Assistance Cluster	Special Tests and Provisions	07-43
Texas Higher Education Coordinating Board	Student Financial Assistance Cluster	Special Tests and Provisions	07-51
Texas State University - San Marcos	Student Financial Assistance Cluster	Special Tests and Provisions	07-55
University of Houston - Downtown	Student Financial Assistance Cluster	Eligibility	07-59
		Special Tests and Provisions	07-60

Agency/University	Program	Compliance Requirement	Finding Number
University of North Texas Health Science Center at Fort Worth	Student Financial Assistance Cluster	Special Tests and Provisions	07-66
University of Texas of the Permian Basin	Student Financial Assistance Cluster	Special Tests and Provisions	07-75

In our opinion, based on our audit and the report of other auditors, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended August 31, 2006, other than those requirements discussed in the following paragraph. The results of our auditing procedures and the report of other auditors also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

Agency/University	Program	Compliance Requirement	Finding Number
Adjutant General	CFDA 12.401 - National Guard Military Operations and Maintenance (O&M) Projects	Reporting	07-01
Department of Aging and Disability Services	CFDA 93.667 - Social Services Block Grant Medicaid Cluster	Allowable Costs/Cost Principles	07-02
Department of Criminal Justice	CFDA 16.606 - State Criminal Alien Assistance Program	Reporting	07-04
Department of Family and Protective Services	CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant	Allowable Costs/Cost Principles	07-05
	CFDA 93.556 - Promoting Safe and Stable Families	Earmarking	07-07
	CFDA 93.658 - Foster Care - Title IV-E	Eligibility	07-08

Agency/University	Program	Compliance Requirement	Finding Number
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.767 - State Children's Insurance Program CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs Food Stamp Cluster Medicaid Cluster	Allowable Costs/Cost Principles	07-09
	Medicaid Cluster	Allowable Costs/Cost Principles	07-10
	CFDA 93.767 - State Children's Insurance Program Medicaid Cluster	Program Income	07-14
	Food Stamp Cluster	Special Tests and Provisions	07-16
	Medicaid Cluster	Special Tests and Provisions	07-17
Health and Human Services Commission Department of Agriculture Texas Education Agency	Child Nutrition Cluster	Special Tests and Provisions	07-20
Juvenile Probation Commission	CFDA 93.658 - Foster Care - Title IV-E	Subrecipient Monitoring	07-23
Department of Public Safety	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544) CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)	Cash Management	07-25
	Homeland Security Cluster	Reporting	07-27
	Homeland Security Cluster	Subrecipient Monitoring	07-28
	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)	Subrecipient Monitoring	07-29

Agency/University	Program	Compliance Requirement	Finding Number
Department of State Health Services	CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Allowable Costs/Cost Principles	07-30
	CFDA 93.268 - Immunization Grants	Cash Management	07-32
	CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Earmarking	07-34
	CFDA 93.917 - HIV Care Formula Grants	Reporting	07-35
Texas State Library and Archives Commission	CFDA 45.310 - Grants to States	Subrecipient Monitoring	07-38
Midwestern State University	Student Financial Assistance Cluster	Special Tests and Provisions	07-41
Sul Ross State University	Student Financial Assistance Cluster	Eligibility	07-42
Texas A&M International University	Student Financial Assistance Cluster	Special Tests and Provisions	07-44
Texas A&M University	Student Financial Assistance Cluster	Eligibility	07-45
		Reporting	07-46
		Special Tests and Provisions	07-47
Texas Higher Education Coordinating Board	Student Financial Assistance Cluster	Special Tests and Provisions	07-49 07-50 07-52 07-53
Texas State University - San Marcos	Student Financial Assistance Cluster	Special Tests and Provisions	07-54
University of Houston	Student Financial Assistance Cluster	Eligibility	07-56
		Reporting	07-57
		Special Tests and Provisions	07-58

Agency/University	Program	Compliance Requirement	Finding Number
University of North Texas	Student Financial Assistance Cluster	Cash Management	07-61
		Reporting	07-62
		Special Tests and Provisions	07-63 07-64 07-65
University of Texas at Austin	Student Financial Assistance Cluster	Eligibility	07-67
		Special Tests and Provisions	07-68
University of Texas Health Science Center at San Antonio	Research and Development Cluster	Procurement and Suspension and Debarment	07-72 07-73
University of Texas of the Permian Basin	Student Financial Assistance Cluster	Eligibility	07-74
University of Texas at San Antonio	Student Financial Assistance Cluster	Reporting	07-76
		Special Tests and Provisions	07-77 07-78 07-79 07-80 07-81
University of Texas Southwestern Medical Center at Dallas	Research and Development Cluster	Allowable Costs/Cost Principles	07-82
		Procurement and Suspension and Debarment	07-83 07-84
University of Texas at Tyler	Student Financial Assistance Cluster	Eligibility	07-86 07-87
University of Texas at Tyler	Student Financial Assistance Cluster	Special Tests and Provisions	07-88

The other auditors did not audit compliance with requirements governing billing and collection of Perkins loans for certain portions of the State. Those requirements govern functions that are performed by Affiliated Computer Services, Inc. (ACS), Campus Partners, Educational Data Systems, Inc (EDSI), University Accounting Service, General Revenue Corporation, and ConServe. Since the other auditors did not apply auditing procedures to satisfy themselves as to compliance with those requirements, the scope of their work was not sufficient to enable them to express, and the other auditors do not express, an opinion on compliance with those requirements.

The service organizations' compliance with the requirements governing the functions that they perform was examined by other accountants whose reports have been furnished to the other auditors. The reports of the other accountants indicate that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on the other auditors review of the service organization accountants' reports, the other auditors have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the Student Financial Assistance Cluster major program are addressed in either their report or the report of the respective service organization's accountants. Further, based on the other auditors review of the service organization accountants' reports, the other auditors have determined that they do not contain any findings of noncompliance that would have a direct and material effect on the Student Financial Assistance Cluster major program.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing the audit, we and the other auditors considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Requirements governing billing and collection of Perkins loans are performed by the service organizations noted above. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Copies of the service organizations accountants' reports have been furnished to the other auditors. However, the scope of the other auditors work did not extend to internal control maintained at the respective service organizations as noted above.

We and the other auditors noted certain matters involving the internal control over compliance and its operation that we and the other auditors consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our and the other auditors judgment, could adversely affect the State's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs, and are listed below, excluding those reportable conditions we also consider to be material weaknesses:

Agency/University	Program	Compliance Requirement	Finding Number
Adjutant General	CFDA 12.401 - National Guard Military Operations and Maintenance (O&M) Projects	Reporting	07-01
Department of Assistive and Rehabilitative Services	CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States	Allowable Costs/Cost Principles	07-03

Agency/University	Program	Compliance Requirement	Finding Number
Department of Family and Protective Services	CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant	Allowable Costs/Cost Principles Eligibility	07-06
	CFDA 93.556 - Promoting Safe and Stable Families	Earmarking	07-07
	CFDA 93.658 - Foster Care - Title IV-E	Eligibility	07-08
Health and Human Services Commission	CFDA 93.767 - State Children's Insurance Program Medicaid Cluster	Allowable Costs/Cost Principles Program Income	07-11
	CFDA 93.767 - State Children's Insurance Program	Eligibility	07-12
	CFDA 93.767 - State Children's Insurance Program Medicaid Cluster	Program Income	07-14
	CFDA 93.558 - Temporary Assistance for Needy Families	Special Tests and Provisions	07-15
	Food Stamp Cluster	Special Tests and Provisions	07-16
	Medicaid Cluster	Special Tests and Provisions	07-17
Health and Human Services Commission Department of Aging and Disability Services Department of Assistive and Rehabilitative Services Department of Family and Protective Services Department of State Health Services	CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States CFDA 93.217 - Family Planning - Services CFDA 93.268 - Immunization Grants	Allowable Costs/Cost Principles Cash Management Equipment and Real Property Management Matching, Level of Effort, and Earmarking Period of Availability of Federal Funds Program Income Reporting	07-18

Agency/University	Program	Compliance Requirement	Finding Number
Health and Human Services Commission Department of Aging and Disability Services Department of Assistive and Rehabilitative Services Department of Family and Protective Services Department of State Health Services	CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant CFDA 93.767 - State Children's Insurance Program CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.940 - HIV Prevention Activities - Health Department Based CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs Food Stamp Cluster Medicaid Cluster	(continued)	07-18
Health and Human Services Commission Department of Agriculture Texas Education Agency	Child Nutrition Cluster	Special Tests and Provisions	07-20
Texas Higher Education Coordinating Board	CFDA 84.048 - Vocational Education - Basic Grants to States	Subrecipient Monitoring	07-21
Department of Housing and Community Affairs	CFDA 93.569 - Community Services Block Grant	Subrecipient Monitoring	07-22
Juvenile Probation Commission	CFDA 93.658 - Foster Care - Title IV-E	Subrecipient Monitoring	07-23

Agency/University	Program	Compliance Requirement	Finding Number
Department of Public Safety	Homeland Security Cluster	Allowable Costs/Cost Principles	07-24
	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544) CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)	Reporting	07-26
	Homeland Security Cluster	Reporting	07-27
	Homeland Security Cluster	Subrecipient Monitoring	07-28
	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)	Subrecipient Monitoring	07-29
Department of State Health Services	CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Allowable Costs/Cost Principles	07-30
	CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs/Cost Principles Special Tests and Provisions	07-31
	CFDA 93.917 - HIV Care Formula Grants	Earmarking	07-33
	CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Earmarking	07-34
Department of State Health Services	CFDA 93.217 - Family Planning - Services CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.667 - Social Services Block Grant	Subrecipient Monitoring	07-36

Agency/University	Program	Compliance Requirement	Finding Number
Department of State Health Services	CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.940 - HIV Prevention Activities - Health Department Based CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	(continued)	07-36
Texas State Library and Archives Commission	CFDA 45.310 - Grants to States	Cash Management	07-37
	CFDA 45.310 - Grants to States	Subrecipient Monitoring	07-38
Texas Workforce Commission	CFDA 93.558 - Temporary Assistance for Needy Families	Allowable Costs/Cost Principles Cash Management Level of Effort Period of Availability of Federal Funds Reporting Subrecipient Monitoring	07-39
Department of Transportation	Highway Planning and Construction Cluster	Special Tests and Provisions	07-40
Midwestern State University	Student Financial Assistance Cluster	Special Tests and Provisions	07-41
Sul Ross State University	Student Financial Assistance Cluster	Eligibility	07-42
Texas A&M International University	Student Financial Assistance Cluster	Special Tests and Provisions	07-44
Texas A&M University	Student Financial Assistance Cluster	Eligibility	07-45
		Reporting	07-46
		Special Tests and Provisions	07-47
Texas Engineering Experiment Station	Research and Development Cluster	Special Tests and Provisions	07-48

Agency/University	Program	Compliance Requirement	Finding Number
Texas Higher Education Coordinating Board	Student Financial Assistance Cluster	Special Tests and Provisions	07-49 07-50 07-52 07-53
Texas State University - San Marcos	Student Financial Assistance Cluster	Special Tests and Provisions	07-54
University of Houston	Student Financial Assistance Cluster	Eligibility	07-56
		Reporting	07-57
		Special Tests and Provisions	07-58
University of North Texas	Student Financial Assistance Cluster	Cash Management	07-61
		Reporting	07-62
		Special Tests and Provisions	07-63 07-64 07-65
University of Texas at Austin	Student Financial Assistance Cluster	Eligibility	07-67
		Special Tests and Provisions	07-68
	Research and Development Cluster	Matching	07-69
University of Texas Health Science Center at San Antonio	Research and Development Cluster	Allowable Costs/Cost Principles	07-70
		Equipment and Real Property Management	07-71
		Procurement and Suspension and Debarment	07-72 07-73
University of Texas of the Permian Basin	Student Financial Assistance Cluster	Eligibility	07-74
University of Texas at San Antonio	Student Financial Assistance Cluster	Reporting	07-76

Agency/University	Program	Compliance Requirement	Finding Number
University of Texas at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions	07-77 07-78 07-79 07-80 07-81
University of Texas Southwestern Medical Center at Dallas	Research and Development Cluster	Allowable Costs/Cost Principles	07-82
		Procurement and Suspension and Debarment	07-83 07-84
		Special Tests and Provisions	07-85
University of Texas at Tyler	Student Financial Assistance Cluster	Eligibility	07-86 07-87
		Special Tests and Provisions	07-88

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our and the other auditors consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the following reportable conditions we and the other auditors also consider to be material weaknesses:

Agency/University	Program	Compliance Requirement	Finding Number
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families Food Stamp Cluster Medicaid Cluster	Eligibility	07-13

Agency/University	Program	Compliance Requirement	Finding Number
Health and Human Services Commission Department of Family and Protective Services Department of State Health Services	CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.667 - Social Services Block Grant CFDA 93.767 - State Children's Insurance Program CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.994 - Maternal and Child Health Services Block Grant to the States Food Stamp Cluster Medicaid Cluster	Procurement and Suspension and Debarment	07-19
Sul Ross State University	Student Financial Assistance Cluster	Special Tests and Provisions	07-43
Texas Higher Education Coordinating Board	Student Financial Assistance Cluster	Special Tests and Provisions	07-51
Texas State University - San Marcos	Student Financial Assistance Cluster	Special Tests and Provisions	07-55
University of Houston - Downtown	Student Financial Assistance Cluster	Eligibility	07-59
		Special Tests and Provisions	07-60
University of North Texas Health Science Center at Fort Worth	Student Financial Assistance Cluster	Special Tests and Provisions	07-66
University of Texas of the Permian Basin	Student Financial Assistance Cluster	Special Tests and Provisions	07-75

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

KPMG LLP

February 20, 2007

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
Office of National Drug Control Policy					
Office of National Drug Control Policy	07.XXX	I0PSWP560	$	$ 3,516	$ 3,516
		I1PSSP575		594	594
		I2PHNP531		1,510	1,510
		I2PSSP568		10,398	10,398
		I2PSWP559		16	16
		I3PHNP508		49,986	49,986
		I3PSSP701		(58,134)	(58,134)
		I3PSWP567		7,625	7,625
		I4PHNP508		27,730	27,730
		I4PSSP701		117,605	117,605
		I4PSWP567		16,111	16,111
		I4PSWP998		4,061	4,061
		I5PHNP508		243,471	243,471
		I5PHNTP502		9,327	9,327
		I5PSSP701		262,767	262,767
		I5PSWP567		187,340	187,340
		I6PSSP701		24,062	24,062
		I6PSWP567		11,347	11,347
		I9PHNP519		19,977	19,977
		Multiple #s		100,505	100,505
		PHNP506		148,027	148,027
		PSWP562		230,210	230,210
Total - Office of National Drug Control Policy			0	1,418,051	1,418,051
U.S. Department of Agriculture					
U.S. Department of Agriculture	10.XXX	59-6201-6-015		20,000	20,000
		Coop. Agr. #004		111,288	111,288
Pass-Through from Chaparral Health Clinic		DEPARTMENT		(6,704)	(6,704)
Pass-Through from Southern U.S. Trade Association		E04MX4NA9S		25,195	25,195
Agricultural Research--Basic and Applied Research	10.001			199,522	199,522
Plant and Animal Disease, Pest Control, and Animal Care	10.025			6,183,122	6,183,122
Pass-Through from Animal and Plant Health Inspection Service, Department of Agriculture		10.025		188,584	188,584
Forestry Incentives Program	10.064			8,771	8,771
Pass-Through from Farm Service Agency, Department of Agriculture		10.066		712,500	712,500
Pass-Through from Agricultural Marketing Service, Department of Agriculture		10.163		663,809	663,809
Grants for Agricultural Research, Special Research Grants	10.200			3,542,999	3,542,999
Payments to 1890 Land-Grant Colleges and Tuskegee	10.205			3,229,437	3,229,437
Small Business Innovation Research	10.212			27,996	27,996
Pass-Through from Southern Forest Research Partnership		435140		43,343	43,343
1890 Institution Capacity Building Grants	10.216			264,053	264,053
Higher Education Challenge Grants	10.217			5,584	5,584
Pass-Through from Alabama A&M University		00-52100-9616		(1)	(1)
Hispanic Serving Institutions Education Grants	10.223			600,875	600,875
Pass-Through from North Carolina State University		427560		(243)	(243)
Initiative for Future Agriculture and Food Systems	10.302			13,562	13,562
Pass-Through from Baylor College of Medicine		430230		120,600	120,600
Integrated Programs	10.303		925,132	226,025	1,151,157
Pass-Through from North Carolina State University		420120		25,003	25,003
Pass-Through from North Carolina State University		433140		7,356	7,356
Pass-Through from North Carolina State University		433270		663	663
Pass-Through from North Carolina State University		433460		3,257	3,257
Pass-Through from North Carolina State University		437480		12,288	12,288
Pass-Through from University of Florida		420320		1,514	1,514

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Agriculture (continued)					
Pass-Through from University of Florida		434180		10,000	10,000
Pass-Through from University of Nebraska Lincoln		25-6231-0078003		399	399
Homeland Security-Agriculture	10.304			419,426	419,426
Pass-Through from University of Florida		440140		39,940	39,940
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443			89,144	89,144
Crop Insurance	10.450			34,740	34,740
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			4,114,210	4,114,210
Cooperative Extension Service	10.500		1,546,622	21,785,101	23,331,723
Pass-Through from Auburn University		434450		2,414	2,414
Pass-Through from Auburn University		455490		203,433	203,433
Pass-Through from Kansas State University		418550		923	923
Pass-Through from Kansas State University		458940		192	192
Pass-Through from Mississippi State University		458180		8,241	8,241
Pass-Through from National 4-H Council		2005-45201-03332		379,368	379,368
Pass-Through from National 4-H Council		455110		22,807	22,807
Pass-Through from National 4-H Council		455130		16,424	16,424
Pass-Through from National 4-H Council		455460		(350)	(350)
Pass-Through from National 4-H Council		455510		11,788	11,788
Pass-Through from University of Georgia		437450		6,453	6,453
Pass-Through from University of Georgia		450340		3,796	3,796
Pass-Through from University of Kentucky		457160		13,144	13,144
Food Donation	10.550			86,960,320	86,960,320
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		114,477,194	601,117,258	715,594,452
Child and Adult Care Food Program	10.558			188,841,509	188,841,509
State Administrative Expenses for Child Nutrition	10.560			5,205,927	5,205,927
Pass-Through from Food and Nutrition Service, Department of Agriculture		10.560		7,027,560	7,027,560
Commodity Supplemental Food Program	10.565			4,892,141	4,892,141
WIC Farmers' Market Nutrition Program (FMNP)	10.572		164,442	1,200,796	1,365,238
Pass-Through from Food and Nutrition Service, Department of Agriculture		10.574		83,080	83,080
Fresh Fruit and Vegetable Program	10.582			7,905	7,905
Pass-Through from Food and Nutrition Service, Department of Agriculture		10.582		370,438	370,438
Forestry Research	10.652			972,517	972,517
Cooperative Forestry Assistance	10.664			8,077,233	8,077,233
Rural Business Enterprise Grants	10.769			53,121	53,121
Rural Cooperative Development Grants	10.771			209,238	209,238
National Sheep Industry Improvement Center	10.774			15,953	15,953
Distance Learning and Telemedicine Loans and Grants	10.855			3,353	3,353
1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	10.856			91,454	91,454
Pass-Through from U. S. Department of Agriculture		2005 MATCHING GRANTS		400	400
Pass-Through from Natural Resources Conservation Service, Department of Agriculture		10.902		282,522	282,522
Plant Materials for Conservation	10.905			18,544	18,544
Environmental Quality Incentives Program	10.912			512,039	512,039
Pass-Through from National Fish & Wildlife Foundation		454230		8,323	8,323
Scientific Cooperation and Research	10.961			378	378
Pass-Through from Association Liaison Office		HNE-A-00-97-0059-	46,899	7,813	54,712
Total - U.S. Department of Agriculture			117,160,289	949,351,813	1,066,512,102

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Commerce					
U.S. Department of Commerce	11.XXX			194,299	194,299
Economic Development--Technical Assistance	11.303			252,051	252,051
Pass-Through from Department of Commerce		08-06-0400		83,453	83,453
Research and Evaluation Program	11.312			413	413
Trade Adjustment Assistance	11.313			1,086,146	1,086,146
Pass-Through from University of Connecticut		450360		7,914	7,914
Coastal Zone Management Administration Awards	11.419		4,874,196	1,813,222	6,687,418
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432			1,340,000	1,340,000
Environmental Sciences, Applications, Data, and Education	11.440			49,708	49,708
Regional Fishery Management Councils	11.441			338,150	338,150
Unallied Industry Projects	11.452			399,424	399,424
Unallied Management Projects	11.454			41,678	41,678
Pass-Through from Coastal Bend Bays & Estuaries Program, Inc.		NA05N0S4631257		290,000	290,000
Educational Partnership Program	11.481			150,558	150,558
Pass-Through from Howard University		634554-159		151,533	151,533
Public Telecommunications Facilities Planning and Construction	11.550		462,744	222,487	685,231
Measurement and Engineering Research and Standards	11.609			304,865	304,865
Manufacturing Extension Partnership	11.611			1,030,489	1,030,489
Advanced Technology Program	11.612			135,799	135,799
Minority Business Enterprise Centers	11.800			242,678	242,678
Minority Business Opportunity Center (MBOC)	11.803			72,043	72,043
Total - U.S. Department of Commerce			5,336,940	8,206,910	13,543,850
U.S. Department of Defense					
U.S. Department of Defense	12.XXX	560005	251,715		251,715
		AFROTCR170-1MU		45,798	45,798
		DATM05-02-C0046		199,540	199,540
		Detachment 840		35,937	35,937
		G72076		16,849	16,849
		H98230-05-1-0110		206,197	206,197
		TIMBOE/UT AU		16,696	16,696
		VM9113M-05-C-1087		749,323	749,323
		W81K00-06-P-0525		10,661	10,661
		WOLF-BAMC		129,809	129,809
Pass-Through from Delaware State University		3900-62		23,724	23,724
Pass-Through from University of Maryland		Z994701		47,880	47,880
Pass-Through from University of Southern California		W911NF-04-D-0005		26,134	26,134
Procurement Technical Assistance for Business Firms	12.002			722,483	722,483
Flood Plain Management Services	12.104			7,008	7,008
Flood Control Projects	12.106			145,825	145,825
Payments to States in Lieu of Real Estate Taxes	12.112			1,418,242	1,418,242
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			745,617	745,617
Collaborative Research and Development	12.114		165,750	199,268	365,018
Basic and Applied Scientific Research	12.300			128,520	128,520
Pass-Through from Academy of Applied Science, Inc.		W911NF-04-1-0001		17,287	17,287
Pass-Through from Consortium for Oceanographic Research & Education		604910		21,596	21,596
Pass-Through from Consortium for Oceanographic Research & Education		ONR - NA160M2411		15,000	15,000
Military Construction, National Guard	12.400			585,023	585,023
National Guard Military Operations and Maintenance (O&M) Projects	12.401			29,228,203	29,228,203
Readiness Sustainment Maintenance Program	12.402			10,452,099	10,452,099
National Guard Civilian Youth Opportunities	12.404			2,118,135	2,118,135

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Defense (continued)					
Military Medical Research and Development	12.420			761,881	761,881
Basic Scientific Research	12.431			1,141,956	1,141,956
Basic, Applied, and Advanced Research in Science and Engineering	12.630			286,871	286,871
Air Force Defense Research Sciences Program	12.800			2,811,576	2,811,576
Pass-Through from Assoc for Women in Math		H982300410093		1,250	1,250
Information Security Grant Program	12.902			25,654	25,654
Research and Technology Development	12.910			1,370,365	1,370,365
Pass-Through from United Negro College Fund SP. Programs		LETTER DATED 8/23/05		8,754	8,754
Total - U.S. Department of Defense			417,465	53,721,161	54,138,626
U.S. Department of Housing and Urban Development					
U.S. Department of Housing and Urban Development	14.XXX	7751021000		95,642	95,642
		CH-TEX-250D-		93,330	93,330
		CH-Tex-275		29,816	29,816
		H-502-5514		134,879	134,879
		SA-265-1000(S)		48,802	48,802
		TXLHH0126-04		481,108	481,108
Community Development Block Grants/State's Program	14.228		70,253,297	2,638,438	72,891,735
Emergency Shelter Grants Program	14.231		4,836,500	342,316	5,178,816
Historically Black Colleges and Universities Program	14.237			188,773	188,773
HOME Investment Partnerships Program	14.239		53,193,464	3,820,097	57,013,561
Housing Opportunities for Persons with AIDS	14.241		1,441,994	1,856,823	3,298,817
Community Development Block Grants/Economic Development Initiative	14.246			734,550	734,550
Pass-Through from Neighborhood Housing Service of Dimmit County		3911-01		41,289	41,289
Community Outreach Partnership Center Program	14.511		8,824	19,744	28,568
Hispanic-Serving Institutions Assisting Communities	14.514			603,447	603,447
Pass-Through from Lubbock Housing Authority		135244B560		46,473	46,473
Pass-Through from City of El Paso Housing Authority		TX1URD033		34,401	34,401
Section 8 Housing Choice Vouchers	14.871			6,072,494	6,072,494
Healthy Homes Demonstration Grants	14.901			169,502	169,502
Total - U.S. Department of Housing and Urban Development			129,734,079	17,451,924	147,186,003
U.S. Department of the Interior					
U.S. Department of the Interior	15.XXX	1435-02-03-CA-40391		102,620	102,620
		1448-20181-03-G911		83,000	83,000
		48-05-HB-14907		5,270	5,270
		J124050067		1,500	1,500
Pass-Through from Bureau of Reclamation		03FC810878	232,627		232,627
Cultural Resource Management	15.224			3,450	3,450
Pass-Through from US Department of the Interior		GR-607480		1,440,125	1,440,125
Pass-Through from US Department of the Interior		GR-507480		2,887,070	2,887,070
Water Reclamation and Reuse Program	15.504			78,205	78,205
Water 2025	15.507			24,201	24,201
Fish and Wildlife Management Assistance	15.608			21,332	21,332
Coastal Wetlands Planning, Protection, and Restoration Act	15.614			178,489	178,489
Sportfishing and Boating Safety Act	15.622			199,913	199,913
North American Wetlands Conservation Fund	15.623			3,911	3,911
Wildlife Conservation and Restoration	15.625			19,850	19,850
Multi-State Conservation Grants	15.628			86,827	86,827
Coastal Program	15.630			1,331	1,331
Landowner Incentive	15.633			(37,729)	(37,729)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of the Interior (continued)					
State Wildlife Grants	15.634			3,082,150	3,082,150
U.S. Geological Survey--Research and Data Collection	15.808			4,925	4,925
Pass-Through from Houston Advanced Research Center		CSWGCIN NBII HARC		10,000	10,000
National Spatial Data Infrastructure Cooperative Agreements Program	15.809			60,603	60,603
Historic Preservation Fund Grants-In-Aid	15.904		92,274	993,070	1,085,344
National Natural Landmarks Program	15.910			1,381	1,381
Outdoor Recreation--Acquisition, Development and Planning	15.916			3,900,891	3,900,891
National Center for Preservation Technology and Training	15.923			10,523	10,523
Save America's Treasures	15.929			982	982
Total - U.S. Department of the Interior			324,901	13,163,890	13,488,791
U.S. Department of Justice					
U.S. Department of Justice	16.XXX	2003-GP-CX-0131		44,752	44,752
		2005-DD-BS-1127		5,000	5,000
		2005-DD-BX-1235		20,868	20,868
		2006-BJ-CX-K005		118,551	118,551
		G72731		9,356	9,356
		TX 025015C		17,672	17,672
		TXQNGCD13		118,771	118,771
Pass-Through from New Mexico Institute of Mining and Technology		S-INLEC-01-CA-0002		355,397	355,397
Public Education on Drug Abuse--Information	16.005			6,271	6,271
State and Local Domestic Preparedness Training Programs	16.008			3,836,656	3,836,656
Urban Areas Security Initiative	16.011		24,444,854		24,444,854
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202			279,706	279,706
Juvenile Accountability Incentive Block Grants	16.523		4,687,798	655,407	5,343,205
Pass-Through from Houston-Galveston Area Council		JB-02J20-13383-07		7,151	7,151
Grants to Reduce Violent Crimes Against Women on Campuses	16.525			120,077	120,077
Education and Training to End Violence Against and Abuse of Women with Disabilities	16.529			158,803	158,803
Juvenile Justice and Delinquency Prevention--Allocation to States	16.540		3,345,490	1,138,164	4,483,654
Part E - Developing, Testing, and Demonstrating Promising New Programs	16.541			273,066	273,066
Pass-Through from Baylor Health Care Foundation		2003-GP-CX-0157		21,573	21,573
Pass-Through from City of Dallas		2005-MC-CX-K031		22,263	22,263
Title V--Delinquency Prevention Program	16.548		833,861		833,861
Part E--State Challenge Activities	16.549		595		595
State Justice Statistics Program for Statistical Analysis Centers	16.550			2,604	2,604
National Criminal History Improvement Program (NCHIP)	16.554			3,730,477	3,730,477
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			1,522,207	1,522,207
Crime Laboratory Improvement--Combined Offender DNA Index System Backlog Reduction	16.564			2,100,502	2,100,502
Crime Victim Assistance	16.575		24,423,400	358,564	24,781,964
Crime Victim Compensation	16.576			23,731,211	23,731,211
Edward Byrne Memorial Formula Grant Program	16.579		10,031,657	4,590,830	14,622,487
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			268,633	268,633
Drug Court Discretionary Grant Program	16.585			13,408	13,408
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586			13,453,364	13,453,364
Violence Against Women Formula Grants	16.588		6,367,168	27,263	6,394,431
Pass-Through from Tarrant County		06037		32,841	32,841
Local Law Enforcement Block Grant Program	16.592		349,276	252,591	601,867
Residential Substance Abuse Treatment for State Prisoners	16.593		1,946,791		1,946,791

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Justice (continued)					
Corrections--Technical Assistance/Clearinghouse	16.603			24,089	24,089
State Criminal Alien Assistance Program	16.606			18,582,484	18,582,484
Bulletproof Vest Partnership Program	16.607			248	248
Community Prosecution and Project Safe Neighborhoods	16.609			1,154,692	1,154,692
Public Safety Partnership and Community Policing Grants	16.710			1,193,489	1,193,489
Pass-Through from University of Tennessee		92834		44,964	44,964
Police Corps	16.712			66,506	66,506
Enforcing Underage Drinking Laws Program	16.727		131,473	233,645	365,118
Protecting Inmates and Safeguarding Communities Discretionary Grant Program	16.735			537,632	537,632
Edward Byrne Memorial Justice Assistance Grant Program	16.738		23,978,055	1,715,968	25,694,023
Paul Coverdell Forensic Sciences Improvement Grant Project	16.742		225,668	142,892	368,560
Total - U.S. Department of Justice			100,766,086	80,990,608	181,756,694
U.S. Department of Labor					
U.S. Department of Labor	17.XXX				
Pass-Through from Upper Rio Grande Workforce. Development Board		PY04-SVC-2		47,662	47,662
Labor Force Statistics	17.002			4,088,181	4,088,181
Compensation and Working Conditions	17.005			259,127	259,127
Labor Certification for Alien Workers	17.203		8,885	701,801	710,686
Unemployment Insurance	17.225		438,717	1,314,260,802	1,314,699,519
Senior Community Service Employment Program	17.235		4,008,790		4,008,790
Trade Adjustment Assistance	17.245		9,272,897	26,287,259	35,560,156
Workforce Investment Act	17.255			60,603	60,603
WIA Pilots, Demonstrations, and Research Projects	17.261		3,556,026	958,214	4,514,240
Work Incentive Grants	17.266			10,324	10,324
Incentive Grants_WIA Section 503	17.267		2,187,820	1,088,018	3,275,838
Pass-Through from Job Training Partnership Act		005-2004		106,372	106,372
Occupational Safety and Health--Susan Harwood Training Grants	17.502			499,625	499,625
Consultation Agreements	17.504			2,615,724	2,615,724
Women's Bureau	17.700			28,592	28,592
Transition Assistance Program	17.807			489,045	489,045
Total - U.S. Department of Labor			19,473,135	1,351,501,349	1,370,974,484
U.S. Department of State					
U.S. Department of State	19.XXX	07441PA254		582	582
International Visitors Program	19.402			22,140	22,140
Professional Exchange--Annual Open Grant	19.415			77,658	77,658
Pass-Through from Association Liaison Office		HNE-A-00-9		65,702	65,702
International Education Training and Research	19.430			143,194	143,194
Total - U.S. Department of State			0	309,276	309,276
U.S. Department of Transportation					
U.S. Department of Transportation	20.XXX	DDEHBC-03X-00155		22,467	22,467
		DUNS#050298975			
		DTSA20-03-P01429		36,886	36,886
Pass-Through from Applied Research Associates		16138		3,338	3,338
Pass-Through from Arizona Dept. of Transportation		R057416P JPA 04 035T		115,228	115,228
Pass-Through from University of Arizona		Y432852		19,346	19,346
Boating Safety Financial Assistance	20.005			3,858,331	3,858,331
Airport Improvement Program	20.106			46,573,132	46,573,132
Highway Training and Education	20.215			87,967	87,967

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U.S. Department of Transportation (continued)					
Pass-Through from South Carolina State University		02-447399		65,400	65,400
National Motor Carrier Safety	20.218			24,843,218	24,843,218
Recreational Trails Program	20.219			2,911,554	2,911,554
Border Enforcement Grants	20.233			2,085	2,085
Federal Transit--Metropolitan Planning Grants	20.505		4,483,900		4,483,900
Formula Grants for Other Than Urbanized Areas	20.509		21,192,530		21,192,530
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		5,747,262		5,747,262
State Planning and Research	20.515		682,723		682,723
Pass-Through from US Department of Transportation		PPHP-05006G60040		1,986,894	1,986,894
University Transportation Centers Program	20.701			32,445	32,445
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			527,671	527,671
Pass-Through from Research Foundation of SUNY		DTMA1H05004		22,093	22,093
U.S. Merchant Marine Academy	20.807			295,213	295,213
Total - U.S. Department of Transportation			32,106,415	81,403,268	113,509,683
U.S. Department of Treasury					
Low-Income Taxpayer Clinics	21.008			49,894	49,894
Total - U.S. Department of Treasury			0	49,894	49,894
Office of Personnel Management					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			376,642	376,642
Total - Office of Personnel Management			0	376,642	376,642
General Services Administration					
Donation of Federal Surplus Personal Property	39.003		6,186,316	320,857	6,507,173
Election Reform Payments	39.011		2,620,521	3,251,434	5,871,955
Total - General Services Administration			8,806,837	3,572,291	12,379,128
National Aeronautics and Space Administration					
National Aeronautics and Space Administration	43.XXX	NNA05CS72A		19,059	19,059
		NNG04GK09G		(67)	(67)
		PO#NNM04AH84P		105,081	105,081
Pass-Through from Advanced Ceramics Res.		PO#00915		5,999	5,999
Pass-Through from Advanced Ceramics Res.		PO#8222 PO#00278		15,166	15,166
Pass-Through from Advanced Fuel Research, Inc..		PO#019060		13,410	13,410
Pass-Through from California Space Grant Foundation		DFRC SAA TASK1-17		21,622	21,622
Pass-Through from California Space Grant Foundation		PO NUMBER CSGF-002-025-05		409,001	409,001
Pass-Through from MER Corporation		PO#23963		8,934	8,934
Pass-Through from The Boeing Company		PO 4H04369		1,125	1,125
Pass-Through from The Boeing Company		PO#5H07325		121,343	121,343
Pass-Through from United Negro College Fund Special Programs		5H0743NAS		89,369	89,369
Pass-Through from United Negro College Fund Special Programs		NASA/UNCFSPC		12,321	12,321
Pass-Through from Zyvex Corporation		AWARD DOCUMENT DATED 12/21/05		76,710	76,710
Pass-Through from Zyvex Corporation		CONTRACT DATED 1/27/05 (NNM05AA26C)		5,422	5,422
Aerospace Education Services Program	43.001		13,498	2,998,886	3,012,384

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National Aeronautics and Space Administration (continued)					
Pass-Through from SHPE Foundation		NAG3-2299		6,018	6,018
Pass-Through from Society of Mexican-American Engineers and Scientists		NASA/MAES		1,493	1,493
Pass-Through from Texas Space Grant Consortium		3915-50		2,690	2,690
Technology Transfer	43.002		144,657	495,086	639,743
Total - National Aeronautics and Space Administration			158,155	4,408,668	4,566,823
National Foundation on the Arts and the Humanities					
National Foundation on the Arts and the Humanities	45.XXX	ARC-062240		13,369	13,369
Pass-Through from Texas Committee for the Humanities		HTX 2006-3317		1,000	1,000
Promotion of the Arts--Grants to Organizations and Individuals	45.024			93,532	93,532
Promotion of the Arts--Partnership Agreements	45.025			807,700	807,700
Promotion of the Humanities--Federal/State Partnership	45.129			12,431	12,431
Pass-Through from Humanities Texas		#2005-3111		1,500	1,500
Pass-Through from Humanities Texas		2005-3092		6,080	6,080
Pass-Through from Humanities Texas		2006-3211		615	615
Pass-Through from Humanities Texas		2006-3303		500	500
Promotion of the Humanities--Challenge Grants	45.130			37,881	37,881
Promotion of the Humanities--Division of Preservation and Access	45.149			13,586	13,586
Promotion of the Humanities--Research	45.161			86,961	86,961
Promotion of the Humanities--Teaching and Learning Resources and Curriculum Development	45.162			23,223	23,223
Promotion of the Humanities--Public Programs	45.164			28,995	28,995
Promotion of the Humanities--Extending the Reach Grants to Presidentially-Designated Minority Institutions	45.167			29,995	29,995
Museums for America	45.301			86,785	86,785
Conservation Assessment Program	45.304			443	443
Grants to States	45.310		8,084,404	2,048,298	10,132,702
National Leadership Grants	45.312			259,658	259,658
Laura Bush 21st Century Librarian Program	45.313			818,305	818,305
Pass-Through from Institute for Museum and Library		RE-02-04-0002-04		494,512	494,512
Pass-Through from Institute for Museum and Library		RE-01-04-0031-04		310,591	310,591
Total - National Foundation on the Arts and the Humanities			8,084,404	5,175,960	13,260,364
National Science Foundation					
National Science Foundation	47.XXX	DEB-051603		10,707	10,707
		G72098		7,567	7,567
Engineering Grants	47.041		134,549	597,660	732,209
Mathematical and Physical Sciences	47.049			650,690	650,690
Pass-Through from Fermi National Accelerator Labor		566903		24,082	24,082
Pass-Through from Institute for Advanced Study		IAS-HER-0314808		82,831	82,831
Pass-Through from Ohio State University Research Foundation		135444C320		7,318	7,318
Geosciences	47.050			1,416,008	1,416,008
Computer and Information Science and Engineering	47.070			3,399,277	3,399,277
Pass-Through from American Statistical Association		SRS-NSF-2006		6,425	6,425
Pass-Through from National Science Foundation		NP-97620101-0		33,150	33,150
Biological Sciences	47.074			630,767	630,767
Social, Behavioral, and Economic Sciences	47.075			449,755	449,755
Education and Human Resources	47.076		70,021	3,812,316	3,882,337
Pass-Through from Brownsville Independent School District		ESR-9908000		112,489	112,489
Pass-Through from Houston Independent School District		ESR-9816227		81	81
Pass-Through from Houston Independent School District		HU-LINC		3,661	3,661
Pass-Through from Mathematical Association of America		DUE 0230847		65,971	65,971

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National Science Foundation (continued)					
Pass-Through from Mathematical Association of America		TEES ACCT #32525-6092J LETTER DATED 1/28		959,385	959,385
Pass-Through from Rice University		DUE-0089435		8,718	8,718
Pass-Through from Rice University		R39292-2460005		248,647	248,647
Pass-Through from Texas Engineering Experiment Station		60952		6,848	6,848
Pass-Through from Michigan State University		61-2405OUT		122,212	122,212
Pass-Through from San Diego University Foundation		53702AP152		40,855	40,855
Total - National Science Foundation			204,570	12,697,420	12,901,990
Small Business Administration					
Small Business Administration	59.XXX	132244A280		906	906
Small Business Development Center	59.037		1,226,977	3,282,341	4,509,318
Pass-Through from American Liaison Office		3906-01		143,288	143,288
Pass-Through from Dallas County Comm. College District		6-603001-Z-0046-20		82,270	82,270
Pass-Through from Iowa State University		435-08-05		257,789	257,789
Pass-Through from Science and Engineering Alliance, Inc.		SUBCONTRACT #SEA/EPA0014		6,809	6,809
Veterans Entrepreneurial Training and Counseling	59.044			127,322	127,322
Total - Small Business Administration			1,226,977	3,900,725	5,127,702
Department of Veterans Affairs					
Department of Veterans Affairs	64.XXX	DEFRONZO-VA		7,313	7,313
		IPA FOR JAME		(4,380)	(4,380)
		IPA WIATROWS		1,445	1,445
		IPA-MARY PER		(170)	(170)
		MARCINIAK-VA		4,257	4,257
		REDDICK-VA		72,369	72,369
		REDDICK-VA-V		71,340	71,340
		SCARCE MEDIC		85,327	85,327
		V671P4092 WI		12,092	12,092
		VA CONTRACT		93,441	93,441
Grants to States for Construction of State Home Facilities	64.005			6,737,956	6,737,956
Veterans State Nursing Home Care	64.015			13,358,366	13,358,366
Sharing Specialized Medical Resources	64.018			28,920	28,920
Burial Expenses Allowance for Veterans	64.101			83,400	83,400
All-Volunteer Force Educational Assistance	64.124		14,159	796,048	810,207
Vocational and Educational Counseling for Service members and Veterans	64.125			5,526	5,526
State Cemetery Grants	64.203			7,788,977	7,788,977
Total - Department of Veterans Affairs			14,159	29,142,227	29,156,386
Environmental Protection Agency					
Environmental Protection Agency	66.XXX	440280		22,322	22,322
		C480001-05,06,07	11,456,450	226,375	11,682,825
		CS-48000101	58,752		58,752
		EP06W000073		50,000	50,000
		SU-83224910		6,099	6,099
Air Pollution Control Program Support	66.001		104,569	426,271	530,840
State Indoor Radon Grants	66.032			16,234	16,234
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			2,519,184	2,519,184
Pass-Through from Arizona State University		05-594		223,669	223,669
Pass-Through from University of Utah		XA-8309940		172,166	172,166
Congressionally Mandated Projects	66.202			53,566	53,566

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Environmental Protection Agency (continued)					
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			4,427,146	4,427,146
Pass-Through from US Environmental Protection Agency		G-0062206-0		813,113	813,113
Surveys, Studies, Investigations, Demonstrations & Training Grants & Cooperative Agreements - Sec 104(b)(3) of the Clean Water Act	66.436			462,927	462,927
Water Quality Management Planning	66.454		290,046	291,338	581,384
National Estuary Program	66.456		75,133	515,352	590,485
Capitalization Grants for Clean Water State Revolving Funds	66.458		5,839,861	9,655,388	15,495,249
Nonpoint Source Implementation Grants	66.460			8,311,711	8,311,711
Regional Wetland Program Development Grants	66.461			(5,893)	(5,893)
Wastewater Operator Training Grant Program (Technical Assistance)	66.467			14,106	14,106
Capitalization Grants for Drinking Water State Revolving Fund	66.468		45,876,298	11,078,467	56,954,765
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471			1,300,750	1,300,750
Beach Monitoring and Notification Program Implementation Grants	66.472		120,524	127,624	248,148
Water Protection Grants to the States	66.474			460,850	460,850
Gulf of Mexico Program	66.475			39,367	39,367
Environmental Protection Consolidated Research	66.500			2,218,261	2,218,261
Pass-Through from Industrial Economics, Inc.		446150		3,030	3,030
Environmental Protection Consolidated Grants--Program Support	66.600			13,161	13,161
Performance Partnership Grants	66.605		138,910	29,802,450	29,941,360
Surveys, Studies, Investigations and Special Purpose Grants	66.606			53,284	53,284
Training and Fellowships for the Environmental Protection Agency	66.607			6,481	6,481
Protection of Children and Older Adults (Elderly) from Environmental Health Risks	66.609			(290)	(290)
Surveys, Studies, Investigations & Special Purpose Grants within the Office of the Administrator	66.610			89,343	89,343
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			195,700	195,700
Pass-Through from US Environmental Protection Agency		66.700		1,024,072	1,024,072
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		2,550	83,836	86,386
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			224,924	224,924
Pollution Prevention Grants Program	66.708			122,078	122,078
Pass-Through from US Environmental Protection Agency		NP-97615001-1		2,146	2,146
Pesticide Environmental Stewardship Regional Grants	66.714			88,662	88,662
Source Reduction Assistance	66.717			545	545
Superfund State Political Subdivision, and Indian Tribe Site--Specific Cooperative Agreements	66.802			1,573,762	1,573,762
Leaking Underground Storage Tank Trust Fund Program	66.805			2,590,222	2,590,222
Solid Waste Management Assistance Grants	66.808			93,634	93,634
Superfund State and Indian Tribe Core Program--Cooperative Agreements	66.809			1,079,311	1,079,311
Pass-Through from US Environmental Protection Agency		RP-97636606-02		(470)	(470)
State and Tribal Response Program Grants	66.817			311,635	311,635
Pass-Through from US Environmental Protection Agency		G-0062206-2		279,597	279,597
International Financial Assistance Projects Sponsored by the Office of International Affairs	66.931			40,386	40,386
Environmental Education Grants	66.951			5,402	5,402
Total - Environmental Protection Agency			63,963,093	81,109,294	145,072,387

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U.S. Department of Energy					
U.S. Department of Energy	81.XXX	DE-FG52-05NA27036		477,184	477,184
Pass-Through from Desert Research Institute		649-5072		4,377	4,377
Pass-Through from Midwest Research Institute		DE-AC36-99G010337		31,892	31,892
Pass-Through from Sandia National Laboratories		464283		333,624	333,624
Pass-Through from Stanford University/Linear Accelerator Lab		DE-AC03-76-SF-00515		193,318	193,318
Pass-Through from University of California/Los Alamos Lab		34061-001		29,288	29,288
State Energy Program	81.041		1,895,240	496,351	2,391,591
Pass-Through from Comptroller's State Energy Consort.		CM428		110,408	110,408
Weatherization Assistance for Low-Income Persons	81.042		5,089,582	268,909	5,358,491
Office of Science Financial Assistance Program	81.049			273,066	273,066
University Coal Research	81.057			30,714	30,714
Office of Scientific and Technical Information	81.064			2,655	2,655
Pass-Through from U.S. Department of Energy		DE-FG36-05G085023		161,428	161,428
Fossil Energy Research and Development	81.089			106,617	106,617
Nuclear Energy Research Initiative	81.092			395,173	395,173
Pass-Through from Howard University		DE-FC02-02EW15254		92,152	92,152
Office of Environmental Cleanup and Acceleration	81.104			124,302	124,302
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			337,084	337,084
Pass-Through from Drexel University		231352630		146,977	146,977
University Reactor Infrastructure and Education Support	81.114			81,833	81,833
Miscellaneous	81.502		204,840	418,275	623,115
Total - U.S. Department of Energy			7,189,662	4,115,627	11,305,289
Federal Emergency Management Agency					
Federal Emergency Management Agency	83.XXX	FEMA-1257-UN	1,710,203		1,710,203
Disaster Unemployment Assistance	83.541			6,030,747	6,030,747
Public Assistance Grants	83.544		49,540,600		49,540,600
Hazard Mitigation Grant	83.548		29,071,233		29,071,233
Emergency Management Performance Grants	83.552		565,600	5,025,770	5,591,370
Pre-Disaster Mitigation	83.557		384,317		384,317
Citizens Corp	83.564			747,144	747,144
Total - Federal Emergency Management Agency			81,271,953	11,803,661	93,075,614
U.S. Department of Education					
U.S. Department of Education	84.XXX	42-3J46-6-0597A		27,744	27,744
		FG06-27		99,032	99,032
		G72027		2,905	2,905
		G72226		(1,230)	(1,230)
		P038A14129		999,851	999,851
		P042A010103		7,345	7,345
		P375A062342		1,125	1,125
		T195E990019		1,806	1,806
Pass-Through from IDRA Project Texas		S350B20027-03		50,930	50,930
Pass-Through from National Writing Project Corporation		06-TX17		27,429	27,429
Pass-Through from Education Service Center Region V		A482		14,209	14,209
Pass-Through from Education Service Center Region V		A484		54,193	54,193
Pass-Through from Texas Southmost College		22-604180		30,621	30,621
Adult Education--State Grant Program	84.002		46,582,181	5,208,205	51,790,386
Title I Grants to Local Educational Agencies	84.010		1,186,841,924	8,217,952	1,195,059,876
Migrant Education--State Grant Program	84.011		58,168,506	1,258,796	59,427,302
Title I Program for Neglected and Delinquent Children	84.013		14,513	2,593,984	2,608,497
Undergraduate International Studies and Foreign Language Programs	84.016			147,650	147,650
Overseas--Faculty Research Abroad	84.019			61,589	61,589

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U.S. Department of Education (continued)					
Overseas--Group Projects Abroad	84.021			2,090	2,090
Higher Education--Institutional Aid	84.031		366,014	16,797,632	17,163,646
Pass-Through from Alamo Community College District		600820		20,016	20,016
Pass-Through from Houston Community College System		PO315030010		124,991	124,991
Pass-Through from Palo Alto College		P031S020038		90,735	90,735
Pass-Through from Weatherford College		4656		41,229	41,229
Impact Aid--Facilities Maintenance	84.040			(22)	(22)
Vocational Education--Basic Grants to States	84.048		87,250,927	10,076,423	97,327,350
Pass-Through from Dallas Community College		61403		719	719
Pass-Through from Texas Southmost College		54246		831,477	831,477
Pass-Through from Weatherford College		05-598		84,065	84,065
Pass-Through from Weatherford College		MOU 719		1,000	1,000
Vocational Education-National Programs	84.051			5,792	5,792
Leveraging Educational Assistance Partnership	84.069			4,664,152	4,664,152
Women's Educational Equity Act Program	84.083			162,059	162,059
Fund for the Improvement of Postsecondary Education	84.116		(360,298)	2,492,982	2,132,684
Pass-Through from Brigham Young University		06LM050994F1H		10,940	10,940
Pass-Through from Howard University		633114-022		4,490	4,490
Pass-Through from University of Arizona		Y413921		22,563	22,563
Pass-Through from University of Texas Foundation		P116Z050341		151,927	151,927
Minority Science and Engineering Improvement	84.120			205,650	205,650
Rehabilitation Services--Vocational Rehabilitation Grants to States	84.126			197,967,499	197,967,499
Rehabilitation Long-Term Training	84.129			1,764,140	1,764,140
National Institute on Disability and Rehabilitation Research	84.133			6,805	6,805
Migrant Education--High School Equivalency Program	84.141			2,498,741	2,498,741
College Housing and Academic Facilities Loans	84.142			121,856	121,856
Migrant Education--Coordination Program	84.144		117,560	659,934	777,494
Migrant Education--College Assistance Migrant Program	84.149			2,237,186	2,237,186
Business and International Education Projects	84.153			199,281	199,281
Independent Living--State Grants	84.169			1,350,703	1,350,703
Rehabilitation Services--Independent Living Services for Older Individuals Who are Blind	84.177			2,081,416	2,081,416
Special Education--Grants for Infants and Families with Disabilities	84.181		34,961,390	3,915	34,965,305
Safe and Drug-Free Schools and Communities--National Programs	84.184		1,751,162		1,751,162
Byrd Honors Scholarships	84.185			3,494,913	3,494,913
Safe and Drug-Free Schools and Communities--State Grants	84.186		34,293,704	1,107,045	35,400,749
Supported Employment Services for Individuals with Severe Disabilities	84.187			2,346,261	2,346,261
Bilingual Education-Professional Development	84.195			1,478,324	1,478,324
Education for Homeless Children and Youth	84.196		5,340,947		5,340,947
Graduate Assistance in Areas of National Need	84.200			85,523	85,523
Star Schools	84.203			(423)	(423)
Javits Gifted and Talented Students Education Grant Program	84.206		429,980	240,030	670,010
Even Start--State Educational Agencies	84.213		15,720,018	763,790	16,483,808
Pass-Through from Beaumont Independent School District		147872		120,384	120,384
Pass-Through from Dallas Independent School District		268544		3,331	3,331
Fund for the Improvement of Education	84.215			221,210	221,210
Pass-Through from Education Service Center, Region II		601020, 601070, 602300, 602610		59,477	59,477
Pass-Through from Education Service Center, Region II		PO05-2275		6,906	6,906
Pass-Through from Education Service Center, Region II		S215X020228		248	248
Pass-Through from Education Service Center, Region II		U215X030300		7,397	7,397
Pass-Through from Hays Independent School District		U215X030357		108,941	108,941
Pass-Through from Education Service Center Region VI		A483		107,690	107,690
Centers for International Business Education	84.220			376,046	376,046

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U.S. Department of Education (continued)					
Tech-Prep Education	84.243		6,624,760	1,592,652	8,217,412
Pass-Through from Tech Prep Rio Grande Valley		51720-05		13,954	13,954
Rehabilitation Training--Continuing Education	84.264			419,087	419,087
Rehabilitation Training--State Vocational Rehabilitation Unit In-Service Training	84.265			384,787	384,787
Eisenhower Professional Development State Grants	84.281			1,063	1,063
Charter Schools	84.282		6,678,751	424,776	7,103,527
Pass-Through from University of Oklahoma		PO502230BP		14,175	14,175
Pass-Through from University of Oklahoma		S283B050026		87,284	87,284
Twenty-First Century Community Learning Centers	84.287		84,340,587	2,114,351	86,454,938
Foreign Language Assistance	84.293			180,850	180,850
Pass-Through from Corporation for Public Broadcasting		136944B677		1,262	1,262
Pass-Through from Public Broadcasting Service		R295A00002		2,997	2,997
State Grants for Innovative Programs	84.298		15,771,050	1,667,790	17,438,840
Pass-Through from National Writing Project Corp.		04-TX14		39,680	39,680
Education Research, Development and Dissemination	84.305			453,448	453,448
Capacity Building for Traditionally Underserved Populations	84.315			226,099	226,099
Education Technology State Grants	84.318		50,793,177	1,614,556	52,407,733
Research in Special Education	84.324			17,587	17,587
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			3,095,910	3,095,910
Pass-Through from Pennsylvania College of Optometry		135444C108		50,108	50,108
Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			618,542	618,542
Advanced Placement Program	84.330		150,992	891,359	1,042,351
Grants to States for Incarcerated Youth Offenders	84.331			1,537,377	1,537,377
Comprehensive School Reform Demonstration	84.332		18,789,663	624,249	19,413,912
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333			124,906	124,906
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		1,761,826	11,437,340	13,199,166
Pass-Through from Baylor University		P334A990387		133,867	133,867
Pass-Through from Houston Independent School District		5-55112		23,594	23,594
Child Care Access Means Parents in School	84.335			446,657	446,657
Teacher Quality Enhancement Grants	84.336			455,424	455,424
Pass-Through from Del-Mar College		604680, 604940		36,528	36,528
Class Size Reduction	84.340		(8,103)		(8,103)
Preparing Tomorrow's Teachers to Use Technology	84.342			101,363	101,363
Vocational Education-Occupational and Employment Information State Grants	84.346			230,261	230,261
Title I Accountability Grants	84.348		(62,600)		(62,600)
Early Childhood Educator Professional Development	84.349			1,489,609	1,489,609
Transition to Teaching	84.350		53,449	1,746,386	1,799,835
Reading First State Grants	84.357		114,717,793	11,301,530	126,019,323
Rural Education	84.358		8,291,939	293,195	8,585,134
Pass-Through from Tehama Independent School District		S359B030606		2,571	2,571
School Leadership	84.363			576,693	576,693
English Language Acquisition Grants	84.365		84,410,620	1,677,519	86,088,139
Mathematics and Science Partnerships	84.366		4,978,028	1,690,821	6,668,849
Pass-Through from Education Service Center Region XVII		135744C249		42,410	42,410
Improving Teacher Quality State Grants	84.367		239,776,131	6,523,215	246,299,346
Pass-Through from Brownsville Independent School District		Sub 2006-2007		37,751	37,751
Pass-Through from Brownsville Independent School District		27233		20,205	20,205
Pass-Through from National Writing Project Corporation		98-TX08		14,774	14,774
Grants for State Assessments and Related Activities	84.369		3,466,018	19,201,244	22,667,262
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.375			21,689	21,689
Federal Academic Competitiveness Grant Program	84.376			264,686	264,686

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U.S. Department of Education (continued)					
National Writing Project	84.928			176,799	176,799
Pass-Through from National Writing Project Corporation		00-TX09		76,801	76,801
Pass-Through from National Writing Project Corporation		92-TX04		374	374
Pass-Through from University of California at Berkeley		92-TX06		68,913	68,913
Hurricane Education Recovery	84.938		302,280,208	1,251,530	303,531,738
Total - U.S. Department of Education			2,414,292,817	349,556,213	2,763,849,030
National Archives and Records Administration					
National Historical Publications and Records Grants	89.003			1,915,372	1,915,372
Total - National Archives and Records Administration			0	1,915,372	1,915,372
Denali Commission					
Help American Vote College Pollworker Program	90.400			5,723	5,723
Help America Vote Act Requirements Payments	90.401		85,811,221	4,855,416	90,666,637
Total - Denali Commission			85,811,221	4,861,139	90,672,360
U.S. Department of Health and Human Services					
U.S. Department of Health and Human Services	93.XXX	01-0566(P)		(13)	(13)
		06ET040065F2H		24,932	24,932
		200-1998-07268		119,443	119,443
		2004-100 01		97,436	97,436
		223-05-4443		435,904	435,904
		223-05-QSIT		99,362	99,362
		230200432032C	104,397	189,812	294,209
		40N72405		200	200
		467-MZ401984		10,028	10,028
		7730780246		61,956	61,956
		G72095		108	108
		German-NIH/N		20,618	20,618
		HHSH23020043C	30,290	58,322	88,612
		HHSP23320040		(4,963)	(4,963)
		HHSP23320042		157,695	157,695
		HRSA 230-03-0017		18,572	18,572
		IPA-941002		14,530	14,530
		MEDRANO-HRSA	9,138	10,068	19,206
		N01 CM-62202 05		93,822	93,822
		N02 CO-51110 14	76,348	766,385	842,733
Pass-Through from Alliance of Community Health Plan		WOOD-ACHP		16,346	16,346
Pass-Through from American Academy of Pediatrics		KELLOGG-AAP		10,260	10,260
Pass-Through from Courtesy Associates		Miller-Court		6,935	6,935
Pass-Through from Houston Academy of Med-Tx Med Center Library		HAM-TMC-NO		18,118	18,118
Pass-Through from Houston Academy of Med-Tx Med Center Library		MOOR/HAM-TM		26,131	26,131
Pass-Through from McFarland & Associates, Inc.		280-02-0505		51,222	51,222
Pass-Through from National Network Libraries of Medicine		N01-LM-1-3515		10,600	10,600
Pass-Through from Parent/Child Incorporated		GEURINK-P/C		14,345	14,345
Pass-Through from Respite Care of San Antonio		SALDANA:RESP		31,077	31,077
Pass-Through from Rice University		5 52003917 04		13,648	13,648
Pass-Through from Rice University		5 T15 LM07093 14		17,506	17,506
Pass-Through from SAIC-Frederick, Inc.		SUBCONTRACT 25XS108		47,760	47,760
Pass-Through from Science & Engineering Services, Inc.		FRECKLETON-S		33,615	33,615
Pass-Through from Westat Inc.		N02 CP-021169 02		(10,339)	(10,339)
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006		27,968	113,462	141,430
Medical Reserve Corps Small Grant Program	93.008			43,786	43,786

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Health and Human Services (continued)					
Community-Based Abstinence Education (CBAE)	93.010		118,252	227,026	345,278
Strengthening Public Health Services at U.S.-Mexico Border	93.018			46,234	46,234
Special Programs for the Aging--Title VII, Chapter 3--Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			326,627	326,627
Special Programs for the Aging--Title VII, Chapter 2--Long Term Care Ombudsman Services for Older Individuals	93.042			891,442	891,442
Pass-Through from City of Houston		FC55472		295,923	295,923
Special Programs for the Aging--Title III, Part D--Disease Prevention and Health Promotion Services	93.043			1,502,256	1,502,256
Special Programs for the Aging--Title IV--and Title II--Discretionary Projects	93.048			354,075	354,075
Alzheimer's Disease Demonstration Grants to States	93.051			1,171	1,171
Pass-Through from Rio Grande Council of Governments		458240		18,397	18,397
National Family Caregiver Support	93.052			10,947,440	10,947,440
Food and Drug Administration--Research	93.103			460,564	460,564
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			(2,080,435)	(2,080,435)
Model State-Supported Area Health Education Centers	93.107		233,376	508,048	741,424
Maternal and Child Health Federal Consolidated Programs	93.110		288,334	1,791,642	2,079,976
Pass-Through from Assoc. of State and Terr Dental Dirs		U44MC00177		497	497
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		5,589,679	3,609,217	9,198,896
Pass-Through from University of California - San Diego		N01 HR-36157		38,856	38,856
Pass-Through from American Medical Student Assoc. Foundation		230-03-0015		2,304	2,304
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118			61	61
Oral Diseases and Disorders Research	93.121		72,117	1,451,967	1,524,084
Nurse Anesthetist Traineeships	93.124			11,722	11,722
Emergency Medical Services for Children	93.127			35,583	35,583
Primary Care Services Resource Coordination and Development	93.130			360,059	360,059
Injury Prevention and Control Research and State and Community Based Programs	93.136		2,606,838	920,376	3,527,214
Community Programs to Improve Minority Health Grant Program	93.137			127,453	127,453
Pass-Through from Howard University		HA00066		209,802	209,802
Projects for Assistance in Transition from Homelessness	93.150		3,841,012	68,989	3,910,001
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		654,417	507,772	1,162,189
Pass-Through from Harris County Hospital District		04-HSP-0451		8,690	8,690
Pass-Through from Harris County Hospital District		04-HSP-0834		8,690	8,690
Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals	93.156			268,504	268,504
Centers of Excellence	93.157			1,871,749	1,871,749
Health Program for Toxic Substances and Disease Registry	93.161			47,065	47,065
Grants To States for Loan Repayment Program	93.165			226,636	226,636
Research Related to Deafness and Communication Disorders	93.173			2,205,405	2,205,405
Nursing Workforce Diversity	93.178			811,666	811,666
Podiatric Residency Training in Primary Care	93.181			(5,248)	(5,248)
Pass-Through from University Health System		HP16000		72,541	72,541
Pass-Through from Migrant Clinicians Network		06EM040050F2H		35,415	35,415
Health Education and Training Centers	93.189		37,257	284,369	321,626
Allied Health Special Projects	93.191			55,780	55,780
Quentin N. Burdick Program for Rural Interdisciplinary Training	93.192			13,045	13,045
Childhood Lead Poisoning Prevention Projects--State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		499,328	378,639	877,967
Surveillance of Hazardous Substance Emergency Events	93.204			177,596	177,596
Telehealth Network Grants	93.211		70,000	223,366	293,366

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U.S. Department of Health and Human Services (continued)					
Hansen's Disease National Ambulatory Care Program	93.215		84,062	184,715	268,777
Family Planning--Services	93.217		14,820,535	2,600,000	17,420,535
Research on Healthcare Costs, Quality and Outcomes	93.226			48,484	48,484
Consolidated Knowledge Development and Application (KD&A) Program	93.230		2,494,685	847,141	3,341,826
Pass-Through from Center for Health Care Services		CHAMPION-ICC		33,658	33,658
Pass-Through from Center For Health Care Services		LEWIS-CTR HE		66,071	66,071
Pass-Through from McFarland and Associates		CONTRACT DATED 12/13/05		21,172	21,172
Traumatic Brain Injury State Demonstration Grant Program	93.234			51,303	51,303
Abstinence Education Program	93.235		4,892,139	323,909	5,216,048
Grants for Dental Public Health Residency Training	93.236			33,464	33,464
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238			43,755	43,755
Pass-Through from Serving Children & Adolescents in Need		SALDANA-SCAN		(35,960)	(35,960)
State Capacity Building	93.240			287,591	287,591
State Rural Hospital Flexibility Program	93.241			694,059	694,059
Mental Health Research Grants	93.242			611,540	611,540
Pass-Through from Dartmouth University		5-30676.5700		2,550	2,550
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		5,497,131	1,330,914	6,828,045
Pass-Through from Center for Health Care Services		SMHSA/CSAT		20,337	20,337
Pass-Through from Drug Prevention Resources Inc.		DPR-SP10513		32,589	32,589
Pass-Through from Hope Action Care		TI14529		90,278	90,278
Pass-Through from Por Vida Academy		H79SP010448		80,022	80,022
Advanced Education Nursing Grant Program	93.247			1,027,239	1,027,239
Pass-Through from University of Oklahoma HSC		5D09 HP03182		26,462	26,462
Public Health Training Centers Grant Program	93.249			128,258	128,258
Pass-Through from Assoc. for Med Ed Research in Substance Abuse		U78HP00001		5,749	5,749
Universal Newborn Hearing Screening	93.251		94,201		94,201
Poison Control Stabilization and Enhancement Grants	93.253			387,444	387,444
State Planning Grants Health Care Access for the Uninsured	93.256			115,908	115,908
Rural Access to Emergency Devices Grant	93.259			189,000	189,000
Occupational Safety and Health Program	93.262		15,081	1,343,881	1,358,962
Pass-Through from Colorado State University		846000545		1,264	1,264
Nurse Faculty Loan Program	93.264			58,619	58,619
Comprehensive Geriatric Education Program	93.265			143,124	143,124
State Grants for Protection and Advocacy Services	93.267			49,471	49,471
Immunization Grants	93.268		6,236,695	194,564,829	200,801,524
Substance Abuse and Mental Health Services-Access to Recovery	93.275		2,567,542	477,232	3,044,774
Drug Abuse and Addiction Research Programs	93.279		86,639	(63,144)	23,495
Pass-Through from University of Alabama		R01DA12215		370,957	370,957
Mental Health Research Career/Scientist Development Awards	93.281			74,406	74,406
Mental Health National Research Service Awards for Research Training	93.282			(40)	(40)
Centers for Disease Control and Prevention--Investigations and Technical Assistance	93.283		40,514,966	30,747,041	71,262,007
Pass-Through from City of Houston		CCU622445		27,538	27,538
Pass-Through from Hispanic Serving Health Professionals School		Miller-USHPS		29,252	29,252
Pass-Through from Hispanic Serving Health Professions Scho		S/G ATSDR		27,638	27,638
Pass-Through from Hispanic Serving Health Professions Scho		VELA:S/G ATSDR YR02		10,929	10,929
Pass-Through from State of Arizona		E7H14528		5,878	5,878
Pass-Through from State of Maryland		6-009221G		234,956	234,956
Pass-Through from SW Center of Pediatric Environmental Health		521553060	9,774	141,442	151,216

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U.S. Department of Health and Human Services (continued)					
Pass-Through from Texas Institute for Health Policy Research		RFP 50100-4-210034		6,194	6,194
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			161,847	161,847
Pass-Through from University of Medicine and Dentistry of New Jersey (UMDNJ)		5 R25 RR018490 03		24,771	24,771
Small Rural Hospital Improvement Grant Program	93.301			1,034,978	1,034,978
Minority Health and Health Disparities Research	93.307		264,110	799,525	1,063,635
Pass-Through from Texas College		750917417		213,198	213,198
Clinical Research	93.333			576,056	576,056
Advanced Education Nursing Traineeships	93.358			683,279	683,279
Nurse Education, Practice and Retention Grants	93.359			1,443,739	1,443,739
Nursing Research	93.361			54,170	54,170
Pass-Through from University of Missouri at Kansas City		LESSER-UMKC		212,455	212,455
National Center for Research Resources	93.389		15,000	3,496,870	3,511,870
Pass-Through from HHS-National Institutes of Health		RHL079992A		66,149	66,149
Cancer Cause and Prevention Research	93.393			42,453	42,453
Pass-Through from Duke University		5 U10 CA076001 02		8,032	8,032
Cancer Treatment Research	93.395			492,828	492,828
Pass-Through from Axis Healthcare Communications LLC		7 R44 CA088088 02		173,771	173,771
Pass-Through from Duke University		5 U10 CA076001 08		(7,606)	(7,606)
Pass-Through from Duke University		DUKE UNIVERSITY		251	251
Pass-Through from Frontier Science & Technology Research Foundation		5 U10 CA021115 31		6,093	6,093
Pass-Through from Frontier Science & Technology Research Foundation		FRONTIER SCIENCE & TECH. RSH. FOUNDATION		(26,504)	(26,504)
Pass-Through from Gynecologic Oncology Group (GOG)		5 U10 CA27469 26		4,996	4,996
Pass-Through from Gynecologic Oncology Group (GOG)		U10 CA027469		92,521	92,521
Pass-Through from National Childhood Cancer Foundation		5 U10 CA098543 03		(2,689)	(2,689)
Pass-Through from Radiation Therapy Oncology Group		U10 CA021661 30		7,258	7,258
Cancer Centers Support Grants	93.397			514,121	514,121
Cancer Research Manpower	93.398			4,866,479	4,866,479
Pass-Through from University of Washington - Seattle		5 R25 CA092055 05		(8,288)	(8,288)
Cancer Control	93.399			80,025	80,025
Pass-Through from University of California - Davis		5 U01 CA086322 05		(8,729)	(8,729)
Promoting Safe and Stable Families	93.556		5,168,771	32,170,968	37,339,739
Pass-Through from Lubbock Regional Mental Health & Retardation		135244B639,C181,C3 19		24,697	24,697
Temporary Assistance for Needy Families	93.558		126,122,475	380,107,659	506,230,134
Child Support Enforcement	93.563		1,769,575	190,052,502	191,822,077
Child Support Enforcement Research	93.564			348,870	348,870
Refugee and Entrant Assistance--State Administered Programs	93.566		1,737,694	14,375,727	16,113,421
Low-Income Home Energy Assistance	93.568		56,359,339	1,754,771	58,114,110
Community Services Block Grant	93.569		28,160,235	1,187,464	29,347,699
Community Services Block Grant--Discretionary Awards	93.570			28,343	28,343
Pass-Through from National 4-H Council		NYSP-05-1107		9,382	9,382
Pass-Through from National Collegiate Athletic Association		14405672644		9,623	9,623
Pass-Through from National Collegiate Athletic Association:		NYSP 05-1140		1,919	1,919
Pass-Through from National Youth Sports Corporation		NYSPF-04-1133		4,092	4,092
Pass-Through from National Youth Sports Program		604240, 604620, 604640		37,104	37,104
Pass-Through from National Youth Sports Program Fund		NYSPF 04-269		54,806	54,806
Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs	93.571		379,973		379,973
Pass-Through from National Collegiate Athletic Association		14405672644		(5,889)	(5,889)
Child Care and Development Block Grant	93.575		159,523,291	44,554,604	204,077,895
Pass-Through from Southeast Texas Workforce Development Board		WDB-1071		8,112	8,112

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U.S. Department of Health and Human Services (continued)					
Pass-Through from Southeast Texas Workforce Development Board		WDB-1092		74,548	74,548
Refugee and Entrant Assistance--Discretionary Grants	93.576		111,117	925,438	1,036,555
Pass-Through from Collaborative for Children		90LO0093		112	112
Refugee and Entrant Assistance-Targeted Assistance Grants	93.584			2,768,102	2,768,102
State Court Improvement Program	93.586			(9,908)	(9,908)
Pass-Through from Texas Center for the Judiciary		06-044		2,505	2,505
Community-Based Child Abuse Prevention Grants	93.590		1,460,179	514,212	1,974,391
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		195,912,818		195,912,818
Grants to States for Access and Visitation Programs	93.597		544,913	36,246	581,159
Chafee Education and Training Vouchers Program	93.599			1,352,497	1,352,497
Head Start	93.600			1,200,428	1,200,428
Pass-Through from Advocates for Children & Families Inc.		06CH049505		105	105
Pass-Through from Assoc. of St and Terr Dental Dirs		U44MC0177		361	361
Pass-Through from Cen-Tex Family Services Inc.		06CH0101		(13)	(13)
Pass-Through from Child Development Council of Brazoria Co.		06CH0017/27		312	312
Pass-Through from Community Council of SW Texas Head Start		06CH-5263		820	820
Pass-Through from Galveston County Comm. Action Council		06CH0100		(129)	(129)
Pass-Through from Greater Opportunity of Permian Basin		135444B604,C062		349,529	349,529
Pass-Through from Gulf Coast Project Head Start		06CH0016		10,274	10,274
Pass-Through from Harris County Department of Education		06CH6998		13,559	13,559
Pass-Through from Met Inc-Head Start		06CH0403		(2)	(2)
Pass-Through from Sutherland Head Start		06CH0103		(139)	(139)
Child Support Enforcement Demonstrations and Special	93.601			392,018	392,018
Adoption Incentive Payments	93.603			650,154	650,154
Mentoring Children of Prisoners	93.616			68,483	68,483
Voting Access for Individuals with Disabilities Grants to States	93.617			148,852	148,852
Developmental Disabilities Basic Support and Advocacy Grants	93.630		3,104,615	1,272,686	4,377,301
Pass-Through from Texas A&M Research Foundation		458360		7,575	7,575
Children's Justice Grants to States	93.643			(198,497)	(198,497)
Child Welfare Services--State Grants	93.645		3,087,285	18,509,610	21,596,895
Social Services Research and Demonstration	93.647			242,310	242,310
Child Welfare Services Training Grants	93.648			264,268	264,268
Foster Care--Title IV-E	93.658		6,675,306	239,209,544	245,884,850
Adoption Assistance	93.659			60,731,977	60,731,977
Social Services Block Grant	93.667		3,342,283	146,244,773	149,587,056
Child Abuse and Neglect State Grants	93.669			1,874,258	1,874,258
Child Abuse and Neglect Discretionary Activities	93.670			85,208	85,208
Family Violence Prevention and Services/Grants for Battered Women's Shelters--Grants to States and Indian Tribes	93.671			4,910,440	4,910,440
Chafee Foster Care Independence Program	93.674		66,036	6,634,044	6,700,080
State Children's Insurance Program	93.767			247,172,773	247,172,773
Demonstration to Maintain Independence and Employment	93.769			13,501	13,501
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			2,165,258	2,165,258
State Pharmaceutical Assistance Programs	93.786			364,987	364,987
Reimbursement of State Costs for Provision of Part D Drugs	93.794			36,168,577	36,168,577
Health Careers Opportunity Program	93.822			120,494	120,494
Basic/Core Area Health Education Centers	93.824		480,853	350,067	830,920
Heart and Vascular Diseases Research	93.837		29,878	428,439	458,317
Lung Diseases Research	93.838			107,392	107,392
Blood Diseases and Resources Research	93.839			1,184,554	1,184,554
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			53,151	53,151
Diabetes, Endocrinology and Metabolism Research	93.847		662,807	253,512	916,319
Digestive Diseases and Nutrition Research	93.848			92,381	92,381
Kidney Diseases, Urology and Hematology Research	93.849			137,422	137,422

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Health and Human Services (continued)					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			1,116,990	1,116,990
Allergy, Immunology and Transplantation Research	93.855			34,345	34,345
Microbiology and Infectious Diseases Research	93.856			234,231	234,231
Pharmacology, Physiology, and Biological Chemistry Research	93.859		104,498	1,262,549	1,367,047
Pass-Through from Baylor College of Medicine		5T32GM008280		29,286	29,286
Child Health and Human Development Extramural Research	93.865			649,277	649,277
Pass-Through from The Pennsylvania State University		2828-UH-DHHS-9496		5,276	5,276
Aging Research	93.866			684,056	684,056
Vision Research	93.867			114,843	114,843
Pass-Through from Baylor College of Medicine		2T3EY07102		(599)	(599)
Pass-Through from Houston Academy of Medicine-Texas Medical Center Library		N01 LM-1-3515 02		4,390	4,390
Pass-Through from Rice University		5 T15 LM07093 13		23,715	23,715
Pass-Through from Rice University		5T15LMO7093		53,162	53,162
Pass-Through from Rice University		R20773-73900003		32,653	32,653
Pass-Through from Rice University		R20775-73900003		34,786	34,786
Pass-Through from Society of Teachers of Family Medicine		USATINE-NLM		10,744	10,744
Grants for Training in Primary Care Medicine and Dentistry	93.884			1,720,612	1,720,612
Physician Assistant Training in Primary Care	93.886			21,560	21,560
Health Care and Other Facilities	93.887			566,570	566,570
Pass-Through from Harris County Hospital District		D1BTH05537		10,646	10,646
Pass-Through from Piney Woods Regional Advisory Council		752603041		101,365	101,365
Specially Selected Health Projects	93.888			37,840	37,840
National Bioterrorism Hospital Preparedness Program	93.889		46,552,931	6,799,019	53,351,950
Resource and Manpower Development in the Environmental Health Sciences	93.894			9,616	9,616
Residency/Adv Ed Gen Dentistry	93.897			296	296
Pass-Through from Van Independent School District		4D04RH00514-03-03		19,903	19,903
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912			47,967	47,967
Grants to States for Operation of Offices of Rural Health	93.913			293,944	293,944
Pass-Through from Harris County Hospital District		05-HSP-0700		8,335	8,335
Pass-Through from Harris County Public Health and Environmental Services		06GEN0158		70,410	70,410
Pass-Through from University Health System		BULLOCK-UHS-		61,822	61,822
Pass-Through from University Health System		T115755		25,254	25,254
HIV Care Formula Grants	93.917		17,688,307	59,290,116	76,978,423
Pass-Through from Harris County Hospital District		04-HSP-0462		17,562	17,562
Pass-Through from Harris County Hospital District		05-HSP-0920		16,516	16,516
Pass-Through from Harris County Hospital District		H76HA00128		9,682	9,682
Ryan White HIV/AIDS Dental Reimbursements\Community Based Dental Partnership	93.924			176,119	176,119
Pass-Through from Valley AIDS Council		CANTU/SG HA0		(1,150)	(1,150)
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		266,601	85,565	352,166
HIV Prevention Activities--Health Department Based	93.940		10,528,434	1,981,003	12,509,437
Pass-Through from Harris County Health Department		04GEN0164R		16,282	16,282
Pass-Through from Harris County Health Department		05GEN0104		90,454	90,454
Pass-Through from Harris County Health Department		05GEN0105		39,609	39,609
Pass-Through from Harris County Health Department		6H12HA000390		240,163	240,163
Pass-Through from St. Hope Foundation		03GEN0214		88,916	88,916
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943		66,765	18,771	85,536
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,194,081	1,311,077	2,505,158

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
U.S. Department of Health and Human Services (continued)					
Assistance Programs for Chronic Disease Prevention and	93.945		42,988	452,493	495,481
Pass-Through from Congressional Glaucoma Caucus Foundation		SPONSEL-CGCF		75,540	75,540
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			50,853	50,853
Block Grants for Community Mental Health Services	93.958		100,000	32,017,421	32,117,421
Block Grants for Prevention and Treatment of Substance Abuse	93.959		107,506,199	4,960,333	112,466,532
Pass-Through from MHMRA of Harris County		MHMRTDD98/99		75	75
Health Administration Traineeships Program	93.962			133,117	133,117
Public Health Traineeships	93.964			69,631	69,631
Pass-Through from Association of Schools of Public Health		U76AH1000204		201	201
Geriatric Education Centers	93.969		218,751	436,009	654,760
Pass-Through from Baylor College of Medicine		1D31 HP 70112-01		20,797	20,797
Pass-Through from Baylor College of Medicine		458210		15,835	15,835
Pass-Through from Baylor College of Medicine		458520		(626)	(626)
Pass-Through from Baylor College of Medicine		5 D31 HP 70112-04		12,979	12,979
Pass-Through from Baylor College of Medicine		5 D31 HP70112-05		14,257	14,257
Pass-Through from Baylor College of Medicine		741613878		51,478	51,478
Pass-Through from Baylor College of Medicine		D31HP70112		50,515	50,515
Family Planning--Service Delivery Improvement Research Grants	93.974			217,128	217,128
Preventive Health Services--Sexually Transmitted Diseases Control Grants	93.977		3,935,329	2,502,009	6,437,338
Preventive Health Services--Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	93.978		136,248	134,212	270,460
Mental Health Disaster Assistance and Emergency Mental Health	93.982			944,517	944,517
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		403,892	570,866	974,758
International Research and Research Training	93.989		17,424	592,295	609,719
Preventive Health and Health Services Block Grant	93.991		2,285,825	1,556,486	3,842,311
Maternal and Child Health Services Block Grant to the States	93.994		14,856,674	24,728,029	39,584,703
Bioterrorism Training and Curriculum Development Program	93.996		(18,515)	1,026,745	1,008,230
Pass-Through from City of Houston Health & Human Services		CCU622445		5,826	5,826
Total - U.S. Department of Health and Human Services			892,437,186	1,874,167,224	2,766,604,410
Corporation for National and Community Service					
Retired and Senior Volunteer Program	94.002			141,542	141,542
Learn and Serve America--School and Community Based Programs	94.004		2,903,667		2,903,667
Pass-Through from Temple University		31-2462-321		7,403	7,403
AmeriCorps	94.006			349,580	349,580
Pass-Through from Onestar Foundation		TIMBOE-CNCS/		(754)	(754)
Pass-Through from Onestar Foundation		TIMBOE-ONEST		55,166	55,166
Planning and Program Development Grants	94.007			181,387	181,387
Total - Corporation for National and Community Service			2,903,667	734,324	3,637,991
Social Security Administration					
Social Security Administration	96.XXX	0600-03-60023		932,909	932,909
		0600-03-60153		338,949	338,949
		28040001		7,224,581	7,224,581
Social Security--Research and Demonstration	96.007			104,113	104,113
Total - Social Security Administration			0	8,600,552	8,600,552

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Department of Homeland Security					
Department of Homeland Security	97.XXX	2004-GT-T4-K002		596,054	596,054
		429230		43,808	43,808
State and Local Homeland Security Training Program	97.005			16,962,664	16,962,664
Homeland Security Preparedness Technical Assistance	97.007			1,825,089	1,825,089
Urban Areas Security Initiative	97.008		23,606,484	12,050	23,618,534
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017		445,267	53,801	499,068
Community Assistance Program- State Support Services	97.023			253,991	253,991
National Urban Search & Rescue (US&R) Response System	97.025			1,547,791	1,547,791
Flood Mitigation Assistance	97.029		1,519,663	82,857	1,602,520
Crisis Counseling	97.032			2,067,800	2,067,800
Disaster Unemployment Assistance	97.034			665,109	665,109
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		675,515,313	74,202,021	749,717,334
Hazard Mitigation Grant	97.039			18,076,780	18,076,780
National Dam Safety Program	97.041			402,229	402,229
Assistance to Firefighters Grant	97.044			33,886	33,886
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			72,055,400	72,055,400
State and Local All Hazards Emergency Operations Planning	97.051		(754)		(754)
Pre-Disaster Mitigation Disaster Resistant Universities	97.063			43,950	43,950
Homeland Security Information Technology and Evaluation Program	97.066		274,726		274,726
Map Modernization Management Support	97.070		217,091		217,091
Buffer Zone Protection Plan (BZPP)	97.078		171,837		171,837
Total - Department of Homeland Security			701,749,627	188,925,280	890,674,907
United States Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001			195,112	195,112
Pass-Through from Assoc. Liaison Office University Coop. Dev.		Garcia-ALOUC		49,133	49,133
Pass-Through from United Negro College Fund		UNCFSP 061406		2,724	2,724
Total - United States Agency for International Development			0	246,969	246,969
Total Non-Clustered Programs			4,673,433,638	5,142,877,732	9,816,311,370
RESEARCH AND DEVELOPMENT CLUSTER					
U.S. Department of Agriculture					
U.S. Department of Agriculture	10.XXX	03CS11030300-047 & 029		(76)	(76)
		03CS11030300-047&029		34,611	34,611
		1301/C155		7,500	7,500
		ELEMENTARY SCHOOL		59,650	59,650
		FSIS-C-20-2005		31,484	31,484
		FSIS-C-22-2005		49,559	49,559
		FSIS-C-29-2005		29,639	29,639
Pass-Through from US Army Medical Research		W81XWH-05-2-0012		572,103	572,103
Pass-Through from US Egypt Science & Technology JO		58-3148-5-106, YR 1 FUNDS		4,563	4,563
Agricultural Research--Basic and Applied Research	10.001		149,103	3,948,390	4,097,493
Pass-Through from Almond Board of California		503463		3,799	3,799
Pass-Through from Auburn University		135144C271		36,064	36,064
Plant and Animal Disease, Pest Control, and Animal Care	10.025			1,081,997	1,081,997
Wildlife Services	10.028			124,107	124,107
Federal-State Marketing Improvement Program	10.156			6,102	6,102

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Agriculture (continued)					
Grants for Agricultural Research, Special Research Grants	10.200		1,108,176	8,443,569	9,551,745
Pass-Through from ACDI/VOCA		502565		190	190
Pass-Through from Colorado State University		G-1437-1		56,504	56,504
Pass-Through from International Arid Lands Consortium		2003-3432612986		33,740	33,740
Pass-Through from Kansas State University		135144B664,C023,C456		4,418	4,418
Pass-Through from Kansas State University		2003-38624-13082		12,213	12,213
Pass-Through from Kansas State University		502486		6,000	6,000
Pass-Through from Kansas State University		502487		(315)	(315)
Pass-Through from Kansas State University		502488		3,017	3,017
Pass-Through from Kansas State University		502489		53,659	53,659
Pass-Through from Kansas State University		502490		8,897	8,897
Pass-Through from Kansas State University		502491		(3,559)	(3,559)
Pass-Through from Kansas State University		502492		3,240	3,240
Pass-Through from Kansas State University		502493		3,208	3,208
Pass-Through from Kansas State University		502516		948	948
Pass-Through from Kansas State University		503314		5,013	5,013
Pass-Through from Louisiana State University		503041		96	96
Pass-Through from New Mexico State University AG Experiment Stat		135144B681		9,001	9,001
Pass-Through from New Mexico State University		135144B663,C039,C109,C272		45,972	45,972
Pass-Through from New Mexico State University		502867		8,654	8,654
Pass-Through from New Mexico State University		502868		1,630	1,630
Pass-Through from New Mexico State University		502869		5,793	5,793
Pass-Through from New Mexico State University		502870		1,937	1,937
Pass-Through from New Mexico State University		502874		120	120
Pass-Through from New Mexico State University		502902		260	260
Pass-Through from New Mexico State University		502903		622	622
Pass-Through from New Mexico State University		502926		3,960	3,960
Pass-Through from New Mexico State University		502940		5,574	5,574
Pass-Through from New Mexico State University		502987		6,699	6,699
Pass-Through from New Mexico State University		503027		8,687	8,687
Pass-Through from New Mexico State University		503029		13,864	13,864
Pass-Through from New Mexico State University		503030		6,230	6,230
Pass-Through from New Mexico State University		503031		4,012	4,012
Pass-Through from New Mexico State University		503032		18,554	18,554
Pass-Through from New Mexico State University		503033		8,330	8,330
Pass-Through from New Mexico State University		503035		7,694	7,694
Pass-Through from New Mexico State University		503105		9,712	9,712
Pass-Through from New Mexico State University		503106		17,365	17,365
Pass-Through from New Mexico State University		503110		2,008	2,008
Pass-Through from New Mexico State University		503243		15,236	15,236
Pass-Through from New Mexico State University		503244		34,619	34,619
Pass-Through from New Mexico State University		503245		22,440	22,440
Pass-Through from New Mexico State University		503246		76,737	76,737
Pass-Through from New Mexico State University		503247		7,401	7,401
Pass-Through from New Mexico State University		503248		7,908	7,908
Pass-Through from New Mexico State University		503249		23,492	23,492
Pass-Through from New Mexico State University		503250		15,528	15,528
Pass-Through from New Mexico State University		503251		29,065	29,065
Pass-Through from New Mexico State University		570189	1,546		1,546
Pass-Through from New Mexico State University		570284	9,036		9,036
Pass-Through from Purdue University		501238		(2,071)	(2,071)
Pass-Through from Southern Regional Aquaculture Center		503237		13,309	13,309
Pass-Through from The Oceanic Institute		502973		16,437	16,437
Pass-Through from The Oceanic Institute		503253		328,399	328,399
Pass-Through from The Oceanic Institute		503406		80,742	80,742

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Agriculture (continued)					
Pass-Through from University of California at Davis		502888		15,536	15,536
Pass-Through from University of California at Davis		503206		15,894	15,894
Pass-Through from University of California at Davis		503207		7,784	7,784
Pass-Through from University of California at Riverside		503332		36,973	36,973
Pass-Through from University of Florida		420330		2,848	2,848
Pass-Through from University of Florida		420340		3,102	3,102
Pass-Through from University of Florida		434130		3,503	3,503
Pass-Through from University of Florida		434140		579	579
Pass-Through from University of Florida		502317		(10,145)	(10,145)
Pass-Through from University of Florida		502688		20,207	20,207
Pass-Through from University of Florida		502889		12,795	12,795
Pass-Through from University of Florida		503059		63,717	63,717
Pass-Through from University of Florida		503256		20,198	20,198
Pass-Through from University of Florida		503309		4,500	4,500
Pass-Through from University of Florida		503327		8,000	8,000
Pass-Through from University of Florida		503439		28,646	28,646
Pass-Through from University of Georgia Research Found., Inc.		1354441892		1	1
Pass-Through from University of Georgia		437520		8,541	8,541
Pass-Through from University of Georgia		450450		4,731	4,731
Pass-Through from University of Georgia		503259		6,487	6,487
Pass-Through from University of Georgia		570275	709		709
Pass-Through from University of Georgia		570297	3,282		3,282
Pass-Through from University of Iowa		1000534681		6,790	6,790
Pass-Through from University of Maryland		503330		43,151	43,151
Cooperative Forestry Research	10.202		238,098	58,434	296,532
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			6,364,973	6,364,973
Grants for Agricultural Research--Competitive Research Grants	10.206		81,379	2,989,606	3,070,985
Pass-Through from Albert Einstein College of Medicine		503124		6,633	6,633
Pass-Through from Albert Einstein College of Medicine		503345		1,445	1,445
Pass-Through from Baylor College of Medicine		430240		105,703	105,703
Pass-Through from Houston Advanced Research Center		503376		3,750	3,750
Pass-Through from Iowa State University		503316		9,266	9,266
Pass-Through from Michigan State University		61-4280B		31,426	31,426
Pass-Through from Mississippi State University		05 301		4,059	4,059
Pass-Through from Mississippi State University		503298		43,801	43,801
Pass-Through from New Mexico State University		135144B439		45,165	45,165
Pass-Through from Purdue University		135144B756		45,378	45,378
Pass-Through from University of California at Davis		503368		22,090	22,090
Pass-Through from University of Maryland		503205		54,850	54,850
Pass-Through from University of Minnesota		503386		15,080	15,080
Pass-Through from University of Missouri		503315		87,874	87,874
Animal Health and Disease Research	10.207			371,736	371,736
Pass-Through from Omnisite Biodiagnostic, Inc.		503448		1,564	1,564
Pass-Through from West Virginia University		503350		3,046	3,046
Higher Education Challenge Grants	10.217		9,899	8,404	18,303
Pass-Through from University of Arkansas		135144B288		10,293	10,293
Pass-Through from University of Illinois		502938		1,386	1,386
Pass-Through from Colorado State University		503037		45,193	45,193
Hispanic Serving Institutions Education Grants	10.223			286,911	286,911
Pass-Through from Houston Community College		503291		61,621	61,621
Community Food Projects	10.225		826,890	1,951,140	2,778,030
Agricultural and Rural Economic Research	10.250		15,000	116,459	131,459
Pass-Through from Joint Center for Poverty Research		24330-A (43-3AEM-2-80038-A06)		25,589	25,589
Initiative for Future Agriculture and Food Systems	10.302		60,573	688,236	748,809
Pass-Through from University of Arizona		502235		29,430	29,430

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Agriculture (continued)					
Integrated Programs	10.303		68,335	517,032	585,367
Pass-Through from Kansas State University		503280		11,569	11,569
Pass-Through from Louisiana State University		503359		25,499	25,499
Pass-Through from North Carolina State University		135144B831		29,279	29,279
Pass-Through from Pennsylvania State University		1351441668		4,654	4,654
Pass-Through from University of Florida		502684		(114)	(114)
Homeland Security-Agriculture	10.304			70,521	70,521
International Science and Education Grants	10.305			21,476	21,476
Crop Insurance	10.450		36,911	3,724,409	3,761,320
Pass-Through from Grazinglands Conservation Initiative		503015		46,471	46,471
Pass-Through from Grazinglands Conservation Initiative		503016		50,324	50,324
Pass-Through from Grazinglands Conservation Initiative		503109		9,889	9,889
Pass-Through from Iowa Department of Natural Resources		502687		(765)	(765)
Pass-Through from Mississippi State University		135144B263		23,899	23,899
Pass-Through from University of Florida		503331		24,043	24,043
Pass-Through from University of Florida		503367		5,071	5,071
Cooperative Extension Service	10.500		99,487	785,091	884,578
Pass-Through from North Carolina State University		503429		1,155	1,155
Pass-Through from Pennsylvania State University		503396		9,965	9,965
Pass-Through from Health Services		ATT 05, CN 04, PO 0000310838		333,782	333,782
Child and Adult Care Food Program	10.558			33,134	33,134
Forestry Research	10.652			664,081	664,081
Cooperative Forestry Assistance	10.664			567,246	567,246
Forest Health Protection	10.680			8,697	8,697
Pass-Through from Texas Citrus Mutual		503343		32,207	32,207
National Sheep Industry Improvement Center	10.774			42,183	42,183
Resource Conservation and Development	10.901			864,017	864,017
Pass-Through from Southern Forest Research Partnership		503115		43,211	43,211
Pass-Through from Southern Forest Research Partnership		503126		14,105	14,105
Pass-Through from Southern Forest Research Partnership		570266	1,710		1,710
Soil and Water Conservation	10.902			184,539	184,539
Soil Survey	10.903			34,419	34,419
Watershed Protection and Flood Prevention	10.904			88,434	88,434
Plant Materials for Conservation	10.905			68,494	68,494
Pass-Through from National Fish & Wildlife Foundation		2004-0027-000		1,597	1,597
Environmental Quality Incentives Program	10.912		66,062	567,182	633,244
Pass-Through from Boilingstone Energy, Inc.		503319		5,284	5,284
Pass-Through from Mississippi State University		503104		44,678	44,678
Agricultural Statistics Reports	10.950			1,629	1,629
Pass-Through from U. S. Department of Agriculture		43-3AEU-5-85051		43,722	43,722
Technical Agricultural Assistance	10.960			111,601	111,601
Scientific Cooperation and Research	10.961			25,249	25,249
Pass-Through from Academy for Educational Development		502986		1,026	1,026
Pass-Through from Association Liaison Office		502856		13,051	13,051
Pass-Through from Chemonics International, Inc..		502978		48,195	48,195
Pass-Through from Chemonics International, Inc..		503061		12,617	12,617
Pass-Through from CIMMYT		503141		10,769	10,769
Pass-Through from CIMMYT		503142		45,967	45,967
Pass-Through from CIMMYT		503264		51,670	51,670
Pass-Through from Development Alternatives, Inc..		502906		608,435	608,435
Pass-Through from International Crops Research Inst. Semi-Arid T		502425		28,813	28,813
Pass-Through from Texas A&M Research Foundation		136244B869,C225		50,817	50,817
Cochran Fellowship Program-International Training-Foreign Participant	10.962		16,228	642,242	658,470
Pass-Through from Association Liaison Office		502639		43,751	43,751

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Agriculture (continued)					
Pass-Through from Association Liaison Office		502664		6,694	6,694
Pass-Through from Association Liaison Office		502665		1,277	1,277
Pass-Through from Association Liaison Office		502953		14,430	14,430
Pass-Through from Michigan State University		502210		(8,757)	(8,757)
Pass-Through from Michigan State University		502694		81,314	81,314
Pass-Through from Michigan State University		502974		350,630	350,630
Pass-Through from Michigan State University		570161	12,075		12,075
Pass-Through from University of California at Davis		503063		65,115	65,115
Pass-Through from University of California at Davis		503064		20,910	20,910
Pass-Through from University of California at Davis		503293		311,639	311,639
Pass-Through from University of California at Davis		503294		74,180	74,180
Total - U.S. Department of Agriculture			2,804,499	40,884,373	43,688,872
U.S. Department of Commerce					
U.S. Department of Commerce	11.XXX	EAR-0413265	241,115	677,539	918,654
Pass-Through from Jardon & Howard Tech Inc.		JHT-05-001, Ltr of Intent		528	528
Pass-Through from Joint Oceanographic Institute, Inc.		F001661		5,673	5,673
Pass-Through from Molecular Imprints, Inc.		70NANB4H3012		263,792	263,792
Pass-Through from Northrop Grumman		PO 83547DDM3S,REV 006		183,661	183,661
Grants for Public Works and Economic Development Facilities	11.300			524,567	524,567
Economic Development--Technical Assistance	11.303			51,369	51,369
Economic Adjustment Assistance	11.307		83,455	334,275	417,730
Pass-Through from Northrop Grumman		PO 8200084351		32,391	32,391
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	11.400			510,142	510,142
Interjurisdictional Fisheries Act of 1986	11.407			154,823	154,823
Sea Grant Support	11.417		20,683	2,274,797	2,295,480
Pass-Through from MIT Massachusetts Institute of Technology		603400 GRANT#5710001851		5,197	5,197
Pass-Through from TDI-Brooks International Incorporated		502625		19,942	19,942
Pass-Through from Texas A&M Research Foundation		UTA06-089		60,426	60,426
Pass-Through from University of Oregon		603690 SUBGRANT NO. NA684H-A		625	625
Coastal Zone Management Administration Awards	11.419		32,227	639,018	671,245
Pass-Through from Orange County		NA1700Z2185		1,976	1,976
Pass-Through from University of New Hampshire		604860 CONTRACT#06-032		125,102	125,102
Coastal Zone Management Estuarine Research Reserves	11.420			124,007	124,007
Financial Assistance for National Centers for Coastal Ocean Science	11.426			774,198	774,198
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427			(601)	(601)
Undersea Research	11.430			18,064	18,064
Pass-Through from Joint Oceanographic Institutions		T303A18		11,443	11,443
Pass-Through from University of Georgia		606030 GRANT# RR100-413/9821217		1,358	1,358
Climate and Atmospheric Research	11.431		10,661	246,781	257,442
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432			24,164	24,164
Pass-Through from University of Alaska		UAF05-0091: PO#FP504768		465	465
Pass-Through from University of Oklahoma		503062		63,004	63,004
Marine Fisheries Initiative	11.433			158,034	158,034
Cooperative Fishery Statistics	11.434			77,367	77,367

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Commerce (continued)					
Southeast Area Monitoring and Assessment Program	11.435			42,458	42,458
Pass-Through from Alaska Sealife		R1921-07		21,480	21,480
Pass-Through from Texas A&M Research Foundation		S020005 / 452991-00001		128,829	128,829
Special Oceanic and Atmospheric Projects	11.460			269,641	269,641
Pass-Through from University of Alaska, Fairbanks		601160 CONTRACT# UAF 005-0121		22,122	22,122
Habitat Conservation	11.463			29,309	29,309
Pass-Through from Galveston Bay Foundation		STEWARDSHIP PROJECT		7,921	7,921
Coastal Services Center	11.473			4,502	4,502
Center for Sponsored Coastal Ocean Research--Coastal Ocean Program	11.478			272,749	272,749
Educational Partnership Program	11.481		42,014	61,599	103,613
Technology Opportunities Program	11.552			(30,708)	(30,708)
National Standard Reference Data System	11.603			8,990	8,990
Measurement and Engineering Research and Standards	11.609			242,788	242,788
Pass-Through from Nanospectra Biosciences, Inc.		70NANB4H3040		197,152	197,152
Manufacturing Extension Partnership	11.611		546,882	2,414,826	2,961,708
Advanced Technology Program	11.612			(17,848)	(17,848)
Pass-Through from Receptor Logic, Ltd		06AP050017F1H		113,582	113,582
Congressionally Identified Projects	11.617		25,092	572,352	597,444
Total - U.S. Department of Commerce			1,002,129	11,725,871	12,728,000
U.S. Department of Defense					
U.S. Department of Defense	12.XXX			225,391	225,391
		#R14051-72600003		17,522	17,522
		130344C125	311,630	274,223	585,853
		424000		436	436
		BAA0519F10		264,685	264,685
		CON14532		(24)	(24)
		DAAE30-02-C1132	146,465	24,615	171,080
		DACA42-01-C-0012		19,767	19,767
		DACA42-02-C-0009		10,137	10,137
		DACA72-01-C0042		916,870	916,870
		DADA42-03-P0324		(971)	(971)
		DAMD17-99-C-9099		1,784	1,784
		DOD - SBCCOM		79,087	79,087
		G72008		(930)	(930)
		G72212		393,831	393,831
		G72727		12,846	12,846
		G72734		6,559	6,559
		G73113		(34)	(34)
		G73114		389	389
		G73138		70,188	70,188
		G73168		(32)	(32)
		G73182		2,521	2,521
		H98230-06-C0443		16,234	16,234
		IPA GLICKMAN		13,982	13,982
		IPA-PRUITT		12,023	12,023
		N00167-06-C-0007		73,911	73,911
		N00244-06-P-0366		27,084	27,084
		N6311606GOIPA12		21,640	21,640
		N6311606GOIPA13		5,341	5,341
		NAG9-01476	821,035	12,709,497	13,530,532

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Defense (continued)					
		UTA05-120		152,476	152,476
		W81XWH-04-1-0218		121,422	121,422
		W81XWH-04-1-0231	(3,858)	(337)	(4,195)
		W911SR04C0047		36,962	36,962
		W911SR04-C0048		71	71
		W911SR04C0050		118,492	118,492
		W911SR04C0058		(73)	(73)
		W911SR04C0062		18,924	18,924
U.S. Department of Defense	12.XXX	W911SR04-C0063		13,700	13,700
		W911SR04C0065		44,658	44,658
		W911SR-04-C-0065		35,829	35,829
		W911SR04C0068		116,466	116,466
		W911SR04C0070		49,860	49,860
		W911SR04C0078		13,447	13,447
		WU-USAISR/IP		43,050	43,050
Pass-Through from 21st Century Technologies		TCT-005-032; UTA05-551		17,593	17,593
Pass-Through from Accurate Automation Corporation		1354441708		(62,830)	(62,830)
Pass-Through from American MAGLEV Tech. of Florida, Inc.		AMER MAGLEV TECH OF FLA-UT105		(409)	(409)
Pass-Through from Applied Research Associates		S-29000.7, SUPP 1		189,457	189,457
Pass-Through from BAE Systems		04246-7982, SWA DTD 5/24/05		251,707	251,707
Pass-Through from Ball Aerospace & Technologies		135444B847		255	255
Pass-Through from Battelle		172101 / 2002-PO45810-000		(158)	(158)
Pass-Through from The Boeing Company		KT8078		111,178	111,178
Pass-Through from Booz, Allen & Hamilton		BPD1548		24,237	24,237
Pass-Through from California Inst. of Jet Tech. Propulsion		RSA No. 1264217		71,669	71,669
Pass-Through from CAMBER Corp.		S050100		253,805	253,805
Pass-Through from Curtiss Wright Electro-Mechanica		8/5/04 CONTRACT AGREEMENT	66,130	4,242,128	4,308,258
Pass-Through from ECHO Technical		UTA05-914		117,375	117,375
Pass-Through from Electronic Bio Sciences		FA9550-06-C-0006; PO 1088		36,547	36,547
Pass-Through from EXQUADRUM, Inc.		01-018-C-001		32,500	32,500
Pass-Through from Florida State University		#CEM-0208, AMD 5		1,820,186	1,820,186
Pass-Through from General Atomics		KJ410301 LTR SC		844,882	844,882
Pass-Through from HEM Technologies		135444C061		28,342	28,342
Pass-Through from HEM Technologies		135444C337		14,904	14,904
Pass-Through from Hydraflex Systems, LLC		UTA03-029		39,251	39,251
Pass-Through from Illinois State University		UTA04-078 151002412009433		53,785	53,785
Pass-Through from INFOSCITEX Corporation		1129-1S2		58,007	58,007
Pass-Through from Innovative Scientific Solutions		SB05033, UTA06-401		28,418	28,418
Pass-Through from ITT Industries, Inc.		183409J		216,981	216,981
Pass-Through from KATO Engineering		16906-S-023	23,829	216,665	240,494
Pass-Through from Lockheed Martin Corp.		4300050944 / DAAD19-00-9-0001		77	77
Pass-Through from Mantech Env. Res. Service Corp.		MTIT5J030		4,978	4,978
Pass-Through from Mississippi State University		060808-01090729, DO 4THZ97064543		1,596,688	1,596,688
Pass-Through from Mississippi State University		CSM-KY5-002		30,731	30,731
Pass-Through from Molecular Imprints, Inc.		MII-2002-01		102,954	102,954
Pass-Through from Nevada Automotive Test Center		M67854-03-A-5091-0037		6,526	6,526
Pass-Through from Northrop Grumman		PO 8140000331		40,756	40,756

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Defense (continued)					
Pass-Through from Old Dominion University Research Fdn,		MELTZ:OLD DO		97,087	97,087
Pass-Through from Oldenburg Group, Inc.		F49620-92-C-0047		28,978	28,978
Pass-Through from Omega Optics		SC02-0304		184,445	184,445
Pass-Through from Organic ID		UTA05-047		92,121	92,121
Pass-Through from Rice University		R13538-41600005		1,823	1,823
Pass-Through from S R I International		03-000224 TASK ORD 2		220,106	220,106
Pass-Through from Sandia National Labs		603,873.00		37,302	37,302
Pass-Through from Science Application Corp.		4400084011, Mod 06		265,537	265,537
Pass-Through from Science Applications International Corp		135444C550		13,221	13,221
Pass-Through from Science Applications International Corp.		135444C045		183,792	183,792
Pass-Through from Science Applications International Corporation		4400116331		24,809	24,809
Pass-Through from Scimitar Technologies, LLC		UTA05-828, INC		1,861	1,861
Pass-Through from Southwest Research Institute		SWRI 399847P		20,558	20,558
Pass-Through from Southwest Research Institute		3965-25		45,369	45,369
Pass-Through from SPEC		UTA05-882		39,473	39,473
Pass-Through from Telcordia Technologies, Inc.		10,092,632.00		84,920	84,920
Pass-Through from The Geneva Foundation		Gilcrest-GEN		42,773	42,773
Pass-Through from Texas A&M Research Foundation		S050105		41,500	41,500
Pass-Through from Texas Research Inst. Austin, Inc.		A7513-300-05-		88,313	88,313
Pass-Through from U.S Military Academy		DAAG60-00-P-0462		(537)	(537)
Pass-Through from UES Corp.		UTA05-413		4,693	4,693
Pass-Through from University of California, Berkeley		SA4840-78134 SWA		183,407	183,407
Pass-Through from University of Michigan		TBD		7,910	7,910
Pass-Through from University of Wisconsin		P042501		139,747	139,747
Pass-Through from University of Chicago		135144B291		41,529	41,529
Pass-Through from Unrelated to Sponsor		ARL SALARY CLEARING ACCOUNT		(2,279)	(2,279)
Pass-Through from Vax Design		70003-UTMBM		112,070	112,070
Pass-Through from Vax Design		70003-UTMBN	50,000	918,007	968,007
Pass-Through from Weston Solutions, Inc.		135444B964		45,284	45,284
Pass-Through from Wright Materials Research Co.		05-UTA01		36,486	36,486
Pass-Through from XIDEX Corp.		UTA03-508, SWA		(620)	(620)
Procurement Technical Assistance For Business Firms	12.002			59,027	59,027
Aquatic Plant Control	12.100			180,165	180,165
Flood Plain Management Services	12.104			5,626	5,626
Flood Control Projects	12.106			77,617	77,617
Protection, Clearing and Straightening Channels	12.109			1,931	1,931
Pass-Through from OA Systems Corporation		C2003347		(6,226)	(6,226)
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		11,992	30,041	42,033
Pass-Through from Aviation & Missile Solutions LLC		No. 038-02K1		306,426	306,426
Collaborative Research and Development	12.114		147,022	998,454	1,145,476
Pass-Through from Aerospace Missions Corporation		1173239CCC		20,539	20,539
Pass-Through from Parsons Infrastructure & Technology Group Inc		Subcontract No. 735361 30038		70	70
Pass-Through from University of Florida		UF05046		59,907	59,907
Pass-Through from University of South Florida		136244B953		39,719	39,719
Pass-Through from Williams Pyro, Inc.		HQ0006 04 7092		35,939	35,939
Pass-Through from Wingler & Sharp Inc		No. 05-0328		549,734	549,734
Basic and Applied Scientific Research	12.300		3,409,676	76,668,766	80,078,442
Pass-Through from Anteon Corp.		Sub No. 0171-SC-0002		64,960	64,960
Pass-Through from Applied Research Associates		S-16616.1		34,718	34,718
Pass-Through from Bennington Microtechnology Center		N00014-05-1-0587		786,213	786,213
Pass-Through from California Institute of Technology		No. 68-1074599		131,014	131,014

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Defense (continued)					
Pass-Through from Calnetix		PO No. 00027779		8,790	8,790
Pass-Through from DOD-Air Force Research Lab		FA8750-05-1-0246		6,817	6,817
Pass-Through from DOD-Defense Modeling and Simulation		IPA-SCRUDDER		135,404	135,404
Pass-Through from Drexel University		No. 204080		62,456	62,456
Pass-Through from Florida Atlantic University		TRD67		6,553	6,553
Pass-Through from Georgia Tech. Research Inst.		B-12-M06-S10, INCREMENT		104,712	104,712
Pass-Through from Imaging Microsensors, Inc.		IMI002-04-S-001		37,334	37,334
Pass-Through from IN-Q-TEL		ARL:UT-001		105,263	105,263
Pass-Through from Institute for the Study of Learning		Austin-01		424,778	424,778
Pass-Through from Johns Hopkins University		JHU/APL-898788		421,761	421,761
Pass-Through from KAI INC		UTA05-597		111,261	111,261
Pass-Through from Marlow Industries		Agr. No. 04-0575		95,518	95,518
Pass-Through from Mississippi State University		DEQM KY6 00		80,971	80,971
Pass-Through from National Reconnaissance Office		03-C-0104		632,704	632,704
Pass-Through from PCD		N00014-04-C-0345		96,727	96,727
Pass-Through from Pennsylvania State University		SUBCONTRACT S05-03 PRIME N0001405G0106/8		891,879	891,879
Pass-Through from Radlyfe, Inc		Phillips-A		112,777	112,777
Pass-Through from Rice University		4F-01541, M0001-SUB#: R14501		33,788	33,788
Pass-Through from Rice University		Sub No. R13539-4160004		42,670	42,670
Pass-Through from Sandia National Labs		PO 302280		7,267	7,267
Pass-Through from St. Mary's University		502722		27,760	27,760
Pass-Through from Systems and Materials Research Consultants		SMRC-52		39,981	39,981
Pass-Through from University of Colorado		154-0303, PO#0000049040		57,106	57,106
Pass-Through from University of Montana		PG-4853-02		76,272	76,272
Pass-Through from University of Notre Dame		200,978.00		876	876
Pass-Through from University of Southern Mississippi		UTA05-358		503	503
Pass-Through from University of Illinois		Sub No. 2005-03559-01		34,679	34,679
Pass-Through from Unrelated to Sponsor		26-0798-01		3,606,967	3,606,967
Military Medical Research and Development	12.420		2,621,488	28,884,825	31,506,313
Pass-Through from DOD/Advanced Circul. System		W81XWH04C0022		11,621	11,621
Pass-Through from DOD/Emory University.		DAMD170320033		168,723	168,723
Pass-Through from Fred Hutchinson Cancer Research Center		DAMD17-02-1-0691		5,526	5,526
Pass-Through from Geo-Centers Inc		44178SM		36,285	36,285
Pass-Through from Johns Hopkins University		5 W81XWH-04-1-0595 02		779	779
Pass-Through from Lockheed Martin Corp		DAAH01-01-9-R001		477	477
Pass-Through from Memorial Hermann Hospital System		DAMD 17-03-C-97		123,746	123,746
Pass-Through from National Med Technology Test Bed		200171UTMB		1,597	1,597
Pass-Through from Oklahoma State University		AA-5-75063-A		(701)	(701)
Pass-Through from Oregon Research Institute		Peterson-ORI		8,441	8,441
Pass-Through from Rice University		DAMD17-03-1-0384-03		61,360	61,360
Pass-Through from Science Applications International Corp,		N100173-03-C-2013		67,829	67,829
Pass-Through from T.R.U.E. Research Foundation		06AP050072FNL		127,148	127,148
Pass-Through from T.R.U.E. Research Foundation		W81XWH-06-2-0033		5,076	5,076
Pass-Through from The Regents of the University of California		DAMD170210638		11,744	11,744
Pass-Through from The Scripps Research Institute		W81XWH-5-1-0316		92,613	92,613
Pass-Through from The Trustees of Indiana University		DAMD170310216		238,747	238,747
Pass-Through from University of California, San Francisco		W81XWH0510265		199,525	199,525

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Defense (continued)					
Pass-Through from University of California, San Francisco		DAMD170310481		47,483	47,483
Pass-Through from University Of Oklahoma		DAMD17020702		9,232	9,232
Pass-Through from University of South Florida		DAMD-97-1-7209		8,020	8,020
Basic Scientific Research	12.431		136,288	8,583,673	8,719,961
Pass-Through from Academy of Applied Science		05-01;05		7,800	7,800
Pass-Through from Academy of Applied Science		W911NF-04-1-0226		5,836	5,836
Pass-Through from Accelerator Technology Corp.		No. 05-1036		31,799	31,799
Pass-Through from California Institute of Technology		No. 68-1077891		69,920	69,920
Pass-Through from J&J Maintenance		No. 04-0134		101,638	101,638
Pass-Through from Management Consulting, Inc.		PO No. 53798		1,397,692	1,397,692
Pass-Through from New Jersey Institute of Technology		W911NF-04-C-0109		1	1
Pass-Through from Northwestern University		0650 300 F294 1104		38,778	38,778
Pass-Through from Science Applications International		4400121592		765,688	765,688
Pass-Through from SI International		S000000053		63,901	63,901
Pass-Through from Stevens Institute of Technology		No. 527826-09		31,445	31,445
Pass-Through from The Nature Conservancy		424100		5,194	5,194
Pass-Through from University of California, Berkeley		SA4485-32449_W911NF0410304		84,500	84,500
Pass-Through from University of Dayton Research Institute		No. RSC05016		855,995	855,995
Pass-Through from Wingler & Sharp Inc		No. 04-0133		43,279	43,279
International Education--U.S. Colleges and Universities	12.550			71,000	71,000
Basic, Applied, and Advanced Research in Science and Engineering	12.630		12,500	2,176,226	2,188,726
Pass-Through from Aeroprobe Corporation		No. 05-0379		20,929	20,929
Pass-Through from Battelle Chapel Hill Operations		TCN05018		9,292	9,292
Pass-Through from Bell Helicopter		163920-33. CO 4		87,851	87,851
Pass-Through from Brown University		1132-21072		552	552
Pass-Through from Center for Rotocraft Innovation Inc.		W911W6-05-2-0003		10,416	10,416
Pass-Through from CSA Engineering Inc		NM-2238		34,511	34,511
Pass-Through from Dynatech Engineering Inc		No. 05-0704		1,411	1,411
Pass-Through from Northwestern University		0650 300 F416 415		81,956	81,956
Pass-Through from Progeny Systems Corp.		PSC-0049, TASK 1		195,513	195,513
Pass-Through from Stanford University		28749-B		957	957
Pass-Through from TKC Communications, LLC		UH111604		20,895	20,895
Pass-Through from University of Illinois-Champaign Urban		2005-03031-01		78,262	78,262
Pass-Through from University of Southern California		1351441441,1527		145,171	145,171
Pass-Through from US Army - Corp of Engineers		DACA72-02-C-0034		105	105
Pass-Through from Virginia Polytechnic Institute		CR-19642-425689		17,468	17,468
Air Force Defense Research Sciences Program	12.800		1,592,903	14,695,889	16,288,792
Pass-Through from Aeroprobe Corporation		No. 06-0151		61,176	61,176
Pass-Through from Air Force Defense Research Scien.		FA9550-06-1-0356		34,514	34,514
Pass-Through from Andro Computational Solutions, LLC		PANDAF04-193-UTA-P204		4,440	4,440
Pass-Through from Anteon Corporation		F33615-98-D-3210		3,767	3,767
Pass-Through from Brooks City Base Foundation Inc.		BCBF0001TSUFA890 10430001		12,572	12,572
Pass-Through from Clarkson Aerospace		05-S567-0003-C1		223,865	223,865
Pass-Through from Clarkson Aerospace Inc		PVUAM 05-0003-C1		206,870	206,870
Pass-Through from Clarkson Aerospace Inc		TEES 05-0003-C1		460,975	460,975
Pass-Through from Department of Air Force, Material Command		FA8650-05-D-1912		172,459	172,459
Pass-Through from Hypercomp Inc		FA9550-04-C0117		3,140	3,140
Pass-Through from Inframat Corp.		FA9550-05-C-0117		29,990	29,990
Pass-Through from Inframat Corporation		H0068G088560		48,548	48,548
Pass-Through from Inframat Corporation		H0068G089605		79,655	79,655
Pass-Through from Inframat Corporation		H0068G090076		(1,031)	(1,031)

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Defense (continued)					
Pass-Through from Institute for Study of Learning & Expertise		FA8750-05-2-0283		432,801	432,801
Pass-Through from Knowledge Based Systems, Inc.		5274-200 TAMU		68,945	68,945
Pass-Through from Massachusetts Institute for Technology		5,710,001,865.00		90,936	90,936
Pass-Through from Northrop Grumman		PO 65016QOD5A		676,850	676,850
Pass-Through from Portage Environmental Inc		PEI-2106S07		201,189	201,189
Pass-Through from Portage Environmental Inc		PEI-AF01281-05		736,483	736,483
Pass-Through from Schafer Corporation		SC-03A-22-08	21,965	32,240	54,205
Pass-Through from Southwest Research Institute		499901JH		19,906	19,906
Pass-Through from Starvision Technologies Inc		Agr No. 05-0259		13,502	13,502
Pass-Through from Systems and Materials Research Consultants		FA8650-05-M-5605		14,685	14,685
Pass-Through from Systems and Materials Research Consultants		FA9200-06-C-0248 SMRC-55		22,540	22,540
Pass-Through from The Boeing Company		4CC1768	56,456	9,131	65,587
Pass-Through from University of Florida		UF05070 (00004839)		69,930	69,930
Pass-Through from Universal Technology Corporation		05-S529-004-C2		222,325	222,325
Pass-Through from University of Alabama		Sub No. 02-044		25,052	25,052
Pass-Through from University of Arizona		F 496200110394		2,589	2,589
Pass-Through from University of California, Berkeley		SA4456-32432PG		22,675	22,675
Pass-Through from University of Dayton Research Institute		No. RSC03038	86,224	285,312	371,536
Pass-Through from University of Florida		UF-EIES-0502014-UH		46,316	46,316
Pass-Through from University of Wisconsin		135144B574		163,335	163,335
Mathematical Sciences Grants Program	12.901			72,318	72,318
Pass-Through from Mathematical Association of America		MDA904-03-1-0122		102	102
Information Security Grant Program	12.902			177,460	177,460
Research and Technology Development	12.910		4,528,078	3,164,190	7,692,268
Pass-Through from Beacon Power Corporation		PO No. 12561		1,413	1,413
Pass-Through from CACI Technologies Inc		DAAB07-03-D-C214		48,681	48,681
Pass-Through from Computer Services Corporation		W9124Q-05-C-0557		27,965	27,965
Pass-Through from DOD-Marine Corps System Command		M67854-04-C-6013	15,070	205,816	220,886
Pass-Through from Duke University		DS793		32,995	32,995
Pass-Through from Intelligent Automation Inc.		FA9101-04-C-0032		89,255	89,255
Pass-Through from International Business Machines Corp.		W0133880, Inc		1,114,375	1,114,375
Pass-Through from Materials Modification, Inc.		102505-1		76,374	76,374
Pass-Through from Ohio State University		741323/869064		1,243	1,243
Pass-Through from Science Application International Corp.		RF00904759 4400039306 / MDA972-01-9-0006		(212)	(212)
Pass-Through from The Research Foundation of State		R372819		30,569	30,569
Pass-Through from University of Virginia		GG10739-124925		15,929	15,929
Pass-Through from University of Southern California		NBCH1050025		171,799	171,799
Pass-Through from University of Connecticut		No. 524055		40,074	40,074
Pass-Through from University of Illinois		20160		79,426	79,426
Total - U.S. Department of Defense			14,054,893	186,353,696	200,408,589
U.S. Department of Housing and Urban Development					
Housing Opportunities for Persons with AIDS	14.241				
Pass-Through from City of Dallas		04-0531		71,835	71,835
Pass-Through from El Paso Empowerment Zone Corporation		PERM #G3C1P12		66,326	66,326
Community Development Block Grants/Economic Development Initiative	14.246			7,125	7,125
General Research and Technology Activity	14.506			7,776	7,776
Pass-Through from University of Missouri		502824		107,291	107,291
Community Outreach Partnership Center Program	14.511			121,170	121,170
Community Development Work-Study Program	14.512			45,789	45,789
Doctoral Dissertation Research Grants	14.516			5,178	5,178

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Housing and Urban Development (continued)					
Pass-Through from University of Tulsa		Miller-S/G Univ Tulsa		53,992	53,992
Lead Technical Studies Grant	14.902			209,381	209,381
Total - U.S. Department of Housing and Urban Development			0	695,863	695,863
U.S. Department of the Interior					
U.S. Department of the Interior	15.XXX	03FC601786		23	23
		0404CT32805		1,345,787	1,345,787
		130844B555		16,166	16,166
		130844B670		6,618	6,618
		1406-04-06-GT-60336		2,592	2,592
		20122-1124-0000		4,301	4,301
		201814G954		29,625	29,625
		G73030		32,671	32,671
		GDA050008		14,177	14,177
		H-1248-02-0015, TASK UT-06	7,900	551,273	559,173
		H7540050001		18,043	18,043
Pass-Through from Arizona State University		135144B543		110,119	110,119
Pass-Through from LGL Alaska Research. Association Inc.		UTA04-574 - TASK ORDER 006		68,984	68,984
Pass-Through from Mississippi State University		135144B730		43,527	43,527
Pass-Through from National Fish & Wildlife Foundation		135444C273		15,644	15,644
Pass-Through from S R I International		27-001056		113,798	113,798
Pass-Through from Southern California Earthquake C		P.O. 093850 CO2		14,278	14,278
Pass-Through from WF Baird & Associates		UTA05-713, 10964		27,280	27,280
Pass-Through from New Mexico Game and Fish		502558		(196)	(196)
Pass-Through from New Mexico Game and Fish		503232		25,530	25,530
Non-Sale Disposals of Mineral Material	15.214		20,687	51,308	71,995
Cultural Resource Management	15.224			82,988	82,988
Recreation Resource Management	15.225		13,164	66,088	79,252
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228			48,320	48,320
Water Reclamation and Reuse Program	15.504			26,521	26,521
Pass-Through from U.S. Bureau of Reclamation		05FC602051		182,260	182,260
Water Desalination Research and Development Program	15.506			112,822	112,822
Pass-Through from El Paso Water Utilities		503275		144	144
Pass-Through from El Paso Water Utilities		570296	3,210		3,210
Conservation Law Enforcement Training Assistance	15.602			85,436	85,436
Fish and Wildlife Management Assistance	15.608		30,126	418,459	448,585
Pass-Through from Austin Community Foundation		04-419		22,474	22,474
Pass-Through from Pacific States Marine Fisheries Commission		06-68		4,926	4,926
Wildlife Restoration	15.611			25,350	25,350
Pass-Through from Kansas Dept of Wildlife & Parks		135144B594		808	808
Coastal Wetlands Planning, Protection, and Restoration Act	15.614			33,492	33,492
Cooperative Endangered Species Conservation Fund	15.615			2,201,641	2,201,641
Pass-Through from Rainwater Basin Joint Venture		1354440722		1,418	1,418
Conservation Grants Private Stewardship for Imperiled Species	15.632			7,715	7,715
Assistance to State Water Resources Research Institutes	15.805			96,612	96,612
Earthquake Hazards Reduction Program	15.807			97,270	97,270
U.S. Geological Survey--Research and Data Collection	15.808		14,869	426,545	441,414
Pass-Through from America View Inc.		AV04-TX01		63,759	63,759
National Spatial Data Infrastructure Cooperative Agreements Program	15.809		127,407	705,602	833,009
National Cooperative Geologic Mapping Program	15.810			39,028	39,028
Cooperative Research Units Program	15.812			205,005	205,005

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of the Interior (continued)					
Historic Preservation Fund Grants-In-Aid	15.904			81,842	81,842
Pass-Through from San Antonio Missions National Historical Park		P7350050004		5,134	5,134
National Natural Landmarks Program	15.910			40,211	40,211
National Historic Landmark	15.912			93,082	93,082
National Register of Historic Places	15.914			28,996	28,996
Technical Preservation Services	15.915			913	913
Urban Park and Recreation Recovery Program	15.919		11,585	444,736	456,321
Pass-Through from Parent Project Sponsor		502598		3,214	3,214
Rivers, Trails and Conservation Assistance	15.921			263,113	263,113
National Center for Preservation Technology and Training	15.923			16,742	16,742
Civil War Battlefield Land Acquisition Grants	15.928			5,670	5,670
Total - U.S. Department of the Interior			228,948	8,429,884	8,658,832
U.S. Department of Justice					
U.S. Department of Justice	16.XXX	11PHNP522		327	327
		12PHNP522		437	437
		13PHNP522		464	464
		14PHNP522Z		29,297	29,297
		14PHNP522Z HIDTA FBI 2005		1,830	1,830
		15PHNP522Z		1,115,257	1,115,257
		16PHNP522Z		8,305	8,305
		2003-GP-CX-0047		158,179	158,179
		2004-DN-BX-K213		122,372	122,372
		2004-DN-BX-K214		150,892	150,892
		2005-DA-BX-K095		105,417	105,417
		2005-DN-BX-K127		91,577	91,577
Pass-Through from Refugee Services of Texas		UTA05-910		4,580	4,580
Grants to Reduce Violent Crimes Against Women on Campuses	16.525		2,500	61,745	64,245
Juvenile Justice and Delinquency Prevention--Allocation to States	16.540			139,327	139,327
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		373,211	3,193,440	3,566,651
Edward Byrne Memorial Formula Grant Program	16.579			112,040	112,040
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			47,012	47,012
Corrections--Technical Assistance/Clearinghouse	16.603			1	1
Community Prosecution and Project Safe Neighborhoods	16.609			730,878	730,878
Pass-Through from Greater Dallas Crime Commission		2004-GP-CX-0606		48,560	48,560
Public Safety Partnership and Community Policing Grants	16.710			103,270	103,270
Pass-Through from City of Austin		UTA99-0120		(341)	(341)
Pass-Through from City of San Antonio		3912-01		7,221	7,221
Total - U.S. Department of Justice			375,711	6,232,087	6,607,798
U.S. Department of Labor					
U.S. Department of Labor	17.XXX	E4R4004040, MOD 1		452,288	452,288
Pass-Through from Planmatics, Inc.		UTA06-366		17,674	17,674
Pass-Through from University of Baltimore		UTA98-0350		1,446	1,446
Pass-Through from Worksource Austin		38,813.00		59,062	59,062
WIA Youth Activities	17.259			33,866	33,866
Pass-Through from Houston-Galveston Area		AH124700260	246,919	194,979	441,898
Incentive Grants_WIA Section 503	17.267			25,465	25,465
Total - U.S. Department of Labor			246,919	784,780	1,031,699

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of State					
U.S. Department of State	19.XXX	S-ECAPE-03-GR-129(CS)		12,327	12,327
Pass-Through from CH2M Hill, Inc.		UTA96-0207		18	18
Pass-Through from Council of American Overseas Research CT		ECA/CAORC/UT-AIMS-200406		347,919	347,919
Pass-Through from US Civilian Research & Development		AZB1-3100-BA-03		1,374	1,374
Pass-Through from American Intl Health Alliance		CON10181		(1)	(1)
International Visitors Program	19.402			36,783	36,783
Pass-Through from Conrad		MSA-02-317		635	635
Pass-Through from NAFSA - Association of International Educators		02-426031-113005		6,955	6,955
Total - U.S. Department of State			0	406,010	406,010
U.S. Department of Transportation					
U.S. Department of Transportation	20.XXX	DTFH61-03-P-00242		34,075	34,075
		DTFR53-99-H-00006 MOD 3	20,595	2,535,217	2,555,812
		DTOS59-04-G-00010		57,612	57,612
Pass-Through from National Academy of Science		HR 12-72	65,507	106,894	172,401
Pass-Through from New England Transportation Consortium		500116974		40,046	40,046
Pass-Through from South Carolina State University		04443540NSTITST		50,085	50,085
Pass-Through from Transtec Group Inc.		UTA05-286		31,297	31,297
Pass-Through from Texas A&M Research Foundation		S900159, 00071, TASK 11		3,182	3,182
Pass-Through from University of Alabama		UTA03-154		21,062	21,062
Pass-Through from University of New Hampshire		04-803		27,601	27,601
Aviation Education	20.100		81,792	57,807	139,599
Pass-Through from Quality Engineering Solutions, Inc.		C2006229		19,391	19,391
Aviation Research Grants	20.108			561,483	561,483
Pass-Through from Innovative Pavement Research Foundation		01-G-002-02-20		30,750	30,750
Pass-Through from North Carolina Agricultural and Technical State University		No 551143A		18,665	18,665
Pass-Through from Southwest Research Institute		SWRI 599775L		24,101	24,101
Highway Planning and Construction	20.205			2,387,156	2,387,156
Pass-Through from Florida Department of Transportation		502619		35,554	35,554
Pass-Through from Florida Department of Transportation		503129		33,690	33,690
Pass-Through from Houston-Galveston Area Council		TS5551-01		109,302	109,302
Pass-Through from Houston-Galveston Area Council		TS6603-01		132,453	132,453
Pass-Through from National Academy of Sciences		NCHRP 20-07, Task 190		34,807	34,807
Pass-Through from National Academy of Sciences		T-063-TRB-2006-003		151	151
Pass-Through from University of South Alabama		No. 06-060053-01		21,431	21,431
Highway Training and Education	20.215			91,035	91,035
Pass-Through from North Central Texas Council of Governments		06-076		85,445	85,445
Motor Carrier Safety	20.217			83,808	83,808
Pass-Through from Aecom Consulting Transportation Group		C2006016		15,800	15,800
Pass-Through from Capital Area Rural Transit Systems-CARTS		P2005084		7,692	7,692
Pass-Through from Oklahoma Regional Community Policing Inst		C2006351		2,387	2,387
Pass-Through from University of Vermont		C05-00436		185,226	185,226
University Transportation Centers Program	20.701			24,849	24,849
Pass-Through from Texas A&M Research Foundation		DTRS99-G-0006		107,433	107,433

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Transportation (continued)					
Pass-Through from Texas A&M Research Foundation		S900159, 00074, TASK 15		212,028	212,028
Pass-Through from University of Missouri Rolla		135144B833		1,187	1,187
Total - U.S. Department of Transportation			167,894	7,190,702	7,358,596
Office of Personnel Management					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			756,705	756,705
Total - Office of Personnel Management			0	756,705	756,705
Federal Mediation and Conciliation Service					
Federal Mediation and Conciliation Service	34.XXX	G73174		10,783	10,783
Total - Federal Mediation and Conciliation Service			0	10,783	10,783
General Services Administration					
Donation of Federal Surplus Personal Property	39.003			31,335	31,335
Total - General Services Administration			0	31,335	31,335
Library of Congress					
Library of Congress	42.XXX	CRS 04-14		90,457	90,457
		CRS 04-17, Doc 04CRS100987		500	500
		CRS 05-07		13,292	13,292
		LIBN2005-002973-		48,000	48,000
Total - Library of Congress			0	152,249	152,249
National Aeronautics and Space Administration					
National Aeronautics and Space Administration	43.XXX	131444B265		248,614	248,614
		131444B777		5,339	5,339
		131444C038		12,000	12,000
		131444C140-C148	36,892	1,006,736	1,043,628
		5015H0104G089055		141,725	141,725
		ATP03-0001-0027		96,882	96,882
		CON16419		5,013	5,013
		NAG 2-1505 03		63,964	63,964
		NAG-9-1262		(14,744)	(14,744)
		NCC 9-165 DUNS#050298975		944,046	944,046
		NCC 9-165		184,873	184,873
		NCC5-13396		1,164,124	1,164,124
		NNA05CP66G		13,107	13,107
		NNG04GQ66G	12,787	2,625,551	2,638,338
		NNG05GN18G		215,335	215,335
		NNG05GN75G		98,603	98,603
		NNG06OLA05C		9,973	9,973
		NNJ04HB05G 03		102,906	102,906
		NNJ04HF43G		265,855	265,855
		NNJ04HF50G DUNS#050298975		105,264	105,264
		NNJ06HA40G DUNS#050298975		20,499	20,499
		NNJ06JA43G		27,913	27,913

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
National Aeronautics and Space Administration (continued)					
		DUNS#050298975			
Pass-Through from Baylor College of Medicine		NAG9-1569		72,228	72,228
Pass-Through from California Institute of Technology		1271490		15,727	15,727
Pass-Through from California Inst. of Tech.-Jet Propulsion		1283339		545,662	545,662
Pass-Through from Carnegie Institute of Washington		NNA04CC09A		1,228	1,228
Pass-Through from Colorado State University		NAG9-1569		144,523	144,523
Pass-Through from Concrete Solutions		UTA04-258		105	105
Pass-Through from Georgia Institute of Technology		G-35-C14-G4		25,632	25,632
Pass-Through from Jet Propulsion Laboratory		1283959		6,381	6,381
Pass-Through from Johns Hopkins University		8605-06865		32,973	32,973
Pass-Through from Lockheed Martin Corp.		TT0672214		185,948	185,948
Pass-Through from Raytheon Co.		3000616, Mod 13		(881)	(881)
Pass-Through from Smithsonian Astrophysical Observatory		PO 54088,NNG04GQ39G,		5,549	5,549
Pass-Through from Southwest Res Inst.		05-PO-400-599969Q, MOD 1		48,114	48,114
Pass-Through from Space Telescope Science Inst.		HST-GO-10624.23-A		614,493	614,493
Pass-Through from Stone Aerospace		Ltr Dtd 4/26/04		6,999	6,999
Pass-Through from United Negro College Fund		NASA/UNCFSPC		7,200	7,200
Pass-Through from University of Arizona		Y432854		9,000	9,000
Pass-Through from University of California, Irvine		2005-1655		33,195	33,195
Pass-Through from University of Minnesota		X5336497101		(3,067)	(3,067)
Aerospace Education Services Program	43.001		2,483,663	13,816,658	16,300,321
Pass-Through from Baylor College of Medicine		NCC 9-58-73		285,907	285,907
Pass-Through from California Inst. of Tech.-Jet Propulsion		NAS7-1224723/1224608	328,454	403,630	732,084
Pass-Through from Defense Contract Management Agency		NCC 9-150		670,736	670,736
Pass-Through from Electron Energy Corp		PO No. 11307		67,209	67,209
Pass-Through from Entech Inc		PO No. 2747		50,036	50,036
Pass-Through from Georgia State University		BLF57-02, UTA		44,906	44,906
Pass-Through from Institute for Technology Development		No. 06-0817		12,562	12,562
Pass-Through from MicroGen Labs		NNJ04HD75G		13,021	13,021
Pass-Through from NSBRI		NCC 9-58/NPFR00205		(250)	(250)
Pass-Through from NSBRI		NCC 9-58/NPFR00403		(9,051)	(9,051)
Pass-Through from NSBRI		NCC 9-58-203/EO00607		55,552	55,552
Pass-Through from NSBRI		NPFR00403		462,809	462,809
Pass-Through from NSBRI/Baylor College of Medicine		NCC 95849		(44,769)	(44,769)
Pass-Through from Pennsylvania State University		2720-TAMU-NASA-B04G		60,954	60,954
Pass-Through from Purdue University		523-2026-0		33,020	33,020
Pass-Through from Smithsonian Astrophysical Observatory		G05-6019B		1,644	1,644
Pass-Through from Smithsonian Astrophysical Observatory		G05-6079X		32,698	32,698
Pass-Through from Space Telescope Science Inst.		HST-GO-10613.02		183,876	183,876
Pass-Through from Space Telescope Science Institute Aura		135444C381		22,352	22,352
Pass-Through from Texas Space Grant Consortium		UTA #05-517		4,647	4,647
Pass-Through from Texas Space Grants Consortium		06-094		837	837
Pass-Through from Tuskegee University		30 22090 108 76190		52,624	52,624
Pass-Through from United Space Alliance		6000122589		14,306	14,306
Pass-Through from United Space Alliance, LLC		PO No. 297A001128		11,842	11,842
Pass-Through from Universities Space Research Association.		8500-98-008, NAS2-9CR-MS		104,376	104,376
Pass-Through from Universities Space Research Association		NCC9-142		7,059	7,059
Pass-Through from University of California		No. 0150 G FB259		188,527	188,527
Pass-Through from University of Michigan		F0100050		1,171	1,171
Pass-Through from University of New Orleans Research & Technology Foundation		58404-S7		47,651	47,651

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
National Aeronautics and Space Administration (continued)					
Pass-Through from University of Tennessee		OR3610-001.01		205,242	205,242
Pass-Through from Wyle Laboratories		T701950002		219,481	219,481
Pass-Through from Wyle Laboratories		T701950003		6,055	6,055
Pass-Through from Wyle Laboratories		T701950005		113,589	113,589
Pass-Through from Wyle Laboratories		T701950006		72,685	72,685
Pass-Through from Wyle Laboratories		T701950007		68,178	68,178
Technology Transfer	43.002		275,781	6,102,283	6,378,064
Pass-Through from American Society for Engineering		NCC5-612		172	172
Pass-Through from Baylor College of Medicine		NCC9-58-142 03 S1		(44,321)	(44,321)
Pass-Through from California Inst. of Tech.-Jet Propulsion		JPL-125621		875	875
Pass-Through from Colorado State University		NAG9-1569G19413		26,518	26,518
Pass-Through from Eloret Corporation		UTA05-532		54,149	54,149
Pass-Through from John Hopkins University		903431		26,343	26,343
Pass-Through from Lockheed Martin		MSOC-001N		107,775	107,775
Pass-Through from Northwestern University		Sub No. 0980 520 T212 628		10,307	10,307
Pass-Through from NSBRI/NASA		NCC 95849	125,326	161,216	286,542
Pass-Through from Science Applications International		4400096450		69,260	69,260
Pass-Through from Texas Medical Center		TEXAS MEDICAL CENTER / NCC9-36 ROUND III		135	135
Pass-Through from University of Colorado		SPO #000046490 / UCB REF NO. 154-0919		20,763	20,763
Total - National Aeronautics and Space Administration			3,262,903	32,911,832	36,174,735
National Foundation on the Arts and the Humanities					
National Foundation on the Arts and the Humanities	45.XXX	G73259		784	784
Promotion of the Arts--Grants to Organizations and Individuals	45.024			37,647	37,647
Promotion of the Arts--Partnership Agreements	45.025			7,996	7,996
Pass-Through from Humanities Texas		2004-3037		6,042	6,042
Pass-Through from Humanities Texas		2006-3200		15,718	15,718
Pass-Through from Texas Committee for the Humanities		135444B595		(219)	(219)
Promotion of the Humanities--Challenge Grants	45.130			59,074	59,074
Promotion of the Humanities--Division of Preservation and Access	45.149			344,646	344,646
Pass-Through from Smithsonian Institution		05-PO-550-0000071588		18,197	18,197
Promotion of the Humanities--Fellowships and Stipends	45.160			75,066	75,066
Promotion of the Humanities--Research	45.161			127,385	127,385
Promotion of the Humanities--Teaching and Learning Resources and Curriculum Development	45.162		39,448	36,914	76,362
National Leadership Grants	45.312			741,940	741,940
Pass-Through from Inst of Museum and Library Services		LG-30-04-0266-04		167,664	167,664
Pass-Through from University of Nebraska		2,516,020,028.00		1,719	1,719
Total - National Foundation on the Arts and the Humanities			39,448	1,640,573	1,680,021
National Science Foundation					
National Science Foundation	47.XXX	CNS-0540063 01		72,408	72,408
		DEB-0120709	525,686	5,925,330	6,451,016
		G72193		(773)	(773)
		G72593		(2,670)	(2,670)
		PHY-0514282		115,563	115,563
Pass-Through from American Education Research Association		Ltr Dtd 7/20/2004		77,684	77,684
Pass-Through from Assoc. of Univ. for Research in Astronomy		C10483A		91,265	91,265

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
RESEARCH AND DEVELOPMENT CLUSTER (continued)					
National Science Foundation (continued)					
Pass-Through from California Inst.of Tech.-Jet Propulsion		1249231		87,673	87,673
Pass-Through from Carnegie Mellon University		1120526-151355		1,450	1,450
Pass-Through from Field Museum of Natural History		50100-1 AMD. 1		721	721
Pass-Through from Joint Oceanographic Inst., Inc.		JSA5-08		17,757	17,757
Pass-Through from Rensselear Polytechnic Inst.		A11401		3,270	3,270
Pass-Through from Tennessee State University		HRD-0206028		62,791	62,791
Pass-Through from Tennessee Technical University		UTA05-041		215	215
Pass-Through from Tulane University		TUL-156-03/04		30,806	30,806
Pass-Through from Texas A&M Research Foundation		S900159, 00072, TASK 12		28,838	28,838
Pass-Through from University of California, Lawrence/Livermore		B347883, INCREMENT		(1,316)	(1,316)
Pass-Through from University of Michigan		3000476063		33,683	33,683
Pass-Through from University of New Orleans		06-121-S1		22,657	22,657
Pass-Through from University of North Carolina, Chapel Hill		UNC-CH #5-37497		433,750	433,750
Pass-Through from University of Pittsburgh		Chautauqua Funding		25,000	25,000
Pass-Through from University of Tennessee		OR6280-001.04		13,390	13,390
Pass-Through from University of Washington		159800		200,387	200,387
Pass-Through from WGBH Educational Productions		UTA05-514		363	363
Engineering Grants	47.041		429,692	15,293,410	15,723,102
Pass-Through from Auburn University		502905		55,268	55,268
Pass-Through from Colorado State University		Sub No. G-3371-1		60,960	60,960
Pass-Through from Cornell University		44771-7476		619,035	619,035
Pass-Through from Cornell University		Sub No. 45799-7718		9,321	9,321
Pass-Through from Elite Analytics, Inc.		UTA06-444		22,934	22,934
Pass-Through from Georgia Institute of Technology		E-20-L05-G2		43,170	43,170
Pass-Through from Hanson Robotics, Inc.		OII-0539852		38,931	38,931
Pass-Through from Houston Advanced Research Center		LSH 2005-08-002		62,000	62,000
Pass-Through from Imagecat, Inc.		135444B813		6,417	6,417
Pass-Through from Louisiana State University		0409446		(3,723)	(3,723)
Pass-Through from Michigan Tech University		Agr No. 030216Z		42,858	42,858
Pass-Through from Miintotaur Technologies, LLC		UTA06-399		3,723	3,723
Pass-Through from NanoMEMS Research, LLC		Agr No. 05-0817		9,948	9,948
Pass-Through from NanoSonic, Inc.		Sub No. 05-0816		9,991	9,991
Pass-Through from NEES Consortium, Inc.		UTA05-055		665,183	665,183
Pass-Through from OMEGA Optics		UTA06-137		4,231	4,231
Pass-Through from Performance Polymer Solutions Inc		Sub Agr under Prime DMI-0419218		23,325	23,325
Pass-Through from Princeton University		NSF CMS 0301343		20,318	20,318
Pass-Through from Purdue University		501-1094-0		54,981	54,981
Pass-Through from Rice University		R38991-1532005		16,648	16,648
Pass-Through from South Dakota School of Mines		SDSM&T-UT Austin 01-02		(685)	(685)
Pass-Through from Stanford University		30819-A		8,000	8,000
Pass-Through from State University of New York		412888-G & 32885		57,461	57,461
Pass-Through from Steller Micro Devices		UTA05-646		44,221	44,221
Pass-Through from University of Illinois		2005-05652-11; GRANT CODE: A5737		14,428	14,428
Pass-Through from University of Illinois-Champaign Urban		A7886; 04-284		71,258	71,258
Pass-Through from University of Maryland		Z460801 (CTS-0506988)		36,918	36,918
Pass-Through from University of Missouri		C00007186-1		18,396	18,396
Pass-Through from University of Tennessee Knoxville		Sub No. OR 6382.001.01		126,345	126,345
Pass-Through from University of California, Riverside		Sub No. S00000165		79,676	79,676
Pass-Through from University of California, Berkley		SA4514-10252PG		69,823	69,823
Pass-Through from University of Illinois		Sub No. 98-269		111,601	111,601
Pass-Through from University of South Carolina		06-1239 15540 FA59		14,453	14,453

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
RESEARCH AND DEVELOPMENT CLUSTER (continued)					
National Science Foundation (continued)					
Pass-Through from University of South Carolina		51769		4,832	4,832
Pass-Through from University of Utah		58500950		(175)	(175)
Pass-Through from Vanderbilt University		14656-S1-A4 / EEC-9876363		260,801	260,801
Mathematical and Physical Sciences	47.049		216,257	14,248,963	14,465,220
Pass-Through from Assoc. of Universities for Research		GF-1006-00		(373)	(373)
Pass-Through from California Institute of Technology		No. 68-1074604		59,878	59,878
Pass-Through from California State University - Northridge		F-02-1545-1.0		36,395	36,395
Pass-Through from Columbia University in New York		PHY-0301292		497,135	497,135
Pass-Through from Gemini Observatory		MOU 0084699-GEM00395		142,184	142,184
Pass-Through from Georgia Institute of Technology		G-37-A65-G1		34,309	34,309
Pass-Through from Northern Illinois University		PHY-0320554		2,253	2,253
Pass-Through from University of Michigan		F005739 / PHY-0114336		378,420	378,420
Pass-Through from University Corporation for Atmospheric Research		S05-53193		42,396	42,396
Pass-Through from University of California - Irvine		2004-1483		50,294	50,294
Pass-Through from University of California - Santa		KK5110		73,848	73,848
Pass-Through from University of California - Santa		S0177062		76,231	76,231
Pass-Through from University of California-Davis		002865-UTSA		53,931	53,931
Pass-Through from University of Florida		UF01076		110,960	110,960
Pass-Through from University of Tennessee		4649-001.01		84,116	84,116
Geosciences	47.050		120,717	4,959,319	5,080,036
Pass-Through from Idaho State University		03-260A		7,424	7,424
Pass-Through from INC. Research Institutions for SEISMIC		EAR-000437		148,867	148,867
Pass-Through from Joint Oceanographic Institutions		418921-BA289		11,298	11,298
Pass-Through from Joint Oceanographic Institutions		418922-BA289		3,010	3,010
Pass-Through from Joint Oceanographic Institutions		T309A42		18,603	18,603
Pass-Through from Stanford University		12982340-30242-C AMD 1		44,471	44,471
Pass-Through from University Corporation for Atmos		S05-52111		1,428	1,428
Pass-Through from University of Georgia		RR100-300-7512087		65,261	65,261
Pass-Through from University of Tulsa		14-2-1202275-94817		64,921	64,921
Pass-Through from Woods Hole Oceanographic Institute		A100466		49,711	49,711
Computer and Information Science and Engineering	47.070		473,792	11,977,626	12,451,418
Pass-Through from Brigham Young University		06-0154		19,183	19,183
Pass-Through from Georgia Institute of Technology		C-49-648-G1		51,810	51,810
Pass-Through from Georgia Tech		BES-0401627		10,193	10,193
Pass-Through from Pennsylvania State University		2586-UTA-NSF-5653		31,872	31,872
Pass-Through from Portland State University		No. 04-0053	8,815	103,007	111,822
Pass-Through from Purdue University		501-0563-3		83,758	83,758
Pass-Through from Rice University		R38718-73900004		116,613	116,613
Pass-Through from San Diego State University Research Fdn.		53651A P3448 7801 211 SJT		56,692	56,692
Pass-Through from Stanford University		PY-2722		52,434	52,434
Pass-Through from University of California, San Diego		PO No. 10232493		87,326	87,326
Pass-Through from University of Chicago		30085-L		395,170	395,170
Pass-Through from University of Kentucky Research Foundation		UKRF 4-68409-05-		141,330	141,330
Pass-Through from University of Massachusetts, Amherst		01-522532, MOD 5, P.O.# 0001083634		109,319	109,319
Pass-Through from University of Wisconsin		A920006		41,670	41,670
Pass-Through from University of Florida		ACI-0086044		137,147	137,147
Pass-Through from University of Florida		Sub No. UF00116		78,065	78,065
Pass-Through from University of Illinois		780EOT1051A		(785)	(785)
Pass-Through from University of Illinois		No. 822	1,270		1,270

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
National Science Foundation (continued)					
Pass-Through from Washington University		135144C435		4,406	4,406
Biological Sciences	47.074		462,535	10,422,788	10,885,323
Pass-Through from Fordham University		1354441793		27,062	27,062
Pass-Through from Institute of Ecosystem Studies		135444B951		11,001	11,001
Pass-Through from Lehigh University		5 DEB-0210972-03		(39,834)	(39,834)
Pass-Through from Miami University Ohio		DEB-0210972 01		41,320	41,320
Pass-Through from Mississippi State University		503009		90,196	90,196
Pass-Through from Rice University		503403		19,009	19,009
Pass-Through from University of Kansas		FY#2006-006 (DBI-0132303)		23,985	23,985
Pass-Through from University of Iowa		135144B925		45,766	45,766
Pass-Through from University of Iowa		NSF-0225711		141,274	141,274
Pass-Through from University of Puerto Rico		135144B313		14,026	14,026
Pass-Through from Washington State University		G001591/OGRD#101070-001		12,725	12,725
Social, Behavioral, and Economic Sciences	47.075		1,602	2,056,381	2,057,983
Pass-Through from Association For Institutional Research		135444B937		25,735	25,735
Pass-Through from Florida State University		135144C220		31,834	31,834
Pass-Through from National Academy of Sciences		TEES 04-0510		1,280	1,280
Pass-Through from S R I International		66-000032		93,532	93,532
Pass-Through from State University of New York		1027138		18	18
Pass-Through from U.S. Civilian Research & Development Foundation		AP2-2556-AK-03		7,417	7,417
Pass-Through from U.S. Civilian Research and Development Foundation		RUE1-2690-TO-05		6,550	6,550
Pass-Through from University of Washington		158803		10,997	10,997
Pass-Through from US Civilian Research & Development Fdn.		MOC2-3064-CS-03		1,616	1,616
Pass-Through from US Civilian Research & Development Fdn.		503255		2,213	2,213
Pass-Through from US Civilian Research & Development Fdn.		503317		61,578	61,578
Pass-Through from Washington State University		G001839		11,745	11,745
Education and Human Resources	47.076		278,186	26,171,538	26,449,724
Pass-Through from American Edu Research Association		Ltr Dtd 2/23/2005		27,213	27,213
Pass-Through from Davidson College		296308		3,058	3,058
Pass-Through from Howard University		634143-199750		89,435	89,435
Pass-Through from New Mexico State University		135144B753,C423		62,870	62,870
Pass-Through from New Mexico State University		HRD-0124198		78,137	78,137
Pass-Through from New Mexico State University		HRD-0420407		20,384	20,384
Pass-Through from Northwestern University		0803 20 T		27,751	27,751
Pass-Through from Northwestern University		0830 310 A630 765		(13,259)	(13,259)
Pass-Through from S R I International		11-000115	103,241	407,562	510,803
Pass-Through from University of Alabama at Birmingham		209-494		278,981	278,981
Polar Programs	47.078			1,083,243	1,083,243
Pass-Through from Georgia Institute of Technology		E-20-K32-G3		8,368	8,368
Pass-Through from Marine Biological Lab		28457 Increment		16,063	16,063
Pass-Through from Texas A&M Research Foundation		S040019 ACCT.# 662121-00001		347	347
Pass-Through from University of California - Berkeley		SA4105-10100		16,265	16,265
International Science and Engineering (OISE)	47.079			59,672	59,672
Pass-Through from U.S. Civilian Research and Development Foundation		No. UKM2-2812-KV-06		2,853	2,853
Total - National Science Foundation			2,621,793	101,439,308	104,061,101

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
Securities and Exchange Commission					
Securities and Exchange Commission	58.XXX	M05-0677		192,833	192,833
Pass-Through from U.S. Securities & Exchange Comm.		M05-0797		182,152	182,152
Total - Securities and Exchange Commission			0	374,985	374,985
Department of Veterans Affairs					
Department of Veterans Affairs	64.XXX	AHUJA/IPAA/B		6,881	6,881
		AHUJA/IPAA/C		8,198	8,198
		AHUJA/IPAA/S		6,122	6,122
		AHUJA/VA		25,787	25,787
		AHUJA/VA/IPA		33,897	33,897
		AHUJA/VA-BEG		30,402	30,402
		AHUJA/VA-KAL		32,178	32,178
		AHUJA/VA-SAN		28,879	28,879
		AHUJA-IPAA-K		15,982	15,982
		AHUJA-IPA-CO		(353)	(353)
		AHUJA-VA-CAT		63,210	63,210
		AHUJA-VA-HE		3,283	3,283
		AHUJA-VA-JIM		34,936	34,936
		AHUJA-VA-KUL		1,528	1,528
		AHUJA-VA-MAR		36,750	36,750
		AHUJA-VA-QUI		42,012	42,012
		AHUJA-VA-WIL		32,869	32,869
		ALBEE-SCOTT-VA		29,706	29,706
		LEE			
		BOLDT/IPAA/H		4,385	4,385
		BOLDT/IPAA/R		19,222	19,222
		CHANDRASEKAR		12,530	12,530
		CHATTERJEE/I		40,096	40,096
		CHATTERJEE-V		55,542	55,542
		CHAUDHURI-VA		27	27
		CLARK-VA-PEA		37,650	37,650
		CLARK-VA-VAL		15,499	15,499
		CUSI/IPAA/CH		24,455	24,455
		CUSI/IPAA/MA		14,039	14,039
		DEFRONZO-VA		151,599	151,599
		ELANGO-VA-GA		(6)	(6)
		ELANGO-VA-SH		9,424	9,424
		ESSEX-IPAA-C		8,041	8,041
		ESSEX-VA-SUN		54,004	54,004
		FOX/IPAA/FRA		6,710	6,710
		FOX/IPAA/GLA		7,112	7,112
		FOX/IPAA/KOC		5,224	5,224
		FOX/IPAA/LAN		6,445	6,445
		FOX/IPAA-LAN		477	477
		FOX-IPAA-NAR		336	336
		FOX-IPAA-ZHA		2,050	2,050
		FRAZER/IPAA/		32,337	32,337
		FREEMAN- VA-		74,303	74,303
		FREYTES-VA		19,779	19,779
		GHOSH-CHAUD/		6,018	6,018
		GHOSHCHOU-IP		19,124	19,124
		GHOSHCHOU-VA		20,293	20,293
		GHOSH-VA		20,442	20,442
		GHOSH-VA-KRI		3,370	3,370
		GLICKMAN-NAV		137,233	137,233
		IKENO-VA-CHR		14,000	14,000

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
Department of Veterans Affairs (continued)					
		IPA/HATCH/SO		7,398	7,398
		IPAA/VA/FREY		12,534	12,534
		IPAA-BIKA,A.		19,479	19,479
		IPAA-FOR JIM		(731)	(731)
		IPAA-GAO		1,770	1,770
		IPAA-HUNTER		4,262	4,262
		IPAA-LANCAST		4,827	4,827
		IPAA-LIANG		19,044	19,044
		IPAA-MANICKA		35,197	35,197
		IPAA-NICOLET		59,378	59,378
		IPAA-O.ALCAN		29,101	29,101
		IPAA-WANG,SH		20,821	20,821
		IPAA-WHITENE		55,226	55,226
		IPAA-ZHANG		38,439	38,439
		JENKINSON-VA		7,312	7,312
		KASINATHVA		38,549	38,549
		KATZ-VA		65,113	65,113
		KATZ-VA-ZHAN		11,141	11,141
		KAZHDAN/IPAA		5,044	5,044
		LEWIS/VA/IPA		15,243	15,243
		LEWIS/VA-BL		44,938	44,938
		LEWIS-VA-ARE		5,944	5,944
		LI/IPAA/LIAO		11,399	11,399
		LI/IPAA/SENL		10,611	10,611
		LI-VA-LU		35,296	35,296
		LI-VA-ZHOU		38,825	38,825
		MARCINIAK/IP		64,350	64,350
		MARCINIAK-IP		23,482	23,482
		MARCINIAK-VA		3,888	3,888
		MELBY-VA-PAR		(16,920)	(16,920)
		MUMMICI-VA-B		18,492	18,492
		MUNDY/IPAA/M		21,335	21,335
		MUNDY-IPAA-S		9,304	9,304
		MUNDY-VA		12,647	12,647
		MUNDY-VA-GRU		44,607	44,607
		OI/IPAA/XU		24,865	24,865
		PICHOT-VA		5,700	5,700
		RICHARDSON-V		47,978	47,978
		RINCON-CHOLE		29,906	29,906
		SHIREMAN-VA		73,130	73,130
		SOARES/IPAA/		9,621	9,621
		STRONG/VA		54,726	54,726
		STRONG/VA/CA		17,964	17,964
		STRONG/VA/DA		31,017	31,017
		STRONG-VA-FE		69,337	69,337
		VANREMMEN-VA		31,439	31,439
		WALTER/IPAA/		42,797	42,797
		WALTER-VA-RE		(3,206)	(3,206)
		WEINER/IPAA/		42,853	42,853
		WEINER-IPAA-		39,913	39,913
		WEINER-SOOMR		8,349	8,349
		WEINER-VA-CA		1,857	1,857
		WERNER/IPAA/		18,261	18,261
		WERNER-IPAA		33,493	33,493
		WERNER-VA-WO		23,852	23,852
		YEH/IPAA/LIN		34,668	34,668
		YEH/VA/ZHU		30,294	30,294

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
Department of Veterans Affairs (continued)					
		YEH-VA-ALAN		16,719	16,719
Pass-Through from Central VA-0TX Veterans Health Care		PO# 674-C60263		5,777	5,777
Pass-Through from South VA- TX Veterans Health Care		V671P4035_ PO#671D55126 (MCDANIEL)		103,414	103,414
Veterans State Hospital Care	64.016			830	830
Sharing Specialized Medical Resources	64.018			241,797	241,797
Total - Department of Veterans Affairs			0	3,068,723	3,068,723
Environmental Protection Agency					
Environmental Protection Agency	66.XXX	503281		9,840	9,840
		R823335		52,541	52,541
		UT-11-6-71161		1,820	1,820
Pass-Through from Houston Advanced Research Center		20-23014-UT082005		320,012	320,012
Pass-Through from Mactec, Inc.		135444C055		14,949	14,949
Pass-Through from RTI International		3-92U-9606		26,234	26,234
Pass-Through from Baylor University at Waco		H0429G091590		48,046	48,046
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			9,693	9,693
Pass-Through from Alion Science and Technology Corp		EP-D-05-065		115,007	115,007
Pass-Through from Ysleta del Sur Pueblo		020-6100-01		22,215	22,215
Pass-Through from Mothers for Clean Air		PS-83161601-0		11,040	11,040
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			23,434	23,434
State Underground Water Source Protection	66.433			45,309	45,309
Surveys, Studies, Investigations, Demonstrations & Training Grants & Cooperative Agreements - Sec 104(b)(3) of the Clean Water Act	66.436			216,233	216,233
Water Quality Management Planning	66.454		64,879	52,896	117,775
Pass-Through from Carter & Burgess, Inc.		730		13,897	13,897
National Estuary Program	66.456		3,800	282,214	286,014
Pass-Through from Coastal Bend Bays & Estuaries Program		401		91,476	91,476
Pass-Through from Coastal Bend Bays &Estuaries Program		NO. 0308		21,289	21,289
Nonpoint Source Implementation Grants	66.460		71,690	858,784	930,474
Pass-Through from Brazos River Authority		503358		7,029	7,029
Pass-Through from Pineywoods Resources Conservation & Development., Inc.		503162		767	767
Regional Wetland Program Development Grants	66.461			195,286	195,286
Water Quality Cooperative Agreements	66.463			80,943	80,943
Pass-Through from Mississippi State University		503156		1,313	1,313
Pass-Through from University of North Carolina, Chapel Hill		UNC5-41031& 5-59100		32	32
Beach Monitoring and Notification Program Implementation Grants	66.472			253,420	253,420
Environmental Protection Consolidated Research	66.500		736,874	2,480,036	3,216,910
Pass-Through from Harvard University		122777		3,830	3,830
Pass-Through from Indiana University		27608-0313		16,333	16,333
Pass-Through from Louisiana State University		C175806, Amd 1		56,245	56,245
Pass-Through from Louisiana State University		R127008		6,956	6,956
Pass-Through from Mantech Environmental Techn		68-D-00-206		2,756	2,756
Pass-Through from Mickey Leland Nat'l Air Toxics Res Ctr		R828678-01		2,409	2,409
Pass-Through from Mickey Leland Nat'l Air Toxics Res Ctr		R82867801-4		17,213	17,213
Pass-Through from The Health Effects Institute		R82811201		15,453	15,453
Pass-Through from University of Southern Mississippi		USM-GR01079-B10 / R-82945801-0	44,776	195,467	240,243
Pass-Through from University of Iowa		502689		4,394	4,394
Science to Achieve Results (STAR) Research Program	66.509		72,973	559,484	632,457

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
RESEARCH AND DEVELOPMENT CLUSTER (continued)					
Environmental Protection Agency (continued)					
Pass-Through from Consortium for Plant Biotechnology		503374		8,091	8,091
Pass-Through from Southern Illinois University		136044C414		44,516	44,516
Pass-Through from University of Washington		928377		20,751	20,751
Pass-Through from Wright State University		RD83221301-0		40,670	40,670
Surveys, Studies, Investigations & Special Purpose Grants within the Office of R&D	66.510			226,303	226,303
Office of Research and Development Consolidated Research/Training	66.511			2,849	2,849
Greater Research Opportunities Fellowship Program	66.513			43,444	43,444
Science To Achieve Results (STAR) Fellowship Program	66.514			91,436	91,436
P3 Award: National Student Design Competition for Sustainability	66.516			4,566	4,566
Performance Partnership Grants	66.605		111,183	157,237	268,420
Surveys, Studies, Investigations and Special Purpose Grants	66.606		201,025	351,915	552,940
Pass-Through from Border Environment Cooperation Commission		COMTA5-007		8,923	8,923
Pass-Through from Houston Air Research Center		20-23014-TARC122005		10,015	10,015
Pass-Through from New Mexico State University		X-82899901		665	665
Training and Fellowships for the Environmental Protection Agency	66.607			212,643	212,643
Pass-Through from Mississippi Water Resources Institute		450120		32	32
Pass-Through from North Carolina State University		427004	2,597		2,597
Pass-Through from University of Rhode Island		427005	1,212		1,212
Pass-Through from Water Environment Research Foundation		427640		19,397	19,397
Environmental Policy & Innovation Grants	66.611		8,000	17,454	25,454
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			23,450	23,450
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			5,579	5,579
Pass-Through from Mickey Leland Nat'l Air Toxics Res Ctr		R82867801-05		11	11
Pollution Prevention Grants Program	66.708			154,509	154,509
Pesticide Environmental Stewardship Regional Grants	66.714			18,010	18,010
Source Reduction Assistance	66.717			2,975	2,975
Hazardous Waste Management State Program Support	66.801			(1,556)	(1,556)
Pass-Through from Oregon Department of Environmental Quality		005-05		15,918	15,918
International Financial Assistance Projects Sponsored by the Office of International Affairs	66.931		23,967	85,732	109,699
Total - Environmental Protection Agency			1,342,976	7,701,830	9,044,806
U.S. Department of Energy					
U.S. Department of Energy	81.XXX	1305441219		358	358
		130544B474		891	891
		130544B993		4,400	4,400
		4000014492, Mod 5, Inc	927,692	3,474,673	4,402,365
		527660		166	166
		ACQ-4-33623-06		38,517	38,517
		DE-FC007-		550,945	550,945
		DE-FC52-05NA26856		246,669	246,669
		G72103		46,906	46,906
		G72259		12,555	12,555
Pass-Through from Argonne National Lab		R14501-72000004		27,965	27,965
Pass-Through from Battelle Energy Alliance, LLC		135444C256		32,321	32,321

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Energy (continued)					
Pass-Through from Battelle Pacific Northwest Labor		29569		45,491	45,491
Pass-Through from Bechtel, Inc.		SUBCONTRACT# QA-HC4-00004		272,532	272,532
Pass-Through from BP America Production Company		C011		(192)	(192)
Pass-Through from Brookhaven National Laboratory		105577		39,533	39,533
Pass-Through from Burns & McDonnell		28905		3,032	3,032
Pass-Through from BWX Technologies		39384	29,673	100,697	130,370
Pass-Through from BWXT Y-12, LLC		4300040039		80,943	80,943
Pass-Through from Comptroller's State Energy Consortium		CM617		104,373	104,373
Pass-Through from Electric Power Res Inst.		EP-P20475/9968		24,956	24,956
Pass-Through from FERMI National Accelerator Laboratory		558488 PO#		101,264	101,264
Pass-Through from Florida International University		124800501-01		9,218	9,218
Pass-Through from Idaho National Engineering Lab		48288		68,999	68,999
Pass-Through from Innovative Scientific Solutions,		SB05004, D.O. 0002		161,239	161,239
Pass-Through from Intercultural Development Research Assoc.		H05-S1		72	72
Pass-Through from Lawrence Berkley National Lab		P.O. 6805918		175,114	175,114
Pass-Through from Lawrence Livermore National Lab		B541024		247,006	247,006
Pass-Through from Los Alamos National Laboratory		16066		439,031	439,031
Pass-Through from MPM Technology, LLP.		UTA05-798		131,661	131,661
Pass-Through from Nanopower Enterprises, Inc.		UTA03-367		12,871	12,871
Pass-Through from National Renewable Energy Laboratory		1354441626	50,035	51,286	101,321
Pass-Through from Pacific Northwest Laboratory		21666		260,224	260,224
Pass-Through from Petroleumtech Transfer Council		0895 MOD 39,40,42	59,392	84,954	144,346
Pass-Through from Prosensing, Inc.		UTA04-563		2,281	2,281
Pass-Through from Research Triangle Institute		5-93U-7667, Incremental		13,485	13,485
Pass-Through from Rice University		R7B612		9,615	9,615
Pass-Through from Sandia National Laboratories		135444A447		36,149	36,149
Pass-Through from Sandia National Laboratories		135444B255		57,085	57,085
Pass-Through from Sandia National Laboratories		135444C065		41,999	41,999
Pass-Through from Sandia National Laboratories		135444C277		129,548	129,548
Pass-Through from Sandia National Laboratories		515141		297,909	297,909
Pass-Through from Sandia National Laboratories		379530	261,645	2,375,717	2,637,362
Pass-Through from South Carolina University Research & Educ.		UTA02-356 / DE-FC09-00SR22184		4,731	4,731
Pass-Through from Tulane University		TUL-507-05/06		32,033	32,033
Pass-Through from Univ of California Livermore Natl. Lab		B552372		65,301	65,301
Pass-Through from Univ of California Livermore Natl. Lab		135144B870		67,390	67,390
Pass-Through from Univ of California Livermore Natl. Lab		135144C248		24,439	24,439
Pass-Through from Univ of California Los Alamos Natl. Lab		135144B572		3,747	3,747
Pass-Through from Univ of California Los Alamos Natl. Lab		135144C366		25,687	25,687
Pass-Through from University of Tennessee		OR808-001.01		87,833	87,833
Pass-Through from University of California		B555671		24,793	24,793
Pass-Through from University of Chicago		135144C123		11,979	11,979
Pass-Through from University of Rochester		DE-FC02-04ER54789, PO 412760-G		49,649	49,649
Pass-Through from UT-Battelle, LLC		4000014492 / DE-AC05-00OR22725		32,693	32,693
Pass-Through from Vecta Technology		UTA03-398		15,965	15,965
Pass-Through from XIDEX Corp		UTA06-284		390	390
Inventions and Innovations	81.036			2	2
Pass-Through from Pacific Northwest National Lab		503263		70,290	70,290
State Energy Program	81.041			260,050	260,050
Pass-Through from Battelle Memorial Institute		501959		(79)	(79)
Pass-Through from Rice University		R7A828-79200004		(29,043)	(29,043)
Pass-Through from Rice University		R7B128		273,016	273,016
Pass-Through from State of Louisiana		No. 2025-05-01		10,000	10,000

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Energy (continued)					
Pass-Through from UT-Battelle, LLC		503095		15,020	15,020
Office of Science Financial Assistance Program	81.049		98,575	24,201,455	24,300,030
Pass-Through from American Water Works Association		3160		13,570	13,570
Pass-Through from American Water Works Association		3162		45,265	45,265
Pass-Through from BP Solar International, LLC		ZDO-2-30628-03		52,665	52,665
Pass-Through from Carnegie Mellon University		Sub No. 1070044-153394		101,941	101,941
Pass-Through from Colorado School of Mines		No. 442253		25,369	25,369
Pass-Through from General Atomics Technology		SA JW231801		6,589	6,589
Pass-Through from Georgia Institute of Technology		E-19-ZG5-G1		38,288	38,288
Pass-Through from Idaho State University		Sub No. 02-220E		98,463	98,463
Pass-Through from Los Alamos National Security, LLC.		Sub No. 22430-001-05		84,212	84,212
Pass-Through from Los Alamos National Security, LLC.		Sub No. 32726-001-06		18,492	18,492
Pass-Through from Los Alamos National Security, LLC.		Sub No. 84334-001-04		23,908	23,908
Pass-Through from MPM Technology, L.L.C.		UTA05-019		454	454
Pass-Through from National Security Technologies, LLC		Sub No. 30017		5,618	5,618
Pass-Through from Oak Ridge National Laboratory		4000041651		(766)	(766)
Pass-Through from Sandia National Laboratories		336811		(441)	(441)
Pass-Through from Sandia National Laboratories		443037		71,865	71,865
Pass-Through from Sandia National Laboratories		No. 488401		67,902	67,902
Pass-Through from Sandia National Laboratories		No. 529425		36,236	36,236
Pass-Through from Sandia National Laboratories		No. 540685		11,644	11,644
Pass-Through from Sandia National Laboratories		No. 581208		33,040	33,040
Pass-Through from Sandia National Laboratories		No. AV-7583		333	333
Pass-Through from Sandia National Laboratories		PO 231996		47,156	47,156
Pass-Through from Sandia National Laboratories		PO No. 54416		16,116	16,116
Pass-Through from Sandia National Laboratories		PO No. 69281		95,879	95,879
Pass-Through from Sandia National Laboratories		PO No. 84412		9,939	9,939
Pass-Through from Sandia National Laboratories		260632	16,432	53,235	69,667
Pass-Through from Stanford Linear Accelerator Center		SLAC - 0000058905		211,612	211,612
Pass-Through from University of California, Irvine/DOE		DEFG0205ER64083		8,527	8,527
Pass-Through from University of Alaska Geophysical		UAF 99-0035	48,000	56,540	104,540
Pass-Through from University of California, San Diego		602710 P O 10227699		3,203	3,203
Pass-Through from University of Chicago - Argonne		4F-02361		7,958	7,958
Pass-Through from University of Chicago - Argonne		5F-00437		2,931	2,931
Pass-Through from University of Oregon		135144C205		20,535	20,535
Pass-Through from University of Wisconsin-Madison		P556706		(231)	(231)
University Coal Research	81.057		28,579	142,942	171,521
Pass-Through from Purdue University		Sub No. 541-0335-01		148	148
Pass-Through from Sandia National Laboratories		331966		111,232	111,232
Pass-Through from Nye County Nevada		06-019		25,551	25,551
Regional Biomass Energy Programs	81.079			574,698	574,698
Conservation Research and Development	81.086		100,376	517,655	618,031
Pass-Through from Battelle		4000033035 & Mod 1	19,750	51,988	71,738
Pass-Through from Battelle Pacific Northwest Laboratory		12281		(3,890)	(3,890)
Pass-Through from Los Alamos National Laboratory		503149		43,815	43,815
Pass-Through from Midwest Research Institute-Natl Renewable Energy Lab		Sub No. ACO-5-44049-01		22,106	22,106
Renewable Energy Research and Development	81.087		79,211	466,685	545,896
Pass-Through from Colorado School of Mines		P0060786		35,257	35,257
Pass-Through from Midwest Research Institute-Natl Renewable Energy Lab		Subcntr XDJ-3-33600-01		51,361	51,361
Pass-Through from National Renewable Entergy Laboratories		422990		14,703	14,703
Pass-Through from Shear Form		No. 05-0314		18,528	18,528
Pass-Through from Siemens Westinghouse Power Corporation		PO No. 4500509872		94,413	94,413
Pass-Through from Spire Corporation		200516		16,110	16,110

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Energy (continued)					
Pass-Through from University of Nevada		UNR-04-53,PO#14B41702,UNR#1320-114-2660		13,439	13,439
Pass-Through from University of California - Lawrence		Sub No. 6802415		5,200	5,200
Pass-Through from UT-Battelle LLC		Sub No. 4000033876		13,026	13,026
Fossil Energy Research and Development	81.089		263,198	3,041,566	3,304,764
Pass-Through from Clemson University		02-01-SR092		(223)	(223)
Pass-Through from Clemson University Research Foundation		Subcontract No. 03-01-SR113		113,617	113,617
Pass-Through from Florida International University		120701594-01		7,413	7,413
Pass-Through from Impact Technologies LLC		DE-PS26-04NT15450-1		15,825	15,825
Pass-Through from Los Alamos National Security, LLC.		Sub No. 37000-001-06		39,282	39,282
Pass-Through from New Mexico Institute of Mining and Tech.		DSRP20		106,352	106,352
Pass-Through from New Mexico Tech		502891		33,039	33,039
Pass-Through from New Mexico Tech		503348		16,988	16,988
Pass-Through from New Mexico Tech		503389		2,744	2,744
Pass-Through from Ohio University		DE-FC26-02NT41476		8,943	8,943
Pass-Through from Pennsylvania State University		3139-UT-DOE-1779		208,394	208,394
Pass-Through from Pennsylvania State University		135144B672		4,396	4,396
Pass-Through from Pennsylvania State University		2772-TAMU-DOE-2098		7,990	7,990
Pass-Through from Pennsylvania State University		2938-TAMU-DOE-2098		88,668	88,668
Pass-Through from Rice University		R14182-71500003		10,835	10,835
Pass-Through from Rice University		R14661-7150005		129,610	129,610
Pass-Through from Sandia National Laboratories		125100		(218)	(218)
Pass-Through from Southern States Energy Board		SSEB-NT41980-997-UTEXBEG-2004-001	5,276	188,975	194,251
Pass-Through from University of Mississippi		05-10-035		23,139	23,139
Pass-Through from University of Kansas Center for		FY2005-064		111,687	111,687
Pass-Through from Virginia Polytechnic Institute		CR-19433-414704		88,341	88,341
Pass-Through from Westport Technology Center Inter		40144811-100		17,688	17,688
Pass-Through from Comptroller's State Energy Counsel		CP602		69,262	69,262
Office of Environmental Cleanup and Acceleration	81.104			1,400	1,400
Pass-Through from Education Research and Development Assoc of Georgia Universities		Contract No. KGJ37044-O	8,325	(10)	8,315
Pass-Through from Howard University		633254-H010016/010063		86,168	86,168
Pass-Through from Howard University		DE-FC02-02EW15254		111,049	111,049
Pass-Through from University of Nevada Las Vegas		135144B768,C371		20,299	20,299
Pass-Through from Sandia National Laboratories		184481		106,060	106,060
Stewardship Science Grant Program	81.112			49,076	49,076
University Reactor Infrastructure and Education Support	81.114			1,603,126	1,603,126
Pass-Through from Medical University of South Carolina		UTA05-637		93,706	93,706
Pass-Through from South Carolina State University		DE-F-G07-01ID14013-TAMU		30,043	30,043
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117			214,219	214,219
Pass-Through from Carnegie Inst of Washington		135444C426		910	910
Pass-Through from Natl Assoc of State Energy Officials		Agr DE-FC36-03G013026		56,079	56,079
State Energy Program Special Projects	81.119		1,158	68,542	69,700
Pass-Through from Comptroller's State Energy Counsel		DE-FG48-04R0806310 CM518		103,220	103,220
Nuclear Energy Research, Development and Demonstration	81.121			332,719	332,719
Pass-Through from Concurrent Technologies Corporation		Sub No. 060300224		49,567	49,567

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Energy (continued)					
Pass-Through from EPRI Solutions, Inc.		No. 499-06-01		43,510	43,510
Total - U.S. Department of Energy			1,997,317	45,848,809	47,846,126
United States Information Agency					
United States Information Agency	82.XXX				
Pass-Through from Binational Agricultural Research and Development		503005		38,491	38,491
Total - United States Information Agency			0	38,491	38,491
Federal Emergency Management Agency					
Federal Emergency Management Agency	83.XXX				
Pass-Through from League for Innov. In Comm. Coll.		UTA03-384, AMD 3		21,132	21,132
Pass-Through from Southwest Educational Development		SEDL NO. 52209		42,441	42,441
Pass-Through from Space Telescope Science Inst.		HST-GO-09368.03-A		17,881	17,881
Total - Federal Emergency Management Agency			0	81,454	81,454
U.S. Department of Education					
U.S. Department of Education	84.XXX	03-04 (ADMIN)		347,690	347,690
		TEACHER QUALITY 560000522750101	87,615	103,563	191,178
		G72203		63	63
		P116M010015, Action 01	8,429	393,672	402,101
		R06-0034		138,980	138,980
Pass-Through from Agile Mind, Inc.		DC-AMI02		125,467	125,467
Pass-Through from Austin Independent School District		INTERLOCAL AGREEMENT		217,893	217,893
Pass-Through from Mathematica Policy Research Inc.		NO MPR: 6136-04-068, START WORK AUTH.		102,711	102,711
Pass-Through from National Council for Accreditation of Teachers		UTA04-053		19,679	19,679
Pass-Through from National Writing Project Corp.		02-TX11		96,899	96,899
Pass-Through from Port Aransas Independent School Board		UTA05-323		7,130	7,130
Pass-Through from RMC Research Corp.		ED-03-CO-0082, Yr 2		1,848,816	1,848,816
Pass-Through from Skillpoint Alliance		TBD		14,612	14,612
Pass-Through from Southern Methodist University		UTSUB6000607		553,393	553,393
Adult Education--State Grant Program	84.002			315,887	315,887
Title I Grants to Local Educational Agencies	84.010			1,464,168	1,464,168
Migrant Education--State Grant Program	84.011			374,577	374,577
Title I Program for Neglected and Delinquent Children	84.013			183	183
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015			1,895,303	1,895,303
Overseas--Faculty Research Abroad	84.019			67,494	67,494
Overseas--Group Projects Abroad	84.021			127,895	127,895
Overseas--Doctoral Dissertation	84.022			95,037	95,037
Higher Education--Institutional Aid	84.031			1,108,663	1,108,663
Federal Work-Study Program	84.033			50,100	50,100
TRIO--Student Support Services	84.042			215,189	215,189
Vocational Education--Basic Grants to States	84.048			1,393,825	1,393,825
Fund for the Improvement of Postsecondary Education	84.116		48,471	2,244,560	2,293,031

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Education (continued)					
Pass-Through from Ball State University		PRIME ACCT-P116M030006; UTA04-552		8,651	8,651
Pass-Through from North Carolina State University		Sub No. 2001-1696-02		7,342	7,342
Pass-Through from University of Missouri		C00001245-1		13,805	13,805
Pass-Through from University of California, Davis		503111		3,776	3,776
Pass-Through from University of Missouri-Columbia		Sub No. C00004842		9,805	9,805
Minority Science and Engineering Improvement	84.120			309,031	309,031
Rehabilitation Long-Term Training	84.129			(632)	(632)
Centers for Independent Living	84.132			641	641
National Institute on Disability and Rehabilitation Research	84.133		176,992	1,475,601	1,652,593
Pass-Through from Texas Institute for Rehabilitation & Research		H133B990014		(11,430)	(11,430)
College Housing and Academic Facilities Loans	84.142			79,331	79,331
Business and International Education Projects	84.153			23,624	23,624
Javits Fellowships	84.170			63,476	63,476
Special Education--Preschool Grants	84.173			4,037	4,037
Special Education--Grants for Infants and Families with Disabilities	84.181			322,379	322,379
Pass-Through from Round Rock Independent School District		Q184L050099		103,815	103,815
Safe and Drug-Free Schools and Communities--State Grants	84.186			7,134	7,134
Bilingual Education-Professional Development	84.195			187,671	187,671
Pass-Through from Education Service Center-Region X		UTA03-372		647,473	647,473
Graduate Assistance in Areas of National Need	84.200			491,171	491,171
Pass-Through from Dallas County Comm. College District		GCS 05-269		1,553	1,553
Star Schools	84.203			(13)	(13)
Even Start--State Educational Agencies	84.213		234,090	211,342	445,432
Pass-Through from Westat Inc		ED-01-CO-0120		900,466	900,466
Fund for the Improvement of Education	84.215			159,641	159,641
Pass-Through from Iowa Public Television		135144B871		707	707
Pass-Through from Lubbock Independent School District		135244B945		54,024	54,024
Pass-Through from National Council for Accreditation of Teachers		UTA04-053		47,727	47,727
Pass-Through from Reach Out and Read Inc.		ROR-NC-2002		395	395
Pass-Through from Reach Out and Read National Center		U215K050155		82,635	82,635
TRIO--McNair Post-Baccalaureate Achievement	84.217			223,038	223,038
Centers for International Business Education	84.220			394,143	394,143
Assistive Technology	84.224		477,806	543,324	1,021,130
American Overseas Research Centers	84.274			60,964	60,964
Goals 2000-State and Local Education Systemic Improvement Grants	84.276			(11,210)	(11,210)
Eisenhower Professional Development State Grants	84.281			1,171	1,171
Pass-Through from RMC Research Corp.		UTA05-917, YEAR 2		381,634	381,634
Twenty-First Century Community Learning Centers	84.287			11,400	11,400
State Grants for Innovative Programs	84.298			80,883	80,883
Pass-Through from Houston Independent School District		H0062G090404		46,816	46,816
Education Research, Development and Dissemination	84.305		1,352,626	5,570,163	6,922,789
Pass-Through from American Educational Research Assoc.		135444B298		1	1
Pass-Through from Mathematics Policy Research		ED-01-CO-0039		4,466	4,466
Pass-Through from Research Triangle Institute		ED01-CO-0052		163	163
Pass-Through from RMC Research Corporation		H0288G091866		74,909	74,909
Pass-Through from Texas A&M Research Foundation		S040010		105,812	105,812
Pass-Through from Texas A&M Research Foundation		S050090		94,151	94,151
Pass-Through from Vanderbilt University		Contr #17476-S2		183,060	183,060
Capacity Building for Traditionally Underserved Populations	84.315			66,174	66,174
Education Technology State Grants	84.318			28,530	28,530
Pass-Through from Marshall Independent School District		DC-TARGET01		12,426	12,426
Research in Special Education	84.324		38,152	1,305,874	1,344,026

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Education (continued)					
Pass-Through from University of Wisconsin		UTA04-402-SUBCONTRACT NO. 129H286		6,000	6,000
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			1,533,681	1,533,681
Pass-Through from University of Southern Mississippi		135144B234		107,078	107,078
Pass-Through from University of South Florida		H326M000002		15,000	15,000
Pass-Through from Teachers College		511125		70,546	70,546
Comprehensive School Reform Demonstration	84.332			8,550	8,550
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333			209,466	209,466
Teacher Quality Enhancement Grants	84.336		343,671	1,566,926	1,910,597
Pass-Through from University of California, Los Angeles		5400-G-DC448		83,911	83,911
Learning Anytime Anywhere Partnerships	84.339			21,705	21,705
Preparing Tomorrow's Teachers to Use Technology	84.342			(8,279)	(8,279)
Transition to Teaching	84.350			136,999	136,999
Reading First State Grants	84.357		39,226	4,864,526	4,903,752
Pass-Through from NCS Person, Inc.		701-05-17834		4,074	4,074
Rural Education	84.358			2,983	2,983
Pass-Through from Decision Information Resources Inc.		ED-01-CO-0027		30,383	30,383
Pass-Through from RMC Research Corporation		EDO1CO00550006		5,386	5,386
School Leadership	84.363		112,935	438,120	551,055
Pass-Through from Austin Independent School District		INTERLOCAL AGREEMENT		49,970	49,970
English Language Acquisition Grants	84.365			14,267	14,267
Mathematics and Science Partnerships	84.366		4,025,370	1,948,034	5,973,404
Pass-Through from Galveston College		UTA04-339		(18)	(18)
Improving Teacher Quality State Grants	84.367		1,185,202	651,550	1,836,752
Hurricane Education Recovery	84.938			155,839	155,839
Total - U.S. Department of Education			8,130,585	39,623,216	47,753,801
U.S. Department of Health and Human Services					
U.S. Department of Health and Human Services	93.XXX	1 R01 HD043371-01A2	12,184	1,983,031	1,995,215
		122380/119786		8,315	8,315
		1603-30		56,304	56,304
		1D14HP00197AO		(4,222)	(4,222)
		1R25GM63991		13	13
		2 R25 GM058397-02		25	25
		200-1999-0095		725,990	725,990
		200-2001-00084		368,069	368,069
		200-2001-00084/0013		41,810	41,810
		200-2001-00085		4,411	4,411
		200-2003-01442		271,921	271,921
		2002004099876	13,776	7,210	20,986
		263-MQ-112277 03		315	315
		263-MQ-417611 01		7,218	7,218
		5 C76 HF00404 03		1,876,444	1,876,444
		5 KO1 DA016262		175,491	175,491
		5 R01 GM053683 06		(6,681)	(6,681)
		5 R01 GM060213 05		493	493
		5 R01 HD016843 23	25,000	271,153	296,153
		5 R01 HD040397 05		461,548	461,548
		5 R01 HD28419-12		70,587	70,587
		ANTIMICROBIA		89,405	89,405
		CLINICAL TRI		5,917	5,917

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
		COLLABORATIV		2,915	2,915
		CON11090	35,348		35,348
		CON11104	1,416,744		1,416,744
		CON11250	18,092		18,092
		CON14871		12,194	12,194
		CON15500		61,656	61,656
		CON15555	4,860	84,609	89,469
		G72141		(150)	(150)
		HART-NIH-NIN		96,584	96,584
		HHSH230200532004C		335	335
		HHSN26120043301C		318,823	318,823
		HHSN26820045210C		13,893	13,893
		HHSN275200403367C	76,990	89,913	166,903
		HHSN275200403380I		208,012	208,012
		JORGENSEN/CD		66,780	66,780
		N01 AI-30070 02		72,013	72,013
		N01 AR-0-2249 06	35,164	400,608	435,772
		N01 CM-07109 05		13,069	13,069
		N01 CM-52204 01		397,629	397,629
		N01 CM-62202 05		30,567	30,567
		N01 CN-035112 03	117,158	9,471	126,629
		N01 CN-035159 04	6,119	398,484	404,603
		N01 CN-05126 02		385,859	385,859
		N01 CN-095040 04	289,891	79,530	369,421
		N01 CN-85186 04	90,524	93,530	184,054
		N01AI015416		93,068	93,068
		N01AI025496		481,649	481,649
		N01AI02549602		62,058	62,058
		N01AI15113		1,965	1,965
		N01AI15416		37,181	37,181
		N01-AI-25475		406,047	406,047
		N01AI30025	21,269	6,159	27,428
		N01-CM-17003 04		324,645	324,645
		N01CN095139	10,781	236,861	247,642
		N01DA-9-8101		641,503	641,503
		N01DK62203		247,803	247,803
		N01DK92321		286,253	286,253
		N01H0-99-230		(7,659)	(7,659)
		N01HB007159	182,804	141,993	324,797
		N01HB67132		527	527
		N01HD33162		17	17
		N01HD33345	52,203	49,311	101,514
		N01HR16153		(139,774)	(139,774)
		N01HV028185		2,577,817	2,577,817
		N01HV28184		7,970,941	7,970,941
		N01HV98177		7,137	7,137
		N01LM13515		11,176	11,176
		N01LM13575		831	831
		N01-LM-3515		110	110
		N01MH090001		49,387	49,387
		N01MH090003	2,439,822	1,484,062	3,923,884
		N01MH7007DS423		448	448
		N01MH80008TADS04		862	862
		N01RR22101		16,648	16,648
		N01-WH-4-2111		139,606	139,606
		N02 CP-55503 02		334,001	334,001
		N02 OR-0-4021 07		320,961	320,961

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
		NCI-40138-NG		(281)	(281)
		NIDA N01DA-2-882		664,915	664,915
		R01 CA76262		(28,894)	(28,894)
		R01 GM024365		104,434	104,434
		RAA015082A		99,272	99,272
		THE NORTH AM		(1,316)	(1,316)
Pass-Through from Adoption Exchange Assoc.		UTA05-795		298,992	298,992
Pass-Through from Albert Einstein College of Medicine		9-526-0501		1,860	1,860
Pass-Through from American College of Radiology Imaging		ENG: AMER CO		8	8
Pass-Through from Austin Learning Academy		UTA05-639		8,270	8,270
Pass-Through from Baylor College of Medicine		4600583954		148,370	148,370
Pass-Through from Baylor College of Medicine		5 R01 HL079533 02		103,778	103,778
Pass-Through from Booz Allen Hamilton, Inc.		1435-04-04-CT73980		7,401	7,401
Pass-Through from Center for Scientific Review - DHHS - NIH		IPA-952132		50,876	50,876
Pass-Through from Children's Research Institute		INFANTE:CHIL		58,211	58,211
Pass-Through from Cincinnati Children Hospital		N01-A1-25459		199,026	199,026
Pass-Through from Civilian Research and Development Foundation		AHUJA-CRDF/N		9,682	9,682
Pass-Through from C-Motion, Inc.		UTA04-556		59,318	59,318
Pass-Through from CTRC Research Foundation		SAIC#26XS148		5,974	5,974
Pass-Through from Dallas County Hospital District		CON16376		9,962	9,962
Pass-Through from Duke University		5 N01 A1-05419		52,126	52,126
Pass-Through from Eastern Virginia Medical School		U01CA084986		9,442	9,442
Pass-Through from Fairway Medical Technologies		R44 CA110137		11,560	11,560
Pass-Through from Feinstein Institute for Medical Research		N01 AR-2-2263 04		70,462	70,462
Pass-Through from Fisher Bioservice		CON58660		57,275	57,275
Pass-Through from Fred Hutchinson Cancer Research Center		AI055928		(849)	(849)
Pass-Through from Fred Hutchinson Cancer Research Center		05-201573-01-S1300		146,905	146,905
Pass-Through from Fred Hutchinson Cancer Research Center		PO# 0000593423		31,207	31,207
Pass-Through from George Mason University		E 600247-2		86,929	86,929
Pass-Through from Houston Academy of Medicine		CON15292		12,383	12,383
Pass-Through from Humanities Texas		2005-3080		(28)	(28)
Pass-Through from Indian Health Services		020-OEH-5-0491	19,433	41,015	60,448
Pass-Through from Johns Hopkins University		AR49125		94,324	94,324
Pass-Through from Johns Hopkins University		BASLER - 840		1,052	1,052
Pass-Through from Laredo Medical School		CA99038		(8,767)	(8,767)
Pass-Through from Louisiana State University		200401316;C190338		108,619	108,619
Pass-Through from Louisiana State University		FRANCE/GERAK		2,513	2,513
Pass-Through from Macfarlane Burnet Institution of Med		HHSN266005000042C		45,920	45,920
Pass-Through from Manpower Demonstration Research		UTA05-382; 1145.01.099.00		57,540	57,540
Pass-Through from Massachusetts General Hospital		MH80001		34,496	34,496
Pass-Through from Mayo Clinic - Jacksonville		5 R01 CA104505 03		132,580	132,580
Pass-Through from McMaster University		PATTERSON, J		147,066	147,066
Pass-Through from MHMR/Center for Healthcare Services		CLINICAL ANT		12,954	12,954
Pass-Through from NoviMarte, Inc.		HHSN261200522013C 01		13,092	13,092
Pass-Through from Oregon Health Science University		HHSN266200500027C		16,734	16,734
Pass-Through from Research Triangle Institute		RES.TRIANG.I		873	873
Pass-Through from Rice University		R21071		40,258	40,258
Pass-Through from SAIC - Frederick, Inc.		26XS197		41,583	41,583
Pass-Through from SAIC-Frederick, Inc.		1 N01 CM017003 04		(643)	(643)
Pass-Through from SAIC-Frederick, Inc.		25XS068 01		57,429	57,429
Pass-Through from SAIC-Frederick, Inc.		N01 24XS040 02		8,652	8,652
Pass-Through from SAIC-Frederick, Inc.		N01 CM17003 03		19,247	19,247
Pass-Through from SAIC-Frederick, Inc.		N01 CO 12400 01		(3,343)	(3,343)
Pass-Through from SAIC-Frederick, Inc.		N01 CO-12400 01		65,435	65,435

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Sandia National Laboratory		CON16167		13,521	13,521
Pass-Through from Scripps Research Institute		5-74913		113,724	113,724
Pass-Through from Southwest Oncology Group		S0342		47,598	47,598
Pass-Through from Strang Cancer Prevention Center		HHSN261200433002 02		31,448	31,448
Pass-Through from TDA Research Inc.		UTA05-503		63,155	63,155
Pass-Through from Texas Department of State Health Services		00-0863-0656-MHT (11632)		207,184	207,184
Pass-Through from University of North Carolina, Chapel Hill		MILLER-CHA		29,136	29,136
Pass-Through from University of California, Livermore		B522279		113	113
Pass-Through from University of California, San Diego		NIMH-00-AI-0005		468,532	468,532
Pass-Through from University of Alabama at Birmingham		AI030025		6,421	6,421
Pass-Through from University of Alabama at Birmingham		CRAWFORD-U		929	929
Pass-Through from University of Alabama at Birmingham		UAB S/G CDC		2,350	2,350
Pass-Through from University of Kansas Medical Center		05DP050061FNL		45,057	45,057
Pass-Through from University of New Mexico Health Science Center		3904		161,489	161,489
Pass-Through from University of North Carolina, Chapel Hill		NC/CHAPEL HI		20,583	20,583
Pass-Through from University of Pittsburgh		MN063420		33,719	33,719
Pass-Through from University of South Carolina - Medical		N01 N01 HV28181		26,931	26,931
Pass-Through from US Immunodeficiency Network		N01-A1-30070		7,543	7,543
Pass-Through from US Immunodeficiency Network		N01AI30070	8,910	78,575	87,485
Pass-Through from Veterans Administration		CDC-VA V688P		146,159	146,159
Pass-Through from Veterans Medical Research Foundation		UTA02-313, Amd 2		1,191	1,191
Pass-Through from Wake Forest University		ROYALL/WAKE		5,360	5,360
Pass-Through from Wayne State University		N01 HD23342		41	41
Pass-Through from Wayne State University		N01-HD-2-3342		23,896	23,896
Pass-Through from Wayne State University		5 N01 ES7518 06 A8		(755)	(755)
Special Programs for the Aging--Title IV--and Title II--Discretionary Projects	93.048			90	90
Centers for Genomics and Public Health	93.063			216,619	216,619
Health Disparities in Minority Health	93.100			669,576	669,576
Food and Drug Administration--Research	93.103		37,418	960,362	997,780
Pass-Through from Duke University		JACKSON:S/G DUKE:FDA		16,604	16,604
Pass-Through from Duke University Medical Center		FDR00215401		22,660	22,660
Pass-Through from University of North Carolina, Chapel Hill		POLLOCK-UNCCH		20,671	20,671
Model State-Supported Area Health Education Centers	93.107		281,410	253,984	535,394
Maternal and Child Health Federal Consolidated Programs	93.110		212,295	243,504	455,799
Pass-Through from Texas Department of State Heath Services		ATT. 01, PO 2008, 2005		12	12
Pass-Through from Johns Hopkins University		97.3022 8410-53724		17	17
Biological Response to Environmental Health Hazards	93.113		470,533	7,850,124	8,320,657
Pass-Through from Buck Institute		SUH-BUCK INS		45,853	45,853
Pass-Through from Genomics USA, Inc.		H0246G089667		(25,126)	(25,126)
Pass-Through from Oregon Health Sciences University		CGROE0073A		141,806	141,806
Pass-Through from Southern University A&M College		OGSP-23-99-02-00-125B		68,051	68,051
Pass-Through from University of Maryland School of Medicine		S01769		9,785	9,785
Pass-Through from University of Montana		R01ES1112002		(15,728)	(15,728)
Pass-Through from Vanderbilt University		PO1ES05355		(606)	(606)
Applied Toxicological Research and Testing	93.114			378,424	378,424
Biometry and Risk Estimation--Health Risks from Environmental Exposures	93.115		161,882	1,353,589	1,515,471
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			68,682	68,682

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Los Alamos National Laboratory		502900		156,164	156,164
Pass-Through from Los Alamos National Laboratory		503163		147,975	147,975
Pass-Through from University of Alabama		N01-AI-15440		1	1
Pass-Through from Westat Inc.		8062-S025		26,903	26,903
Oral Diseases and Disorders Research	93.121		788,223	7,960,900	8,749,123
Pass-Through from Baylor College of Medicine		1R21DE016928		1,928	1,928
Pass-Through from Rice University		1R01DE015164		58,169	58,169
Pass-Through from University of Washington		5R01DE13546-05		(2,377)	(2,377)
Pass-Through from University of Delaware		5R01DE13542		1,959	1,959
Pass-Through from University of Iowa		UNIV OF IOWA		82,896	82,896
Pass-Through from University of Kentucky		DE13958		119,598	119,598
Pass-Through from University of Louisville		5 U01 DE014543 04		209,091	209,091
Pass-Through from University of Louisville		5R01DE13150		6,268	6,268
Pass-Through from University of Louisville Res. Foundation		5U01DE14543		94,343	94,343
Pass-Through from University of North Carolina		DE014577		426,984	426,984
Grants to Increase Organ Donations	93.134			620	620
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		809,910	5,394,995	6,204,905
Pass-Through from Boston University		PUGH-BOSTON		15,873	15,873
Pass-Through from Hispanic Serving Health Professions School		ATSDR ENV	(1,853)	2,645	792
Pass-Through from Hispanic Serving Health Professions School		FIELDS:ATSDR		10,483	10,483
Pass-Through from University of South Florida		U48CCCU415803		4,927	4,927
Pass-Through from University of Washington		DP000050		77,745	77,745
Injury Prevention and Control Research and State and Community Based Programs	93.136		142,626	362,195	504,821
Community Programs to Improve Minority Health Grant Program	93.137		(4,702)	611,176	606,474
Pass-Through from University of Washington		136044B493,556,557, 876,877,972,0412		88,900	88,900
Pass-Through from Dallas County Hospital Dist.		CON15196		56,940	56,940
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		944,803	743,516	1,688,319
Pass-Through from Resource Group		05UTG00T4		(61)	(61)
Rural Health Research Centers	93.155			(5,706)	(5,706)
Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals	93.156			137,718	137,718
Centers of Excellence	93.157			1,062,061	1,062,061
Human Genome Research	93.172		348,449	958,705	1,307,154
Pass-Through from Baylor College of Medicine		1P41HG003083-01A1		53,209	53,209
Pass-Through from Baylor College of Medicine		5 P41 HG003083-03		48,787	48,787
Pass-Through from Harvard University		503184		14,069	14,069
Pass-Through from Texas A&M Research Foundation		S050078		34,782	34,782
Pass-Through from University of North Carolina, Chapel Hill		5-33835		17,594	17,594
Research Related to Deafness and Communication Disorders	93.173		133,398	4,770,270	4,903,668
Pass-Through from Case Western Reserve University		5R01DC00538503		9,291	9,291
Pass-Through from Case Western Reserve University		5R01DC00538504		36,967	36,967
Pass-Through from Purdue University		5R01DC00578804		65,419	65,419
Pass-Through from Rice University		1 R21 DC005496 02		(890)	(890)
Pass-Through from University of California at Santa Barbara		FOX-UNIV CA@		66,594	66,594
Pass-Through from University of Colorado		FOX-UCB-DC00		53,571	53,571
Pass-Through from University of Iowa		1000540351		15,081	15,081
Pass-Through from University of Iowa		4000526145		2,394	2,394
Nursing Workforce Diversity	93.178			93,968	93,968
Disabilities Prevention	93.184			65,463	65,463
Health Education and Training Centers	93.189		16,474	5,153	21,627

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Allied Health Special Projects	93.191			370,479	370,479
Pass-Through from University of Kentucky		4-69066-06-052		15,511	15,511
Telehealth Network Grants	93.211			(7,576)	(7,576)
Research and Training in Complementary and Alternative Medicine	93.213			1,580,812	1,580,812
Pass-Through from American Medical Student Association Fdn		BAYLES-AMSA/		13,854	13,854
Pass-Through from Carolinas Neuromuscular ALS Center		AT00967		6,047	6,047
Pass-Through from University of Missouri		CON14560		6,840	6,840
Family Planning--Services	93.217			623,379	623,379
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224			1,864	1,864
Pass-Through from Tulane University		135144C413		16,112	16,112
Research on Healthcare Costs, Quality and Outcomes	93.226		172,497	1,967,588	2,140,085
Pass-Through from ISIS, Inc.		HHSA29020050020C		5,199	5,199
Pass-Through from University of California San Francisco		UCSF-IMPAACT		4,507	4,507
Pass-Through from Yale University		5P50AA01287004		(398)	(398)
Pass-Through from Yale University		5P50AA01287005		61,998	61,998
Consolidated Knowledge Development and Application (KD&A) Program	93.230		102,485	490,710	593,195
Pass-Through from Substance Abuse and Mental Health Services Administration		5H79Tl157555		21,057	21,057
Abstinence Education Program	93.235			37,581	37,581
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		218,304	293,367	511,671
Pass-Through from Boston University		PUGH-BOSTON		48,560	48,560
Pass-Through from University of Kentucky		UKRF 472581-05-331		4,969	4,969
Mental Health Research Grants	93.242		1,799,678	27,080,431	28,880,109
Pass-Through from Acenta Discovery, Inc.		5R41 MH070083-02		58,903	58,903
Pass-Through from Baylor College of Medicine		5R01MH053932		20,179	20,179
Pass-Through from Cambridge Health Alliance		MH59876		(36)	(36)
Pass-Through from Cerebral Magnetics, LLC		Lancaster-CE		14,829	14,829
Pass-Through from Columbia University		5R01MH06385205		46,025	46,025
Pass-Through from Duke Clinical Research Institute.		5R01MH07049403		16,025	16,025
Pass-Through from John Hopkins University		5PO1MH070056		7,173	7,173
Pass-Through from John Hopkins University		5PO1MH070306		17,405	17,405
Pass-Through from John Hopkins University		5R01MH069116		5,011	5,011
Pass-Through from Loyola University Chicago		5R01 DA015760-03		18,919	18,919
Pass-Through from McLean Hospital		5P50MH6045006		906	906
Pass-Through from McLean Hospital		5P50MH6045007		2,333	2,333
Pass-Through from NIH-Nat'l Institute of Mental Health		R01MH078111		3,504	3,504
Pass-Through from Northwestern University		1P50MH07492401		139,273	139,273
Pass-Through from Rockefeller University/NIH		1P50MH07486601		271,258	271,258
Pass-Through from Rockefeller University/NIH		5P50MH07486602		52,267	52,267
Pass-Through from Southwest Foundation for Biomedical Research		MH65462		10,405	10,405
Pass-Through from Tourette syndrome Association		Peterson:TOU		9,353	9,353
Pass-Through from University North Carolina, Chapel Hill		Miller-UNC C		1,109	1,109
Pass-Through from University of California, Berkeley		R01MH3991719		71,215	71,215
Pass-Through from University of Colorado		SPO 26733, MOD 3		52,862	52,862
Pass-Through from University of Arizona		Delgado-UNI		128,017	128,017
Pass-Through from University of Wyoming		5R01MH63667A		22,745	22,745
Pass-Through from Washington University		WU-HT-05-26;PO#29670Q		196	196
Pass-Through from Washington University		29325X		9,921	9,921
Pass-Through from Wayne State University		WSU05042		91,581	91,581
Pass-Through from Yale University		UTA04-015 ;		51,368	51,368

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Yale University		MH65015		1,677	1,677
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243			448,405	448,405
Pass-Through from Harris County Hospital District		05-HSP-0795		44,552	44,552
Advanced Education Nursing Grant Program	93.247			13,202	13,202
Public Health Training Centers Grant Program	93.249			90,505	90,505
Health Communities Access Program	93.252			39,722	39,722
Poison Control Stabilization and Enhancement Grants	93.253			194,618	194,618
Family Planning--Personnel Training	93.260			87,231	87,231
Occupational Safety and Health Program	93.262		322,628	1,059,134	1,381,762
Pass-Through from Colorado State University		U50OH008085		8,299	8,299
Comprehensive Geriatric Education Program	93.265			25,640	25,640
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271			229,651	229,651
Alcohol National Research Service Awards for Research Training	93.272			414,546	414,546
Alcohol Research Programs	93.273		1,623,720	8,211,781	9,835,501
Pass-Through from Mercer University		GC06-420604-04		1,699	1,699
Pass-Through from Oklahoma University Health Sciences Center		06LM050047NL		4,617	4,617
Pass-Through from Oregon Health & Science University		5U01AA01364105		49,171	49,171
Pass-Through from Research Foundation for Mental Hygiene		5R01AA1330303		2,256	2,256
Pass-Through from Stanford University		17597140-32408-A		11,071	11,071
Pass-Through from The Corporation of Mercer University		1R25AA014915		52,204	52,204
Pass-Through from Texas Department of State Health Svcs.		07-0830-063-SAR (11618)		503,856	503,856
Pass-Through from University of Hawaii		5U01AA14289		44,611	44,611
Pass-Through from University of North Dakota		2R01AA04610		7,687	7,687
Pass-Through from University of South Carolina		2R01AA011828		9,776	9,776
Pass-Through from University of Washington		925449		10,976	10,976
Career Development Awards	93.277			402,684	402,684
Drug Abuse National Research Service Awards for Research Training	93.278			483,107	483,107
Drug Abuse and Addiction Research Programs	93.279		953,513	25,325,183	26,278,696
Pass-Through from Duke University		5R01DA016977		17,924	17,924
Pass-Through from Johns Hopkins University		2R01DA01332406		10,965	10,965
Pass-Through from Kentucky Research Foundation		06AP030016NNL		46,111	46,111
Pass-Through from MMRF-Minneapolis Medical Research		5R01DA010714-08		25,371	25,371
Pass-Through from Nabi, Inc.		NABI-NIH		7,348	7,348
Pass-Through from National Development & Research Institute		R01DA010425		6,756	6,756
Pass-Through from University of California, Los Angeles		2000GCJ903		969	969
Pass-Through from University of Illinois at Chicago		R01DA010458-10		95,375	95,375
Pass-Through from University of Illinois		5 P30 DA018310 02		112,995	112,995
Pass-Through from University of Miami		66039X		3,933	3,933
Pass-Through from University of Miami		M768664		82,989	82,989
Pass-Through from University of Nebraska - Omaha		5R25DA013522		(9,758)	(9,758)
Pass-Through from Vanderbilt University		DAWS-Vander		37,062	37,062
Pass-Through from Vanderbilt University		Vanderbilt T/D		107,879	107,879
Mental Health Research Career/Scientist Development Awards	93.281			1,173,888	1,173,888
Mental Health National Research Service Awards for Research Training	93.282			1,718,618	1,718,618
Centers for Disease Control and Prevention--Investigations and Technical Assistance	93.283		1,259,153	5,081,513	6,340,666
Pass-Through from Association of American Medical Colleges		CCU319276		70,063	70,063
Pass-Through from Associations of Schools of Public Health		U36CCU300430		510,366	510,366
Pass-Through from Boston University		CCU617918		2,722	2,722
Pass-Through from City of Houston Health & Human Services		U50/CCU622445		(4,095)	(4,095)

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Texas Department of State Health Svcs.		7217217217A2007 PO# 0000318510		264,068	264,068
Pass-Through from University of Colorado, Health Science Center		U27CCU81210606		10,348	10,348
Pass-Through from University of Chicago		R01CCR523379	2,563	5,993	8,556
Pass-Through from University of Colorado Health Centers for Disease Control and Prevention		U27/CCU812106		39,334	39,334
Pass-Through from Washington University		5R01NS32228		59,169	59,169
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		378,872	5,941,626	6,320,498
Pass-Through from City of Houston Health & Human Services		U62/CCU606238		201,398	201,398
Pass-Through from Marval Therapeutics, Inc.		1R43EB004700		31,999	31,999
Pass-Through from Texas A&M Research Foundation		5 R01 EB003132 02		50,755	50,755
Pass-Through from University of California		Clarke-UC/NI		15,049	15,049
Pass-Through from University of California - Los Angeles		1 R01 EB004898 01		29,615	29,615
Pass-Through from University of California Los Angeles		EB001955		150,528	150,528
National Center for Health Workforce Analysis	93.300			273,279	273,279
Comparative Medicine	93.306			19,275	19,275
Minority Health and Health Disparities Research	93.307		36,985	4,950,403	4,987,388
Pass-Through from University of Michigan		3900-11		1,743	1,743
Clinical Research	93.333			3,278,976	3,278,976
Pass-Through from American Physiological Society		PROPPE RR018		(1,152)	(1,152)
Advanced Education Nursing Traineeships	93.358			175,092	175,092
Nurse Education, Practice and Retention Grants	93.359		133,772	423,291	557,063
Nursing Research	93.361		17,013	4,331,472	4,348,485
Pass-Through from Software Techniques, Inc.		R41NR0084878		11,097	11,097
Biomedical Technology	93.371			105,816	105,816
Pass-Through from Oncosis		R44RR1537402		(43,846)	(43,846)
Minority Biomed	93.375			3,316,780	3,316,780
Pass-Through from University of the Incarnate Word		INCARNATE WO		(116)	(116)
National Center for Research Resources	93.389		1,549,145	23,490,152	25,039,297
Pass-Through from Baylor College of Medicine		1 P20 RR020626-01		2,305	2,305
Pass-Through from Baylor College of Medicine		1 P20 RR020647-01 PO400613194		56,882	56,882
Pass-Through from Baylor College of Medicine		5K12RR017665		21,500	21,500
Pass-Through from Baylor College of Medicine		5P20RR020626		28,706	28,706
Pass-Through from Constella Group , Inc		GENLINK-32831		41,933	41,933
Pass-Through from Harbor - UCLA		5K23RR1618005		10,358	10,358
Pass-Through from Mt. Sinai School of Medicine at NYU		5U54RR01948403		1,916	1,916
Pass-Through from Mt. Sinai School of Medicine at NYU		5U54RR01948404		115,386	115,386
Pass-Through from Oklahoma University Health Sciences Center		06LM030014F3H		161,888	161,888
Pass-Through from University of Southern California		H31034		57,755	57,755
Pass-Through from University of Florida		TONEY-UFLORI		76,412	76,412
Pass-Through from University of Rochester		5U54RR1948203		114,328	114,328
Pass-Through from Virginia Polytechnic Institute		R25 RR018529		30	30
Academic Research Enhancement Award	93.390			40	40
Cancer Construction	93.392		44,177	2,414,441	2,458,618
Cancer Cause and Prevention Research	93.393		487,121	25,776,817	26,263,938
Pass-Through from Baylor College of Medicine		CA101717		9,665	9,665
Pass-Through from Beth Israel Hospital		5 R01 CA095662 04		90,554	90,554
Pass-Through from British Columbia Cancer Center		5P01CA09696403		187,660	187,660
Pass-Through from British Columbia Cancer Center		5P01CA09696405		9,908	9,908
Pass-Through from British Columbia Cancer Center		5U01CA09610903		718	718
Pass-Through from British Columbia Cancer Center		5U01CA09610904		253,864	253,864
Pass-Through from Duke University		1 R01 CA092461-01A1		24,919	24,919
Pass-Through from Einstein Medical College-Yeshiva U		BRZYSKI-EINS		19,731	19,731

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Fred Hutchinson Cancer Research Center		1R01CA114467		18,393	18,393
Pass-Through from International Epidemiology Institute, Ltd.		5 R01 CA104666 02		41,355	41,355
Pass-Through from Louisiana State University Medical Center		2P01CA028842		11,512	11,512
Pass-Through from Massachusetts General Hospital		3 U01 CA078284 05 S2		537	537
Pass-Through from Mayo Clinic		5 R01 CA097075 04		187,360	187,360
Pass-Through from Massachusetts General Hospital		3U01CA07828405S2		1,373	1,373
Pass-Through from Northwestern University		R01 CA014768 01 A1		42,170	42,170
Pass-Through from Rice University		2 U01 CA97431 04		58,832	58,832
Pass-Through from Transpire, Inc		952116		3,355	3,355
Pass-Through from Trustees of Dartmouth College		5 R01 CA066032 07		113,150	113,150
Pass-Through from University of California, Berkeley		DEAC0205CH11231		32,300	32,300
Pass-Through from University of California, Irvine		5R01CA07441508		115,460	115,460
Pass-Through from University of California, Berkeley		6721739		120,814	120,814
Pass-Through from University of Cincinnati		2U01CA07629306A2		55,269	55,269
Pass-Through from University of Pennsylvania		535587, MOD 6;PO#1295154		59,347	59,347
Pass-Through from University of Arizona		5 P01 CA041108 18		(51,154)	(51,154)
Pass-Through from University of Arizona		5 P01 CA041108 20		97,567	97,567
Pass-Through from University of California - San Diego		5 R01 CA069375 06		6,065	6,065
Pass-Through from University of California - San Diego		5 R01 CA069375 09		135,806	135,806
Pass-Through from University of California - San Francisco		5 R01 CA052689 15		44,554	44,554
Pass-Through from University of Cincinnati		2 U01 CA076293 06 A2		73,850	73,850
Pass-Through from University of Cincinnati		5 R01 CA097099 03		39,465	39,465
Pass-Through from University of Cincinnati		5U01 CA076293 05		1,988	1,988
Pass-Through from University of Iowa		3 R01 CA104825 03 S2		82,233	82,233
Pass-Through from University of Michigan		5 R01 CA095662 02		(3,425)	(3,425)
Pass-Through from University of Minnesota		1R01CA11135501		33,042	33,042
Pass-Through from University of Minnesota		5R01CA11135502		9,487	9,487
Pass-Through from University of Pennsylvania		5 P01 CA075434 03		(61,069)	(61,069)
Pass-Through from University of Rochester		5 R01 CA098954 03		170,169	170,169
Pass-Through from University of Virginia		UVA Mel44		41	41
Cancer Detection and Diagnosis Research	93.394		1,392,121	6,709,712	8,101,833
Pass-Through from American College Of Radiology Imaging		6666CA080098		52,188	52,188
Pass-Through from American College Of Radiology Imaging		U01CA80098		17,210	17,210
Pass-Through from American College Of Radiology Imaging		DODD-ACRI		576	576
Pass-Through from American College Of Radiology Imaging		DODD-ACRIN		15,064	15,064
Pass-Through from Baylor College of Medicine		5 P01 CA074173 03		(5,591)	(5,591)
Pass-Through from Capital Consulting Corporation		263-01-D-0186, RFTOP 720		181,471	181,471
Pass-Through from Fairway Medical Technology		6721739		(1,920)	(1,920)
Pass-Through from Fairway Medical Technology		R29CA080221		2,594	2,594
Pass-Through from Mayo Clinic		P01 CA085799 04		(25,278)	(25,278)
Pass-Through from Alan Penn & Associates		2R44CA0851013		18,461	18,461
Pass-Through from Research Triangle Institute		N01-CP-01004		3,868	3,868
Pass-Through from Rice University		R21141		106,766	106,766
Pass-Through from Rice University		R33CA100986		48,684	48,684
Pass-Through from Thomas Jefferson University		5R01CA84140		(10)	(10)
Pass-Through from University of Maryland-Baltimore County		Sub No. CG0604		62,766	62,766
Pass-Through from University of Chicago		TRACS 25878		32,079	32,079
Pass-Through from Washington University		2 U24 CA081647 04		(50,545)	(50,545)
Cancer Treatment Research	93.395		2,189,943	35,457,373	37,647,316
Pass-Through from American College of Radiology		5 U01 CA080098 05		3,446	3,446
Pass-Through from American College of Radiology		5 U01 CA080098 06		403,842	403,842
Pass-Through from American College of Radiology		5 U01 CA080098 07		40,565	40,565
Pass-Through from American College of Radiology		5 U10 CA021661 27		429,729	429,729
Pass-Through from American College of Radiology		5 U10 CA021661 30		13,715	13,715

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from American College of Radiology		5 U10 CA021661 31		4,247	4,247
Pass-Through from American College of Radiology		5 U10 CA 021661-25		391	391
Pass-Through from American College of Radiology		RTOG PROTOCOL #0018 01		495	495
Pass-Through from American College Of Radiology		U10CA21661		(2,687)	(2,687)
Pass-Through from American College of Surgeons		5 U10 CA076001 04		377	377
Pass-Through from Bio Tex, Inc.		2 R44 CA079282 04		6,750	6,750
Pass-Through from Bio Tex, Inc.		2 R44 CA096227 02 A1		31,780	31,780
Pass-Through from Bio Tex, Inc.		2 R44 CA101573 02		11,106	11,106
Pass-Through from Brigham & Women's Hospital		1R01CA10716401A1		2,666	2,666
Pass-Through from Cancer Therapy & Research		CON13299		10,478	10,478
Pass-Through from Case Western Reserve University		1R21CA11243601A1		25,167	25,167
Pass-Through from CTRC Research Foundation		CA069853		26,899	26,899
Pass-Through from CTRC Research Foundation		CA32102		(16,116)	(16,116)
Pass-Through from CTRC Research Foundation		CA99250-02		1,927	1,927
Pass-Through from CTRC Research Foundation		UROLOGIC CAN		107,567	107,567
Pass-Through from Dana-Farber Cancer Institute		5R01CA1063702		155,446	155,446
Pass-Through from Dana-Farber Cancer Institute		5R01CA1063703		90,891	90,891
Pass-Through from Dana-Farber Cancer Institute		5 U19 CA100265 03		1,613,751	1,613,751
Pass-Through from Duke University		1U01CA076001		72,568	72,568
Pass-Through from Duke University		2 U10 CA076001 09		39	39
Pass-Through from Duke University		2 U10 CA076002 04		340	340
Pass-Through from Duke University		5 U10 CA033601 25		(9,933)	(9,933)
Pass-Through from Duke University		5 U10 CA076001 07		(8,167)	(8,167)
Pass-Through from Duke University		5 U10 CA076001 09		889	889
Pass-Through from Duke University		5 U10 CA85850 06		26,444	26,444
Pass-Through from Duke University		5 U10 CA33601-26		37,809	37,809
Pass-Through from Duke University		5U10CA07600109		5,906	5,906
Pass-Through from Emory University		CA85589		7,222	7,222
Pass-Through from Fairway Medical Tech		R44CA809959		3,407	3,407
Pass-Through from FDN-Children's Oncology Group		U01CA97452#1021		4,745	4,745
Pass-Through from Fem.CADeT		R42 CA080589 04		13,760	13,760
Pass-Through from Fred Hutchinson Cancer Research Center		1 R21 CA115044 01 A1		14,903	14,903
Pass-Through from Frontier Science & Technology Research Foundation		5 U10 CA021115 29 S1		(28,307)	(28,307)
Pass-Through from Gynecologic Oncology Group		27469-114		56,073	56,073
Pass-Through from Gynecologic Oncology Group		CA2746926		5,378	5,378
Pass-Through from Gynecologic Oncology Group		SPA2746937		42,051	42,051
Pass-Through from Gynecologic Oncology Group		U10CA2746925		13,195	13,195
Pass-Through from Gynecologic Oncology Group		1 R01 CA027469 01		(36)	(36)
Pass-Through from Houston Pharmaceuticals		5 R41 CA109862 02		153,808	153,808
Pass-Through from Introgen Therapeutics		5 R42 CA089778 04		62,331	62,331
Pass-Through from Introgen Therapeutics		INTROGEN THERAPEUTICS		(11,747)	(11,747)
Pass-Through from John Wayne Cancer Institute		CA12582		418	418
Pass-Through from John Wayne Cancer Institute		MMVTIV20		294	294
Pass-Through from National Childhood Cancer Foundation		5U01CA09745204	4,379	18,515	22,894
Pass-Through from National Childhood Cancer Foundation		5U10CA09854303		131,422	131,422
Pass-Through from National Childhood Cancer Foundation		5U10CA9854302		63	63
Pass-Through from National Childhood Cancer Foundation		5U10CA9854303		52,252	52,252
Pass-Through from National Childhood Cancer Foundation		U10CA9854303		10,259	10,259
Pass-Through from National Childhood Cancer Foundation		U10CA985430314669		52,734	52,734
Pass-Through from National Cancer Institute - DHHS - NIH		5 R01 CA089442 05		32,314	32,314
Pass-Through from National Childhood Cancer Foundation		1 U10 CA098543 01		(1,493)	(1,493)
Pass-Through from National Childhood Cancer Foundation		5 U10 CA98543 03		10,449	10,449

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Natl Childhood Cancer Foundation		U10CA98543-02		10,459	10,459
Pass-Through from NeuroBio Tex Inc.		R41 CA121794 - 01		11,358	11,358
Pass-Through from NIH/University of Illinois		NO1CN035132		2,623	2,623
Pass-Through from Northwestern University		2 R01 CA085915 05 A2		130,347	130,347
Pass-Through from Northwestern University		5 R01 CA085915 04		(4,506)	(4,506)
Pass-Through from NSABP		1 U10 CA012027 01		20,976	20,976
Pass-Through from NSABP		U10CA12027		10,119	10,119
Pass-Through from Oregon Health Science University		5 R01 CA083936 04		(3,728)	(3,728)
Pass-Through from Pediatric Oncology Group		5U10CA30969		1,643	1,643
Pass-Through from Radiation Therapy Oncology Group		5 U10 CA021661 30		(22,317)	(22,317)
Pass-Through from Rice University		R21151		113,597	113,597
Pass-Through from Rice University		5 R01 CA103830 03		373,577	373,577
Pass-Through from Rice University		7R01CA103830		96,814	96,814
Pass-Through from RTOG		U10CA21661		9,747	9,747
Pass-Through from RTOG/NIH		U10CA21661		27	27
Pass-Through from SAIC-Frederick, Inc.		N01 22XS134A 01		7	7
Pass-Through from Sloan Kettering Institute		5R01CA10047403		104,992	104,992
Pass-Through from Translational Genomics Research Institute		1 P01 CA109552 01 A1		204,848	204,848
Pass-Through from Translite		2 R42 CA076759 03		(21,217)	(21,217)
Pass-Through from University of California		3U01CA06239909S1		6,965	6,965
Pass-Through from University of Arizona		5 P01 CA017094 27		84,465	84,465
Pass-Through from University of California - San Diego		5 P01 CA081534 06		263,351	263,351
Pass-Through from University of California - San Diego		5 P01 CA081534 06 S1		109,060	109,060
Pass-Through from University of California - San Francisco		2 U01 CA062399 10		55,316	55,316
Pass-Through from University of California - San Francisco		3 U01 CA062399 10		(22,036)	(22,036)
Pass-Through from University of California - San Francisco		5 U01 CA062399 11		43,320	43,320
Pass-Through from University of California - San Francisco		5 U01 CA062399 11		631,862	631,862
Pass-Through from University of Chicago		5U10CA03744705		23,075	23,075
Pass-Through from University of Colorado		5 R33 CA097710 04		129,320	129,320
Pass-Through from University of Miami		1RO1CA37109-17		31,126	31,126
Pass-Through from University of Minnesota		3 U24 CA055727 11S2		113,544	113,544
Pass-Through from University of Southern California		2 R01 CA071921 06		6,122	6,122
Pass-Through from Vanderbilt University		5 R01 CA038079 20		71	71
Pass-Through from Virginia Commonwealth University		5 R21 CA092950 03		1,388	1,388
Pass-Through from Virginia Commonwealth University		5 R01 CA093626-04		30,225	30,225
Pass-Through from Washington University		5 U24 CA081647 07		83,017	83,017
Pass-Through from Washington University		WASHINGTON UNIVERSITY WU-01-42		2,660	2,660
Pass-Through from Yale University		R01CA01063701		8	8
Cancer Biology Research	93.396		617,671	18,071,791	18,689,462
Pass-Through from Baylor College of Medicine		5 U01 CA084243 05		(1,149)	(1,149)
Pass-Through from Baylor College of Medicine		5 U01 CA084243 08		197,073	197,073
Pass-Through from Baylor College of Medicine		5 U01 CA105352 03		538,993	538,993
Pass-Through from Baylor College of Medicine		5 U01 CA105491 02		119,416	119,416
Pass-Through from Burnham Institute		5 P01 CA82713 02		(70,081)	(70,081)
Pass-Through from Massachusetts Institute of Technology		5 U01 CA084306 05		(3,083)	(3,083)
Pass-Through from Massachusetts Institute of Technology		5 U01 CA084306 07		67,833	67,833
Pass-Through from Mayo Clinic		5168079900-5B1710		9,699	9,699
Pass-Through from National Cancer Institute		1R15CA108536-01		68,027	68,027
Pass-Through from National Cancer Institute - DHHS - NIH		1 P50 CA116201 01		4,287	4,287
Pass-Through from University of California		Lee U CA S/G CA84241		33,225	33,225
Pass-Through from University of Cincinnati		5U01CA07629305S1		17,160	17,160
Pass-Through from University of California - San Francisco		5 P01 CA 064602 09		216,642	216,642

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from University of California - San Francisco		5 P01 CA064602 09		90,183	90,183
Pass-Through from University of California - San Francisco		5 P01 CA064602 09 4		227,021	227,021
Pass-Through from University of Missouri - Columbia		5 R01 CA086916 05		(9,783)	(9,783)
Pass-Through from University of Pennsylvania		5 R01 CA089202 03		2,214	2,214
Pass-Through from University of Pennsylvania		5 R01 CA089202 05		18,114	18,114
Pass-Through from University of Pittsburgh		5 R01 CA098372 02		32,577	32,577
Cancer Centers Support Grants	93.397		1,462,004	26,237,549	27,699,553
Pass-Through from Bio Tex, Inc.		1 R43 CA101573 01		(545)	(545)
Pass-Through from Johns Hopkins University		5 P50 CA062924 08		(7,881)	(7,881)
Pass-Through from Memorial Sloan-Kettering Cancer Center		5 P50 CA068425 05		(118)	(118)
Pass-Through from University of California		2P50CA05820710		4,751	4,751
Cancer Research Manpower	93.398		354,803	10,131,860	10,486,663
Cancer Control	93.399		2,474,896	15,712,944	18,187,840
Pass-Through from Baylor College		5U01CA086117-05		13,056	13,056
Pass-Through from Baylor College of Medicine		1R21 CA109961-02		53,013	53,013
Pass-Through from Baylor College of Medicine		1U01CA114657		123,888	123,888
Pass-Through from Baylor College of Medicine		5 R01 CA078480-09		43,057	43,057
Pass-Through from Baylor College of Medicine		5 R01 CA101211 03		155,880	155,880
Pass-Through from Baylor College of Medicine		5 U19 CA086809 04		(6,065)	(6,065)
Pass-Through from Baylor College of Medicine		5 U19 CA086809 05		(13,402)	(13,402)
Pass-Through from Baylor College of Medicine		5 U19 CA086809 06		16,821	16,821
Pass-Through from Dartmouth Medical School		5 R01 CA059005 13		116,010	116,010
Pass-Through from Eastern Cooperative Oncology Group (ECOG)		5 MDA520SH05-00		3,313	3,313
Pass-Through from Frontier Science & Technology Research Foundation		5 U01 CA037403 19-S1		(812)	(812)
Pass-Through from Frontier Science & Technology Research Foundation		5 U10 CA037403 21		16,347	16,347
Pass-Through from Johns Hopkins University		Naylor-NCI-E		15,276	15,276
Pass-Through from Johns Hopkins University		5 U01 CA084986 05		762	762
Pass-Through from Memorial Sloan-Kettering Cancer Center		5 R01 CA90514 04		19,601	19,601
Pass-Through from Mount Sinai School		5R01CA094006-02		(2,153)	(2,153)
Pass-Through from Mount Sinai School		5R01CA094006-04		93,106	93,106
Pass-Through from Mount Sinai School		SM9150005B		94,954	94,954
Pass-Through from National Childhood Cancer Found		CA95861		73,479	73,479
Pass-Through from Brigham & Women's Hospital/NIH		2U01CA08638106		79,503	79,503
Pass-Through from NSABP		1 U10 CA037377 01		554	554
Pass-Through from NSABP		5 U10 CA037377 21		540,506	540,506
Pass-Through from NSABP		5 U10 CA037377 A1		53,032	53,032
Pass-Through from NSABP		PFED22UTS01		1,000	1,000
Pass-Through from NSABP Found		Kahlenberg:n		3,358	3,358
Pass-Through from NSABP Found		NSABP PT FE		92,205	92,205
Pass-Through from Rush University Medical Center		7 R21 CA106958 03		61,733	61,733
Pass-Through from Southwest Oncology		CA37429		103,433	103,433
Pass-Through from Southwest Oncology		pcpt ltfu-05		135,191	135,191
Pass-Through from Southwest Oncology Group		5 R01 CA037429 22		92,705	92,705
Pass-Through from Southwest Oncology Group		5 U01 CA037429 19		9,466	9,466
Pass-Through from Southwest Oncology Group		5 U10 CA037429 20		(1,421)	(1,421)
Pass-Through from Southwest Oncology Group		5 U10 CA037429 21		107,167	107,167
Pass-Through from Southwest Oncology Group		5 U10 CA037429 22		69,670	69,670
Pass-Through from Southwest Oncology Group		5 U10 CA37429 17		200	200
Pass-Through from Southwest Oncology Group		5 U10 CA037429 16		54,948	54,948
Pass-Through from Southwest Oncology Group		5 U10 CA037429-21		469	469
Pass-Through from Southwest Oncology Group		742618443		16,823	16,823
Pass-Through from Southwest Oncology Group		CA37429		34,463	34,463
Pass-Through from Trustees of Dartmouth College		5 R01 CA098286 03		244,430	244,430
Pass-Through from University of Michigan		5 U01 CA086400 05		(6,346)	(6,346)

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from University of Michigan		5 U01 CA086400 06		211,467	211,467
Pass-Through from University of Wisconsin - Madison		5 P50 CA095817 02		105,108	105,108
Pass-Through from Washington University		5 R01 CA085920 05		32,672	32,672
Promoting Safe and Stable Families	93.556			110,136	110,136
Temporary Assistance for Needy Families	93.558			281,921	281,921
Pass-Through from National Collegiate Athletic Assoc.		NYSPF 05-1		1,548	1,548
Pass-Through from National Sports Youth Corporation		NYSPF 06-0		39,494	39,494
Pass-Through from Texas Department of State Health Svcs.		Att 01, 2006, PO 0000307105		67,406	67,406
Pass-Through from Texas Council on Family Violence		UTA05-429		3,455	3,455
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			22,876	22,876
Head Start	93.600			6,632	6,632
Pass-Through from Texas Council for Developmental Disabilities		DD-05354		20,500	20,500
Pass-Through from Texas Council for Developmental Disabilities		DD-98305		(27)	(27)
Developmental Disabilities Projects of National Significance	93.631			120	120
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632		30,000	475,330	505,330
Social Services Research and Demonstration	93.647		93,226	184,579	277,805
Pass-Through from National Council on Family Relations		135444B782,C218,C332		97,888	97,888
Pass-Through from University of Chicago		29,466.00		51,903	51,903
Child Welfare Services Training Grants	93.648		38,284	100,347	138,631
Foster Care--Title IV-E	93.658			743,911	743,911
Medical Assistance Program	93.778			468,578	468,578
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			157,235	157,235
State Pharmaceutical Assistance Programs	93.786			(27,402)	(27,402)
Biomedical Research and Research Training	93.821			1,510,777	1,510,777
Health Careers Opportunity Program	93.822		34,407	90,885	125,292
Basic/Core Area Health Education Centers	93.824			(11)	(11)
Heart and Vascular Diseases Research	93.837		5,732,278	37,561,947	43,294,225
Pass-Through from Baylor College of Medicine		4600411746		13,226	13,226
Pass-Through from Baylor College of Medicine		5 R01 HL068884 05		115,339	115,339
Pass-Through from Baylor College of Medicine		5P01HL04995312		(15,909)	(15,909)
Pass-Through from Baylor College of Medicine		R01HL069397		126	126
Pass-Through from Cincinnati Children's Hospital		1P50HL07710101		23,306	23,306
Pass-Through from Cincinnati Children's Hospital		5P50HL07710102		1,583	1,583
Pass-Through from Dartmouth College		R01HL70247		16,433	16,433
Pass-Through from Dartmouth College		gacznska:da		(2,377)	(2,377)
Pass-Through from Duke Clinical Research Institute		1R01HL6769101		1,249	1,249
Pass-Through from Duke University		Subcontract No. 02-SC-NIH-1013		7,797	7,797
Pass-Through from Duke University/NIH		1U01HL06901501		10,836	10,836
Pass-Through from Johns Hopkins University		5R01HL078479		12,439	12,439
Pass-Through from Loyola University of Chicago		05LM040129NL		(3,986)	(3,986)
Pass-Through from Mayo Clinic		5R01HL074735		285,082	285,082
Pass-Through from Mayo Clinic		5R01HL53330		374,018	374,018
Pass-Through from MedArray, Inc		2R44HL68375		9,484	9,484
Pass-Through from Medical College of Wisconsin		2P01HL05999606A1		29,023	29,023
Pass-Through from Medical College of Wisconsin		5P01HL02958723		23,216	23,216
Pass-Through from Medical College of Wisconsin		5P01HL02958724		8,076	8,076
Pass-Through from Medical College of Wisconsin		5P01HL05999607		10,197	10,197
Pass-Through from Medical College of Wisconsin		5R01HL07292003		14,370	14,370
Pass-Through from Medical College of Wisconsin		5R01HL07292004		4,184	4,184
Pass-Through from Medical College of Wisconsin		5R37HL07431403		19,971	19,971
Pass-Through from Medical University of Ohio		Henrich-Muo		16,102	16,102

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Medical College of Wisconsin		suri med u		432	432
Pass-Through from Medical University of Ohio-Toledo		5U01HL71556002		4,877	4,877
Pass-Through from New England Research Institute		5U01HL06827005		60,454	60,454
Pass-Through from New England Research Institute.		U01HL68270		6,792	6,792
Pass-Through from New England Research Institute		U01HL6827005	9,408	19,688	29,096
Pass-Through from New York Medical College		2P01HL03430021		70,583	70,583
Pass-Through from New York Medical College		5R01GM06245305		10,404	10,404
Pass-Through from Ohio State University Research Foundation		05LM050030FNL		13,591	13,591
Pass-Through from QUASAR		1R43HL07808001	11,191	2,910	14,101
Pass-Through from Roosevelt Institute for Health		R01HL6250901A1		(1,019)	(1,019)
Pass-Through from Rush University Medical Center		06LM040129N3L		104,297	104,297
Pass-Through from St. Luke's Hospital		1P50HL07711301		12,354	12,354
Pass-Through from SW Foundation for Biomedical Research		P01HL45522		129	129
Pass-Through from SW Foundation for Biomedical Research		SFBR STERN c		12,946	12,946
Pass-Through from SW Foundation for Biomedical Research		SFBRBAUER C		152,906	152,906
Pass-Through from TUFTS-New England Medical		5U01HL07782102		972,429	972,429
Pass-Through from Tulane University		5U01HL72507		290,131	290,131
Pass-Through from University of California, San Diego		AHUHA-UCSD-N		41,303	41,303
Pass-Through from University of Cincinnati		FREEMAN: U C		83,523	83,523
Pass-Through from University of Cincinnati		s/g unv cinc		66,296	66,296
Pass-Through from University of Minnesota		HL076312		198,226	198,226
Pass-Through from University of Alabama - Birmingham		5U01HL072524		327,103	327,103
Pass-Through from University of Alabama - Birmingham		R01HL063082		433,447	433,447
Pass-Through from University of Michigan		R01HL39107		318,166	318,166
Pass-Through from University of Michigan		R01HL68737		181,645	181,645
Pass-Through from University of Mississippi Medical Center		R01HL70825		63,015	63,015
Pass-Through from University of North Carolina, Chapel Hill		R01HL074377		(124)	(124)
Pass-Through from University of Pittsburgh		5R01HL07503803		665	665
Pass-Through from University of Pittsburgh		5U01HL61744		13,093	13,093
Pass-Through from University of Washington		5R01HL71017		109,056	109,056
Pass-Through from University of Washington		R01HL6562201		60,401	60,401
Lung Diseases Research	93.838		2,077,995	10,224,389	12,302,384
Pass-Through from Colla Genex Pharmaceutical Inc.		2 R42 HL065030-		39,442	39,442
Pass-Through from Compact Membrane Sys		2R44 HL064528-02		61,769	61,769
Pass-Through from Henry Ford Health System		R01HL68971		5,517	5,517
Pass-Through from Medical College of Wisconsin		5R01HL04929411		23,400	23,400
Pass-Through from Medical College of Wisconsin		5R01HL04929412		2,380	2,380
Pass-Through from Medical College of Wisconsin		5R01HL06862703		503	503
Pass-Through from Medical College of Wisconsin		5R01HL06862704		9,424	9,424
Pass-Through from Michigan Critical Care		A-AVCO2R		197,641	197,641
Pass-Through from Michigan Critical Care		CON12892		108,384	108,384
Pass-Through from Michigan Critical Care		ZWIS-JB-02 S1		(45)	(45)
Pass-Through from The University of Alabama at Birmingham		63690705		8,871	8,871
Pass-Through from University of California, San Francisco		U01HL056061		105,558	105,558
Pass-Through from University of Colorado Health Science Center		846000555		2,998	2,998
Blood Diseases and Resources Research	93.839		537,546	4,765,992	5,303,538
Pass-Through from Albert Einstein College of Medicine		9-526-5152		26,930	26,930
Pass-Through from Albert Einstein College of Medicine		9-526-5791		22,275	22,275
Pass-Through from Baylor College of Medicine		5K23HL081539		54	54
Pass-Through from Childrens Hospital, Boston		5U01HL06526005		17	17
Pass-Through from Children's Hospital Research		5U01HL068091		1,256	1,256
Pass-Through from Massachusetts General Hospital		1 U54 HL081030 01		4,606	4,606
Pass-Through from Medical College of Wisconsin		1P01HL081588		5,288	5,288
Pass-Through from National Marrow Donor Program		BMTCTN0102		2,396	2,396
Pass-Through from Northwestern University		5R01HL06971702		5,213	5,213
Pass-Through from St. Jude Children's Hospital		1U01HL07878701A1		14,132	14,132

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Stanford University		5R01HL079381		183,528	183,528
Pass-Through from University of Michigan		F008503		10,721	10,721
Pass-Through from University of North Texas		JAG NORTH TE		14,365	14,365
Pass-Through from University of Oklahoma		5U01HL07228303	2,083	7,020	9,103
Pass-Through from University of Oklahoma		5U01HL07228304		27,896	27,896
Pass-Through from University of Pittsburgh		5R01HL6842904		2,061	2,061
Pass-Through from University of Alabama at Birmingham		N01-HC-95095		158,985	158,985
Pass-Through from University of Louisville		40999		24,607	24,607
Pass-Through from University of Nevada, Reno		502963		148,181	148,181
Pass-Through from University of Pittsburgh		5R01HL68429		1,564	1,564
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		522,141	11,585,436	12,107,577
Pass-Through from Baylor College of Medicine		5R01AR044864		18,414	18,414
Pass-Through from Baylor College of Medicine		5R01AR047858		27,126	27,126
Pass-Through from Biomedical Development Corporation		1R41AR051618		7,961	7,961
Pass-Through from Biomedical Development Corporation		1R43AR049972		9,183	9,183
Pass-Through from Biomedical Development Corporation		1R43AR052213		12,151	12,151
Pass-Through from Biotex Inc.		04-028		21,335	21,335
Pass-Through from Cedars-Sinai Medical Center		5R01AR048465		152,082	152,082
Pass-Through from Duke University		N01AI05419		158,636	158,636
Pass-Through from Jackson Lab		AR45433		73,416	73,416
Pass-Through from North Shore-Long Island Jewish Research Institute (NSLIJRI)		5 R01 AR044422 08		44,898	44,898
Pass-Through from The Cooper Institute		1 R01 AR052459-01		27,385	27,385
Pass-Through from University of Connecticut HC		R01AR049341		67,714	67,714
Pass-Through from University of Maryland at Baltimore		AR43351-UNIV		33,833	33,833
Pass-Through from University of Missouri at Kansas City		AR46798		164,413	164,413
Pass-Through from University of Missouri at Kansas City		HARRIS-UMKC		38,995	38,995
Pass-Through from University of Missouri at Kansas City		JIANG-UMKC		42,945	42,945
Pass-Through from University of Missouri at Kansas City		SPRAGUE-UMKC		10,627	10,627
Pass-Through from University of Alabama - Birmingham		1P01AR49084		92,215	92,215
Pass-Through from University of Alabama - Birmingham		5R01AR42503		4,962	4,962
Pass-Through from University of Minnesota		5R01AR048529		2,301	2,301
Pass-Through from University of Pennsylvania		545295		135,530	135,530
Pass-Through from University of Tennessee		CARNES-U TEN		904	904
Diabetes, Endocrinology and Metabolism Research	93.847		428,484	15,629,896	16,058,380
Pass-Through from Agennix, Inc.		2R42DK55374		490	490
Pass-Through from Arthochip, LLC		2R42DK06538802		78,019	78,019
Pass-Through from Arthochip, LLC		5R42DK06538803		1,976	1,976
Pass-Through from AVI Bio Pharma		1 R41 DK067706-01		49,236	49,236
Pass-Through from Baylor College of Medicine		3U19DK6243404S1		102,798	102,798
Pass-Through from Baylor College of Medicine		5U01DK061230		49,381	49,381
Pass-Through from Baylor College of Medicine		5U19DK6243404		245,128	245,128
Pass-Through from Benaroya Research Institute		U01DK062418		922	922
Pass-Through from Bio Chemical Analysis		CON15453		46,786	46,786
Pass-Through from George Washington University		233012CCLS20127A		5,899	5,899
Pass-Through from George Washington University		DK061230		485,515	485,515
Pass-Through from George Washington University		T2K0405	224,701	32,165	256,866
Pass-Through from George Washington University		TREVINO-GWU/		306,027	306,027
Pass-Through from Marquette University		5R01DK035153		8,675	8,675
Pass-Through from Medical College of Georgia		7R01DK04314012		17,819	17,819
Pass-Through from Medical University of South Carolina		STERN - MED.		1,912	1,912
Pass-Through from Medical University of South Carolina		STERN-NED. U		15,559	15,559
Pass-Through from Omniguide Corporation		UTA04-125		70	70
Pass-Through from Pennsylvania State University		135144C410		13,758	13,758
Pass-Through from PLX Pharma Inc.		2R42DK063882		132,266	132,266
Pass-Through from University of Chicago		DK58026		18	18
Pass-Through from University of Arkansas		1R01DK071100		14,588	14,588

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from University of Chicago		U01DK58026		(184)	(184)
Pass-Through from Van Andel Research Institute		1R01DK07166201		23,400	23,400
Pass-Through from Van Andel Research Institute		5R01DK07166202		2,038	2,038
Pass-Through from Vanderbilt University		1U01DK07247301		21,051	21,051
Pass-Through from Vanderbilt University		5U01DK07247302		5,115	5,115
Pass-Through from Vanderbilt University, Medical Center		2U19DK04250216		350,623	350,623
Pass-Through from Vanderbilt University, Medical Center		2U19DK04250217		23,574	23,574
Pass-Through from Vanderbilt University, Medical Center		5U19DK04250215		230	230
Digestive Diseases and Nutrition Research	93.848		407,745	11,058,629	11,466,374
Pass-Through from Baylor College of Med		NIH DK56338		(1,879)	(1,879)
Pass-Through from Baylor College of Med		PO 4600649519		13,039	13,039
Pass-Through from Baylor College of Med		PO No. 4600649460		3,524	3,524
Pass-Through from Baylor College of Med		PO# 4600657017		36,876	36,876
Pass-Through from Baylor College of Med		PO4600528741		2,070	2,070
Pass-Through from Baylor College of Medicine		1P30DK056338		69,288	69,288
Pass-Through from Children's Hospital of Pittsburgh		U01DK072146		39,858	39,858
Pass-Through from Kaiser Foundation Research Insti		1 R01 DK07553		41,141	41,141
Pass-Through from Mayo Clinic, Rochester / NIH		5P01DK06805502		41,703	41,703
Pass-Through from Medical College of Georgia		05-11514B		34,699	34,699
Pass-Through from Natural Therapeutics Inc.		5R44DK52740		129	129
Pass-Through from NIH/Duke University		5U01DK06517603		1,806	1,806
Pass-Through from University of Chicago		2 U01 GM061393 06		134,355	134,355
Kidney Diseases, Urology and Hematology Research	93.849		169,547	13,270,880	13,440,427
Pass-Through from John Hopkins University		5U01DK066174		23,025	23,025
Pass-Through from Northwestern Univ		0600 370 P509 280		58,501	58,501
Pass-Through from SUNY Stoneybrook/ NIH		5U01DK06338502		1,805	1,805
Pass-Through from University of California, San Francisco		AYUS-UCSF		21,552	21,552
Pass-Through from University of California, San Francisco		AYUS-UCSF-43		4,419	4,419
Pass-Through from Vanderbilt University		2P01DK03822618A1		3,295	3,295
Pass-Through from Vanderbilt University		2P01DK03822619		106,050	106,050
Pass-Through from Vanderbilt University		5P01DK03822619		302,448	302,448
Pass-Through from Yale University		2P50DK5732806		858	858
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		6,796,357	36,996,640	43,792,997
Pass-Through from Ala Science Instrumental		1 R41 NS046182-01		(1,728)	(1,728)
Pass-Through from Ala Science Instrumental		61620052		72,191	72,191
Pass-Through from Baylor College of Medicine		18625 - UH		41,036	41,036
Pass-Through from Baylor College of Medicine		5R01NS0188922		6,344	6,344
Pass-Through from Baylor College of Medicine		5R01NS021889		46,225	46,225
Pass-Through from Baylor College of Medicine		5R01NS021889323		1,196	1,196
Pass-Through from Baylor College of Medicine		5R01NS042772		34,229	34,229
Pass-Through from Brandeis University		1R01NS050944		65,777	65,777
Pass-Through from Case Western Reserve University		1R01NS04280901		(4,394)	(4,394)
Pass-Through from Columbia University		BENAVENTE-CO	375	36,908	37,283
Pass-Through from Columbia University		JACKSON:CUNY		7,927	7,927
Pass-Through from Columbia University		JACKSON-COL		2,566	2,566
Pass-Through from Columbia University / NIH		5R01NS04529403		25,651	25,651
Pass-Through from Emory University		5R01NS366434		1,549	1,549
Pass-Through from Emory University		R01NS36643		1,768	1,768
Pass-Through from Hawaii Biotech		9 R44 NS052139-		245,803	245,803
Pass-Through from Henry Ford Hospital and Health Service		UTA04-156		91,012	91,012
Pass-Through from Johns Hopkins University		5R01NS050028		12,814	12,814
Pass-Through from Loyola Univ Chicago		LU 1760		1,374	1,374
Pass-Through from Mayo Clinic		5 R01 NSO49720 02		(9,345)	(9,345)
Pass-Through from Mayo Clinic		R01NS41558		145,612	145,612
Pass-Through from Mayo Clinic, Rochester / NIH		2P50NS03235211		175,195	175,195
Pass-Through from Mayo Foundation		2R01NS039987 06		120	120

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Minotaur Technologies, LLC		UTA05-974		57,726	57,726
Pass-Through from Mount Sinai Medical Center		1U01NS045719		521,575	521,575
Pass-Through from Mount Sinai School of Medicine		BREY-NIH/MT.		160,439	160,439
Pass-Through from Northwestern University		0600 370 S366 795		206,430	206,430
Pass-Through from Oregon Health and Science University		04AP030069NHN		31,117	31,117
Pass-Through from Presbyterian – St. Luke's		5R01NS3343005		2,191	2,191
Pass-Through from Rhode Island Hospital		1R01NS39131		740	740
Pass-Through from Southwest Foundation for Biomedical Research		NS047755 SZA		215,113	215,113
Pass-Through from The University of Virginia		GC10579-120182		42	42
Pass-Through from Thomas Jefferson University		1R01NS05059701A2		14,906	14,906
Pass-Through from Thomas Jefferson University		5R01NS04277705		103,716	103,716
Pass-Through from UMDNJ		1R01NS05273301		32,538	32,538
Pass-Through from University of Alabama at Birmingham		1U01NS04268501A1		18,335	18,335
Pass-Through from University of Kansas Medical Center		QN815450		182,818	182,818
Pass-Through from University of Michigan		F011315		30,502	30,502
Pass-Through from University of Pittsburgh		110088-1		89,064	89,064
Pass-Through from New Jersey University of Medicine & Dentistry		5R01NS03838406		29,126	29,126
Pass-Through from University of Arkansas		5R01NS4286002		25,908	25,908
Pass-Through from University of California		5P50NS044378		1,852	1,852
Pass-Through from University of California, Los Angeles		HART-UCLA/NI		348,607	348,607
Pass-Through from University of Cincinnati		1R01NS39512		(4,276)	(4,276)
Pass-Through from University of Cincinnati		R01NS39160		6,346	6,346
Pass-Through from University of Iowa		1R01NS38554		4,822	4,822
Pass-Through from University of Iowa		R01-NS046082		11,421	11,421
Pass-Through from University of Kentucky Research Foundation		JACKSON:UKRF		1,451	1,451
Pass-Through from New Jersey University of Medicine & Dentistry		5R01NS38384		15,624	15,624
Pass-Through from New Jersey University of Medicine & Dentistry		1U01NS043975		4,204	4,204
Pass-Through from University of Miami		5R01NS04954502		82,914	82,914
Pass-Through from University of Michigan		5R01NS038916		4,139	4,139
Pass-Through from University of South Florida		04LM020034F2		92,268	92,268
Pass-Through from University of Virginia		5R01NS037666		11,329	11,329
Pass-Through from Wake Forest University		NS34447		1,049	1,049
Pass-Through from Washington University, St. Louis		WU0304		31,445	31,445
Pass-Through from Washington University, St. Louis		WU04105		2,808	2,808
Pass-Through from Washington University, St. Louis		NS42167		8,920	8,920
Pass-Through from Washington University		N01HD23343		9,230	9,230
Pass-Through from Washington University		U01NS04280402		22,084	22,084
Pass-Through from Yale University		1R01NS04487601A2		1,719	1,719
Pass-Through from Yale University		5R01NS04487602		1,021	1,021
Pass-Through from Yale University		SHERMAN-YALE		3,399	3,399
Biological Basis Research in Neurosciences	93.854			209,687	209,687
Allergy, Immunology and Transplantation Research	93.855		1,360,849	27,835,301	29,196,150
Pass-Through from Albert Einstein College of Medicine		503447		16,115	16,115
Pass-Through from American Type Culture Collection		2006-001		20,289	20,289
Pass-Through from Albert Einstein College of Medicine		503447		16,115	16,115
Pass-Through from American Type Culture Collection		2006-001		20,289	20,289
Pass-Through from Baylor College of Medicine		3P30AI36211		10,857	10,857
Pass-Through from Baylor College of Medicine		N01-AI-25465		183,773	183,773
Pass-Through from Baylor Research Institute		U19AI057234		570	570
Pass-Through from Baylor Research Institute.		U19AI05723403	28,930	79,153	108,083
Pass-Through from Baylor Research Institute.		U19AI05723404		48,171	48,171
Pass-Through from Children's Hospital - Boston		ARAR - CHILD		167	167
Pass-Through from Emory University		1R21AI05423402		4,006	4,006
Pass-Through from Johns Hopkins University		CON15934		1,760	1,760
Pass-Through from Oregon Health Sciences University		HHSN2662005000027		15,921	15,921
Pass-Through from Pharmareview Corp.		5R42AI051050		206,695	206,695

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Resuscitation Solutions		1 R43 AI58393-01A1		49,173	49,173
Pass-Through from The Burnham Institute		1R01AI05914601A2		41,546	41,546
Pass-Through from The Burnham Institute		5R01AI05914602		27,776	27,776
Pass-Through from University of California		503322		40,166	40,166
Pass-Through from University of Colorado		STACY-FY05.0		46,478	46,478
Pass-Through from University of Illinois		503168		422	422
Pass-Through from University of Pittsburgh		5R01AI060422		7,434	7,434
Microbiology and Infectious Diseases Research	93.856		7,815,556	65,877,447	73,693,003
Pass-Through from Adults Aids Clinic		204VC010		(1,520)	(1,520)
Pass-Through from Albert Einstein College of Medicine		9-526-5435		111,596	111,596
Pass-Through from Albert Einstein College of Medicine		503025		1,241	1,241
Pass-Through from Albert Einstein College of Medicine		503240		224,240	224,240
Pass-Through from Baylor College of Medicine		1 P30 AI036211-11/15		15,121	15,121
Pass-Through from Baylor College of Medicine		4600629622		31,623	31,623
Pass-Through from Baylor College of Medicine		5 U01 AI41089 09		115,117	115,117
Pass-Through from Baylor College of Medicine		5R01AI41735		140,027	140,027
Pass-Through from Baylor College of Medicine		P30AI036211		188,319	188,319
Pass-Through from Baylor College of Medicine		R21AI064470		32,285	32,285
Pass-Through from Beth Israel Deaconess		2P01DK5611606		16,064	16,064
Pass-Through from Beth Israel Deaconess		5P01DK05611607		52,498	52,498
Pass-Through from BioDelivery Sciences International, Inc.		1 R43 A151905 01		(78,758)	(78,758)
Pass-Through from Biomedical Development Corp.		AI041777		(981)	(981)
Pass-Through from Case Western Reserve		P O # 5000003580		(398)	(398)
Pass-Through from DOR Biopharma, Inc.		UC1AI657001		105,702	105,702
Pass-Through from Drexel University		232165		(10,223)	(10,223)
Pass-Through from Drexel University		NIH/1 U01 AI061441-01		228,554	228,554
Pass-Through from Duke University		5U54AI05715702		9	9
Pass-Through from Dynavax Technologies		5 U01 AI56559-03		133,155	133,155
Pass-Through from Harvard University		SUB:137811;NIAID: 1 R01 AI065540-01		9,999	9,999
Pass-Through from Harvard University		5U54AI05715903		92,976	92,976
Pass-Through from Hawaii Biotech		1 R43 AI55225-01A2		77,525	77,525
Pass-Through from Louisiana St. University HSC		5 U19 AI061972-02		349,746	349,746
Pass-Through from Louisiana St. University HSC		5 U19AI061972-02		16,902	16,902
Pass-Through from Medical University of Ohio		N 2006-69		84,347	84,347
Pass-Through from Molecular Targeting		CON16310		248	248
Pass-Through from New York University School of Medicine		Sub No. 06-0225	10,388		10,388
Pass-Through from SIGG Technologies		5 R44 AI056525-04		198,223	198,223
Pass-Through from Social & Scientific System		204VC010		72,126	72,126
Pass-Through from Social & Scientific System		U01AI46362		265,431	265,431
Pass-Through from Social & Scientific System		AACTG.27.5170.01		17,037	17,037
Pass-Through from Social & Scientific System		GERMAN:SOC &		28,178	28,178
Pass-Through from Starpharma Pty. Ltd		1 U19 AI60598-01		173,027	173,027
Pass-Through from Thomas Jefferson University		080-03000-R77801		26,962	26,962
Pass-Through from University of California, San Francisco		R008163-01		18,890	18,890
Pass-Through from University of Louisville		T15AI0755201A1		1,069	1,069
Pass-Through from University of Manitoba		CON14303		(10)	(10)
Pass-Through from University of Pennsylvania		5U01AI3278308		2,580	2,580
Pass-Through from University of Alabama Birmingham		N01AI-30025		1,495	1,495
Pass-Through from University of Minnesota		1U01AI46957		350,186	350,186
Pass-Through from University of Pittsburgh		1R21AI065392		6,718	6,718
Pass-Through from University of Pittsburgh		1U19AI065430		44,740	44,740
Pass-Through from Washington University		5U54AI05716003		73,473	73,473
Pharmacology, Physiology, and Biological Chemistry Research	93.859		4,520,069	64,093,002	68,613,071
Pass-Through from Ambion, Inc.		UTA05-005		728	728
Pass-Through from Atactic Technologies, Inc.		4 R42 GM067364-UH		213,858	213,858

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Atactic Technologies, Inc.		H0117G089103		6,931	6,931
Pass-Through from Baylor College University		5 T32 GM008280		16,650	16,650
Pass-Through from Baylor College University		CON16491		878	878
Pass-Through from Carnegie Mellon University		1090125-17		37,356	37,356
Pass-Through from Delsite Biotechnologies, Inc.		503133		228,751	228,751
Pass-Through from Harvard Medical School		UTA02-321 / 2 R01 GM55090-05		161,608	161,608
Pass-Through from Institute for Systems Biology		5 R01 GM072855 02		43,063	43,063
Pass-Through from Inverseon, Inc.		H0104G091413		13,541	13,541
Pass-Through from Inverseon, Inc.		H0117G089102		2,103	2,103
Pass-Through from Massachusetts General Hospital		5 U54 GM62119-03		79,191	79,191
Pass-Through from Massachusetts General Hospital		5U54GM06211904		30,557	30,557
Pass-Through from Massachusetts General Hospital		5U54GM06211905		212,205	212,205
Pass-Through from Massachusetts General Hospital		5U54GM62119		41,549	41,549
Pass-Through from Mayo Clinic		2 U01 GM061388 06		100,028	100,028
Pass-Through from Scripps Research Institute		5-73742		85,023	85,023
Pass-Through from Scripps Research Institute		5-73870		29,048	29,048
Pass-Through from University of Arizona		Y431369		9,264	9,264
Pass-Through from University of California, San Francisco		3816SC, AMD 1		314,807	314,807
Pass-Through from University of California, San Diego		5U54GM06933803		655,667	655,667
Pass-Through from University of California, San Diego		5U54GM06933804		27,996	27,996
Pass-Through from University of California,		SUB. 3816SC		44	44
Pass-Through from University of Hawaii		1R01GM07666501		12,590	12,590
Pass-Through from University of Arizona		1 R01 GM070890 01 A1		11,593	11,593
Pass-Through from University of California		GM064692		185,542	185,542
Pass-Through from University of California-Lawrence Berkeley Natl Lab		6511788		236,761	236,761
Pass-Through from University of Chicago		5 U01 GM061393 05		841	841
Pass-Through from University of Florida		U01GM074492		60,278	60,278
Pass-Through from University of Idaho		1351441670		59,526	59,526
Pass-Through from University of Illinois		2005-05908-01		25,437	25,437
Pass-Through from University of Michigan		P50GM065509		1,503,123	1,503,123
Pass-Through from Washington University, St. Louis		502672		48,071	48,071
Pass-Through from Yale University		5P01GM06631104		286,022	286,022
Genetics and Development Biology Research and Research Training	93.862			1,850,338	1,850,338
Pass-Through from Baylor College of Medicine		4600670598		187,397	187,397
Pass-Through from Duke University		DS763		35,855	35,855
Population Research	93.864		89,974	2,203,527	2,293,501
Pass-Through from Johns Hopkins University		8408-53718		10,136	10,136
Child Health and Human Development Extramural Research	93.865		3,303,078	24,669,636	27,972,714
Pass-Through from Baylor College		N01-AI-30039		187,059	187,059
Pass-Through from Baylor College of Medicine		5 U01 HD039372 03		2	2
Pass-Through from Baylor College of Medicine		5 U01 HD039372 05		27,721	27,721
Pass-Through from Baylor College of Medicine		5R01HD04394303		27,271	27,271
Pass-Through from Boston University Medical		5U10HD02906711		34,251	34,251
Pass-Through from California State University Long		S07-303005B-UH		82,393	82,393
Pass-Through from Center for Applied Linguistics		1P01 HD39530		2,879	2,879
Pass-Through from Children's Hospital Philadelphia		R01HD4114901		(238)	(238)
Pass-Through from Columbia Presbyterian		3 R01 HD38652-03S5		(2,588)	(2,588)
Pass-Through from Columbia Presbyterian		R01HD3865203S1		(471)	(471)
Pass-Through from Florida State University		R01HD30988		495	495
Pass-Through from Innovaciones PSIC		R44HD3695002		(820)	(820)
Pass-Through from Johns Hopkins University		8603-53737		51,819	51,819
Pass-Through from Northwestern University		0980 520 W297 975		37,547	37,547
Pass-Through from Southwest Foundation for Biomedical Research		SFBR/HD04111		149,564	149,564

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from Southwest Foundation for Biomedical Research		STERN/SFBR H		243,068	243,068
Pass-Through from Southwest Foundation for Biomedical Research		1R01HD049051		20,240	20,240
Pass-Through from Southwest Foundation for Biomedical Research		5R01HD41111		16,683	16,683
Pass-Through from University Of Alabama		5 U01 HD039939-04		87,681	87,681
Pass-Through from University Of Alabama		5U10HD27869-15		66,050	66,050
Pass-Through from University Of Alabama		U10HD27869-14		(4,855)	(4,855)
Pass-Through from University Of Alabama, Birmingham		5U01HD03993903		23,716	23,716
Pass-Through from University Of Alabama, Birmingham		5U01HD03993904		50,677	50,677
Pass-Through from University of Arkansas		UTA05-922		42,577	42,577
Pass-Through from University of California, San Francisco		5K12HD000849		107,517	107,517
Pass-Through from University of Florida		330536812-01		130,771	130,771
Pass-Through from University of Michigan		UFPS0021 UNIV FL CONTRACT F012447		47,739	47,739
Pass-Through from University of North Carolina, Chapel Hill		5-33962		58,755	58,755
Pass-Through from University of Pennsylvania		5-44511-C; PO#1593726		75,090	75,090
Pass-Through from University of Washington		5R24HD36962904		19,196	19,196
Pass-Through from University of California Medical Center		1P01HD047609		176,955	176,955
Pass-Through from University of North Carolina		UNC-CH 5-33961		13,206	13,206
Pass-Through from University of Notre Dame		5R01HD044868		381,298	381,298
Pass-Through from University of Utah		1K12HD04734901		118,143	118,143
Pass-Through from Yale University		5P50HD25802		(2,000)	(2,000)
Pass-Through from Yale University		5R01HD046171		19,626	19,626
Pass-Through from Yale University		A05694		16,826	16,826
Pass-Through from Yale University		A06042		22,448	22,448
Aging Research	93.866		2,055,240	27,175,427	29,230,667
Pass-Through from Baylor College of Medicine		21987 - U OF H		126,234	126,234
Pass-Through from Baylor College of Medicine		21987- U OF H		105,431	105,431
Pass-Through from Buck Institute		2018		62,142	62,142
Pass-Through from Buck Institute		HASTY-BUCK I		72,317	72,317
Pass-Through from Columbia University		1U24AG02639501		124,467	124,467
Pass-Through from Georgetown University		R01AG19268		22,166	22,166
Pass-Through from Innovative Health Sol		1 R41 AG022247-01A1		574	574
Pass-Through from Mount Sinai School of Medicine		AG18772		36,686	36,686
Pass-Through from Mount Sinai School of Medicine		UTA05-495	6,600	224,448	231,048
Pass-Through from Nanospectra Biosciences, Inc.		Sub Agr under Prime 1 R41 AG025586-01		21,662	21,662
Pass-Through from NIH/ University of Michigan		1R01AG02239401		7,472	7,472
Pass-Through from NIH/ University of Utah		5R01AG02239402		21,332	21,332
Pass-Through from Purdue University		WARD-NIH/PUR		116,335	116,335
Pass-Through from University of Michigan		AG20591		183,473	183,473
Pass-Through from University of Michigan		AUSTAD-UNIV		28,725	28,725
Pass-Through from University of Rochester		5R01AG2008602		7,488	7,488
Pass-Through from University of Washington		5U01AG01697607		28,891	28,891
Pass-Through from University of Arkansas		ARIA 13431-02		412,631	412,631
Pass-Through from University of California, San Diego		1U01AG024904		13,471	13,471
Pass-Through from University of Colorado		R01AG02435		110,589	110,589
Pass-Through from University of Maryland		P60AG12583		(290)	(290)
Pass-Through from University Of Pittsburg		1 T35 AG026778-01		16,343	16,343
Pass-Through from University of Pittsburgh		RICHARDSON-U		15,009	15,009
Pass-Through from University of Washington		5U01AG016976		50,095	50,095
Pass-Through from Wake Forest University		P 30 AG21332		(32,580)	(32,580)
Vision Research	93.867		777,192	15,539,503	16,316,695
Pass-Through from Baylor College of Medicine		5 T32 EY07102		34,835	34,835
Pass-Through from JAEB Center for Health Research		U10EY12358		13,044	13,044

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Pass-Through from JAEB Center for Health Research		U10 EY14231		8,142	8,142
Pass-Through from JEAB Center for Health Research		MACDONALD-JC		76	76
Pass-Through from John Hopkins University		LSOCA-96195		43,493	43,493
Pass-Through from John Hopkins University		U10EY0805711		184,966	184,966
Pass-Through from Kestrel Corporation		135444B969,C198,C334,C338		115,507	115,507
Pass-Through from New York University		F6330-02, P113955		113,222	113,222
Pass-Through from Ohio State University Research Foundation		RF01045570		182,463	182,463
Pass-Through from Oregon Health Sciences University		2R01EY013139		31,703	31,703
Pass-Through from Retina Foundation of the SW		5R01EY05235		56,099	56,099
Pass-Through from Somatocor Pharmaceutical		1 R41 EY014282-01		6,007	6,007
Pass-Through from Univ. of Louisville Research Foundation, Inc		EY13094		7,906	7,906
Medical Library Assistance	93.879		6,065	111,341	117,406
Pass-Through from Columbia University		5R01LM007894		128,951	128,951
Pass-Through from Rice University		5 T15 LMO07093-14		18,589	18,589
Pass-Through from Rice University		R20772-73900003		25,785	25,785
Minority Access to Research Careers	93.880			(1,913)	(1,913)
Grants for Training in Primary Care Medicine and Dentistry	93.884			1,396,768	1,396,768
Physician Assistant Training in Primary Care	93.886			(2,444)	(2,444)
Health Care and Other Facilities	93.887		331,028	3,533,927	3,864,955
Specially Selected Health Projects	93.888			462,561	462,561
National Bioterrorism Hospital Preparedness Program	93.889			8,448	8,448
Resource and Manpower Development in the Environmental Health Sciences	93.894			2,774,607	2,774,607
Pass-Through from Central State University		600910, 604700		211,698	211,698
HIV Care Formula Grants	93.917			82,342	82,342
Pass-Through from Resource Group		06UTG00T3		49,954	49,954
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919			634	634
Pass-Through from Texas Department of State Health Svcs.		7217217217-2005 Att11 PO0000301416		117,100	117,100
Ryan White HIV/AIDS Dental Reimbursements\Community Based Dental Partnership	93.924			6,698	6,698
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			216,918	216,918
Pass-Through from Centro de Salud Familiar		1H97HA0018		1,904	1,904
Center for Medical Rehabilitation Research	93.929			440,989	440,989
Pass-Through from University of Michigan		F009470		59,385	59,385
Fogarty International Research Collaboration Award	93.934			10,995	10,995
HIV Prevention Activities--Non-Governmental Organization Based	93.939			35,690	35,690
HIV Prevention Activities--Health Department Based	93.940			319,863	319,863
HIV Demonstration, Research, Public and Professional Education Projects	93.941			183,922	183,922
Pass-Through from Westat Inc.		200-2004-09976		(6,398)	(6,398)
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943			69,966	69,966
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			989,836	989,836
Pass-Through from Amer. Assoc. of Physicians of Indian Origin		9999		2,328	2,328
Tuberculosis Demonstration, Research, Public and Professional Education	93.947			238,951	238,951
Block Grants for Community Mental Health Services	93.958			9,654	9,654
Block Grants for Prevention and Treatment of Substance Abuse	93.959			558,719	558,719
Pass-Through from CRP Incorporated		135444B933,C247		75,970	75,970
Public Health Traineeships	93.964			20,691	20,691

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RESEARCH AND DEVELOPMENT CLUSTER (continued)					
U.S. Department of Health and Human Services (continued)					
Geriatric Education Centers	93.969			196,251	196,251
Pass-Through from Baylor College of Medicine		PO 4600171106		(1,484)	(1,484)
Preventive Health Services--Sexually Transmitted Diseases Control Grants	93.977			76,511	76,511
Preventive Health Services--Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	93.978		10,031	851,172	861,203
Academic Administrative Units in Primary Care	93.984			42,337	42,337
International Research and Research Training	93.989		16,038	221,559	237,597
Pass-Through from Baylor College of Medicine		1R25TW007508		31,199	31,199
Pass-Through from Southern Research Institute		135144B510,B943,B944,C373,C374		156,019	156,019
Pass-Through from University of California-San Diego		135V44A820		18,715	18,715
Maternal and Child Health Services Block Grant to the States	93.994			365,939	365,939
Bioterrorism Training and Curriculum Development Program	93.996			455,935	455,935
Total - U.S. Department of Health and Human Services			64,262,187	765,218,716	829,480,903
Corporation for National and Community Service					
Corporation for National and Community Service	94.XXX	98015568 PO NO. 11697-0-2000		5,093	5,093
		Corporation For National And Community S		155,563	155,563
Pass-Through from One Star Foundation		ACC8112511		380,465	380,465
Total - Corporation for National and Community Service			0	541,121	541,121
Social Security Administration					
Social Security Administration	96.XXX				
Pass-Through from Dartmouth College		MILLER-DARTM		197,231	197,231
Pass-Through from University of Michigan		M05		5,600	5,600
Total - Social Security Administration			0	202,831	202,831
Department of Homeland Security					
Department of Homeland Security	97.XXX	Homeland Security		433,544	433,544
State Domestic Preparedness Equipment Support Program	97.004			376,528	376,528
Homeland Security Preparedness Technical Assistance	97.007		236,984	447,872	684,856
Pass-Through from Southwest Research Institute		599817W		46,003	46,003
Secret Service - Training Activities	97.015			13	13
Emergency Management Institute- Training Assistance	97.026			3,988	3,988
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			13,552	13,552
Pass-Through from ITT Corporation		190905N		581,653	581,653
Total - Department of Homeland Security			236,984	1,903,153	2,140,137
United States Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001		64,550	1,774,278	1,838,828
Pass-Through from AGRILOGIC		502887		75,545	75,545
Pass-Through from International Institute of Tropical Agriculture		LAG/00/93/00042		8,377	8,377
Pass-Through from INTSORMIL		503153		4,541	4,541
Pass-Through from Johns Hopkins University		GPH-A-02-00008-00		12,329	12,329
Pass-Through from Government of Jordan		J15		103,503	103,503
Pass-Through from Oregon State University		135144A770		12,106	12,106

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
RESEARCH AND DEVELOPMENT CLUSTER (continued)					
United States Agency for International Development (continued)					
Pass-Through from Save the Children, United Kingdom		503334		98,677	98,677
Pass-Through from World Learning for International Development		ESGP004		25,000	25,000
Pass-Through from Assoc. Liaison Office for University Cooperation in Dev.		HNE-00-97-00059-00	3,400	88,613	92,013
Pass-Through from U.S. Agency for International Development		UNCFSP		7,374	7,374
Total - United States Agency for International Development			67,950	2,210,343	2,278,293
Total Research and Development Cluster			100,843,136	1,266,459,723	1,367,302,859
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			21,840,639	21,840,639
Federal Family Education Loans	84.032		1,082,091	1,808,744,307	1,809,826,398
Federal Work-Study Program	84.033			20,652,489	20,652,489
Federal Perkins Loan Program	84.038			33,930,699	33,930,699
Federal Pell Grant Program	84.063			413,799,536	413,799,536
Federal Direct Student Loans (Direct Loans)	84.268			120,444,904	120,444,904
Total - U.S. Department of Education			1,082,091	2,419,412,574	2,420,494,665
U.S. Department of Health and Human Services					
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			2,777,343	2,777,343
Nursing Student Loans	93.364			680,343	680,343
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			2,249,063	2,249,063
Total - U.S. Department of Health and Human Services			0	5,706,749	5,706,749
Total Student Financial Assistance Cluster			1,082,091	2,425,119,323	2,426,201,414
AGING CLUSTER					
U.S. Department of Health and Human Services					
Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers	93.044			22,412,855	22,412,855
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045			33,902,629	33,902,629
Nutrition Services Incentive Program	93.053			11,021,909	11,021,909
Total - U.S. Department of Health and Human Services			0	67,337,393	67,337,393
Total Aging Cluster			0	67,337,393	67,337,393
CDBG - ENTITLEMENT SMALL CITIES PROGRAM CLUSTER					
U.S. Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants	14.218			6,447	6,447
Total - U.S. Department of Housing and Urban Development			0	6,447	6,447
Total CDBG - Entitlement Small Cities Program Cluster			0	6,447	6,447

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
CHILD NUTRITION CLUSTER					
U.S. Department of Agriculture					
School Breakfast Program	10.553		269,013,105	5,871,302	274,884,407
National School Lunch Program	10.555		824,428,415	11,120,033	835,548,448
Special Milk Program for Children	10.556			76,983	76,983
Summer Food Service Program for Children	10.559			27,366,656	27,366,656
Total - U.S. Department of Agriculture			1,093,441,520	44,434,974	1,137,876,494
Total Child Nutrition Cluster			1,093,441,520	44,434,974	1,137,876,494
DISABILITY INSURANCE/SSI CLUSTER					
Social Security Administration					
Social Security--Disability Insurance	96.001			105,856,003	105,856,003
Total - Social Security Administration			0	105,856,003	105,856,003
Total Disability Insurance/SSI Cluster			0	105,856,003	105,856,003
EMERGENCY FOOD ASSISTANCE CLUSTER					
U.S. Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568			6,791,098	6,791,098
Emergency Food Assistance Program (Food Commodities)	10.569			26,069,158	26,069,158
Total - U.S. Department of Agriculture			0	32,860,256	32,860,256
Total Emergency Food Assistance Cluster			0	32,860,256	32,860,256
EMPLOYMENT SERVICES CLUSTER					
U.S. Department of Labor					
Employment Service/Wagner-Peyser Funded Activities	17.207		12,883,766	39,759,521	52,643,287
Pass-Through from Baylor University		1305WPB000		227,315	227,315
Disabled Veterans' Outreach Program (DVOP)	17.801		949,949	5,135,354	6,085,303
Local Veterans' Employment Representative Program	17.804		988,438	5,421,379	6,409,817
Total - U.S. Department of Labor			14,822,153	50,543,569	65,365,722
Total Employment Services Cluster			14,822,153	50,543,569	65,365,722
FEDERAL TRANSIT CLUSTER					
U.S. Department of Transportation					
Federal Transit--Formula Grants	20.507		1,242,180		1,242,180
Pass-Through from City of Lubbock		TX03-0237		372,559	372,559
Total - U.S. Department of Transportation			1,242,180	372,559	1,614,739
Total Federal Transit Cluster			1,242,180	372,559	1,614,739
FISH AND WILDLIFE CLUSTER					
U.S. Department of the Interior					
Sport Fish Restoration	15.605			12,380,087	12,380,087
Wildlife Restoration	15.611			9,459,360	9,459,360
Total - U.S. Department of the Interior			0	21,839,447	21,839,447
Total Fish and Wildlife Cluster			0	21,839,447	21,839,447

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
FOOD STAMP CLUSTER					
U.S. Department of Agriculture					
Food Stamps	10.551			2,955,620,164	2,955,620,164
State Administrative Matching Grants for Food Stamp Program	10.561		15,425,617	166,059,599	181,485,216
Total - U.S. Department of Agriculture			15,425,617	3,121,679,763	3,137,105,380
Total Food Stamp Cluster			15,425,617	3,121,679,763	3,137,105,380
FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER					
Corporation for National and Community Service					
Foster Grandparent Program	94.011			2,195,208	2,195,208
Total - Corporation for National and Community Service			0	2,195,208	2,195,208
Total Foster Grandparent/Senior Companion Cluster			0	2,195,208	2,195,208
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
U.S. Department of Transportation					
Highway Planning and Construction	20.205		98,978,474	2,690,768,156	2,789,746,630
Total - U.S. Department of Transportation			98,978,474	2,690,768,156	2,789,746,630
Total Highway Planning and Construction Cluster			98,978,474	2,690,768,156	2,789,746,630
HIGHWAY SAFETY CLUSTER					
U.S. Department of Transportation					
State and Community Highway Safety	20.600		10,230,091	3,538,939	13,769,030
Pass-Through from Brazos County		589XXF5013		1,056	1,056
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601			223,808	223,808
Occupant Protection	20.602		3,163,126		3,163,126
Safety Incentive Grants for Use of Seatbelts	20.604		2,925,030	955,063	3,880,093
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605		713,900		713,900
Total - U.S. Department of Transportation			17,032,147	4,718,866	21,751,013
Total Highway Safety Cluster			17,032,147	4,718,866	21,751,013
HOMELAND SECURITY CLUSTER					
U.S. Department of Justice					
State Domestic Preparedness Equipment Support Program	16.007		2,585,252	1,078,292	3,663,544
Total - U.S. Department of Justice			2,585,252	1,078,292	3,663,544
Department of Homeland Security					
State Domestic Preparedness Equipment Support Program	97.004		2,211,124	2,587,590	4,798,714
Emergency Management Performance Grants	97.042			154,668	154,668
Citizen Corps	97.053		842,629	1	842,630
Homeland Security Grant Program	97.067		5,746,039	5,921,972	11,668,011
Metropolitan Medical Response System	97.071		211,622		211,622

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Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
HOMELAND SECURITY CLUSTER (continued)					
Department of Homeland Security (continued)					
State Homeland Security Program (SHSP)	97.073		33,775,480	5,276,215	39,051,695
Law Enforcement Terrorism Prevention Program (LETPP)	97.074		10,113,548	3,424,745	13,538,293
Total - Department of Homeland Security			52,900,442	17,365,190	70,265,632
Total Homeland Security Cluster			55,485,694	18,443,482	73,929,176
MEDICAID CLUSTER					
U.S. Department of Health and Human Services					
State Medicaid Fraud Control Units	93.775			11,591,348	11,591,348
State Survey and Certification of Health Care Providers and Suppliers	93.777			53,673,509	53,673,509
Medical Assistance Program	93.778		21,309,002	11,681,509,654	11,702,818,656
Total - U.S. Department of Health and Human Services			21,309,002	11,746,774,511	11,768,083,513
Total Medicaid Cluster			21,309,002	11,746,774,511	11,768,083,513
PUBLIC WORKS/ECONOMIC DEV CLUSTER					
U.S. Department of Commerce					
Grants for Public Works and Economic Development Facilities	11.300			1,611,460	1,611,460
Economic Adjustment Assistance	11.307			1,699,413	1,699,413
Total - U.S. Department of Commerce			0	3,310,873	3,310,873
Total Public Works/Economic Dev Cluster			0	3,310,873	3,310,873
SPECIAL EDUCATION CLUSTER					
U.S. Department of Education					
Special Education--Grants to States	84.027		894,011,958	34,915,683	928,927,641
Pass-Through from Clear Creek Independent School District		C0023A0001G200003		19,999	19,999
Pass-Through from Pasadena Independent School District		C0023A0001G200002		19,999	19,999
Pass-Through from REGION XI Education Service Center		DEC SER		333,918	333,918
Pass-Through from Region XVII Education Service Center		135744C150,B741		274,323	274,323
Special Education--Preschool Grants	84.173		24,927,488	74,217	25,001,705
Total - U.S. Department of Education			918,939,446	35,638,139	954,577,585
Total Special Education Cluster			918,939,446	35,638,139	954,577,585
TRIO CLUSTER					
U.S. Department of Education					
TRIO--Student Support Services	84.042			4,043,667	4,043,667
TRIO--Talent Search	84.044			3,457,705	3,457,705
TRIO--Upward Bound	84.047			9,855,161	9,855,161
TRIO--Educational Opportunity Centers	84.066			1,087,806	1,087,806
TRIO--McNair Post-Baccalaureate Achievement	84.217			2,392,557	2,392,557
Total - U.S. Department of Education			0	20,836,896	20,836,896
Total TRIO Cluster			0	20,836,896	20,836,896

STATE OF TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass-through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
WORKFORCE INVESTMENT ACT CLUSTER					
U.S. Department of Labor					
WIA Adult Program	17.258		83,884,246	3,685,947	87,570,193
WIA Youth Activities	17.259		76,379,469	8,965,114	85,344,583
Pass-Through from Alamo Area Development Corporation		AADC-2001-04		7,312	7,312
Pass-Through from Alamo Workforce Development, Inc.		3908-19		229,895	229,895
Pass-Through from Lower Rio Grande Valley Development		#03-WIAYS-001 TxPrep		68,699	68,699
Pass-Through from Middle Rio Workforce		WFB-05-02-05		922	922
Pass-Through from Serco of Texas, Inc.		05SERC0CC04		1,418	1,418
Pass-Through from Tech Prep Rio Grande Valley		First Gen Y3-03		24,865	24,865
WIA Dislocated Workers	17.260		130,020,424	11,678,835	141,699,259
Pass-Through from SPC South Plains Tech Prep		135244C006		13,716	13,716
Pass-Through from Tech Prep Rio Grande Valley		22-402410		1,367	1,367
Pass-Through from Tech Prep Rio Grande Valley		PY04 TP-100-03		44,542	44,542
Total - U.S. Department of Labor			290,284,139	24,722,632	315,006,771
Total Workforce Investment Act Cluster			290,284,139	24,722,632	315,006,771
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 7,302,319,237	$ 26,826,795,952	$ 34,129,115,189

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal award programs administered by the State of Texas, except for three components units, for the fiscal year ended August 31, 2006. Those component units, Texas Guaranteed Student Loan Corporation, Texas A&M Research Foundation, and Boll Weevil Foundation of the Department of Agriculture, are subject to separate audits in compliance with Office of Management Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal transactions for these three entities are excluded from the Schedule.

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

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

(b) *Basis of Presentation*

The Schedule presents total federal awards expended for each individual federal program in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the Catalog are identified by Federal Agency number followed by (.xxx).

(c) *Basis of Accounting*

The expenditures for each of the federal financial assistance programs are presented in the Schedule on a modified accrual basis. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. Thus, those Federal programs presenting negative amounts on the Schedule are the result of prior year estimates being overstated and/or reimbursements due back to the grantor.

(d) *Matching Costs*

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule, except for the State's share of unemployment insurance (See Note 4).

(2) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1(c).

(3) Relations to Revenues in the State of Texas' Fund Financial Statements

The following is a reconciliation of total Federal awards expended as reported in the Schedule to Federal revenues reported in the fund financial statements.

Federal Revenues	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, Federal Revenue	$ 28,212,025,530
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds, Federal Revenue	2,379,393,910
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds, Capital Contributions- Federal	47,904,895
Statement of Changes in Fiduciary Net Assets	36,029,849
Total Federal Revenue Per Financial Statements	30,675,354,184
Reconciling Items	
Non-Cash Federal Commodities/Vaccines/Surplus Property/Other (Note 6)	315,553,611
Various Loans Processed by Universities and Agencies (Note 5)	1,966,246,569
State Unemployment Funds (Note 4)	1,143,429,806
Cash rebates to participants in the Special Supplemental Food Program for Woman Infants and Children (WIC) (Note 7)	224,549,690
Other *	(66,978,526)
Blended Component Unit not included in the Schedule of Expenditures of Federal Awards (Note 1(a))	(129,040,145)
Expenditures Per Schedule of Expenditures of Federal Awards	$34,129,115,189

* This amount includes deductions of $1,286,461 for fixed fee contracts; $2,008,751 for vendor transactions; $774,174 for funds that were recorded as federal revenue in the financial statements but are not in the Schedule; $63,023,263 for the Medicare portion of Part D which is not subject to OMB A-133 since it does not include any Medicaid funds; and $231,143 of other transactions. The amount also includes additions of $345,266 for deferred revenues recognized on the Schedule but not in the financial statements.

(4) Unemployment Insurance Funds

State unemployment tax revenues and the government and non-profit contributions in lieu of State taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the Schedule of Expenditures of Federal Awards under CFDA #17.225. The state portion in the amount of $1,143,429,806 is a reconciling item in the reconciliation of the Schedule to revenues in the Basic Financial Statements (See Note 3).

(5) Federally Funded Loan Programs

The State participates in various federally funded loan programs. The programs can be grouped into two broad categories:

Federally Funded Student Loan Programs
Other Federally Funded Loan Programs

a) *Federally Funded Student Loan Programs*

The State participates in student loan programs that the federal government imposes continuing compliance requirements on. Additionally, the State participates in other student loan programs that do not require continuing compliance. The chart below summarizes activity by the State for federally funded student loan programs:

Student Loan Programs with Continuing Compliance Requirements

CFDA Number	Program Name	Ending Balances of Previous Year's Loans	New Loans Processed
84.038	Federal Perkins Loan Program (Perkins)	$ 94,198,756	$ 33,619,177
93.342	Health Professions Student Loans (HPSL)	14,338,161	2,777,343
93.364	Nursing Student Loans	3,261,840	680,343
		$ 111,798,757	$ 37,076,863

Other Student Loan Programs

CFDA Number	Program Name	New Loans Processed
84.032	Federal Family Education Loan Program (FFELP)	$ 1,808,665,162
84.268	Federal Direct Student Loans (Direct Loans)	120,445,925
93.264	Nursing Faculty Loan Program	58,619
		1,929,169,706
	Total New Loans Processed	$ 1,966,246,569

The total new loans processed amount of $1,966,246,568 is included in the Schedule and recorded as a reconciling item on Note 3. Amounts included in the Schedule also include administrative costs.

The Federal Family Education Loan Program (FFELP, CFDA 84.032) and the Federal Direct Student Loans Program (Direct Loans, CFDA 84.268) do not require universities to disburse funds. The proceeds are disbursed by lending institutions for FFELP and by the federal government for Direct Loans. For both programs, loan guarantees are issued by the Texas Guaranteed Student Loan Corporation or other guarantee agencies. The federal government reinsures these guarantee agencies.

The Texas Higher Education Coordinating Board (THECB) participated in the Federal Family Education Loan Program (FFELP, CFDA 84.032) as a servicer of the loans. During the year ended August 31, 2006, THECB received $465,093 in interest subsidy payments which are included in the Schedule**.** For the year ended August 31, 2006, THECB originated loans of approximately $3.7 million to university students which are included in the Schedule. As of August 31, 2006 THECB services approximately $51 million of FFELP.

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

The State participates in other federally funded loan programs. The chart below summarizes loan activity by the State which is included in the Schedule along with administrative expenses:

CFDA Number	Program Name	New Loans Processed
66.458	Clean Water State Revolving Fund (CWSRF)	$ 15,495,249
66.468	Drinking Water State Revolving Fund (DWSRF)	45,876,298
	Total New Loans Processed	$ 61,371,547

Clean Water State Revolving Fund (CWSRF, CFDA 66.458)
The Water Development Board receives capitalization grants to create and maintain Clean Water State Revolving Fund programs (CWSRF, CFDA 66.458). The State can use capitalization grant funds to provide a long-term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

The CWSRF provides loans at interest rates lower than what can be obtained through commercial markets. The CWSRF offers a net long-term interest lending rate of 0.7 percent below the rate the borrower would receive in the open market at the time of closing. The maximum repayment period for most CWSRF loans is 20 years from completion of construction. Capitalization grants received for CWSRF for the year ended August 31, 2006 were approximately $15 million and are included in the Schedule. CWSRF outstanding loans, with no continuing audit requirements, at August 31, 2006, were approximately $2.3 billion.

Drinking Water State Revolving Fund (DWSRF, CFDA 66.468)
The Water Development Board receives capitalization grants to create and maintain Drinking Water State Revolving Funds programs (DWSRF, CFDA 66.468). The State can use capitalization grant funds to establish a revolving loan fund. The revolving loan fund can assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act. These compliance requirements ensure the public health objectives of the Safe Drinking Water Act.

The DWSRF can provide loans at interest rates lower than the market or to provide other types of financial assistance for qualified communities, local agencies, and private entities. The DWSRF offers a net long-term interest lending rate of 1.2 percent below the rate the borrower would receive in the open market at the time of closing. The maximum repayment period for most DWSRF loans is 20 years from the completion of construction. Capitalization grants received for DWSRF for the year ended August 31, 2006, were approximately $46 million and are included in the Schedule. DWSRF outstanding loans, with no continuing audit requirements, at August 31, 2006, were approximately $172 million.

(6) Non-Monetary Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements and are therefore not recorded in the State's basic financial statements. Awards received by the State which include cash and non-cash amounts are included in the Schedule as follows:

CFDA Number	Program Name	Grant Awards
10.550	Food Distribution	$ 86,954,660
10.565	Commodity Supplemental Food Program	4,075,575
10.569	Emergency Food Assistance Program	26,069,158
17.002	Labor Force Statistics	86,877
17.225	Unemployment Insurance	5,415,160
39.003	Donation of Federal Surplus Personal Property	6,205,602
93.268	Immunization Grants	186,746,579
	Total	$ 315,553,611

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

During fiscal year 2006, the State received cash rebates from infant formula manufacturers in the amount of approximately $225 million on sales of formula to participants in the WIC program (CFDA 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFD 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the State to extend program benefits to more participants than could have been serviced this fiscal year in the absence of the rebate contract.

(8) Depository Libraries for Government Publications

Several State agencies and universities participate as depository libraries in the Government Printing Office's Depository Libraries for Government Publications program, CFDA 40.001. The State agencies and universities are the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned value by the Government Printing Office.

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Schedule of Findings and Questioned Costs

Federal Portion of
Statewide Single Audit Report

For the Year Ended August 31, 2006

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Section 1:

Summary of Auditors' Results

Financial Statements

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2006 Statewide Single Audit Report dated February 20, 2007.

Federal Awards

1. Internal Control over major programs:

   a. Material weakness(es) identified? Yes

   b. Reportable condition(s) identified not considered to be material weaknesses? Yes

Major Programs with Reportable Conditions:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
45.310	Grants to States
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.217	Family Planning - Services
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.569	Community Services Block Grant
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the State
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
97.039	Hazard Mitigation Grant (including CFDA 83.544)
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
Cluster	Child Nutrition
Cluster	Food Stamp
Cluster	Highway Planning and Construction
Cluster	Homeland Security
Cluster	Medicaid
Cluster	Research and Development
Cluster	Student Financial Assistance, including loan servicing of Federal Family Education Loans and Health Education Assistance Loans

Major Programs with Material Weaknesses:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.889	National Bioterrorism Hospital Preparedness Program
93.994	Maternal and Child Health Services Block Grant to the States
Cluster	Food Stamp
Cluster	Medicaid
Cluster	Student Financial Assistance, including loan servicing of Federal Family Education Loans and Health Education Assistance Loans

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

Qualification:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
45.310	Grants to States
93.217	Family Planning - Services
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.569	Community Services Block Grant
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93.767	State Children's Insurance Program
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal Child and Health Services Block Grant to the States
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
97.039	Hazard Mitigation Grant (including CFDA 83.548)
Cluster	Food Stamp
Cluster	Homeland Security
Cluster	Medicaid
Cluster	Student Financial Assistance, including loan servicing of Federal Family Education Loans and Health Education Assistance Loans

No Qualification:

CFDA Number	Name of Federal Program or Cluster
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.228	Community Development Block Grants/State's Program
14.239	HOME Investment Partnership Program
16.576	Crime Victim Compensation
16.579	Byrne Formula Grant
16.606	State Criminal Alien Assistance Program
16.738	Edward Byrne Memorial Justice Assistance Grant
84.002	Adult Education - State Grant Program
84.010	Title I Grants to Local Education Agencies
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.365	English Language Acquisition State Formula Grant
84.367	Improving Teacher Quality State Grants
84.938	Hurricane Education Recovery
93.659	Adoption Assistance
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
Cluster	Child Nutrition
Cluster	Highway Planning and Construction
Cluster	Research and Development

3. Any audit findings disclosed that are required to be reported in accordance with *OMB Circular A-133*, Section 510(a)? Yes

4. Dollar threshold used to distinguish between Type A and Type B programs: $48,242,183

5. Auditee qualified as low-risk auditee? No

6. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.228	Community Development Block Grants/ State's Program
14.239	HOME Investment Partnership Program
16.576	Crime Victim Compensation
16.579	Byrne Formula Grant
16.606	State Criminal Alien Assistance Program
16.738	Edward Byrne Memorial Justice Assistance Grant
45.310	State Library Program
84.002	Adult Education - State Grant Program
84.010	Title I Grants to Local Education Agencies
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.365	English Language Acquisition State Formula Grant
84.367	Improving Teacher Quality State Grants
84.938	Hurricane Education Recovery
93.217	Family Planning - Services
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance

CFDA Number	Name of Federal Program or Cluster
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.569	Community Services Block Grant
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
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93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
97.039	Hazard Mitigation Grant (including CFDA 83.548)
97.050	Federal Assistance to Individuals and Households
Cluster	Child Nutrition
Cluster	Food Stamp
Cluster	Highway Planning and Construction
Cluster	Homeland Security
Cluster	Medicaid
Cluster	Research and Development
Cluster	Student Financial Assistance, including loan servicing of Federal Family Education Loans and Health Education Assistance Loans

Section 2:

Financial Statement Findings

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2006 Statewide Single Audit Report dated February 20, 2007.

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Section 3a:

Federal Award Findings and Questioned Costs - KPMG

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

Adjutant General

Reference No. 07-01

Reporting

CFDA 12.401 - National Guard Military Operations and Maintenance (O&M) Projects
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost:	$ 0
U.S. Department of Defense	

The National Guard Bureau (NGB) enters into cooperative agreements (CA) for Army National Guard (ARNG) Facilities Programs (FP) and Air National Guard (ANG) Facility Operations & Maintenance Activities (FOMA) with States to provide Federal support for services provided by the State Military Departments for authorized facilities for leases, real property services, and sustainment, restoration, and modernization, including operations and maintenance (O&M) and minor construction costs (NGR 5-1/ANGI 63-101).

Generally, a CA consists of two parts: the agreement and appendices (Master Cooperative Agreement (MCA) and as many Appendices as apply to that State). Policies and procedures to be followed for cooperative agreements with States are contained in National Guard Grants and Cooperative Agreements NGR 5-1/ANGI 63-101. The MCA includes standard terms and conditions applicable to all Appendices under the MCA and the required signatures of the parties. There will be a separate Appendix for each CA functional area applicable to the State. Each Appendix shall contain terms and conditions, allowable costs, reports, approved budget, management controls, and administrative information applicable only to that functional area (NGR 5-1/ANGI 63-101, chapter 2-1).

The NGB and States are authorized to enter into CAs under: (1) 31 USC, Subtitle V, General Assistance Administration, Chapter 63, Using Procurement Contracts and Grant and Cooperative Agreements; (2) 31 USC Subtitle V, General Assistance Administration, Chapter 61, Program Information, and Chapter 65, Intergovernmental Cooperation; (3) 32 USC National Guard, Chapter 1, Organization; (4) 32 USC Section 101 (19); and (5) 32 USC Section 106/107, which authorizes the NGB to contribute funds for the support of the operation/training of the ARNG/ANG. The MCA is a CA within the meaning of 31 USC sections 6301 through 6308.

Per review of the CA and related Appendices, the SF-270, *Request of Advance or Reimbursement,* is required to be completed. During fiscal year 2006, the Adjutant General used the Integrated Engineering Management System (IEMS) Billing Report as an alternate form for the SF-270 until January 2006. During this time, the Deputy Executive Director verified that the Billing Report was supported by proper documentation and approved the report before it was submitted for reimbursement.

In January 2006, Adjutant General realized that they had not obtained approval to use the IEMS Billing Report as an alternate form for the SF-270, and started submitting the SF-270 along with the IEMS Billing Report. The SF-270 was attached to the IEMS Billing Report with support, but was not completed properly, and the review and approval process remained focused on the IEMS Billing Report.

The National Guard Military Operations and Maintenance has multiple grant sub awards and award years as noted below:

Award Number	Award Year
DAHA41-04-2-1000 (MCA)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1001 (Appendix 1)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1002 (Appendix 2)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1003 (Appendix 3)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1004 (Appendix 4)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1005 (Appendix 5)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1007 (Appendix 7)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1014 (Appendix 14)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1021 (Appendix 21)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1022 (Appendix 22)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1023 (Appendix 23)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1024 (Appendix 24)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1028 (Appendix 28)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1040 (Appendix 40)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1010 (Appendix 10)	October 1, 2005 - September 30, 2008
DAHA41-04-2-1041 (Appendix 41)	October 1, 2002 - September 30, 2003
DAHA41-04-2-3049 (Singapore)	July 1, 2001 - June 30, 2006

Recommendation:

The Adjutant General should continue to submit the SF-270 report and ensure the report is complete and accurate to reflect current period expenses as well as cumulative amounts.

Management Response and Corrective Action Plan:

The Adjutant General's Department will continue to submit the SF-270 report with every federal reimbursement request until our alternative reimbursement request report is more clearly approved by the National Guard Bureau. We will start including cumulative expenses by federal fiscal year and continue to ensure that the report is complete and accurate.

Implementation Date: February 1, 2007

Responsible Person: Pat Teepatiganond

Department of Aging and Disability Services

Reference No. 07-02
Allowable Costs/Cost Principles
(Prior Audit Issue - 06-01)

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXSOSR and G0501TXSOSR

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048
Type of finding - Non-Compliance

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

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

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

The Department of Aging and Disability Services (DADS) submitted their revised CAP to the U.S. Department of Health and Human Services on August 31, 2004. The Federal Division of Cost Allocation elected not to review and approve the DADS CAP due to DADS not meeting the definition of a state agency as defined in 45 CFR 95.503. Consequently, the Federal Division of Cost Allocation designated the Health and Human Services Commission (HHSC) as the responsible agency for financial oversight of the programs administered by DADS.

HHSC has reviewed and provided conditional approval for the DADS CAP. Additionally, the HHSC CAP is pending federal approval, and any issues that impact their CAP may result in changes to the conditionally approved DADS CAP.

Per review of the 2006 expenditure patterns, payroll and benefit expenditures were determined to be direct and material to both Medicaid Cluster and Social Services Block Grant programs. In accordance with the conditionally approved DADS CAP, payroll and benefit expenditures are to be allocated based on three methodologies: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, or payroll effort certification.

- DADS performs RMTS and FTE headcount analysis on a quarterly basis (federal fiscal year quarters) for the Medicaid Cluster and Social Services Block Grant programs. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. Timesheets are to be maintained and certified for the payroll effort certification personnel.

- From the results of the RMTS and FTE headcount analysis, a quarterly Cost Allocation Report is prepared by program activity code (PAC). The summarized information is used to update/upload the information into the main Cost Allocation System which allocates employees' time to the respective programs. The updates are done on a quarterly basis. Timesheets are completed on a monthly basis.

Based on test work performed over these areas, DADS is allocating the payroll and benefit expenditures in accordance with the conditionally approved DADS CAP.

Recommendation:

DADS should continue to work with HHSC to ensure that any issues that impact the existing DADS CAP are appropriately addressed and any necessary adjustments are made.

Management Response and Corrective Action Plan:

DADS will continue to work with HHSC to ensure that any issues that impact the existing DADS CAP are appropriately addressed.

Implementation Date: Ongoing

Responsible Person: *Tammy Callaway*

Department of Assistive and Rehabilitative Services

Reference No. 07-03

Allowable Costs/Cost Principles

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States
Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006
Award number - H126A060064, H126A060065, H126A050064, and H126050065
Type of finding - Reportable Condition Control

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

Access to the OMB Time Tracking application production server is not restricted appropriately. A developer has access to the production server. The OMB Time Tracking application was developed and run initially from the developer's computer but was moved to a production server to make use of production backup capabilities. However, the developer retains access to run and continue developing the application. In addition, there is no formal change control process in place for the OMB Time Tracking application.

Changes to the OMB Time Tracking application should be approved by management, tested and approved by business area users, and approved for move to production. In addition, controls should be in place to restrict developers' access to the production environment.

No compliance exceptions were noted during the review of 29 payroll transactions for the major program noted above.

Recommendation:

A formal change control methodology should be implemented, and documentation of management authorization, development and user testing, and final approval should be maintained. Access to develop and deploy changes should be segregated. If developers require access to production due to the size of the systems team, formal change management procedures should be followed prior to deployment, and additional monitoring controls should be in place post-deployment to determine whether all changes placed in production are authorized and appropriate.

Management Response and Corrective Action Plan:

We agree that a formal change control process is required and that application developers should not have access to the production server.

The informal process currently in place at the Department of Assistive and Rehabilitative Services (DARS) involves verbal management authorization and direction of all system modifications, close daily supervision of all development and testing activities, and verbal final approval of all changes. Given the size of the current systems team (one full-time employee plus management), the first hand, detailed knowledge and confirmation by management of all planned changes versus actual resulting changes has been considered by management as an adequate effort of control over the continuing development and improvement of this application during its first year of use.

A proposal to create a secure, efficient web-based application to replace the current system was approved by senior management, and development work was begun by the DARS Information Resources (IR) department in December 2006. Roll out is expected for SFY08. We have forwarded your recommendations to the IR Director for inclusion in the new application. The IR developer access will be segregated from the production server; Financial Systems production staff will operate the application but will not have access to make changes; and a formal change control process will be developed, approved, and implemented to ensure adequate control of system modifications.

Implementation Date: September 1, 2007

Responsible Person: Bill Bittick

Department of Criminal Justice

Reference No. 07-04
Reporting

CFDA 16.606 - State Criminal Alien Assistance Program
Award year - July 1, 2006 to June 30, 2007
Award number - 2006-AP-BX-0026
Type of finding - Non-Compliance

Questioned Cost: $ 0

U.S. Department of Justice

Per Section 241(i) of the Immigration and Nationality Act, 8 U.S.C. § 1231(i), as amended, and Title II, Subtitle C, Section 20301, Violent Crime Control and Law Enforcement Act of 1994, Public Law 103-322, jurisdictions shall not submit records for an otherwise qualifying offender where the jurisdiction's records indicated the offender: 1) was born in the United States or one of its territories, 2) had a claim to U.S. citizenship, 3) was a U.S. citizen, or 4) did not qualify as an undocumented criminal alien in accordance with the State Criminal Alien Assistance Program (SCAAP) statute.

Per review of the Case Summary biographical information, it was determined that an offender was incorrectly entered into records as a citizen of Liberia when in fact it was later determined by Immigration and Customs Enforcement (ICE) that the offender was actually a United States citizen. From the 13,084 offenders submitted on the SCAAP application, a sample of 30 was selected for testing.

The Texas Department of Criminal Justice (TDCJ) collects documentation (e.g., sentence, judgments, pre-hearing investigations) from other jurisdictions, in addition to interviewing offenders to obtain self-reported information to create the offender record. This information is entered into a database to create the offender's electronic record. The database is queried to identify qualifying offenders on the SCAAP application. The TDCJ mis-entered information during creation of one of the offender's electronic record, and the offender was inadvertently included on 2005 SCAAP application. In addition, ICE should have entered the offender into the Foreign Born Tracking System and identified him as a US Citizen. This would have allowed TDCJ to screen him out of the SCAAP application.

Recommendation:

TDCJ needs to continue to work closely with ICE to ensure that timely updates to the system are made whenever new information is discovered about the status of an inmate.

Management Response and Corrective Action Plan:

Management has taken remedial action by improving communication with ICE to ensure that data is entered in a timely manner.

Implementation Date: November 1, 2006

Responsible Person: Bob Moore

Department of Family and Protective Services

Reference No. 07-05
Allowable Costs/Cost Principles
(Prior Audit Issue - 06-05)

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX00FP and G0501TX00FP

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXTANF and G0501TXTANF

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1401 and G0501TX1401

CFDA 93.659 - Adoption Assistance
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1407 and G0501TX1407

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXSOSR and G0501TXSOSR
Type of finding - Non-Compliance

Questioned Cost: $0

U.S. Department of Health and Human Services

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

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

The Department of Family and Protective Services (DFPS) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The Federal Division of Cost Allocation (DCA) has not approved the CAP as of December 31, 2006. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. However, based on test work performed over the areas noted below, DFPS allocated direct expenses, including payroll and benefit expenditures, in accordance with the CAP submitted to DCA for approval during fiscal year 2006.

Per review of the 2006 expenditure patterns, direct expenses, including payroll and benefit expenditures, were determined to be direct and material to various major programs noted above. In accordance with the CAP submitted by DFPS for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, service unit cost analysis, case count analysis, or payroll effort certification.

- DFPS performs RMTS, service unit cost analysis, and case count analysis on a quarterly basis. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. FTE headcount analysis is performed monthly and certified for payroll effort each month.

- From the results of the various allocation methods noted above, summarized information is used to update/upload the information into the Cost Allocation System which allocates employees' time and other direct expenditures to the respective programs.

Recommendation:

DFPS should continue to work with DCA to ensure that all outstanding items are appropriately addressed and any necessary adjustments are made once an approved CAP plan is obtained.

Management Response and Corrective Action Plan:

DFPS is in agreement. DFPS submitted a new Public Assistance Cost Allocation Plan (PACAP) to the Health and Human Service Division of Cost Allocation (DCA) effective dated September 1, 2004. The new PACAP, in the new format, was required by the DCA due to the consolidation of all of the Health and Human Service Agencies. DFPS continues to work with the DCA to reach an agreement to obtain an "approved" PACAP. Currently, the DCA is reviewing our RMTS. DFPS hopes to be in the final stages of the review, and is preparing additional data for the DCA. Approval is still pending.

Implementation Date: September 2007 (Dependent on the HHS Division of Cost Allocation)

Responsible Person: James R. Wall III

Reference No. 07-06

Allowable Costs/Cost Principles
Eligibility

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX00FP and G0501TX00FP

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXTANF and G0501TXTANF

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1401 and G0501TX1401

CFDA 93.659 - Adoption Assistance
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1407 and G0501TX1407

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXSOSR and G0501TXSOSR
Type of finding - Reportable Condition Control

The Department of Family and Protective Services (DFPS) utilizes IMPACT as their computer system for determining eligibility with regard to the above listed programs. Access controls are inappropriately designed for the IMPACT production server. A single user account is used to migrate changes into production. Of five employees with access to this account, one employee is an IMPACT developer. This employee has access to the account used to move changes into production.

Questioned Cost: $0

U.S. Department of Health and Human Services

Users with excessive rights to modify the application across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing. In addition, accountability cannot be determined when users share a generic ID.

During compliance work performed, no exceptions were noted which resulted from the above deficiency for the major programs noted.

Recommendation:

DFPS management should implement procedures in accordance with their security access policies that restrict access based on the individual's job responsibility, including restricting developer access from migrating code. In addition, controls should be implemented to better identify who is migrating changes, which cannot be determined from a generic ID.

Management Response and Corrective Action Plan:

Procedures will be implemented that restrict access based on the individual's job responsibility. A user alias/account will be created that allows appropriately assigned people the rights to perform their assigned duties. By using this alias, staff are logged in as themselves, and therefore, we are able to identify/trace activities to that individual. Additionally, a log will be maintained that tracks this account usage. This account does not include the rights for migrating code to Production servers. Only Northrop Grumman system administrators, the IMPACT Test Administrator, and his backup have the rights and access to the account to migrate code to Production servers.

Implementation Date: February 1, 2007

Responsible Person: John Parchman

Reference No. 07-07
Earmarking
(Prior Audit Issue - 06-08)

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2004 to September 30, 2006
Award number - G0501TX00FP
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $1,702,200

U.S. Department of Health and Human Services

In accordance with 42 USC 629b(a)(4), 45 CFR section 1357.15(s), and ACYF-CB-PI-03-05, "Of the remaining funds after administrative costs, states must expend a significant portion, defined as 20 percent, on each of the following four categories: programs of family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services".

During test work, the amount spent on adoption promotion and support services for the 2005 grant was found to be only 14.92 percent. The Department of Family Protective Services (DFPS) is required to meet the earmarking requirements at the end of the 2-year grant period. With regard to the 2005 grant, 20 percent of total 2005 grant expenditures is approximately $6,696,200. As of September 30, 2006, DFPS had met approximately $4,994,000 of the requirement. Prior to fiscal year 2006, DFPS did not have a formalized methodology to allocate expenditures incurred to the four specific categories. During fiscal year 2006, DFPS developed a methodology to implement for the 2006 grant.

Recommendation:

DFPS should utilize its new formalized methodology to allocate expenditures to ensure to spend at least 20 percent to each of the four categories for future grants.

Management Response and Corrective Action Plan:

DFPS acknowledges that it did not spend at least 20% of the Title IV-B, subpart 2 - Promoting Safe and Stable Families (PSSF) grant on adoption promotion and support services for the 2005 grant. However, it is important to note that the federal statute and guidance are silent on the question of the consequences for spending less than the required amount on a given program area after the budget request has been submitted and the grant awarded and paid out.

Nevertheless, it is the Department's intent to comply with the 20% "significant portion" guidelines and DFPS continues to monitor the expenditure patterns of this federal grant by category on a periodic basis. Different accounting methods used by the state (modified accrual) vs. the federal government (cash accounting) coupled with lagging billings by service providers contribute to DFPS' difficulty meeting this plan.

Even though DFPS did not spend the full 20% of the Title IV-B, subpart 2 grant for adoption promotion and support activities during the 2005 grant period, the agency did expend other funds for this purpose such as the Adoption Incentive Payment Program bonus funds, Title IV-B, subpart 1 - Child Welfare Services, and State General Revenue. Furthermore, all of the Title IV-B, subpart 2 grant funds were spent on one of the four categories.

DFPS has submitted its FY 2008-2009 biennial Legislative Appropriations Request and has developed its FY 2007 Operating Budget with special attention given to allocating these federal grant funds to budget areas in accordance with the federal guidelines to help ensure that the Department spends at least 20% in each of the four categories for future grants.

Implementation Date: None Required

Responsible Person: Tamela Griffin and Donna Krueger

Reference No. 07-08

Eligibility

(Prior Audit Issue - 06-09, 05-03, 04-37, and 04-38)

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1401 and G0501TX1401
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Health and Human Services

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

1. Child abuse or neglect

2. Spousal abuse
3. A crime against a child or children (including child pornography), or
4. A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.

A sample of 40 children for whom Foster Care - Title IV-E payments were made during fiscal year 2006 was selected for review. For each child, we selected one foster care provider and verified that the provider satisfactorily met the criminal records check. For foster care providers other than individual homes, we obtained a listing of employees and verified that a criminal background check was performed for each employee. Our review disclosed the following:

- For three of the providers selected, the criminal background check was missing for a total of five employees.
- For one of the providers selected, neither the Department of Family and Protective Services (DFPS) nor the provider were able to provide supporting documentation of employees that worked at the facility for the month of September 2005.

Recommendation:

DFPS should implement procedures to ensure that background checks are completed in accordance with federal regulations.

Management Response and Corrective Action Plan:

The Texas Administrative Code (TAC) 745 Subchapter F "Requesting Background Checks" identifies which persons an operation must submit to licensing for a background check (caregivers, adoptive/foster parents, etc). TAC §745.625 identifies when an operation (before you a hire a new person who will have direct child-care responsibilities, when you apply to be a foster or adoptive parent, twenty-four months after a person's information has been submitted, etc) must submit a persons identifying information to licensing for a background check.

At each inspection licensing staff will check that all required persons at the operation have current criminal history and central registry checks (Licensing Policy and Procedure Handbook 4420.3(b)). For child-placing agencies this includes foster parents and other non-client household members over the age of 14 years old. This will be evaluated at each monitoring-type inspection and may be evaluated during an investigation if relevant, such as in an abuse/neglect investigation.

Through ongoing monitoring activities and during investigations licensing staff will identify and cite operations that do not meet compliance with the background check requirements found in TAC 745 Subchapter F. At a minimum, all operations are required to have one unannounced annual inspection.

The licensing program will continue in its efforts to ensure staff are monitoring all operations for compliance with the background check requirements found in TAC 745 Subchapter F. This includes, but is not limited to, ongoing oversight by licensing supervisors and management, BSD training for new licensing staff and additional monitoring training for other staff as needed, and review of current policies and procedures regarding the monitoring of operations for compliance with background checks.

Implementation Date: January 31, 2007

Responsible Person: Henry Darrington

Health and Human Services Commission

Reference No. 07-09
Allowable Costs/Cost Principles
(Prior Audit Issue - 06-12)

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 0601TXTANF and 0501TXTANF

CFDA 93.767 - State Children's Insurance Program
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021

CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
Award year - September 24, 2005 to March 23, 2007 and September 1, 2005 and continuing
Award number - 1606-DR-TX and 1624-DR-TX

Food Stamp Cluster
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX400105 and 5TX400105

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048
Type of finding - Non-Compliance

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

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

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

The Health and Human Services Commission (HHSC) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The Federal Division of Cost Allocation (DCA) has not approved the CAP as of December 31, 2006. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. In accordance with the CAP submitted by HHSC for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), headcount, and client count analysis.

During the test work performed, RMTS information was collected by HHSC during the fiscal year. During fiscal year 2005, management of HHSC made the decision to not update the cost allocation system for the quarterly 2005 RMTS information since the CAP plan was not approved by DCA. As a result, fiscal year 2005 federal expenditures for HHSC were allocated based on fiscal year 2004 RMTS information. HHSC also did not update any of the other allocation systems with current headcount or client count information during 2005. During fiscal year 2006, HHSC trued up the 2005 allocation based on the RMTS and other allocation information that had been obtained.

Beginning September 2005 for the fiscal year 2006, management of HHSC did utilize the RMTS information and updated the cost allocation system for the quarterly information. In addition, the other allocation systems with current headcounts or client count information were also updated. On a quarterly basis, the allocations for fiscal year 2006 reflected the respective quarterly random moment time study, case counts, client, counts, etc.

Recommendation:

HHSC should continue to work with DCA to ensure that all outstanding items are appropriately addressed and any necessary adjustments are made once an approved CAP plan is obtained. For Medicaid Cluster, 42 CFR 435.940(b) states, the agency must maintain information, as enumerated in § 435.960, to exchange for the purpose of enabling any agency or program referenced in § 435.945(b) to verify income, eligibility of, and the amount of assistance for its applicants and recipients.

Management Response and Corrective Action Plan:

HHSC has submitted its proposed CAP to DCA. HHSC has responded to DCA's questions and requests for additional information, and will continue to respond until final approval of the plan is received. At that time, HHSC is prepared to make adjustments as required.

Implementation Date: Unknown

Responsible Person: James Barnett

Reference No. 07-10

Allowable Costs/Cost Principles

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048
Type of finding - Non-Compliance

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

During fiscal year 2006, the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), regional office from Dallas, Texas issued a disallowance letter dated November 29, 2006. On December 22, 2006, Health and Human Services Commission (HHSC) appealed the disallowance. The following information is quoted from the CMS letter:

"This letter is notice of a disallowance in the amount of $14,849,602 Federal Financial participation (FFP) for medical transportation costs claimed during federal fiscal years 2004 and 2005. The transportation costs were improperly claimed at the Federal Medical Assistance Percentage (FMAP) for medical services instead of the 50 percent administration matching rate. (See deferral letter dated January 17, 2006)

The Texas Department of Health and Human Services Commission (HHSC) provides Medicaid reimbursement to the Texas Department of Transportation (TX-DOT) for administration of the State's Medicaid non-emergency transportation program. TX-DOT subcontracts with transportation providers, who actually provide the transportation services.

The Secretary has specified by regulation that transportation (when necessary to secure medical care) may be treated as medical assistance only when furnished 'by a provider to whom a direct vendor payment can appropriately be made by the agency. If other arrangements are made to assure transportation…FFP is available as an administrative cost. 42 CFR section 440.170(a)(2)(1991) (unchanged in relevant years). Administrative costs are normally reimbursed at a 50 percent rate under Section 1903(a)(7) of the Act.

Also, the recipients' freedom of choice of providers is limited under the TX-DOT transportation program. Regulation cited in 42 CFR section 431.51 provides that Medicaid recipients may obtain Medicaid services from any entity that is qualified and willing to furnish them. Therefore, Texas may not restrict transportation providers to those subcontracts with TX-DOT without an approved freedom of choice waiver. Texas did not have a freedom of choice waiver for the provision of transportation services. "

Per HHSC's letter of appeal, "The Department believes that the disallowance is erroneous. As grounds for the appeal, the Department submits that it has complied with federal law and, further, that the disallowance is premature as to periods of time after the proposed effective date of a pending state plan amendment related to non-emergency medical transportation services."

Recommendation:

HHSC appealed the above disallowance on December 22, 2006. HHSC should continue to work with the Department of Health and Human Services Departmental Appeals Board and CMS to resolve.

Management Response and Corrective Action Plan:

HHSC will continue to work with the Department of Health and Human Services Departmental Appeals Board and CMS in accordance with the procedures prescribed in 45 CFR Part 16.

Implementation Date: *The implementation date will be determined in accordance with the procedures and timelines specified in 45 CFR Part 16 and related orders of the Departmental Appeals Board.*

Responsible Person: *J.B. McReynolds*

Reference No. 07-11

Allowable Costs/Cost Principles
Program Income

CFDA 93.767 - State Children's Insurance Program
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048
Type of finding - Reportable Condition Control

Pharmacy Rebate Information Management Systems (PRIMS) and Electronic Claims Management (ECM):

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

Pharmacy Rebate Information Management Systems (PRIMS) is the application Health and Human Services Commission (HHSC) utilized to process the vendor drug rebate transactions the first part of fiscal year 2006. Through inspection of administrative accounts, generic/shared administrative accounts are used to access the PRIMS environment. Administrative accounts were shared for development and maintenance work resulting in administrative access to the application not being appropriately restricted.

General controls should be in place to help ensure logical access to applications is restricted to appropriate personnel, changes to applications are authorized and tested, and batch processes and/or interfaces are complete and accurate. Administrative accounts should not be generic or shared, and developers should not have modification access to the production environment. The modification dates for the PRIMS application files were inspected and no programming changes were noted as being made to the files during fiscal year 2006.

Electronic Claims Management (ECM) was the application HHSC utilized to validate, approve, and pay for the vendor drug transactions the first part of fiscal year 2006. Documentation of management, testing, and production approvals was not available for 26 of 30 changes to ECM selected for testing. Documentation of management testing and production approvals should be retained for changes to ECM to minimize the increased risk that changes can be made to the application without appropriate testing and approvals.

Management of HHSC represented that several factors contributed to the reduction of documentation available for the changes selected for testing:

- Two lead developers resigned from HHSC, and their email folders were deleted.
- A hard drive error occurred on the Novell server that held the team's document repository, and HHSC support staff was unsuccessful in restoring all data.
- A flood in the Braker-H facility occurred in March 2006, damaging documentation.
- Due to time constraints related to hurricanes Katrina and Rita, much of the requirements were performed during frequent meetings and on white boards, leaving few records.

In addition, access to the ECM database was restricted at the table level, however, direct access to the production database was granted to the four developers. Developers were granted access to the production environment to perform program support duties. Per HHSC Enterprise Applications personnel, audit logs were developed and maintained to track who made changes to database records. These logs were to be reviewed to ensure the change was appropriate. However, for reasons mentioned above, documentation of these reviews was not maintained and could not be tested to ensure they were completed.

Inappropriate developer access increases risk that changes can be made to the application without management's approval or appropriate testing. With full update access, the user ID can be used to provide system access to add, update, or delete data. The complexity of the databases and associated systems is such that personnel without in-depth knowledge of specific applications and schema could not perform changes without detection through either end-user identification of errors or problems occurring in operation. However, sophisticated users or contractors, especially those with broad HHSC enterprise skills and experience, might have the knowledge to violate the requirement for appropriate segregation of duties. Developers with production access create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiency.

First RX and First Rebate:

First RX is the application Health and Human Services Commission (HHSC) currently utilizes to process the vendor drug rebate transactions. First Rebate is the application HHSC currently utilizes to validate, approve, and pay for the vendor drug transactions. First RX became operational in January 2006 and First Rebate in December 2005.

IDs with administrative privileges on the application should be restricted appropriately and developers should not have access to production. However, developers share access to an ID with administrative privileges. An excessive number of employees have been granted access to root on the production server and/or administrative rights in the database. Specifically:

- An administrative ID on the First RX application is available to three developers.
- Sixteen employees have access to root on the production server.
- Twenty-two employees have administrative access to the database.

In addition, access to the First Rebate production server AZPH-SRV-DB14, the First Rebate database, and the First Rebate application is not restricted appropriately. Multiple administrator groups each with multiple employees are granted access to the server. These groups include the Sqladmin group which grants administrative privileges to the First Rebate database and includes developers as its members. Developers have been granted super user access in the application. Specifically:

- Approximately 105 employees have administrative access to the First Rebate production server AZPH-SRV-DB14.
- Six of ten employees with administrative access to the First Rebate database are developers.
- Six of seven employees with administrative access to the First Rebate application are developers.

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

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiencies.

Recommendation:

PRIMS and ECM:

Both PRIMS and ECM were replaced in December 2005 and January 2006, respectively.

First RX and First Rebate:

Excessive access to administrative IDs should be restricted. Employees who perform development should not have access to the production environment.

Management Response and Corrective Action Plan:

PRIMS and ECM:

This audit report include three issues (1) access to the PRIMS administrative accounts, (2) ECM change control and (3) access to the ECM production database

> *Access to the PRIMS administrative accounts: The PRIMS application has been replaced. No action necessary.*
>
> *ECM change control: The factors that contributed to the ECM development team's inability to provide the requested documentation has been reflected in the audit finding. The ECM application has been replaced. No action necessary.*
>
> *Access to the ECM production database: HHSC Enterprise Applications had previously implemented several controls to restrict database access to authorized individuals. Previously, all production database tables could be updated by any individual with access to the production system (over 100 individuals had access). HHSC had implemented table-level security and restricted access to ECM developers and database administrators. Additionally, HHSC implemented policies and procedures that specified the steps and authorizations that developers must follow/obtain every time they directly update the production database. Audit trail reports are maintained and record every database change and who made the change. The reports are reviewed regularly to identify possible incidents of inappropriate access. The ECM application has since been replaced. No action necessary.*

Implementation Date: Not applicable

Responsible Person: Andy Vasquez

First RX and First Rebate:

The administrative ID ARADMIN on the First RX application is available to three developers: The ARADMIN is a generic type account for our First Trax Application. This account is maintained/controlled by the FirstTrax application. This is a required account for our FirstTrax application to work. The ARADMIN account is an account that is used internally to integrate the FirsTrax and FirstRx systems. This account is critical to the operation of the FirsTrax application and only the lead Remedy developers have access in order to support the Remedy system. The ARADMIN account is set to read only and the account is logged within the Oracle Audit logs. A change control ticket is needed for any change to this account and will require director approval for any changes.

Fifteen employees have access to root on the production server:
Root access is restricted to members of Systems Engineering, to which the 15 users belong. The Engineers support a large number of servers in a rotating on-call environment, hence the need for root privileges of all Engineers. This access is revoked when a member of the team moves to another team or leaves the company. All system engineers log into the systems with their own userid. Once authenticated as themselves, they are required to execute the Unix su command to "switch users" to the root account. The su activity is captured in the sulog. This is the same type of logging that takes place with other privileged accounts such as Oracle or Ingres.

Twenty-two employees have administrative access to the database:

It is our standard practice to grant Date Base Administrator (DBA) access to all production DBA's on all production databases. The Productions DBA's rotate thru on-call and database ownerships and need to be able to access all production databases as part of these functions. We realize that this is a large number, but based on our requirements this is necessary. We have implemented several controls to monitor this. The DBA access list is reviewed on a quarterly basis and DBA access is revoked when an employee leaves or is transferred. In November of 2006, we implemented Oracle auditing on the DBA's accounts as part of Sarbannes-Oxley (SOX) audit compliance. DBA's are required to make all data changes from their accounts which are captured in the Oracle audit logs. The audit logs are sent to the Change Control group on a weekly basis for review. Change control validates that changes are part of an authorized Change Control ticket.

First Rebate:

Approximately 105 employees have administrative access to the First Rebate production server AZPH-SRV-DB14: The logins are part of the 'Domain Admins' group within the Infrastructure teams. These groups are owned and maintained by the network administrators of the organization and by default have administrative access to all servers because of backup, OS support etc. We will review with team on how we can restrict their admin access to the database. The remediation for this process will involve removing the "SA" access from the Network administrator permissions for the Rebate production database.

Six of 10 employees with administrative access to the First Rebate database are developers:
Six of seven employees with administrative access to the First Rebate application are developers.
The six developers who have DBA access are members of a development group that will have their admin access removed. The Rebate items will be corrected within 60 days.

Implementation Date: *All items are implemented with the exception of the First Rebate which will be corrected by April 1, 2007.*

Responsible Person: *Troy Collison, Director of Application Development, First Health Services Corp.*
Garrett A. Anderson: Manager, Systems Engineering, First Health Services Corp.
Cathy Wantroba, Sr. Database Administrator- Production Supervisor, First Health Services Corporation

Reference No. 07-12
Eligibility

CFDA 93.767 - State Children's Insurance Program
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021
Type of finding - Reportable Condition Control and Material Non-Compliance

Children's Health Insurance Program State Plan:

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

Questioned Cost: $ 1,200

U.S. Department of Health and Human Services

Per the State Children's Health Insurance Program (SCHIP) State Plan Section 4, *Eligibility Standards and Methodology*, subsection 4.1.8 *Duration of Eligibility*, the Health and Human Services Commission (HHSC) "eligible children receive coverage for six continuous months". Per section 4.3, *Describe the Methods of Establishing Eligibility and Continuing Enrollment*, HHSC notes "based on the eligibility information and the receipt of necessary verifications, the system makes a determination of eligibility and sends written notification to the family." More detailed information is maintained in the Texas SCHIP Administrator Business Rules regarding the elections noted in the State Plan.

Specifically, Texas SCHIP Administrator Business Rules 370.44, *Acceptable Income Verification Documentation,* verification includes copies of at least one pay stub issued within 60 days immediately preceding the application date, income tax forms, proof of self-employment income, or statements from employers. Documentation must reflect an applicant family's current income. Also, effective August 24, 2004, the SCHIP assets test is an additional eligibility requirement for applying and renewing children with a Federal Poverty Level (FPL) above 150 percent. SCHIP households with a FPL above 150 percent may not have combined liquid and excess value assets in excess of $5,000. Per rule 370.42, *Eligibility Applicant Children*, SCHIP children are eligible if they are: birth through age 18, live in a household with an FPL of at or below 200 percent and not otherwise eligible for Medicaid, citizens or legal immigrants, and uninsured for at least 90 days.

From a sample of 50 eligible recipients who received SCHIP during fiscal year 2006, two exceptions were noted. One case file did not contain a proper proof of employment as required by Business Rule 370.44 noted above. The individual received SCHIP benefits of approximately $1,200 for the fiscal year. Health and Human Services Commission (HHSC) management also noted that authorization was given to Texas Access Alliance (TAA) to extend benefits even though renewal packets were not complete. Per correspondence dated March 28, 2006 from the HHSC Executive Commissioner to Texas Association of Health Plans Commissioner Albert Hawkins, TAA, the vendor administering SCHIP in Texas, authorized to receive and process information and fees up to the close of business on March 31, 2006 to allow families additional time to comply with renewal packets not returned, non response to official requests for missing critical information, and failure to pay the required enrollment fee.

As noted above, the State Plan required recertification every 6 months and denoted that eligibility determinations are made once verification information is received. Therefore the HHSC Commissioner's waiver alters the approved State Plan without federal government approval. Total number of individuals whose benefits were extended when their files were not complete were approximately 86,000.

In addition, one case benefit capitation was improperly calculated. When recalculated, the benefit amounts were unchanged therefore, there are no questioned costs associated with this individual.

INFORM Application:

During September and October 2005, eligibility for the SCHIP was determined through the INFORM application, which was administered by Affiliated Computer Systems. In November 2005, the eligibility determination was migrated to a new application called MaxE, which is administered by the Texas Access Alliance. Since the functionality of the INFORM application was replaced, the application was retired and thus the general controls (logical access, program change controls, and operations) that supported the application could not be assessed. During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiency.

Recommendation:

Children's Health Insurance Program State Plan:

The State Plan which has been approved by U.S. Department of Health and Human Services is required to be amended in advance of any policy changes affecting the issuance of benefits. HHSC should contain their federal SCHIP liaison and obtain retroactive approval for the above policy change.

INFORM Application:

No recommendation as the INFORM application was retired in October 2005.

Management Response and Corrective Action Plan:

Children's Health Insurance Program State Plan:

HHSC contracted with the Texas Access Alliance (TAA) to administer SCHIP effective November 1, 2005. With the change in contractors, the new vendor was expected to use technologies available to verify income independently, without requesting income verification, unless third party sources were not available.

For families attempting to renew in March and April 2006, the state determined through monitoring efforts that the contractor was not processing actions timely or correctly. Federal regulations at 42 C.F.R. 457.340 (d)(2) require eligibility determinations to be made within 45 calendar days. Cases were pended for missing information, but research by state staff found the contractor requested information when it wasn't needed, failed to use available third party verification sources, or hadn't processed verifications when they were returned. To ensure that eligible children were not denied coverage inappropriately, the state made the decision to allow additional time for families to provide missing information, and for the vendor to complete processing. Cases that were pended for missing information were extended for an additional month. Further extensions were authorized when the contractor was not able to process the backlog timely, but in no case did the extensions result in eligibility extended beyond the 12 month limitation in federal law.

Based on the low probability of a child becoming ineligible at renewal, families that submitted an application to renew coverage, which had not been processed timely or accurately, were extended to ensure coverage continued for eligible children. Historically, out of the total number of families that attempt to renew every 6 months, only 15 per cent of children are found ineligible for continued enrollment. The total number of children extended in FY 2006 was 85,932. Of that number, 12,891 children would likely have been found ineligible after completing the renewal process, with approximately $2,170,657 in capitated payment.

To further ensure that eligible children continue enrollment, HHSC has:

- *clarified all written SCHIP correspondence and notices to clearly communicate requirements,*
- *modified renewal timeframes to give families more time to submit information and understand deadlines,*
- *given the contractor more detailed instructions for processing missing information, and*
- *increased monitoring of contractor processing and operations to prevent continued problems.*

With respect to the audit exception "One case file did not contain a proper proof of employment".

This exception is a direct result of HHSC Commissioner action that the auditors contend modified the approved State Plan without federal government approval. HHSC disagrees with this exception. The renewal action in question did not violate federal or state law and did not require any waiver of, or change to, any provision of the Texas SCHIP State Plan (State Plan). The auditors relied on TAC §370.44 and §370.42 which do not apply to renewals, they apply only to initial eligibility determinations.

Federal law does not require that eligibility verification requirements be memorialized in a State Plan, and the Texas State Plan does not include them. Federal law requires only that a State Plan describe the standards used to determine eligibility. Eligibility standards include criteria such as income, asset and age limits, etc., but do not include eligibility verification mechanisms. Federal law specifically gives the state flexibility to "establish reasonable verification mechanisms to promote enrollment of eligible children and may permit applicants and enrollees to demonstrate that they meet eligibility requirements through self-declaration or affirmation." 42 C.F.R. 457.380(b).

HHSC chose to place its reasonable verification mechanisms in its business operations manual. There is no need or requirement to repeat these mechanisms in the State Plan, and there is no need or requirement to seek CMS approval to modify them. HHSC placed its renewal process, including eligibility verification mechanisms, in its operations manual. This gives HHSC maximum flexibility to improve and simplify the renewal process as system and technological improvements become available and to resolve problems identified through ongoing program monitoring.

Federal law gives HHSC the flexibility to determine eligibility verification mechanisms and when changes are needed. Neither federal nor state law mandates how the renewal process will be conducted. Operational processes, including those related to eligibility verification, and changes to those processes do not require approval from CMS.

With respect to the audit exception "one case benefit capitation was improperly calculated".

The error was identified and corrected prior to the auditors sample selection and test work.

Auditor Response to Management Response and Corrective Action Plan:

As noted above, U.S. Department of Health and Human Services (HHS) does provide flexibility to the states in determining eligibility levels through the use of the individual State Plans which are approved by HHS. Per the State of Texas State Plan for State Children's Health Insurance Program (State Plan) Section 4, Eligibility Standards and Methodology, subsection 4.1.8 Duration of Eligibility, the HHSC elects "eligible children receive coverage for 6 continuous months". Even though the recertification period utilized by HHSC is less than the 12 month limitation in federal law, deviation to the State plan should be approved by HHS. KPMG did suggest that clarification from HHS regarding what type of changes to the State Plan were necessary to be approved in advance would assist in resolution of the above matter but HHSC declined.

Implementation Date: February 6, 2007

Responsible Person: Joanne Molina

INFORM Application:

We agree with recommendation.

Implementation Date: February 6, 2007

Responsible Person: Elisa J. Garza

Reference No. 07-13

Eligibility

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 0601TXTANF and 0501TXTANF

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048

Food Stamp Cluster
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX400105 and 5TX400105
Type of finding - Material Weakness Control and Material Non-Compliance

Questioned Cost:	$ 88,306
U.S. Department of Health and Human Services	
U.S. Department of Agriculture	

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

Per review of the regulations and State Plan documents for Medicaid, TANF and Food Stamp benefits, individuals must generally meet the following criteria to be eligible for any of the three forms of aid, and the information is required to be verified per a third party source of information. Any exceptions are noted below:

- Completed and signed an application for benefits with eligibility redetermined at least every 12 months for Medicaid (42 CFR 435.916(a)), TANF (per State Plan), and Food Stamps (7 CFR 273.10(f)) In some situations, Medicaid cases are not required to be redetermined such as for earned income transitional coverage.
- Be a Texas resident. Verification of residency is not required for Medicaid recipients. Verification is required for TANF, per State Policy, and Food Stamps per 7 CFR 273.2(f)(1)(vi).
- Be a U.S. citizen or non-citizen in certain recognized categories. Verification is not required for non-cash TANF recipients. Verification is required for Medicaid by State Policy and federal regulations effective July 1, 2006; cash TANF by State Policy; and Food Stamps if receiving cash TANF benefits based on TANF State Policy.
- Meet certain resource and income limits, which vary by eligibility group, including proof of unemployment. Verification is required for all programs by State Policy and additionally for Food Stamps verification of "gross non-exempt income" is required by 7 CFR 273.2(f)(i).
- Social security number. Verification of social security numbers is required for Medicaid by 42 CFR 435.910(g); TANF by State Policy; and Food Stamps by State Policy and 7 CFR 273.2(f)(1)(v).

TIERS

Audit procedures included review of certain general and application level controls designed for TIERS along with review of selected case files, as noted below. The following were noted with regard to the general control procedures performed:

- Access controls are inappropriately designed at the Oracle database level.
- The URL for the TIERS login screen is available on the internet and while User ID and password are required, it does not require authentication through a VPN to the HHSC or TAA network.
- There is no periodic review of TIERS users, or the privileges associated with those users.

In addition, the eligibility process supported by TIERS is not appropriately designed and/or operating effectively to enforce the respective eligibility decisions necessary to ensure clients are eligible and receive proper benefit amounts.

- TIERS is not designed to enforce third party verification for residency, social security number, or U.S. citizenship. A field for each is required to be populated however one of the choices is "client statement" which does not constitute third party verification. Select of self declaration through "client statement" allows the respective case file to proceed to the next step toward benefit issuance with no third party verification. In limited circumstances (e.g., homeless person), self declaration for residency is acceptable. However in general circumstances, these three elements are required to be verified with a third party.
- TIERS interfaces with the Social Security Administration (SSA) to verify social security numbers. TIERS is designed so that a correct match of a client's social security number will populate a field noting the respective social security number has been verified. For social security numbers where a match is not successful, an alert is sent to the file for the case worker to investigate. However, TIERS is not designed nor are their manual controls to restrict benefits from being issued if the social security number has not been verified before the first recertification.
- The Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant's income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission. Through IEVS, applicants' social security numbers are matched to respective agencies' records to verify earned and unearned sources of income. The automated IEVS interface is currently not in production in TIERS. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for Food Stamps (7 CFR 272.8)
- Weekly Business Exception reports resulting from the SDX process (i.e., SSI interface) are to be addressed and resolved by HHSC to ensure the completeness and accuracy of the SDX interface. In September 2006, it was noted that the temporary database table used to create the Business Exception report was not included in the daily synchronization routines, thus new exceptions were not identified nor resolved in a timely manner. After identification of the issue in September 2006, the reports were rerun and exceptions were resolved in the beginning of the 2007 fiscal year.
- Dates entered in the system significantly affect the calculation of benefits because TIERS uses this information to determine the correct month a change in benefits takes effect. Inaccurate dates entered in TIERS can cause incorrect benefits to be issued. When existing income changes, the worker must enter the actual date of the change, the report date of the change, and the discovery date. This change creates a new income record and saves the existing record to case history. During the fiscal year, the begin date field for the new income was pre-populated with the begin date field date of the existing income record and the system did not force the case workers to adjust the date to reflect the effective begin date of the new income record. For instances such as these or when a case worker enters an incorrect date, TIERS could determine supplements or overpayments that may not be valid.
- Certain fields are noted as required on various screens within TIERS. Within a set of "logical unit of work" screens, a case worker is not able to advance to the next input screen without entering information into all the required fields. The system design requires case workers to pend from the "questions" page that precedes the logical unit of work when all of the required detail information is not available. However once the case worker unpends the question page, they are committed to the logical unit of work. At this point, system design requires selected fields to be completed in order to advance to the remaining screens to enter information the case worker has obtained. If the caseworker does not have the information for these required fields, "placeholder" information can be entered in order to advance to the screens for which case information has been. TIERS is not designed to pend these "place holder" inputs nor does it require the case worker to return and validate the inputs.
- The design of TIERS does not provide an easily accessible case history for each case action, including changes made to the client's file. Therefore, when it is necessary to recreate eligibility determinations made at a certain point in time and to assess whether the benefits amounts were appropriate, users must view history on various screens and certain information for each recipient must be pulled from archive records located in the Data Collections Table in the database. Associated database time and date stamps are also required to recreate the case history.

Further, the HHSC Office of Inspector General (OIG) is responsible for recoupment of overpayments and pursuit of fraud in HHSC. Not all of the information required to perform recoupment and fraud investigations is readily available, and certain information in TIERS lacks the level of data integrity required to support court cases. In April 2005, OIG suspended recoupment efforts and its investigation and pursuit of fraud cases for clients living in zip codes serviced through TIERS, pending the completion of the appropriate TIERS improvements.

For 50 files reviewed receiving Food Stamps, 19 unduplicated files with total benefits paid of $37,527 were found to be incomplete, benefit calculated using unsupported information, or the supplemental benefits were calculated incorrectly. Three of the files missing social security number verifications included other exceptions mentioned elsewhere: one related to missing budget information and two related to improper supplements.

- Nine files were missing verification of social security numbers with SSA. When HHSC was notified of the missing verification, eight of these nine files were subsequently verified and recalculation of benefits performed. For the file on which verification could not be performed, eligibility was not able to be verified and benefits were not recalculated. Benefits paid related to the nine files during fiscal year 2006 were $20,351.
- Three files had a variety of missing verification items. For these files eligibility was not able to be verified and benefits were not recalculated. Benefits paid related to these files during fiscal year 2006 were $4,045.
- Of the 46 files for which recalculations of benefits were attempted, four households' benefits were found to include unsupported budget information. Therefore, benefit amounts could not be validated. Amounts paid related to these files for fiscal year were $11,715.
- Of the 46 Food Stamp files for which recalculations of benefits were attempted, eleven households received supplemental benefit payments. Of these supplements, two were properly issued due to receiving the information too late in the month to adjust benefits, three were properly issued to adjust incorrect prior month payments caused by case worker error, and six totaling $2,732 were issued incorrectly. Of the six supplements issued in error, two were discovered by HHSC as part of its internal review processes. Approximately 34,300 supplements for Food Stamps and TANF totaling $2.9 million were issued during the fiscal year.

For 50 files reviewed receiving TANF, 19 files with total benefits paid of $25,237 found to be incomplete or benefit calculated using unsupported information.

- Four files were missing only the verification of social security numbers with SSA. When HHSC was notified of the missing verification, the four files were subsequently verified and recalculation of benefits performed. Benefits paid related to the four files during fiscal year 2006 were $5,533.
- Thirteen files had a variety of missing verification items so eligibility was not able to be verified and benefits were not recalculated. Benefits paid to these households during fiscal year 2006 were $17,388.
- Of the 37 files for which recalculations of benefits were attempted, 2 households' benefits were found to include unsupported budget information. Therefore, benefit amounts could not be validated. Amounts paid for fiscal year were $2,316.
- Of the 37 TANF for which recalculations of benefits were attempted, five households received supplemental benefit payments. Of these supplements, two were properly issued due to receiving the information too late in the month to adjust benefits, and three were properly issued to adjust incorrect prior month payments caused by case worker not processing timely. Approximately 34,300 supplements for Food Stamps and TANF totaling $2.9 million were issued during the fiscal year.

For 50 files reviewed with total benefits paid of $15,674 receiving Medicaid, 12 files were found to be incomplete, or eligibility determined using unsupported information.

- Two files were missing only the verification of social security numbers with SSA. When HHSC was notified of the missing verification, the two files were subsequently verified and redetermination of benefits eligibility occurred. Benefits paid related to the two files during fiscal year 2006 were $2,865.
- Eight additional files had a variety of missing verification items so eligibility was not able to be verified. Benefits paid to these households during fiscal year 2006 were $11,825.
- Of the 43 files for which redetermination of eligibility for benefits was attempted, three households' benefits, one of which was also missing verification of social security number, were found to include unsupported budget information. Therefore, eligibility could not be verified. Benefits paid for fiscal year were $3,112.

SAVERR

For 50 files for individuals receiving Medicaid, TANF and Food Stamp benefits:

- HHSC was unable to provide one file. The amount disbursed for this individual was unable to be verified and was $798 for Food Stamp, $456 for TANF and $1,677 for Medicaid, for a total of $2,931.
- In addition, the application for one individual was unavailable for review. The amount disbursed for this individual was $1,209 for Food Stamp, $1,004 for TANF and $927 for Medicaid, for a total of $3,140.
- Finally, employment verification for a third file was not available. The amount disbursed for this individual was $2,133 for Food Stamp, $759 for TANF and $905 for Medicaid, for a total of $3,797.

In addition, access controls are inappropriately designed for the SAVERR database. User identification numbers with production update access have not been limited to the database based on the principle of least access. Eighty-five user IDs have full demand access to update both the production and development SAVERR databases on the Unisys mainframe. Forty-one (41) IDs of the 85 belong to developers and the remaining IDs belong to IT support staff and contractors.

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

Finally, a sample of 31 programming changes was tested during the fiscal year. Evidence of management approval was not maintained for 3 of the 31 changes. Testing was required for 18 of the 31 changes; however, five of these changes did not have testing documentation maintained. User acceptance testing was required for 16 of the 31 changes; however, 5 of these changes did not have evidence of acceptance testing maintained.

Summary

The following analysis provides perspective for the above three programs:

		Food Stamps	TANF	Medicaid
Approximate amount of benefits paid for clients processed through TIERS for fiscal year 2006	$	131,623,000	6,746,000	265,457,000**
Approximate amount of benefits paid for clients processed through SAVERR for fiscal year 2006	$	3,005,482,000	258,548,000	11,502,627,000
Approximate amount of benefits paid for clients processed through non HHSC eligibility system for Emergency Assistance (EA)	$	—	240,936,000	—
Approximate total expenditures per 2006 Federal Schedule	$	3,137,105,000	506,230,000	11,768,084,000
Approximate total number of clients served through SAVERR in August 2006		2,205,000	136,400	2,515,700
Approximate total number of clients served through TIERS in August 2006		122,000	17,600	111,300
Approximate total number of clients served in August 2006, excluding EA		2,327,000	154,000	2,627,000

** Aggregate of approximately $82,100,000 managed care fees for ten months of service in fiscal year 2006 due to 60 day claim lag and approximately $183,357,000 of fee for service representing the fiscal year 2006.

Recommendation:

The State's policies of what is "required" documentation to support the eligibility determinations should be refined and documented in a manner that will increase the efficiency of the case workers and provide concise, consistent guidance. Documentation does not need to be redundant but sufficient to support the eligibility determinations based on the information maintained in the client file or readily accessible through other State systems. When refining the State policies, consideration should be given to the existing eligibility quality control program that Texas has in place. Documentation standards should be sufficient to enable the quality control personnel to accomplish their tasks without having to obtain additional documentation from the client, even if a face-to-face interview is required by the quality control policies. In addition, HHSC should continue to focus on their training of case workers with regard to State policy which will further enhance the consistent use of TIERS.

TIERS

HHSC should continue to address the design issues of the eligibility process supported by TIERS for:

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

Also, the requested system change orders should continue to be implemented which will allow OIG to resume recoupment and pursuit of fraud efforts for the TIERS related benefits.

SAVERR

HHSC should ensure that income information is verified with all applicants as part of the eligibility determination process. Additionally, HHSC should retain all required documentation supporting the verification of eligibility.

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

Changes to applications should be authorized by program management and tested, and documentation of the authorization and testing should be maintained

Management Response and Corrective Action Plan:

HHSC staff will conduct a review of verification and documentation requirements to ensure sufficient evidence exists to fully support Medicaid, TANF, and Food Stamp eligibility determinations. Any process changes that may be required will be developed and implemented by July 31, 2007. If system modifications are required to support process changes, they will be submitted to the TIERS Change Control Board.

Current TIERS workers will continue to receive training on existing and improved processes and new TIERS functionality as it becomes available. TIERS training for new workers continues to be enhanced as new functionality becomes available or when improvements to existing curriculum are needed.

TIERS:

Automated Control Functions and Interfaces

HHSC staff will evaluate the options and costs related to Oracle access control recommendations and present the results to management so that appropriate access control modifications or compensating controls can be implemented.

HHSC has examined the feasibility of using VPN access for external TIERS users and determined that this method is not practical or efficient. Alternatively, automated access control software has been implemented to provide web-based entry into TIERS. This service facilitates statewide access by authorized parties who are not part of the HHSC network, such as HHSC's trading partners. A number of corresponding controls to offset potential vulnerabilities associated with placing the TIERS portal on the public Internet are in place, including: (a) logging and analyzing all unsuccessful web portal log-ins through automated reporting mechanisms, (b) screening logs for evidence of any brute force password attacks, and (c) promptly disabling all accounts that have been inactive in excess of 90 days.

HHSC's password policies, which require the use of complex passwords and regular, forced password changes, are in effect. In addition, quarterly reviews of TIERS users to ensure that they are still accessing the system were implemented earlier this fiscal year.

Additional functionality is currently being developed to allow verification of earned and unearned sources of income through the IEVS interface. This functionality is expected to be in production in August 2007. Other improvements, including case history reporting enhancements to support business needs as well as the OIG's investigation and pursuit of fraudulent activities, are underway and will be implemented in TIERS by March 2007.

Data Validation and/or Eligibility Rules

Functionality is now available to prevent workers from deleting income records and to facilitate the process of entering a change of income in TIERS screens. A second level review process is also in place for situations where Food Stamp/TANF supplements exceed a predefined threshold or when supplements are being requested for benefit months more than three months in the past. This functionality, combined with the additional training case workers received regarding the issuance of supplements in TIERS, has reduced the number of supplements issued through the system.

Agency policy requires that case workers obtain verification of residency, citizenship, and income, where applicable. Although there is no federal requirement regarding the specific evidence that must be retained, HHSC will review current processes and system documentation requirements to ensure that eligibility determinations are supported with sufficient documentation.

For cases where social security numbers were not verified with SSA prior to recertification, the recalculation of benefits showed no evidence that benefits for these cases were paid in error. Social security numbers were not validated because the interface that validates social security numbers with SSA was not functional at the time TIERS was implemented in June 2003. When the interface was later implemented in 2005, existing un-validated social security numbers were not sent to SSA for validation. To correct this one-time issue, all un-validated social security numbers existing in TIERS will be identified and sent to SSA for validation. When a social security number match is unsuccessful, HHSC will validate the social security number against the SSA State On-Line Query (SOLQ) system. If this also fails, further follow-up will be performed through direct communication with the client. HHSC staff will monitor any social security numbers that fail the automated interface validation process until resolved.

Manual Compensating Controls

As part of its review of eligibility processes, HHSC will determine where it is most practical or efficient to include controls to ensure key support documents are properly maintained. For some processes, adequate system and management controls already exist in TIERS. For other processes, management may determine that the controls should exist in TIERS but do not, and will take appropriate steps to ensure business processes are updated and supporting system changes are made. When it is determined that processes would not be efficiently or practically supported by automated system controls, HHSC will ensure that sufficient non-system, or manual compensating controls are in place, and that staff is adequately trained to perform required procedures.

Fraud Investigations

Although fraud investigations of TIERS cases were suspended in April 2005, it should be noted that only about five percent of statewide clients in the Food Stamp program, in which the HHSC Office of Inspector General has traditionally performed most of its fraud investigative work, reside in TIERS–supported counties (Travis and Hays). In the four years prior to suspending investigations in TIERS-supported counties, OIG investigations in these counties resulted in an average of 176 Food Stamp and TANF referrals per year. To put this in perspective, in August 2006, about 122,000 Food Stamp clients were served in TIERS–supported counties.

Improvements to TIERS' reporting that will provide the HHSC Office of Inspector General with the information it needs to pursue the recoupment of overpayments and to investigate fraud cases are scheduled for completion in March 2007.

SAVERR:

Current state policy requires verification of all reported income unless the applicant is ineligible. Verification is performed through review of support documentation provided by the client at the time of application or renewal. In addition, although not required by federal regulations, HHSC performs Texas Workforce Commission (TWC) inquiries for all applicants. (Although TWC data is from the previous quarter, it is an indicator of current income.) Documentation to support the TWC inquiry results, however, has not been consistently maintained. Processes will be reviewed and updated to ensure sufficient evidence of reported income to support eligibility determination exists, and staff will be trained on any new processes once they are developed.

Existing file retention procedures and expectations were shared with Office of Eligibility Services (OES) Regional Directors in January 2007. These expectations included:

- *File retention timeframes for purging, storage, and destruction of case folders.*
- *Procedures to be followed for purging, storage, and destruction of case folders.*
- *Expectations for the notification to OES State Operations of actions taken by the regions concerning file retention, transmittal to storage, and filing within the office.*

In addition, OES Regional Directors were instructed to share these expectations with all staff who have responsibility for ensuring that file retention procedures are followed.

Access to the production and development environments is limited to appropriate staff through a request process that requires approval by supervisors in the development area as well as approval by HHSC IT management. The process, which will be improved to include periodic review of database access rights, will provide adequate protection to safeguard against unauthorized system changes.

In January 2007, SAVERR Systems implemented enhanced procedures to help ensure applications changes are authorized by program management, tested, and documented.

Implementation Date: *July 2007 - Eligibility processes reviewed and appropriate enhancements implemented. If system changes are required, implementation dates for these changes will be scheduled through the TIERS Change Control Board process.*
August 2007 - TIERS interfaces to validate income information placed in production.

Responsible Person: *Kirsten Jumper, Taylor O'Brien, and Charlie Bertero*

Reference No. 07-14

Program Income

CFDA 93.767 - State Children's Insurance Program
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021

Medicaid Cluster
Award year - October 1, 2005 to September 31, 2006, October 1, 2004 to September 31, 2005, and October 1, 2003 to September 31, 2004
Award number - 0605TX5028, 0605TX0548, 0505TX5028, 0505TX0548, 0405TX5028, and 0405TX0548
Type of finding - Reportable Condition Control and Non-Compliance

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

Title XIX, Section 1927 of the Social Security Act allows states to receive the same rebates for drug purchases as other payers receive. Drug manufacturers are required to provide a listing to Centers for Medicare and Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer's price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provided to states. No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data. Within 30 days of receipt of the utilization data from the state, the manufacturers are required to pay the rebate or provide the state with written notice of disputed items not paid because of discrepancies found.

The Health and Human Services (HHSC) Rebate Operations manual states that SLOWPAY letters are generated 45 days after the invoices are due and mailed by the 50th day after the invoice due date. Beginning January 2006, HHSC contracted with First Health Services Corporation (FHSC) to administer the Vendor Drug Rebate Program for the Medicaid Cluster and SCHIP. FHSC's contract required the generation and mailing of the SLOWPAY letters to drug manufacturers. However HHSC was not monitoring this provision of the contract and was unaware the letters were not being mailed. The audit procedures involving review of program income receipts and related SLOWPAY letters identified this fact. Drug manufacturer SLOWPAY letters were not generated from January 2006 through July 2006.

For a sample of 50 drug manufacturers for the Medicaid Cluster with program income, 12 were late in submitting their payments and should have received the SLOWPAY letters. Of the 12 in our sample, 7 did not receive the letters while HHSC was responsible for generating (i.e., prior to January 2006). The remaining five were not sent by FHSC. For the 12 vendors, 10 have subsequently paid their rebates.

For a sample of 40 drug manufacturers for the SCHIP Cluster with program income, 4 were late in submitting their payments and should have received the SLOWPAY letters. Two of the four in our sample did not receive the letters while HHSC was responsible for generating (i.e., prior to January 2006). The remaining two were not sent by FHSC. For the four vendors, three have subsequently paid their rebates.

Recommendation:

HHSC contacted FHSC and corrected the oversight in July 2006. HHSC should continue to monitor FHSC's performance under the drug manufacturer rebate contracts.

Management Response and Corrective Action Plan:

The last rebate invoices that HHSC generated were mailed November 28, 2005. Payments for those invoices were due by January 5, 2006 and SLOWPAY letters *or Dunning Notices were due by February 24, 2006 (50 days later). However, on December 31, 2005 HHSC ceased all entry of payments into the PRIMS system, which was the in-house vendor drug rebate system used prior to the outsourcing of the rebate program to FHSC. The Operational Start Date for FHSC to begin maintaining the Vendor Drug Rebate Program was February 13, 2006. During that transition period, neither the HHSC nor the FHSC rebate system contained the complete invoice and payment data that was needed to prepare accurate Dunning Notices by the February 24 procedural deadline.*

FHSC was responsible for sending Dunning Notices, as stated in their RFP proposal, and they should have sent the Notices by April 19, 2006, following the first invoices they produced. Once brought to our attention, HHSC immediately directed FHSC to issue Dunning Notices. FHSC immediately sent Notices for the current and prior quarters, for all programs. In the future, FHSC will send multiple Dunning Notices to drug manufacturers 50, 75, and 90 days after the postmark date of the invoice. In addition, HHSC has developed and implemented a FHSC Monitoring Plan. This plan includes clear provisions for staff to follow regarding Dunning Notices to ensure their timely production by the vendor.

Implementation Date: Implemented on July 6, 2006

Responsible Person: Andy Vasquez

Reference No. 07-15

Special Tests and Provisions - Child Support Non-Cooperation

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 0602TXTANF and 0501TXTANF
Type of finding - Reportable Condition Control and Material Non-Compliance

Questioned Cost:	$2,100
U.S. Department of Health and Human Services	

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

For six of forty non-cooperating cases, there was no reduction in benefits. The amount of benefits provided to four of these six individuals, during fiscal year 2006, when benefits should have been reduced, is approximately $2,100. The remaining two individuals dropped out of the program prior to receiving any benefits. Five of these six files were isolated to one Region and the questioned costs related to the Region were $1,300 of the $2,100. HHSC quantified that the Texas Attorney General's Office referred a total of 965 individuals for non-cooperation with federal child support cooperation requirements for this one region during fiscal year 2006. HHSC further identified and quantified that a total of 226 individuals were referred by the Attorney General during the period of March 1, 2006 through June 24, 2006, the period identified in which a process breakdown resulted in non-cooperation sanctions not being instituted in this one region.

Recommendation:

HHSC should enforce the policy to process cases timely.

Management Response and Corrective Action Plan:

The HHSC Office of Eligibility Services will continue to ensure that Child Support Non-Cooperation reports are completed timely and accurately. The findings were attributed to one region and a corrective action plan was implemented effective August 1, 2006, to ensure that the region processes all reports timely and accurately.

The remaining individual, not associated with the one Region, is not a compliance deficiency. Information was received from the Attorney General's Office confirming that their office had sanctioned this individual in error. Field staff corrected the case and the TANF grant was reinstated with no loss in benefits. This information was identified subsequent to the auditor's fieldwork.

In addition, if the amount of benefits provided to the four individuals is calculated at the 100% State policy sanction level, then the amount of reduced benefits during FY06 for these four individuals is $2,100. If the amount of benefits provided to these individuals is calculated at the minimum federal requirement, or an amount equal to 25% of the individual's TANF grant, then the amount of reduced benefits during FY06 for these individuals would be $525.

Implementation Date: August 1, 2006

Responsible Person: Kirsten Jumper, Taylor O'Brien, and Fay Booker

Reference No. 07-16

Special Tests and Provisions - Issuance Document Security - Electronic Benefits Transfer (EBT) Issuance

Food Stamp Cluster
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX400105 and 5TX400105
Type of finding - Reportable Condition Control and Non-Compliance

Per 7 CFR 274.11(b), the state agency shall control all issuance documents which establish household eligibility while the documents are transferred and processed within the state agency. The state agency shall use numbers, batching, inventory control logs, or similar controls from the point of initial receipt through the issuance and reconciliation process. The state agency shall also insure the security and control of authorization documents in transit from the manufacturer to the state agency.

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

Security over Electronic Benefits Transfer (EBT) Food Stamp cards (i.e., LoanStar cards) was reviewed for 40 local intake offices. Health and Human Services Commission (HHSC) policy is that logs are maintained at each office to denote receipt, issuance, and destruction of EBT cards. In addition, monthly inventories of the EBT cards are required to be conducted by management of the office and reconciled to the daily logs. The following was noted:

- Two offices, one in the Dallas region and one in the Austin region, have not performed inventory counts over the EBT cards since September 2005. The position responsible for the inventory counts is vacant, and therefore, the inventory observations have not occurred.
- In addition, internal audit for HHSC performed reviews of selected offices and noted findings in their respective reports with regard to security over the EBT cards. Two offices in our sample had associated internal audit reports dated July 2005; however, management of the office had not prepared or submitted the required corrective action plan as of August 2006.

Recommendation:

HHSC intake office management should reassign the responsibility of the required monthly inventories when personnel turnover occurs. To minimize the disruption of turnover, EBT card inventory should not be the responsibility of one individual (i.e., cross training). In addition, each office should adhere to the determined timeline for responses to internal audit reports.

Management Response and Corrective Action Plan:

Inventory Counts

At the Regional Director's meeting on January 23 and January 24, 2007, the Office of Eligibility Services (OES) Regional Directors will be informed of revised expectations regarding the conducting of monthly EBT inventory counts. These revised expectations will include:

1. *Every month, Regional EBT Coordinators will notify their Regional Director that all offices within their respective regions did conduct an inventory of all EBT documents during the current month.*
2. *Every month, Regional Directors will ensure that all offices in their respective regions did conduct an EBT inventory. Should their Regional EBT Coordinator inform a Regional Director that an office that did not conduct a monthly inventory, the Regional Director will ensure that such an inventory is immediately conducted in the office and that the issue is formally addressed with staff responsible for conducting the monthly inventory.*
3. *Every month, Regional Directors are to inform OES State Operations staff that every office in their region has conducted a monthly EBT inventory.*
4. *Regional Directors will ensure that EBT inventories conducted in offices in their regions will meet all the requirements for the inventories including the physical counting of documents and the completion and submittal of forms. Regional Directors will require any processes and/or systems are in place to ensure this expectation is met.*

Prior to January 31, 2007, the three offices that had not completed monthly EBT inventories will conduct inventories and report the findings of those inventories to their Regional EBT Coordinators and their Regional Directors. The Regional Directors will report to OES State Operations staff that the EBT inventories have been conducted and what the findings as a result of those inventories were.

Corrective Actions Plans Not Submitted

At the Regional Director's meeting on January 23 and January 24, 2007, Office of Eligibility Services (OES) Regional Directors will be informed of revised expectations regarding EBT office reviews within their regions. These revised expectations include:

1. *The findings from any EBT Reviews conducted within their respective regions will be provided both to their Regional EBT Coordinator and to the Regional Director within 5 days of the completion of the EBT review.*
2. *Within 5 days of the receipt of the findings from an EBT Review, the Regional EBT Coordinator will assign the task of preparation and submittal of a Corrective Action Plan to those findings. The Regional EBT Coordinator will track for submittal of the Corrective Action Plans.*
3. *Should any Corrective Action Plan not be received by the assigned due date, the Regional EBT Coordinator will notify the Regional Director. The Regional Director will ensure that the Corrective Action Plan is developed and submitted.*

Prior to January 31, 2007, the two offices that did not submit Corrective Action Plans addressing the findings from EBT Reviews conducted by DHS Internal Audit in fiscal year 2005 will submit Corrective Action Plans to their Regional EBT Coordinator and their Regional Director addressing those findings. The Regional Director will notify OES State Operations staff that the Corrective Action Plans have been received and implemented.

Implementation Date: January 23, 2007

Responsible Person: Kirsten Jumper and Taylor O'Brien

Reference No. 07-17

Special Tests and Provisions - Utilization Control and Program Integrity

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 05-0605TX5028, 05-0605TX5048, 05-0505TX5028, 05-0505TX5048, 05-0405TX5028, 05-0405TX5048, 05-0305TX5028, and 05-0305TX5048
Type of finding - Reportable Condition Control and Non-Compliance

Per 42 CFR 456.4, the agency must (1) Monitor the statewide utilization control program, (2) Take all necessary corrective action to ensure the effectiveness of the program, (3) Establish methods and procedures to implement this section, (4) Keep copies of these methods and procedures on file, and (5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program.

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

To adhere to these requirements, Health and Human Services Commission (HHSC) developed a Utilization Manual which defines processes and procedures for employees to follow when performing reviews of physicians and other non-institution providers. Polices include the registered nurse (RN) signing the cash files and then a review being conducted of each cash file by the Research Analysis and Detection (RAD) manager. The following items were noted regarding surveillance utilization for the 50 files reviewed:

- For four cases, The RAD manager did not sign the file to indicate a conclusion was reached.
- For one of these four files not signed by the RAD manager, the RN performing the utilization review did not sign the file documents.

Recommendation:

HHSC should adhere to the policies and procedures set up in the Utilization manual.

Management Response and Corrective Action Plan:

The case files reviewed were completed during the time period when there had been nursing staff turnover including the Manager position. These vacancies created a higher than normal case load for the remaining nurse analysts and required that the lead nurse analyst assume some of the duties of the vacant Manager position. In an attempt to address the difficulties in being able to hire and retain qualified nurses, HHSC has a pending request with the State Comptroller to allow for an increase for nurse pay and payment of retention bonuses.

The current RAD Manager has reviewed the work flows and processes with the RAD staff to ensure that they are being followed. A file is not considered completed until the appropriate reviews and signatures have been obtained.

The Director, Technology Analysis, Development & Support (TADS), will conduct spot checks of the completed files to ensure compliance.

Implementation Date: Process for ensuring compliance to this procedure is already in place.

Responsible Person: Genie DeKneef and Debra Rethebar

Health and Human Services Commission

Department of Aging and Disability Services

Department of Assistive and Rehabilitative Services

Department of Family and Protective Services

Department of State Health Services

Reference No. 07-18

Allowable Costs/Cost Principles
Cash Management
Equipment and Real Property Management
Matching, Level of Effort, and Earmarking
Period of Availability of Federal Funds
Program Income
Reporting

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX700506

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States
Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006
Award number - H126A060064, H126A060065, H126A050064, and H126050065

CFDA 93.217 - Family Planning - Services
Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006
Award number - 5 FPHPA060898-25-00 and 6 FPHPA060898-24-05

CFDA 93.268 - Immunization Grants
Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005
Award number - CCH622571-04 and CCH622571-03

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2005 to August 30, 2006
Award number - U90/CCU617001-06

CFDA 93.556 - Promoting Safe & Stable Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX00FP and G0501TX00FP

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXTANF and G0501TXTANF

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1401 and G0501TX1401

CFDA 93.659 - Adoption Assistance
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1407 and G0501TX1407

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXSOSR and G0501TXSOSR

CFDA 93.767 - State Children's Insurance Program
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021

CFDA 93.889 - National Bioterrorism Hospital Preparedness Program
Award year - September 1, 2005 to August 31, 2006
Award number - U3RHS05946-01-01

CFDA 93.917 - HIV Care Formula Grants
Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006
Award number –X07HA00054-16-01 and X07HA00054-15-01

CFDA 93.940 - HIV Prevention Activities-Health Department Based
Award year - January 1, 2006 to December 31, 2007 and January 1, 2005 to December 31, 2005
Award number - U62/CCU623516-03 and U62/CCU623516-02

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - 06B1TXSAPT-04, 05B1TXSAPT-01, and 04B1TXSAPT-04

CFDA 93.994 - Maternal and Child Health Services Block Grant to the States
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - 6 B04MC02422-01, 4 B04MC06591-01, and 6 B04MC04232-01

CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
Award year - September 24, 2005 to March 23, 2007 and September 1, 2005 and continuing
Award number - 1606-DR-TX and 1624-DR-TX

Food Stamp Cluster
Award year - October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005
Award number - 6TX400105 and 5TX400105

Medicaid Cluster
Award year - October 1, 2005 to September 31, 2006, October 1, 2004 to September 31, 2005, and October 1, 2003 to September 31, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048
Type of finding - Reportable Condition Control

Questioned Cost: $0

U.S. Department of Health and Human Services
U.S. Department of Agriculture
U.S. Department of Homeland Security
U.S. Department of Education

The Health and Human Services Commission (HHSC) Enterprise Internal Audit conducted a review of the enterprise Health and Human Services Administrative System (HHSAS) Financials Security Controls and issued their report December 13, 2005. HHSAS is utilized by all five Health and Human Services entities - HHSC, Department of Sate Health Services (DSHS), Department of Family and Protective Services (DFPS), Department of Aging and Disability Services (DADS), and Department of Assistive and Rehabilitative Service (DARS). The report notes the following:

- "Access privileges are not always appropriately restricted, and some high-privilege administrative accounts are shared by multiple HHSAS Financials Enterprise Support Center (ESC) personnel."

The report further notes: "HHSAS financials is supported by an Oracle database management system administered by the HHSAS ESC technical team, which consists of six analysts. ESC technical analysts access the database using individual accounts to diagnose HHSAS production issues. However, when updates to an HHS agency database are needed to resolve a production issue, the technical analysts access the database using the application system administrator account. The account has full access privileges in the database, and is the account used by the HHSAS application to update the database. Database updates performed by ESC technical analysts using the account are indistinguishable from legitimate activities processed by the HHSAS application at the request of HHS agency users."

- "Change management controls do not ensure that application code changes to HHSAS financials are authorized and approved prior to implementation."

  The report further notes: "To accomplish programming changes to HHSAS financials, the ESC employs STAT, a third party version control software tool. STAT is used to log, route, track and maintain detailed documentation for HHSAS financials changes."

Upon follow-up of the above "access privilege" comment, we noted that the password is known by seven persons in ESC. Evidence was noted that a mitigating control exists that someone other than the developer closes the change request ticket, which allows for review by someone other than the developer. However the ESC personnel have open access to production.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiencies.

Recommendation:

Developers should not have access to migrate changes into the production environment.

Management Response and Corrective Action Plan:

The HHSAS Financials Enterprise Support Center (ESC) technical analysts individual Oracle accounts have been established to provide full research capability for debugging activities without the ability to update. This change precludes the necessity of logging into the account to analyze fixes. The password is not accessible to the technical analysts directly, but only provided to the six technical analysts by the database administrator. The technical analysts only log into the account to execute a fix, once the research is complete; logging into the account is necessary for updates when executing a technical fix. Management is informed of the use of this administrative account and it is a known and accepted risk for providing sufficient production support of the enterprise financials system. No other staff has access to the account. The last annual change to the password was performed September 2006. The change management controls were strengthened to include additional documentation of quality review, unit testing, and customer testing and approvals within each STAT customer service request. An additional technical analyst is now designated as the third staff with the migrator role in STAT. This change provides the ability to have a backup migrator and preclude the need for code to be migrated and developed by the same staff. The HHSAS Financials ESC manager performs a final review of all changes, which means a minimum of one developer, one migrator, and one final reviewer are involved in all migrations, and each role is filled by different individuals.

Implementation Date: November 2005

Responsible Person: Thomas Hollingsworth

Health and Human Services Commission

Department of Family and Protective Services

Department of State Health Services

Reference No. 07-19

Procurement and Suspension and Debarment

(Prior Audit Issue - 06-15, 06-14, 06-13, 05-17, 05-14, 05-05)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX700506

CFDA 93.268 - Immunization Grants
Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005
Award number - CCH622571-04 and CCH622571-03

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2005 to August 30, 2006
Award number - U90/CCU617001-06

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX00FP and G0501TX00FP

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 0601TXTANF and 0501TXTANF

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1401 and G0501TX1401

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TXSOSR and G0501TXSOSR

CFDA 93.767 - State Children's Insurance Program
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003
Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021

CFDA 93.889 - National Bioterrorism Hospital Preparedness Program
Award year - September 1, 2005 to August 31, 2006
Award number - U3RHS05946-01-01

CFDA 93.994 - Maternal and Child Health Services Block Grant to the States
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - 6 B04MC02422-01, 6 B04MC04232-01, and 4 B04MC06591-01

Food Stamp Cluster
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX400105 and 5TX400105

Medicaid Cluster
Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004
Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048
Type of finding - Material Weakness Control and Material Non-Compliance

Questioned Cost: $2,764,100

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

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

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

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

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

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

Upon review of selected vendor files for **The Department State Health Services (DSHS)**, KPMG noted the following:

- Maternal and Child Health Services, CFDA 93.994 - For the selected and reviewed vendor files, the final purchase order for one contract was not signed by the agency's purchasing director or designee. For the same file, the total contract amount exceeded $1 million; however, the contract was not signed by the Commissioner. Additionally, there were two files where neither the bid documentation nor sole source justification was maintained in the file. One of these files also did not have the proper documentation of the vendor's compliance with anti-trust laws. The procurement amounts for these three files of 13 reviewed was approximately $1,373,700.
- National Bioterrorism Hospital Preparedness Program, CFDA 93.889 - There were two files that did not contain the complete bid tabulation, one of which also did not contain a Centralized master Bidding List (CMBL) listing for any of the vendors. These two files of 9 reviewed were approximately $872,500.
- Public Health Preparedness and Response for Bioterrorism, CFDA 93.283 - Five contract files did not have the anti-trust law certification, one of which also did not have the required suspension and debarment certification. Four vendor files in which the procurement was deemed sole sourced but proper sole source documentation was not maintained, two of which were coded as publications directly from the publisher, but did not have the proper declaration on the PO or requisition stating that the product was not available from any other source. Additionally, there was one vendor file in which the bid tabulation was not complete. Approximately $107,400 was procured for these 7 files out of 29 reviewed.

- Immunization Grants, CFDA 93.268 - One of 11 reviewed contract file in which there was no required bid tabulation for approximately $7,000.
- Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 - For the 25 selected and reviewed vendor files, there was one contract file that did not contain the CMBL listing or the bid from the winning vendor, and it also did not contain the anti-trust certification from the vendor or such clause in the contract. Also, there was one file in which there was no justification in the file for not awarding the contract to the lowest bidder. Additionally, there was one file in which the 2006 purchase order was under a contract that had been renewed, however, the original contract could not be located, and therefore the bidding information was not available for review. These three contracts were for approximately $48,000.

The Department of Family and Protective Services (DFPS) has a cost allocation plan for its federal programs. Therefore expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Procurement test work was performed on 40 vendor files for the major programs Foster Care CFDA 93.658, Promoting Safe & Stable Families (PSSF) CFDA 93.556, Social Services Block Grant (SSBG) CFDA 93.667, and Temporary Assistance for Needy Families (TANF) CFDA 93.558. Some vendor files had more than one instance of noncompliance noted below. Total questioned costs of approximately $167,000 were noted for DFPS.

- For one vendor, there were no signed bids signed. The selected procurement transaction is for approximately $5,200.
- For nine of vendors, documentation was not available to demonstrate an attempt to solicit bids from at least three vendors, of which at least two were from historically underutilized business, was made or that bid tabulation sheets were prepared. Signed bids from the vendors were not available. The selected procurement transactions are for approximately $108,500.
- For one vendor, documentation was not available to show at least two vendor's bids were from historically underutilized business or that bid tabulation sheets were prepared. There were three bidders in the procurement file but none of the bidders were historically underutilized business. The selected procurement transaction is for approximately $7,500.
- For one vendor, documentation to indicate whether the procurement transaction was sole-sourced or bid was not available. Signed bids from the vendors were not available. The selected procurement transaction is for approximately $11,500.
- For one vendor, management executed a contract for storage services. The contract is part of an inter-local agreement. However, verification to indicate that this procurement transaction is part of an inter-local agreement per Texas Government Code Chapter 791 was not available. The selected procurement transaction is for approximately $24,000.
- For eleven vendors, anti-trust certifications were not available. Two of these eleven vendors were sole sourced. An additional two of these eleven vendors had terms and conditions sent with the purchase order to the vendor with anti-trust clauses but there was no signature by the vendor to verify vendor agreement with anti-trust laws. The selected procurement transactions are for approximately $96,300.

The Health and Human Services Commission (HHSC) has a cost allocation plan for its federal programs. Therefore expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Procurement test work was performed on 50 vendor files for the major programs Medicaid Cluster, Food Stamp Cluster, TANF CFDA 93.558, and State Insurance Children's Program (SCHIP) CFDA 93.767. Total questioned costs of approximately $188,500 were noted for HHSC.

- One vendor procurement file did not have bid tabulation and the vendor did not certify adherence to anti-trust laws for approximately $66,800.
- One vendor file did not have all vendor bids submitted for the contract for approximately $84,000.
- One vendor file did not have bids, bid tabulation, request for bid or sole source documentation for approximately $14,700.
- One vendor file did not have the required anti-trust certification from the vendor for approximately $23,000.

Recommendation:

The Enterprise Contract and Procurement Services Division (ECPS) of the Health and Human Services Commission is responsible for the centralized procurement activity for DSHS, DFPS, and HHSC vendors. ECPS should ensure that contracts include all required documentation and an accurate record of the procurement history of each vendor is maintained.

Management Response and Corrective Action Plan:

Current procurement procedures require all files to contain bidding documentation, bid tabulations and explanation of vendor selection. These processes will be reviewed with staff to ensure that they comply with all procurement requirements. Additionally, ECPS will develop an internal process for reviewing procurement files to ensure compliance with all state and federal rules are being met.

ECPS has reviewed its current solicitation and contract documents to ensure compliance with antitrust requirements. ECPS will ensure that all future solicitation and contract documents contain the required language within the standard terms and conditions and include the antitrust justification as a standard clause to print on each HHSAS purchase order. In addition, ECPS will review current contracts to ensure that antitrust requirements are contained in all "open" contracts, and where found not to be, amend the contracts to incorporate the requirements.

To address legacy contracts missing required documentation, an Executive Commissioner Action Memo on 11/21/06 provided guidance that ECPS will not renew such contracts, but will establish new contracts in compliance with all policies and rules.

In addition to the policy and procedural improvements listed above, many of the issues in the findings have already been addressed. The most significant of these are detailed below:

310559 - Gen Probe ($1,353,821.76) (DSHS Maternal and Child Health Services)

Response: *This purchase order was the FY06 renewal of a blanket contract that allows increases to quantities as needed. Both the renewal Purchase Order Change Notice (POCN) and the FY06 purchase order that was sent to the vendor were signed by the buyer as required. The purchase order in question was not the "official" purchase order, but the reprint of the purchase order after revisions were made in order to update the file; it did not have to go to the vendor. This internal process is used to adjust funding in accordance of the POCN. At the time the blanket contract was established, it did not exceed $1 million; therefore the buyer was authorized to sign. The contract does allow quantities to be increased on an "as needed" basis and in FY06 did exceed $1 million. There is no current policy requiring Commissioner's signature on purchases exceeding $1 million. The policy identified in the audit was a legacy Texas Department of Health policy that no longer exists. DSHS policy for* ***Signature Responsibilities for Administration and Contracts*** *is located at the following link - http://online.dshs.state.tx.us/policy/commdir/cd2005-01.htm.*

317675 - ESI Acquisition Inc. ($850,000) (DSHS National Bioterrorism Hospital Preparedness Program)

Response**:** *File contains "Results for the Central Master Bidders List (CMBL) plus Historically Underutilized Business (HUB) Search" showing 1,251 CMBL vendors for the class/item of the solicitation, HUB and Certified Information Systems vendor (CISV) status. The awarded vendor was on the CMBL listing contained in the file. There is no requirement to print out individual CMBL for each vendor. Additionally, the file contains the bid tabulation with the only responding vendor to the solicitation. Due to the fact that there were such a large number of vendors for this solicitation, the buyer didn't list out each of the 1,251 vendors on the tabulation and indicate "no response" received. Also, there is also documentation that this solicitation was posted to the ESBD.*

317843 - Jane's Information Group ($22,500) (DSHS National Bioterrorism Hospital Preparedness Program)

Response: *There was no bid tabulation because this was a publication purchase identified by a Purchasing Category Code K. Per the Texas Building and Procurement Commission (TBPC) Procurement Manual, competitive bids are not required when publication purchases are made directly with the publisher. Documentation in the file shows that the buyer made this purchase from the publisher.*

12686 - Indigent Care Collaboration ($66,800) (HHSC file)

Response: *Vendor is a county government entity and not subject to anti-trust requirements. In addition, this was procured via an inter-local agreement, which does not necessitate competitive bidding so there would not be a bid tabulation.*

12247 - R-Tel Communications ($84,000) (HHSC file)

Response: *This vendor was selected for testing in the additional sample requested by the auditors. This purchase order was a renewal of a legacy contract and the requested documentation was located in the Grand Prairie regional office and was faxed for audit review; however, was received after the audit review had concluded.*

Auditor Response to Management Response and Corrective Action Plan:

HHSC did not provide the above information noted in their response in a timely manner which would have allowed the information to be incorporated in the fiscal year 2006 audit process. After multiple attempts to work with HHSC to resolve discrepancies, the audit was finalized in order to issue the report in a timely manner.

Implementation Date: March 1, 2007

Responsible Person: Michael Woolsey

Health and Human Services Commission
Department of Agriculture
Texas Education Agency

Reference No. 07-20
Special Tests and Provisions - Accountability for Commodities

Child Nutrition Cluster
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 6TX300332
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost:	$ 200
U.S. Department of Agriculture	

Distributing and sub distributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of donated foods including end products processed from donated foods. Failure to maintain records required by this section shall be considered *prima facie* evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay the U.S. Department of Agriculture (USDA) the value of the food or replace it in kind (7 CFR section 250.16(a)(6) and 250.15(c)).

The Health and Human Services Commission (HHSC) administers the commodity warehouses for the Child Nutrition Cluster. HHSC could not provide a loss report to account for 1 commodity sample selected out of 60. For an additional sample, the loss report did not provide evidence to support the recorded loss of 12 units within the commodity sample. The support only noted four lost units. These two commodity samples had value of approximately $200.

Recommendation:

HHSC should continue to focus on maintaining proper documentation to account for commodity transactions.

Management Response and Corrective Action Plan:

With respect to (1) "could not provide a loss report to account for one commodity sample selected out of sixty" and (2) "for an additional sample, the loss report did not provide evidence to support the recorded loss of twelve units within the commodity sample. The support only noted four lost units."

(1) In warehouse #756, five cases of mixed fruit were lost and no loss report was filed. The value of the five cases is $109.45. The five cases of mixed fruit were leaking and, for safety reasons, HHSC approved the immediate disposal of the product by telephone. HHSC failed to ensure warehouse personnel filed a written loss report to properly document the disposal of the five cases.

(2) In warehouse #753, twelve cases of canned corn were lost. The loss report documents only four cases lost. The value of the eight cases lost but not documented is $95.28. HHSC and warehouse personnel are unable to explain why four cases were reported lost instead of twelve.

The total loss amount is $204.73, rounded by auditors to $200.

Commodity Distribution Programs staff will ensure that proper documentation is maintained to account for commodity transactions.

Implementation Date: Already implemented by instructions to HHSC staff.

Responsible Person: Johnny D. Adams

Texas Higher Education Coordinating Board

Reference No. 07-21
Subrecipient Monitoring

CFDA 84.048 - Vocational Education - Basic Grants to States
Award year - July 1, 2005 to September 30, 2006
Award number - 0642020671200001, 064202077120001, and 064202087120001
Type of Finding - Reportable Condition Control

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

The expense report submission system is part of the Perkins Grants system and is called the "Perkins Project Deliverables" system. It is housed on a Windows NT server and MS SQL database. Developers have access to deploy code changes to production. Three developers have system-administrative privileges on this application. In addition, no formal change-management procedures are in place.

In addition, the Education Data Center (EDC) application is used to accept incoming student reporting and financial aid data from technical and community colleges, the sub recipients. This application is housed on a Windows NT server and MS SQL database (called "EDCPROD"). Developers have access to deploy code changes to production.

When developers have system-administrative access, appropriate segregation of duties is not in place. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

No compliance exceptions were noted per review of 40 subrecipients and the related monitoring that the Texas Higher Education Coordinating Board (THECB) performs.

Recommendation:

Formal change-management procedures should be developed. Documentation of management approval, development and user testing, and final approval should be maintained. Access to develop and deploy changes should be segregated appropriately. If developers require access to production due to the size of the systems team, formal change management procedures should be followed prior to deployment and additional monitoring controls should be in place post-deployment, to determine whether all changes placed in production are authorized and appropriate.

Management Response and Corrective Action Plan:

Perkins Grants response:

The Perkins Project Deliverables web application system has operated under an informal process involving management authorized access/responsibilities, testing/oversight and approval for any design/operation changes that have taken place. The three authorized developers with current system-administrative privileges constitute one primary and two back-up staff to provide uninterrupted system support. The developers have access to deploy code to a development/staging server, but deployment to production servers is performed by the THECB Web Services department upon request via the agency TRAX system. As of April 1, 2007, a third party is scheduled to take over the production servers which house the web code and databases, so new procedures will need to be adopted.

The THECB Web Services department has guidelines and documents already in place for formalizing change-management procedures as they relate to documentation of management approval, development, user-testing and final approval of web applications. The informal process will be formalized and appropriately documented according to these guidelines with implementation by the date given below.

EDC response:

Change management procedures that include documentation of management approval, development and user testing, and final approval and sign off have been developed for new development in Information Resources (IR) and have been implemented for Student Loan System. These change management procedures will be implemented for EDC applications by the date given below. System-administration access will be removed from developers during this implementation.

Implementation Date: April 1, 2007

Responsible Person: Clifford King and Doug Parker

Housing and Community Affairs, Department of

Reference No. 07-22
Subrecipient Monitoring

CFDA 93.569 - Community Services Block Grant
Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006
Award number - G-06B1TXCOSR and G-05B1TXCOSR
Type of finding - Reportable Condition Control and Material Non-Compliance

The Department of Housing and Community Affairs (Housing) is required by federal regulations to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. Housing's subrecipient monitoring process does include standardized contracts, risk assessment process, review of monthly draw requests, and site visits.

Questioned Cost: $ 0

U.S. Department of Health and Human Services

According to OMB Circular A-133, section .400, Housing must assure that subrecipients expending federal funds in excess of $500,000 have an OMB Circular A-133 audit performed and provide a copy to Housing within the required timeframes. The Portfolio Management and Compliance division of Housing collects A-133 audits from subrecipients, however, there is no process in place to follow up on delinquent submissions for Community Services Block Grant (CSBG) subrecipients. Of a sample of 30 subrecipients' files, 8 subrecipients had not timely submitted their A-133 audits or Audit Certifications for fiscal year 2006. Approximately $28 million was passed through to subrecipients during fiscal year 2006.

In addition, per the Federal Register, Vol. 68, No. 228/Wednesday, November 26, 2003/Rules and Regulations, contractors receiving individual awards for $25,000 or more and all subrecipients must be verified that the organization and its principles are not suspended or debarred. Verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity. Housing does not require its subrecipients to certify, include a clause in the contracts, or perform a check of EPLS. For all 30 subrecipients selected for test work, 0 were found to be suspended or debarred per review of the EPLS.

Recommendation:

Housing should incorporate into its subrecipient monitoring process a control to ensure that delinquent A-133 reports are monitored and appropriate communications and actions are taken with the respective subrecipients. In addition, Housing should comply with the requirement to verify suspension and debarment by implementing one of the three methods noted above.

Management Response and Corrective Action Plan:

1) *The Community Affairs Division (CAD) will work with the Portfolio Management and Compliance Division (PMC) to strengthen procedures to identify and follow up on delinquent A-133 reports. The CAD will also develop procedures to ensure that appropriate actions are taken when A-133 reports are delinquent.*
2) *For FFY 2007 CSBG contracts, the CAD will develop and collect from each CSBG eligible entity a Certification Form requiring each eligible entity to certify that neither the entity nor its principle parties are included on the Excluded Parties List System maintained by the General Services Administration (GSA). For FFY 2008 CSBG contracts, the Department will amend the Program Year 2008 CSBG contract boiler plate by adding a section requiring each eligible entity to certify that neither the CSBG eligible entity nor its principle parties are included on the Excluded Parties List System maintained by the General Services Administration (GSA).*

Implementation Date:

1) *April 30, 2007*
2) *April 1, 2007 for the development and distribution of the Excluded Parties; January 1, 2008 for amending the PY 2008 CSBG contract.*

Responsible Person:

1) *Kelly Crawford and Eddie Fariss*
2) *Jesse Mitchell*

Juvenile Probation Commission

Reference No. 07-23
Subrecipient Monitoring
(Prior Audit Issue - 06-21, 05-31)

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G0601TX1401 and G0501TX1401
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Health and Human Services

The Juvenile Probation Commission (JPC or TJPC) is required by OMB Circular A-133, section .400 to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. JPC's subrecipient monitoring procedures include a risk assessment process, standardized contracts, training and technical assistance, program and financial monitoring, and review of agreed-upon procedures reports required to be performed at the juvenile probation department level. JPC relies on the Department of Family and Protective Services to determine eligibility and to set the reimbursement rates. JPC passes through 100 percent of its Foster Care funds to subrecipients (i.e., Texas counties). During fiscal year 2006, approximately 150 counties incurred Foster Care expenditures of approximately $66,471,000.

More specifically, JPC's subrecipient monitoring process includes:

- Yearly grant awards exist with each county along with an approved 2030 budget form that estimates the amount of foster care entitlement funds expected to be incurred for the fiscal year. The contract is used to communicate the CFDA information and applicable regulations.
- To receive enhanced administrative reimbursement, the county must also file an implementation plan that documents their indirect cost rate. JPC's fiscal personnel review the implementation plans for completeness and reasonableness of the indirect rate.
- Quarterly or monthly reimbursement requests from the counties are recalculated based on the applicable reimbursement rate by JPC personnel prior to approval for payment.
- Programmatic site visits are performed for counties that place children in the foster care program.
- There is a risk assessment process and the top 20 counties were selected for a financial desk review that includes review of payroll effort documentation, proper use of travel reimbursement rates, and allowability of expenses.
- An agreed upon procedures report from each county which includes provisions for the local auditor to review the accuracy of the fees paid to private service providers, the categorization of training costs into the appropriate categories, and the allowable expenses for direct and indirect categories is required. Also the agreed upon procedures report is to note if there are any findings related to the Foster Care program in the county's A133 report.

For the fiscal year 2005, the top 20 counties received a financial desk review. During fiscal year 2004, four of the top ten counties received a financial monitoring visit, and no financial reviews were performed for fiscal year 2003 and 2006. As part of the desk reviews, JPC selects expenditures for one quarter and requests invoices and payroll detail, including timesheets, to assess the allowability of expenditures.

JPC's monitoring process also relies heavily on the performance of the agreed upon procedures reports. The suggested procedures in the agreed-upon procedures polices are not specific enough to determine whether the respective auditors are selecting samples of invoices and timesheets to review for allowable costs. The agreed-upon procedures reports do include any foster care findings noted in the county's OMB Circular A-133 reports, however there is no follow-up by JPC for the findings and assessment of corrective action plans.

Additionally, JPC does not inquire whether the subrecipients expended $500,000 or more in federal funds to assess whether an OMB Circular A-133 report is required to be submitted to JPC.

Recommendation:

JPC should implement procedures to determine whether a subrecipient is required to have an OMB Circular A-133 audit report, to collect the required reports, and to issue management decisions. JPC should also consider the need to increase the amount of financial monitoring and/or to modify the agreed-upon procedures to be more specific.

Management Response and Corrective Action Plan:

OMB Circular A-133 Audit Report Procedures

Below are procedures that the TJPC Fiscal Unit will implement to determine whether a subrecipient is required to have an OMB Circular A-133 audit report as well as collect and monitor the reports. As noted in the agency's Compliance Resource Manual, "The Grantee shall have a single audit performed during the Grantee's fiscal year when the total of all federal awards is greater than $500,000. The single audit is required to be completed within nine months of the Grantees year end."

1. *At the end of each fiscal year, a letter will be submitted from TJPC to the subrecipient to identify the amount of federal funds received by the county.*
2. *If the response from the subrecipient identifies that the county did receive $500,000 or more in total federal funds, a request is made for the county to submit their single audit prepared by a contracted independent auditor.*
3. *TJPC's Chief Financial Officer will review the report, schedule of findings and questioned costs to reveal any audit finding related to Title IV-E funds.*
4. *The CFO will assess the corrective action plan, provide technical assistance and monitor their compliance.*
5. *At the request of the Governor's Office, if TJPC provides the predominant amount of funding for the Grantee, an acceptance letter regarding the results of the audit will be provided to the Grantee and the Governor's Office.*
6. *TJPC's Fiscal Unit will coordinate the collection of compliance letters from other agencies that confirm that the single audit has been completed and any findings are being properly resolved.*

Monitoring Process

During fiscal year 2006, 150 counties received Title IV-E funds in the amount of $41,577,953. It is TJPC's policy to use a risk assessment to identify the probation departments receiving Title IV-E funds that are at the highest risk. The top ten are selected for a fiscal audit. Since TJPC only audited four departments in FY 2004, the 20 departments scoring the highest on the risk assessment were audited in FY 2005. TJPC's contract with the departments is now on a biennium basis (FY 2006-2007), therefore, 20 counties will be selected to be audited for this time period. The top ten scoring counties will be audited on-site; the next ten will be audited with a desk audit.

TJPC has been working with the agency's independent auditor to revise the risk assessment. After the revisions to the risk assessment have been completed, the auditing process is expected to begin in February. TJPC has developed Compliance Monitoring Enforcement Tracking System (COMETS), a new web-based auditing system that allows the auditors to pull up all grant requirements, commentary, compliance methodology, and reviewer guidelines from the Compliance Resource Manual. Auditing occurs in real time, with the departments receiving their audit report on the last day of the audit. This system has been reviewed by the State Auditor's Office and has received strong accolades. This system helps to ensure that the auditing process is timely, comprehensive, consistent, thorough and fair, whether the audit is on-site or a desk audit.

TJPC may also utilize the agency's independent auditor to assist in conducting additional audits due to the lack of staff to accomplish this task.

Agreed Upon Procedures Reports (Independent Audit Reports)

TJPC will review the requirements for the Agreed Upon Procedures report with the agency's independent auditor to create specific procedures to acknowledge non- compliance in regards to Title IV-E funding.

Implementation Date: September 1, 2007

Responsible Person: Annie Collier

Department of Public Safety

Reference No. 07-24

Allowable Costs/Cost Principles

Homeland Security Cluster
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Material Non-Compliance

Questioned Cost:	$1,129,900
U.S. Department of Homeland Security	

In accordance with OMB Circular A-87, attachment B, section 8H - Support for salaries and wages, where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and must coincide with one or more pay periods,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than 10 percent.

Prior to June 2006, Department of Public Safety (DPS) employees that were not eligible for overtime (exempt employees) did not complete timesheets or complete certifications. Out of our sample of 12 payroll related expenditures, 4 were exempt employees so there were neither timesheets nor certifications available. These four employees were paid approximately $13,900 in salary and related fringe benefits for the time cycles selected. Also, one exempt employee continued to not complete timesheets for the remainder of the fiscal year. The amount of salary and related fringe benefits paid to all exempt employees from September 1, 2005 through May 31, 2006, and the one employee from September 1, 2005 to August 31, 2006 was approximately $1,091,000.

In addition, for two payroll samples, the employee was missing one of the week's timesheet for the month sample select for test work. These two missing weekly timesheets were for approximately $1,900.

Further, for 1 of 38 non-payroll expenditures reviewed, the invoice and any supporting documentation was unable to be located. The amount of the non-payroll sample was approximately $37,000.

The homeland security cluster has multiple grant sub awards and award years as noted below:

Award Number	Award Year
2004-GE-T4-4015	December 1, 2003 - November 30, 2006
2005-GE-T5-4025	October 1, 2004 - March 31, 2007
2003-MU-T3-4020	October 1, 2004 - October 31, 2006
2004-TU-T4-4013	December 1, 2003 - February 28, 2007
2004-GE-T4-4015	December 1, 2003 - November 30, 2008
2006-GE-T6-0068	July 1, 2006 - June 30, 2008

Recommendation:

DPS should have all employees that work with the Homeland Security Cluster to complete weekly timesheets. In addition, DPS should reinforce the importance of weekly approval of the timesheets by the employee and supervisor. Supervisors should be aware of which employees are assigned to them and be held accountable for their employees' timesheets by someone in human resources or other supervisory official.

Management Response and Corrective Action Plan:

The Department of Public Safety, State Administrative Agency (SAA), agrees with this finding.

The SAA will have each employee complete and sign weekly timesheets and require regular approval of time accounting documents. Both the DPS Time Accrued & Taken (form HR-11), used by all employees, and the DPS Weekly Record of Hours (form HQ-28), used by non-exempt employees, require signatures by the employee and supervisor. The only exempt SAA staff member is the SAA Manager; we will have that individual complete the HQ-28 form and have it signed by the supervisor.

We will also institute quarterly work certifications for those employees who work solely on a specific homeland security grant and institute activity distribution reporting for personnel who work on multiple grants.

Implementation Date: February 22, 2007

Responsible Person: Oralia Huggins

Reference No. 07-25

Cash Management

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
Award year - see below
Award number - see below

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)
Award year - see below
Award number - see below
Type of finding - Non-Compliance

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

According to the Treasury-State Agreement for the State of Texas, the Hazard Mitigation Grants and Disaster Grants - Public Assistance (Public Assistance Grants) are not included in Subpart A of 34 CFR, part 205, which implemented the Cash Management Improvement Act. Therefore the Department of Public Safety (DPS) should be complying with Subpart B, which applies to programs in the catalog of federal domestic assistance that are not subject to Subpart A. These standards state that "Cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accordance with only the actual, immediate cash requirement of the state in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of allowable indirect costs. Neither a state nor the federal government will incur an interest liability on the transfer of funds for a program subject to this subpart." To define "administratively feasible", we reviewed correspondence from (FEMA) Federal Emergency Management Agency's Region VI director dated August 14, 2002, noting that seven days would be administratively feasible. The Hazard Mitigation Grants and Disaster Grants - Public Assistance (Public Assistance Grants) are subject to Subpart B, as such there is no interest liability. Management approves the purchase vouchers upon receipt and forward to accounting for payment.

Accounting personnel process the purchase vouchers for payment on the same day that the funds are received from FEMA.

CFDA 97.039 - Hazard Mitigation Grant
For 1 of the 40 hazard mitigation sample items selected for test work, the invoice was not paid within seven days of the receipt of the federal funds. For this exception, the funds were not disbursed for 49 days due to the purchase voucher being misplaced. The total expenditures for the purchase voucher were approximately $166,500.

The Hazard Mitigation Grant has multiple grant sub awards and award years as noted below:

Disaster Number	Grant Number	Start Date
1425	FEMA-1425-DR-TX	July 4, 2002
1439	FEMA-1439-DR-TX	November 5, 2002
1434	FEMA-1434-DR-TX	September 26, 2002
1479	FEMA-1479-DR-TX	July 17, 2003
1606	FEMA-1606-DR-TX	September 24, 2005

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)
For 1 of the 30 public assistance sample items selected for test work, the invoice was not paid within seven days of the receipt of the federal funds. For this exception, the funds were not disbursed for 11 days due to the purchase voucher being misplaced. The total expenditures for the purchase voucher were approximately $51,300.

The public assistance grant has multiple grant sub awards and award years as noted below:

Disaster Number	Grant Number	Start Date
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-EM	September 2, 2005
3261	FEMA-3261-EM	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006

Recommendation:

DPS should continue to process the purchase voucher upon receipt of the related federal funds.

Management Response and Corrective Action Plan:

The Department of Public Safety agrees with this finding.

The Emergency Management Division (EMD) has obtained and installed additional file cabinets in another room to remove non-current paperwork from the Support Services work area and obtained additional work space in another DPS building in order to provide additional working space for personnel processing grant payments and help reduce the possibility of misplaced vouchers.

Additionally the Support Services Administrator has implemented a voucher tracking and follow-up process that ties to the current EMD payment process to ensure that all payments are made within the seven day time frame considered administratively feasible by FEMA.

Implementation Date: December 1, 2006

Responsible Person: Loren Behrens

Reference No. 07-26

Reporting

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
Award year - see below
Award number - see below

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Material Non-Compliance

The Department of Public Safety (DPS) must report on a quarterly basis for each Federal Emergency Management Agency (FEMA) approved project a FEMA Form 20-10, Financial Status Report (OMB No. 3067-0206), per OMB A-133. A supervisor did review the report to ensure the report was complete as to the required information. Supporting documentation is not reviewed by management in sufficient level of detail to ensure the accuracy of the reports.

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

CFDA 97.039 - Hazard Mitigation Grant

Thirty-four reports were filed during fiscal year 2006 for Hazard Mitigation. The non-federal share of a project's costs must be at least 25 percent of the expenditures. Eight of the reports reflected 25 percent of the jurisdictions award amount as the non-federal share amount instead of the actual amount matched as of the report date. During performance of subrecipient monitoring test work, invoices were selected for review and it was noted that only 75 percent of the total expenditures incurred were reimbursed to the jurisdiction by DPS.

The hazard mitigation grant has multiple grant sub awards and award years as noted below:

Disaster Number	Grant Number	Start Date
1425	FEMA-1425-DR-TX	July 4, 2002
1439	FEMA-1439-DR-TX	November 5, 2002
1434	FEMA-1434-DR-TX	September 26, 2002
1479	FEMA-1479-DR-TX	July 17, 2003
1606	FEMA-1606-DR-TX	September 24, 2005

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

Fifty-five reports were filed during fiscal year 2006 for Disaster Grants - Public Assistance and 30 were selected for test work. FEMA notifies DPS of the required non-federal share of a project's costs. For the disasters that are currently open, the non-federal share of a project's costs must be at least 25 percent of the expenditures, with the following exceptions: Disaster 1606 - 10 percent non-federal share; Disasters 3216 and 3261 - 0 percent non-federal share. For all reports, the matching share reported on the FEMA Form 20-10 was calculated using total federal outlay amounts reported (i.e. 25 percent of the total federal amount reported) instead of based on actual costs incurred. During performance of subrecipient monitoring test work, invoices were selected for review and it was noted that only 75 percent of the total expenditures incurred were reimbursed to the jurisdiction by DPS.

The public assistance grant has multiple grant sub awards and award years as noted below:

Disaster Number	Grant Number	Start Date
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-EM	September 2, 2005
3261	FEMA-3261-EM	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006

Recommendation:

DPS should be reporting the non-federal matching share on the FEMA Form 20-10 based on the actual amount incurred by the jurisdictions as of the report date.

Management Response and Corrective Action Plan:

DPS management agrees with this finding. However, Emergency Management Division (EMD) does not have the means to implement the recommendation.

Currently the Emergency Management Division has no means of capturing sub-recipient match costs on an ongoing basis as the FEMA NEMIS system, which FEMA uses for grant status monitoring and requires EMD to use, lacks the capability to provide the data needed for contemporaneous reporting of match costs. The NEMIS system provides cumulative expenditure information; it does not have the capability to provide data for a specific time frame, such as a quarter. This problem is exacerbated by the fact that small projects (under $55,000) are not routinely audited, and the majority of the grants that EMD administers are small projects. We have been advised that FEMA is aware of the failings of NEMIS and is the process of developing a new grant information system to replace it. Because of this situation, FEMA has allowed states to report a "good faith estimate" of match amounts in quarterly reports. A representative of the firm performing this audit was party to a conference call with the FEMA Region VI disaster grant manager on this subject that highlighted this process.

It should be noted that the potential for sub-recipient failures to meet match requirements is limited because EMD reimburses only 75 percent of the total expenditures incurred by local and state grant subrecipients and actual match amounts are carefully checked and confirmed during the final audit by EMD personnel.

Until a solution to this problem is put in place by FEMA, EMD will continue to report a "good faith estimate" of sub-recipient match costs in quarterly reports based on the appropriate percentage of match required.

Implementation Date: Not applicable

Responsible Person: Loren Behrens

Reference No. 07-27

Reporting

Homeland Security Cluster
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Non-Compliance

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

The Department of Public Safety (DPS) is required by their grant agreements to complete a Biannual Strategy Implementation Report (BSIR) semi-annually. This report provides details by subrecipient on the amount awarded to the subrecipient, the amount obligated by the subrecipient, and the amount expended by the subrecipient. Upon review of the report for June 2006, the amounts for obligations and expenditures on the BSIR report were reported as $0 for 4 of 40 subrecipients tested out of approximately 490 subrecipients on the report. Supporting documentation for the four subrecipients was available and there was evidence of the review and approval for the information to be included in the BSIR report. Total obligation amounts were understated by approximately $3,049,000, and total expenditures were understated by approximately $2,288,000. In addition, the amount of obligation for one subrecipient was different on the BSIR than the support; the obligation amount reported was understated by $253,000. Total homeland security funds approximating $50,700,000 were passed through to subrecipients.

The homeland security cluster has multiple grant sub awards and award years as noted below:

Award Number	Award Year
2004-GE-T4-4015	December 1, 2003 - November 30, 2006
2005-GE-T5-4025	October 1, 2004 - March 31, 2007
2003-MU-T3-4020	October 1, 2004 - October 31, 2006
2004-TU-T4-4013	December 1, 2003 - February 28, 2007
2004-GE-T4-4015	December 1, 2003 - November 30, 2008
2006-GE-T6-0068	July 1, 2006 - June 30, 2008

Recommendation:

DPS should verify the final BSIR report includes information for all subrecipients that agrees to the supporting documentation DPS maintains.

Management Response and Corrective Action Plan:

The Department of Public Safety agrees with this finding.

The Bi-Annual Strategy Implementation Report, BSIR, reports monetary progress on all open Homeland Security Grant Cluster awards to jurisdictions throughout the State of Texas. This information is obtained from the State Administrative Agency's web based grant management system and the grant subrecipients. This massive quantity data must be entered in the Department of Homeland Security's (DHS) web based Grant Management Tool. Completion of this report requires the collaboration and participation of a DHS training team, data entry contractors from Texas A&M University, representatives of the state's 24 councils of government and regional planning commissions, and the SAA staff. Councils of government and regional planning commissions enter the majority of the information into the Grant Management Tool. The SAA administrative staff then reviews the data, and all participants perform a final quality assurance check.

The State Administrative Agency will provide additional instructions to the participants entering the data and will conduct reviews of the data entered as it is being entered into the Grant Management Tool in an effort to identify and correct discrepancies before the final report is submitted. The State Administrative Agency and contractors will conduct a final review of all data entered before the report is submitted.

Implementation Date: July 31, 2007 (This is the next time a BSIR is due)

Responsible Person: Russ Lecklider

Reference No. 07-28

Subrecipient Monitoring

Homeland Security Cluster
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Non-Compliance

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

The Department of Public Safety (DPS) is required by OMB Circular A-133, section .400 to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. DPS' subrecipient monitoring procedures include standardized contracts, pre-approval of purchases, on-site monitoring, and financial and close out monitoring. According to OMB Circular A-133, section .400, DPS must assure that subrecipients expending federal funds in excess of $500,000 have an OMB Circular A-133 audit performed and provide a copy to DPS within the required timeframes.

DPS did not incorporate the Homeland Security Grant Cluster subrecipients into their OMB Circular A-133 collection and review process during FY06; therefore, DPS did not review the reports and issue any necessary management decisions. DPS passes approximately 75 percent of their homeland security cluster grants to local jurisdictions. During fiscal year 2006, there were approximately 1,950 jurisdictions that received homeland security cluster grants of approximately $50,700,000 from DPS.

The homeland security cluster has multiple grant sub awards and award years as noted below:

Award Number	Award Year
2004-GE-T4-4015	December 1, 2003 - November 30, 2006
2005-GE-T5-4025	October 1, 2004 - March 31, 2007
2003-MU-T3-4020	October 1, 2004 - October 31, 2006
2004-TU-T4-4013	December 1, 2003 - February 28, 2007
2004-GE-T4-4015	December 1, 2003 - November 30, 2008
2006-GE-T6-0068	July 1, 2006 - June 30, 2008

Recommendation:

DPS should implement a process to collect the required OMB Circular A-133 within the required timeframes and to review and issue any necessary management decisions as required by OMB Circular A-133.

Management Response and Corrective Action Plan:

The Department of Public Safety (DPS) agrees with this finding.

The Emergency Management Division previously requested that the DPS Information Management Service (IMS) assist in developing a A-133 audit database and reporting system to consolidate audit requirements for disaster recovery, hazard mitigation, homeland security, and other grants because A-133 audit requirements were being tracked for specific grant programs. However, many subrecipients receive grants from multiple programs and are being requested to provide the same A-133 audit status information several times by various project officers. IMS is working on this project, but it is not complete. The Division will continue efforts to obtain a consolidated database and comprehensive set of reports for monitoring subrecipient audit requirements for all grant programs.

In the interim, the State Administrative Agency will build an internal database to guide collection and review of annual financial reports for homeland security grant recipients in accordance with the provisions of the OMB Circular A-133.

Implementation Date: February 27, 2007

Responsible Person: Oralia Huggins

Reference No. 07-29

Subrecipient Monitoring

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Non-Compliance

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

The Department of Public Safety (DPS) is required by OMB Circular A-133, section .400 to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. DPS' subrecipient monitoring procedures include standardized application and contracts, monthly/quarterly draw requests and progress reports, financial and close out monitoring. DPS passes approximately 99 percent of their public assistance grants to local jurisdictions. During fiscal year 2006, there were approximately 780 jurisdictions that received public assistance grants of approximately $718,601,000 from DPS.

More specifically, DPS' subrecipient monitoring process includes:

- Request for public assistance form that verifies the jurisdictions eligibility to receive pubic assistance grants.
- Public assistance award package to the jurisdictions when funds are awarded.
- Draw requests with supporting documentation for allowability, period of availability, and matching.
- Quarterly progress reports.
- Certification from the jurisdiction regarding the applicability of A-133 reporting requirements.
- Project completion, certification reports, and close-out checklists noting the completion of the project in compliance with the provisions of the grant.

For 40 jurisdiction files reviewed, the following items were noted for 3 files. The total amount paid to these three jurisdictions during fiscal year 2006 was approximately $307,000.

- For two of the three files, the public assistance award package was not complete. The package consists of five documents - project application summary, project worksheet, project completion and certification report, public grant summary, and package pick up checklist. The two files did not include the package pick up checklist which denotes the jurisdiction understands and agrees to various grant provisions including the A-133 audit requirement.
- All three files did not contain the project close out checklist which would denote if any further action was pending, all payments had been made, and/or any refund was due to DPS.
- For two of the three files, the project completion and certification report was not completed and sent to FEMA signifying the closure of the project.

The public assistance grant has multiple grant sub awards and award years as noted below:

Disaster Number	Grant Number	Start Date
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-EM	September 2, 2005
3261	FEMA-3261-EM	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006

Recommendation:

DPS should ensure that all jurisdiction files are complete and reflect the monitoring activity that occurred.

Management Response and Corrective Action Plan:

DPS agrees with this finding. The Emergency Management Division attributes deficiencies noted in sub-recipient monitoring to considerable turnover in Public Assistance (PA) staff at the Houston Field Office, loss of a key administrative support position there, and the temporary commitment of many of the Houston-based PA staff to initiate recovery programs for three new disasters.

The PA staff at the Houston Field Office staff has been significantly increased, and a senior administrative specialist has also been hired. To better match the subrecipient monitoring workload to staff resources, a substantial number of PA project files are in the process of being moved to Emergency Management Division's (EMD) Austin office, where there are both PA specialists to review the files and two administrative specialists that can assist in maintaining them.

EMD currently utilizes the Public Assistance File Closeout Checklist to help ensure that all necessary documentation is included in project files and all grant requirements have been met. EMD will provide training to all members of the PA staff in both Austin and Houston on the importance of ensuring that all steps, requirements, and procedures for maintaining project files are followed.

Implementation Date: February 2, 2006

Responsible Person: Loren Behrens

Department of State Health Services

Reference No. 07-30

Allowable Costs/Cost Principles

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - 06B1TXSAPT-04, 05B1TXSAPT-01, and 04B1TXSAPT-04

CFDA 93.994 - Maternal and Child Health Services Block Grant to the States
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - 6 B04MC02422-01, 6 B04MC04232-01, and 4 B04MC06591-01
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $2,940

U.S. Department of Health and Human Services

In accordance with OMB Circular A-87, attachment B, section 8H - Support for salaries and wages, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and must coincide with one or more pay periods,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than ten percent.

At the Department of State Health Services (DSHS), most employees are paid monthly, and regardless of whether they work solely on one federal award or multiple awards, they are all required to complete timesheets at least monthly. Timesheet activity consists of deviations from an employee's task profile for time worked on different projects or paid/unpaid leave. Profiles contain the number of hours employees are expected to work each week and the fund and labor account codes that each employee is scheduled to work in any given week. When an employee does not deviate from their task profile for the month, all that is required is that they sign the timesheet and check the box that there were no deviations from task profile. When their actual time deviates from the task profile, the employee enters in the corresponding differences in hours and/or activities from the profile and signs the timesheet. Regardless of whether an employee deviates from their task profile or not, these monthly timesheets serve as certification of hours worked and are required by DSHS policy to be approved and signed by the employee and the employee's supervisor.

Out of 34 payroll items tested for CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse, 1 timesheet submitted was not signed by the employee or the employee's supervisor. In this particular instance, the employee resigned from DSHS before the end of the pay cycle, and therefore, her timesheet was never signed and certified by her or her supervisor. The employee was paid approximately $40 for this time cycle.

Out of 33 payroll items tested for CFDA 93.994 - Maternal and Child Health Services Block Grant to the States, 2 timesheets submitted were not signed timely by the employee or their supervisor. For the September 30, 2005 pay cycle, these two timesheets were not signed until November 2006. The two employees were paid approximately $2,900 for the September 30, 2005 time cycle.

Recommendation:

DSHS should reinforce the importance of monthly approval of the timesheets by the employees and supervisors and have regular trainings/meetings on the importance of this process. Supervisors should be aware of which employees are assigned to them and be held accountable for their employees' timesheets by someone in human resources or other supervisory official, including those employees that have resigned during a pay cycle.

Management Response and Corrective Action Plan:

DSHS management concurs with the finding. Current DSHS policies regarding time and leave will be revised to include procedures to follow when employees terminate. Regular updates will be scheduled for DSHS managers to review the agency policy and procedures regarding the approval of monthly timesheets. In addition, regularly scheduled bulletins will be sent to all agency supervisors.

Implementation Date: May 31, 2007

Responsible Person: Kathleen Barnett

Reference No. 07-31

Allowable Costs/Cost Principles
Special Tests and Provisions - Review of Food Instruments to Enforce Price Limitations and Detect Errors

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 6TX700506
Type of finding - Reportable Condition Control

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

The Department of State Health Services (DSHS) utilizes the WIC EBT system to process the electronic benefit transfer (EBT) for the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 (WIC). Developers have access to migrate changes to the production environment. Developers are required to review changes with and obtain approval from the Team Lead prior to migrating the changes to production. However, there is currently no process in place to review all changes moved to production to verify that changes were migrated appropriately. Access to migrate changes to production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. In general, programmers should not have access to migrate changes to production environment.

No compliance exceptions were noted related to this testwork for the major program above.

Recommendation:

DSHS management should restrict access based on the individual's job responsibility, including restricting developer access from migrating code into production.

Management Response and Corrective Action Plan:

We are currently developing a process for migrating system changes into production. This process will limit the ability to move changes into production to senior staff. Security rights can then be adjusted based on an individual's job responsibilities. An analysis will also be conducted to determine the impact that changes to user rights will have on the operation of the system. Once the process is defined and the impact analysis is complete, a plan to restrict user rights will be developed and implemented. This plan will include actions to mitigate any issues identified during the analysis that will impact operation of the system. The data center consolidation efforts resulting from HB 1516 have an impact on this process. Processes and procedures identified for data center code migration will have to be incorporated into the DSHS process. We plan to coordinate the development of our internal process with the development of the data center process to ensure that the processes work together. Completion of our code implementation process, impact analysis and implementation plan is scheduled for April 1, 2007.

Implementation Date: April 1, 2007

Responsible Person: Scott Jones

Reference No. 07-32

Cash Management

CFDA 93.268 - Immunization Grants
Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005
Award number - CCH622571-04 and CCH622571-03
Type of finding - Non-Compliance

Questioned Cost: $ 0

U.S. Department of Health and Human Services

US Treasury regulations at 31 CFR part 205 require state recipients to enter into agreements which prescribe methods of drawing down federal funds (funding techniques) for selected large programs (Subpart A programs). Per the Cash Management Improvement Act Agreement (CMIA) between the State of Texas and the US Department of Treasury, the pre-issuance funding technique is the agreed upon technique to be used for these Subpart A programs for Department of State Health Services (DSHS). The treasury regulations allow states to select any clearance pattern for Subpart B programs that is "administratively feasible". DSHS elected to use the pre-issuance funding technique for its Subpart B programs, including Childhood Immunization. The guidelines for the pre-issuance technique state that DSHS is required to request funds such that they are deposited into the State of Texas treasury not more than three days prior to the day DSHS makes a disbursement.

The months of May, June, and July of 2006 were analyzed to determine the weighted average of days outstanding between the date funds are deposited and the date those funds are disbursed for program purposes. The calculation yielded an average of seven days between the deposit and disbursement dates, thus exceeding the target of three days. The Childhood Immunization Grant is subject to Subpart B, as such there is no interest liability.

Adequate controls appear to exist with regard to the authorization of cash draws and the monitoring of the pre-issuance requirements. The above seven days resulted from a manual expense transfer that was made moving expenditures from the grant year 6 to grant year 5 without an offsetting entry to balance the cash. Instead of properly moving cash from the grant year 6 to the grant year 5, a draw was made for grant year 5 creating a surplus of cash on hand.

Recommendation:

Management of DSHS should ensure that when expenditure transfers are made, cash balances for the grants in questions are reviewed to ensure that the proper funding technique is still being followed and that cash is transferred to the proper grant year fund in accordance with any expenditure transfers.

Management Response and Corrective Action Plan:

DSHS management concurs with this finding. This was a onetime occurrence when staff inadvertently overlooked an expenditure transfer voucher on the draw down report. Cash Management staff have been counseled regarding established procedures for federal draws, and additional steps have been added regarding supervisor review when expenditure transfer vouchers have been processed. In addition, regular training will be scheduled for Cash Management staff.

Implementation Date: January 31, 2007

Responsible Person: Leslie Aguilar

Reference No. 07-33

Earmarking

CFDA 93.917 - HIV Care Formula Grants
Award year - April 1, 2005 to March 31, 2006
Award number - 6 X07HA00054-15-01
Type of Finding - Reportable Condition Control

Questioned Cost: $ 0

U.S. Department of Health and Human Services

In accordance with 42 USC 300ff-21(b), the Department of State Health Services (DSHS) is required to expend an amount as provided to the State by the Health Resources and Services Administration (HRSA) in the annual application guidance (Appendix II, Estimated Number/Percent of Women, Infants and Children Living with AIDS in States and Territories) "for the purposes of providing health and support services to women, youth, infants and children with HIV disease, including treatment measures to prevent the prenatal transmission of HIV, an amount not less than the involved (women, youth, infants or children) in the state with AIDS to the general population in the state of individuals with AIDS."

A control is lacking to monitor compliance with the above earmarking requirement. Although the compliance requirement was met during grant fiscal year 2006, there was no evidence of a control in operation during the fiscal year which would have alerted DSHS to non-compliance and the need to adjust the amount of funds expended to remain in compliance.

Recommendation:

DSHS should establish a control to ensure that there is monitoring of the earmarking requirement mentioned above.

Management Response and Corrective Action Plan:

As a control to monitor compliance with the above mentioned earmarked requirement (henceforth referred to as Women, Infants, Children, and Youth (WICY)), a quarterly report on expenditures regarding these specific populations will be completed and reviewed. The quarterly report will be completed on the following schedule:

April 1 - June 30 by July 15
April 1 - September 30 by August 15
April 1 - December 31 by January 15
April 1 - March 31 by April 15

Implementation Date: January 15, 2007

Responsible Person: Dr. Sharon Melville

Reference No. 07-34

Earmarking

(Prior Audit Issue - 05-11)

CFDA 93.994 - Maternal and Child Health Services Block Grant to the States
Award year - October 1, 2003 to September 30, 2005
Award number - 6 B04MC02422-01-03
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $1,380,200

U.S. Department of Health and Human Services

In accordance with 42 USC 705(a)(3)(A) and 42 USC 705(a)(3)(B), the state agency must use at least 30 percent of payment amounts for preventive and primary care services for children and at least 30 percent of payment amounts for services for children with special health care needs.

Monthly reports are submitted to management which detail the current expenditure level and to-date percentage for each of the earmarking requirements. Although funds are earmarked at the beginning of the award period in amounts sufficient to meet the percentage requirements, the subrecipients and contracts used to meet these requirements are sometimes not fully expended during the grant award period and thus, cause the Department of State Health Services (DSHS) to be noncompliant with these minimum earmarking requirements. It was noted that the state agency used 26.46 percent of total federal funds on preventive and primary care services for children and 29.29 percent of total federal funds on services for children with special health care needs. An additional approximately $1,151,000 was needed for preventive and primary care services for children and approximately $229,200 for children with special health care needs.

Recommendation:

DSHS should enhance its monitoring process to ensure that earmarking requirements are met for each grant. During this monitoring, DSHS might need to consider earmarking additional funds as situations are noted where anticipated earmarking will not be met by a particular subrecipient.

Management Response and Corrective Action Plan:

For several years, the Title V program has had in place effective mechanisms and internal controls to track the percentage of payments related to children and children with special health care needs (CSHCN). Efforts to comply with the requirement related to expenditures for children and adolescents are undertaken throughout the fiscal year. At the beginning of each fiscal year, the State Title V Director, along with designated Budget Office staff, set up the budget so that all types of services and activities dedicated to children are budgeted with federal dollars, including Title V-funded positions in the Austin campus and regional offices, and Title V-funded contractors. Actual expenditures and percentages related to the federal award for children are monitored on a monthly basis throughout the fiscal year.

However, these efforts will not fully guarantee compliance with federal requirements since the Title V program operates in a volatile environment over which the program does not have complete control. Among the factors that impact the level of expenditures for children for any given year are the number of children eligible for public assistance programs (i.e., Medicaid and State Children's Health Insurance Program (CHIP)), changes in poverty levels of Texas families and individuals (e.g., employment, insurance coverage), changes in benefits covered by Medicaid and CHIP, natural disasters, and state/local laws.

Another barrier that prevents the program from complying with federal requirements has been the on-going problem of competing health needs the Title V contractors are facing within their communities. Through a competitive request for proposal (RFP), awards are made to eligible contractors for the provision of preventive and primary care services for pregnant women, infants, and children. About 80 to 85 percent of the total contractors' expenditures are spent on health services for pregnant women. However, this trend will change in fiscal year 2008 and beyond with the January 1, 2007 implementation date of the new CHIP Perinatal Program. Rider 70 of the 79th Texas Legislature authorized HHSC to expend funds to provide unborn child health coverage under CHIP.

Prenatal care services would be provided to the unborn children of women not currently eligible for Medicaid due to income or immigration status. Therefore, all Title V eligible pregnant women are expected to apply for the new CHIP Perinatal Program to receive prenatal care services. To this end, once the CHIP Perinatal Program is fully operational, Title V will have the opportunity to examine its priority needs and re-direct funds solely towards health services for children.

Rider 63 of the 79th Texas Legislature may present yet another barrier to the CSHCN program spending at least 30 percent of the federal award. This rider prevents the program from first using federal funds up to the 30 percent requirement limit and then switching to state general revenue. Federal and state funds have to be spent proportionally in order to satisfy the provisions of Rider 63.

Despite these barriers, the Title V program continues making a good faith effort to comply with the 30-30 percent federal requirement, as demonstrated by the action plan below:

Implementation Date:

1. *September 1, 2006 - Continue to identify all types of services and activities dedicated for children and adolescents 1-21 years of age and budget them with federal dollars at the beginning of each fiscal year.*
2. *September 1, 2006 - Continue to monitor actual expenditures and related percentages to the federal award for children and CSHCN, generating a report on the 20th of each month. This monthly report will be cumulative.*
3. *September 1, 2007 - Due to the implementation of the CHIP Perinatal Program in January 1, 2007, allocate funding solely for the provision of health services for children through Title V eligible contractors starting fiscal year 2008 and beyond.*

Responsible Person: Fouad Berrahou

Reference No. 07-35

Reporting

(Prior Audit Issue - 06-27 and 05-08)

CFDA 93.917 - HIV Care Formula Grants
Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006
Award number - X07HA00054-16-01 and X07HA00054-15-02
Type of finding - Non-Compliance

Questioned Cost: $ 0

U.S. Department of Health and Human Services

Per the grant agreement, the Department of State Health Services (DSHS) must account for all funds awarded in the contractual category in the fiscal year 2006 Title II application and notify Health Resources and Services Administration (HRSA) when it has completed reporting on its contracting process. The Consolidated List of Contracts and Subcontracts Report is due to HRSA within 60 days of award of contracts. The consolidated list of contracts must include the contractor/agency, full address, Employer Identification Number (EIN), whether or not the contractor is a minority provider, whether or not clients are services directly, service type, amount of contract and the overall total of budgets submitted with the list (per grant agreement between the State of Texas and HRSA).

A supervisor did review the report to ensure the correct information was submitted. However, there were 2 errors out of 40 contractors/subcontractors reviewed in the information submitted related to keying in the EIN numbers incorrectly.

Recommendation:

DSHS should correct the above noted discrepancies and resubmit the report.

Management Response and Corrective Action Plan:

The corrections to the various EIN numbers were made and the report was re-submitted to HRSA on November 2, 2006.

Implementation Date: November 2, 2006

Responsible Person: Helen Oh

Reference No. 07-36

Subrecipient Monitoring

(Prior Audit Issue - 06-16, 05-20, 05-18, 04-07, 04-27, 03-12, 02-11, 02-15, 02-19, 01-555-36)

CFDA 93.217 - Family Planning - Services
Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006
Award number - 5 FPHPA060898-25-00 and 5 FPHPA06089-24-00

CFDA 93.268 - Immunization Grants
Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005
Award number - CCH622S71-04 and CCH622571-03

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2005 to August 30, 2006
Award number - U90/CCU617001-06

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - G-0601TXSOSR and G-0501TXSOSR

CFDA 93.889 - National Bioterrorism Hospital Preparedness Program
Award year - September 1, 2005 to August 31, 2006
Award number - U3RHS05946-01-01

CFDA 93.917 –HIV Care Formula Grants
Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006
Award number - 6 X07HA00054-16-01 and 6 X07HA00054-15-01

CFDA 93.940 - HIV Prevention Activities - Health Department Based
Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005
Award number - U62/CCU623516-03 and U62/CCU623516-02

CFDA 93.959 –Block Grants for Prevention and Treatment of Substance Abuse
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - 06B1TXSAPT-04, 05B1TXSAPT-01, and 04B1TXSAPT-04

CFDA 93.994 - Maternal and Child Health Services Block Grant to the States
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2005 to December 17, 2005
Award number - 6 B04MC02422-01, 6 B04MC02422-01-03, and 6 B04MC04232-01-03

Non-major Programs:

CFDA 10.572 - WIC Farmers' Market Nutrition Program (FMNP)
CFDA 14.241 - Housing Opportunities for Persons with AIDS
CFDA 66.001 - Air Pollution Control Program Support
CFDA 66.701 - Toxic Substances Compliance Monitoring Cooperative Agreements
CFDA 93.006 – State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program
CFDA 93.116 - Project Grants and Cooperative Agreements for Tuberculosis Control Programs
CFDA 93.136 - Injury Prevention and Control Research and State and Community Based Programs
CFDA 93.150 - Projects for Assistance in Transition from Homelessness (PATH)
CFDA 93.197 - Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children
CFDA 93.215 - Hansen's Disease National Ambulatory Care Program
CFDA 93.230 - Consolidated Knowledge Development and Application (KD&A) Program
CFDA 93.235 - Abstinence Education Program
CFDA 93.243 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance
CFDA 93.275 - Substance Abuse and Mental Health Services - Access to Recovery
CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs
CFDA 93.576 - Refugee and Entrant Assistance - Discretionary Grants
CFDA 93.943 - Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups
CFDA 93.944 - Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
CFDA 93.945 - Assistance Programs for Chronic Disease Prevention and Control
CFDA 93.977 - Preventative Health Services - Sexually Transmitted Diseases Control Grants
CFDA 93.978 - Preventive Health Services_Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants
CFDA 93.988 - Cooperative Agreements for State Based Diabetes Control Programs and Evaluation of Surveillance Systems
CFDA 93.991 - Preventive Health and Health Services Block Grant
Type of finding - Reportable Condition Control and Material Non-Compliance

Effective September 1, 2004, the Department of Health (TDH), Commission on Alcohol and Drug Abuse (TCADA), and the Mental Health portion of Mental Heath and Mental Retardation (MHMR) were consolidated to form the Texas Department of State Health Services (DSHS). DSHS passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. DSHS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, DSHS must assure that subrecipients expending federal funds in excess of $500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to DSHS. DSHS is to review the report and to issue a management decision, if applicable.

Questioned Cost: $0

U.S. Department of Health nad Human Services
U.S. Department of Agriculture
U.S. Department of Housing and Urban Development
U.S. Environmental Protection Agency

DSHS' subrecipient monitoring procedures include use of standard contracts, a risk assessment process, technical assistance, program monitoring, and financial monitoring. The A-133 audit report collection and review is centralized and performed by Health and Human Services Commission (HHSC) Office of Inspector General (OIG) for the State of Texas. In addition, the various program departments perform a variety of other procedures for their respective grants. For example some review reimbursement requests, others monitor periodic reports received, and some grants are subject to close out procedures. Per our review of the various major programs noted above, coordination between the various departments in DSHS is varied when it comes to sharing subrecipient information and assessing whether the monitoring being performed is sufficient. In addition, coordination between HHSC OIG and DSHS is lacking with regard to how to respond to subrecipients who are delinquent in submitting their A-133 reports. Currently, HHSC OIG notified program personnel at DSHS, and DSHS has no formal policy or procedures as to how to proceed with additional notification, sanctions, etc. Finally, procedures conducted by the various departments do not appear to be sufficient to complement the financial monitoring that is conducted. KPMG also noted that for a number of the financial monitoring visits reviewed in our sample, the monitoring reports were not being reviewed timely by management. Some on-site review reports had still not been sent out to the subrecipient to notify them of their findings and it had been six months or more after the initial visit.

The 2006 level of funding for each area that had a completed risk assessment is as follows:

- TDH had 205 high risk subrecipients receiving approximately $94 million in funding, 127 moderate risk receiving approximately $80 million in funding, and 28 low risk subrecipients receiving approximately $12 million in funding.
- TCADA had 98 high risk subrecipients receiving approximately $106 million in funding, 43 moderate risk receiving approximately $23 million in funding, and 19 low risk subrecipients receiving approximately $13 million in funding.
- MHMR had 7 high risk subrecipients receiving approximately $9 million in funding, 21 moderate risk receiving approximately $11 million in funding, and 11 low risk subrecipients receiving approximately $5 million in funding. .

In fiscal year 2006, 83 subrecipients of approximately of 518 had financial monitoring which accounts for approximately 29 percent of total funds passed through to subrecipient for TDH, 32 percent for TCADA, and 22 percent for MHMR. In fiscal year 2005, 69 subrecipients of approximately 725 had financial monitoring which accounts for approximately 24 percent of the total funds passed through to the subrecipients for TDH, 8 percent for TCADA, and 18 percent for MHMR. In summary, approximately 54 percent of the total funds passed through had financial monitoring in the past three years.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2006 were:

Federal Program	Amount Charged to the Federal Program
CFDA 10.572	$ 164,442
CFDA 14.241	2,784,760
CFDA 66.001	21,820
CFDA 66.701	2,550
CFDA 93.006	27,968
CFDA 93.116	5,303,533
CFDA 93.136	120,675
CFDA 93.150	3,841,012
CFDA 93.197	499,328
CFDA 93.215	84,062
CFDA 93.217	14,308,854
CFDA 93.230	2,494,685
CFDA 93.235	4,554,406
CFDA 93.243	5,121,643
CFDA 93.268	6,236,695
CFDA 93.275	2,567,542
CFDA 93.283	36,118,270
CFDA 93.566	1,737,694
CFDA 93.576	127,818
CFDA 93.667	1,342,283
CFDA 93.889	51,376,652
CFDA 93.917	17,688,307
CFDA 93.940	10,528,434
CFDA 93.943	65,678
CFDA 93.944	1,046,032
CFDA 93.945	42,988
CFDA 93.959	107,506,200
CFDA 93.977	3,935,329
CFDA 93.978	136,248
CFDA 93.988	403,892
CFDA 93.991	1,775,205
CFDA 93.994	12,839,227
Total	$ 294,804,232

Recommendation:

Consideration could be given to enhancing and standardizing other elements of their subrecipient monitoring process in an effort to reduce the reliance currently placed on financial monitoring. Management should determine the sufficiency of financial monitoring based on the conduction of other monitoring procedures. This will assist with determining the appropriate amount of resources to devote to the financial monitoring department.

Management Response and Corrective Action Plan:

We respectfully disagree with KPMG's conclusion that DSHS subrecipient monitoring efforts for FY 06 constitute material non-compliance. We concur with the auditor's recommendation to standardize and enhance the department's subrecipient monitoring process.

As is reflected in a comparison between the FY 05 and 06 KPMG Subrecipient Monitoring Findings, we have performed 20 percent more fiscal monitoring reviews and identified and added additional subrecipient monitoring mechanisms within the department to augment and extend subrecipient monitoring beyond financial monitoring. For example, the Contract Oversight and Support Section (COS) provides technical assistance to program staff that manage subrecipient contracts and subrecipients. This COS strategy activity is intended to prevent or mitigate activities that are non-compliant with federal and DSHS requirements.

Furthermore, early in FY 06 DSHS executive management ratified a COS recommendation that each of the program divisions implement a contract management unit to ensure more effective coordination of all contract-related activities throughout the organization, including subrecipient monitoring. Finally, DSHS recently began a systematic effort to train staff that is involved in any aspect of the subrecipient contracting cycle.

While DSHS has made considerable progress in FY 06 to standardize and enhance our overall approach to subrecipient monitoring, we recognize greater improvements are possible. DSHS management is committed to deploying our subrecipient resources in the most effective manner and, in the spirit of the KPMG recommendation, we will continue to assess the extent to which our monitoring efforts are sufficient and maximized, given the constraints that are inherent in our agency's funding and personnel structure.

Implementation Date: August 31, 2007

Responsible Person: Randy Fritz

Auditor Response to Management Response and Corrective Action Plan:

As noted in the discussion, KPMG does concur that DSHS's efforts have been enhanced. However, the lack of overall coordination between the various departments at DSHS and HHSC-OIG is an area of concern. An overall subrecipient monitoring policy for the agency as a whole is not formalized and/or monitored so that management can determine what is sufficient financial monitoring.

Texas State Library and Archives Commission

Reference No. 07-37

Cash Management

CFDA 45.310 - Grants to States
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - LS-00-06-0044-06, LS-00-05-0044-05, and LS-00-04-0044-04
Type of finding - Reportable Condition Control and Material Non-Compliance

Questioned Cost: $ 0

Institute of Museum and Library Services

According to the Treasury-State agreement for the State of Texas, the State Library Program is not included in Subpart A of 34 C.F.R. Part 205, which implements the Cash Management Improvement Act. Therefore, the Texas State Library and Archives Commission (State Library) should comply with Subpart B, which applies to programs in the Catalog of Federal Domestic Assistance that are not subject to Subpart A. These standards state that "cash advances to a state shall be limited to the minimum amounts needed and shall be timed to be in accordance with only with the actual, immediate cash requirements of the state in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs. Neither a state nor the federal government will incur an interest liability on the transfer of funds for a program subject to this subpart." To test "administratively feasible", we reviewed 40 samples expenditures to determine whether they were paid within 30 days as "administratively feasible" is defined per the grant award.

Our audit procedures indicated that inadequate controls exist to ensure funds are paid to subrecipients within 30 days of receipt of the cash draws from the federal government. For 17 of 40 sample items selected for test work, the invoice was not paid within 30 days of receipt of the related federal advance request. For the exceptions noted above, the average number of days the funds were held was 78.76 days. The total expenditures for the fiscal year were approximately $10 million.

Recommendation:

The State Library should establish control to ensure all invoices batched for a federal draw request are paid within 30 days of receipt of the federal reimbursement.

Management Response and Corrective Action Plan:

Nine of the variances identified during the audit were the result of the State Library practice of drawing the balance of Library Services and Technology Act (LSTA) funds at the end of each grant period and holding them until the associated expenditures were processed. Three of the variances were Summary Cost Allocation Transfers which were prepared at the end of the fiscal year to reconcile expenditures previously entered. One of the variances resulted from a payment that was cancelled and reissued when it was determined to be lost.

Beginning with the grant year that ended September 30, 2006, it is no longer State Library practice to draw the balance of LSTA funds at the end of the fiscal year. Management will monitor federal draws to ensure that all invoices are paid within 30 days of receipt of the federal reimbursement.

Implementation Date: January 1, 2007

Responsible Person: Marilyn Martin

Reference No. 07-38

Subrecipient Monitoring

CFDA 45.310 - Grants to States
Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005
Award number - LS-00-06-0044-06, LS-00-05-0044-05, and LS-00-04-0044-04
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

Institute of Museum and Library Services

The Texas State Library and Archives Commission (State Library) is required by federal regulations to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. The State Library's subrecipient monitoring procedures include a risk assessment process, technical assistance, and site visits. According to OMB Circular A-133, section .400, the State Library must assure that subrecipients expending federal funds in excess of $500,000 have an OMB Circular A-133 audit performed and provide a copy to the State Library within the required timeframes. The State Library does not have a process to collect the OMB Circular A-133 reports nor to review and issue any necessary management decisions. Approximately $8 million was passed through to subrecipients during fiscal year 2006.

Additionally, the State Library requires its subrecipients to have an approved Budget Revision when making cumulative transfers among budget cost categories or projects which are expected to exceed 10 percent of the total grant. The State Library does monitor the budget revisions with each request for payment, ensuring that no changes were made per that involve in excess of 10%. However there is no formal policy to review the cumulative expenditures to ensure requests have been made and approved in advance of 10% fluctuations between budget categories or projects. For one of five files reviewed, the State Library Program did not approve the subrecipient's change in budget which was greater than 10 percent.

Recommendation:

The State Library should implement a process to collect the required OMB Circular A-133 within the required timeframes and to review and issue any necessary management decisions as required by OMB Circular A-133. Also, the State Library Program should monitor that budgets are modified and approved when changes are greater than 10 percent on a cumulative basis.

Management Response and Corrective Action Plan:

The Texas State Library and Archives Commission will implement procedures to collect the OMB Circular A-133 reports per established procedures. The Chief Accountant in the Accounting Department will be assigned the responsibility of reviewing the reports and communicating results to State Library management. Budgets will be modified when changes among budget cost categories or projects exceed 10 percent of the total grant.

Implementation Date: Audits due on or after January 1, 2007

Responsible Person: Marilyn Martin

Texas Workforce Commission

Reference No. 07-39
Allowable Costs/Cost Principles
Cash Management
Level of Effort
Period of Availability of Federal Funds
Reporting
Subrecipient Monitoring

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005
Award number - 0601TXTANF and 0501TXTANF
Type of finding - Reportable Condition Control

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

Texas Workforce Commission (TWC) utilizes Integrated Statewide Administrative System (ISAS) for their general ledger system. Access controls were found to be inappropriately designed for the ISAS production environment. The General Ledger Manager, Reconciliation Manager, and Reconciliation Accountant have user access roles that allow unlimited access to the production environment. Users with excessive rights can circumvent the established segregation of duties.

In addition, TWC utilizes Cash Draw and Monthly Expenditure Reporting System (CDER) for their sub recipients to process cash draws, adjustments, refunds, and expenditures reports on grant contracts. A programmer for CDER has access to the production program and data. This access increases the risk of unauthorized changes to the production environment.

There were no compliance issues noted for the major noted above.

Recommendation:

TWC should reevaluate the user access roles and realign access to the defined business needs, minimizing access to production environment to appropriate individuals. Access to develop and deploy changes should be segregated appropriately. If developers require access to production due to the size of the systems team, formal change management procedures should be followed prior to deployment, and additional monitoring controls should be in place post-deployment, to determine whether all changes placed in production are authorized and appropriate.

Management Response and Corrective Action Plan:

The Texas Workforce Commission is currently upgrading from PeopleSoft 7.52 to PeopleSoft 8.8. The user access roles are being evaluated during this upgrade process and will be appropriately realigned. Until this upgrade process is complete on September 1, 2007, the PeopleSoft security administrator will run various queries on transaction data by the 10th of each month to ensure there are no improper transactions by the three mentioned users. Any exceptions will be reported to management.

The IT Department is currently developing an agency-wide change management process that will include the following steps when software or data is to be changed:

1. *The proposed change is announced*
2. *The proposed change is verified by an independent 3rd party*
3. *The change is applied*
4. *The completion of the change is announced*

Due to the small size of the Cash Draw development team, production access cannot be removed from the developer at this time. However, 3rd parties will begin reviewing and monitoring code and data changes on a weekly basis.

Implementation Date: September 1, 2007

Responsible Person: Ron Sassen and Jon Newman

Department of Transportation

Reference No. 07-40

Special Tests and Provisions - Sampling Program

Highway Planning and Construction Cluster
Award year - Various - Project Based
Award number - Federal apportionment pursuant to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Public Law 109-59
Type of finding - Reportable Condition Control

Questioned Cost:	$ 0
U. S. Department of Transportation	

The Department of Transportation (TxDOT) utilizes the SiteManager system to monitor their quality assurance program related to the sampling and testing of construction projects to ensure that material and workmanship generally conform to approved plans and specifications (23 CFR 637.205) for the Highway Planning & Construction Cluster. The SiteManager development team has access to migrate changes to the production environment. Developers do not require this access since deployment is the responsibility of the Windows System Administrators. There is also no process in place to review all changes moved to production to verify that changes were migrated appropriately. In addition, one terminated employee's user ID with administrative access to the production servers was not disabled timely.

No compliance exceptions were noted during the review of 30 sampling results for the program noted above. These transactions were documented in accordance with the quality assurance sampling plan.

Recommendation:

Access to migrate changes to production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. In general, programmers should not have access to migrate changes to production environment.

Management Response and Corrective Action Plan:

TxDOT concurs that in general programmers should not have access to make changes in the production environment. SiteManager is a complicated application made even more so due to the customizations and improvements made to support the number of SiteManager users, their disperse geographic locations, and the volume of contracts and materials included in the database. To provide the best level of support to customers, including the critical timing of processing contractor payments, the small group of SiteManager developers was provided access to the production environment.

Application changes migrated to production are tested by the application sponsor, the Construction Division. Further all financial transactions generated by SiteManager are manually reviewed for accuracy by the Finance Division prior to the payment request being submitted to the comptroller.

No TxDOT employees, including the SiteManager developers, will retain regular system administrator privileges when the state's data center vendor assumes operational responsibility for TxDOT's computer servers on April 1, 2007. Although concerns remain about how quickly SiteManager application problems can be corrected after developers lose system administrative privileges, preparations have been underway for several months to support migrating application changes to production after the state's data center vendor takes over server support.

Implementation Date: April 1, 2007

Responsible Person: Tony Compton

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Section 3b:

Federal Award Findings and Questioned Costs - Other Auditors

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133,* Section .510(a). This section reports on the two major programs, the Student Financial Assistance Cluster and the Research and Development Cluster, audited by other auditors.

Midwestern State University

Reference No. 07-41

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, code of Federal Regulations, Section 668.165).

Midwestern State University (University) did not maintain any evidence that it sent the required disbursement notifications.

Recommendation:

The University should retain evidence that it sends notifications to FPL and FFELP loan recipients within the required time periods.

Management Response and Corrective Action Plan:

Effective May 2006, a list of names is electronically generated at the time the disbursement notification letters are electronically printed. This list of names is housed in the Director's office and serves as evidence that the disbursement notification letters were sent to the students. In certain instances, if a disbursement notification letter cannot be electronically generated, the letter is manually generated and sent to the student; the name is written on the above-mentioned list of names to serve as evidence that the manual disbursement notification letter was sent.

Implementation Date: May 2006

Responsible Person: Kathy Pennartz

Sul Ross State University

Reference No. 07-42
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 2,415

U.S. Department of Education

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603(d)(2)).

The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." The institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Auditors identified two issues that have resulted in Sul Ross State University (University) calculating students' cost of attendance incorrectly:

- The University has a main campus and a satellite campus (Rio Grande campus). Students attending the Rio Grande campus are awarded financial assistance through the main campus. When determining financial need for Rio Grande campus students, the University calculates the cost of attendance using the same costs it uses for students at the main campus. However, the tuition applicable to students attending the Rio Grande campus is lower than the tuition for students attending the main campus. In addition, students attending the Rio Grande campus students pay lower fees because that campus does not offer all of the same services and facilities that the main campus provides, such as medical services, recreational sports, and a student center. A student who is a Texas resident and taking 15 semester hours at the Rio Grande campus must pay tuition and fees of $1,456. However, when the University calculates this student's cost of attendance, it inappropriately performs this calculation using tuition and fees of $2,057, which is the amount of tuition and fees for 15 semester hours at the main campus.

- The University calculates the cost of attendance for full-time graduate students at both campuses using tuition and fees associated with 15 semester hours. However, graduate students are classified as full-time if they attend at least 9 hours per semester. The University inappropriately calculates the cost of attendance for a Texas resident graduate student attending 9 semester hours using the tuition and fees associated with attending 15 semester hours. As a result, the cost of attendance would be overstated by $722 for a graduate student who took 9 hours per semester.

Because of these two issues, the University calculated the cost of attendance incorrectly for 27 of 50 students tested:

- Twenty students attended the Rio Grande campus, but the University calculated their cost of attendance using the higher tuition and fees associated with the main campus.

- Eight students were graduate students (one graduate student was also a Rio Grande campus student), and attended no more than 9 hours in a semester, but the University calculated their cost of attendance using the higher tuition and fees associated with 15 semester hours.

These errors in the calculation of cost of attendance led the University to award student financial assistance that exceeded financial need for 3 of the 27 students during the fall 2005 and spring 2006 semesters. The amounts awarded in excess of financial need for each student, respectively, were $840, $336, and $1,239.

Recommendations:

The University should ensure that the student financial assistance it awards to students does not exceed the students' financial need. Specifically, the University should:

- Calculate the cost of attendance for students attending the Rio Grande campus using the amount of tuition and fees applicable to that campus.

- Create separate budgets for graduate and undergraduate students, using the appropriate number of semester hours that agrees to each student's classification (for example, full-time graduate student at 9 semester hours).

Management Response and Corrective Action Plan:

The University revised the process for awarding student financial aid for the 2006-2007 Academic Year. The University now calculates two budgets, one for the Alpine Campus and one the Rio Grande College. The revised process also includes separate Undergraduate (based on 15 hours) and Graduate (based on 9 hours) budgets. Each budget is calculated using the specific tuition and fee rates for respective campuses.

Implementation Date: July 2006

Responsible Person: Rena Gallego

Reference No. 07-43

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

Student Financial Assistance Cluster
Award Year - July 1, 2005 to June 30, 2006
Award Number - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable
Type of Finding - Material Weakness Control and Material Non-Compliance

Disbursement Notifications

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

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, code of Federal Regulations, Section 668.165).

Sul Ross State University (University) did not send disbursement notifications to all 33 students tested. The University was unaware of the requirement and did not send notifications to FFELP fund recipients for the Fall 2005 and Spring 2006 semesters. Although the University created a program in late Spring 2006 to correct this deficiency, a significant portion of financial aid disbursements for the Fall 2005 and Spring 2006 semesters had already occurred. The University began sending disbursement notifications during the first session of the Summer 2006 semester. Per the Schedule of Expenditures of Federal Awards for the year ended August 31, 2006, the University disbursed $8,384,995 in FFELP loans during fiscal year 2006.

Required Reviews Prior to Disbursement

Before an institution may disburse Title IV, Higher Education Assistance (HEA) program funds to a student who previously attended another eligible institution, the institution must use information it obtains from the Secretary of Education, through the National Student Loan Data System (NSLDS) or its successor system, to determine: (1) whether the student is in default on any Title IV, HEA program loan; (2) whether the student owes an overpayment on any Title IV, HEA program grant, or Federal Perkins Loan; (3) for the award year for which a Federal Pell Grant is requested, the student's scheduled Federal Pell Grant and the amount of Federal Pell Grant funds disbursed to the student; (4) the outstanding principal balance of loans made to the student under each of the Title IV, HEA loan programs; and (5) for the academic year for which Title IV, HEA aid is requested, the amount of, and period of enrollment for, loans made to the student under each of the Title IV, HEA loan programs.

If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary of Education, through NSLDS, updated information about that student so it can make the determinations discussed above. Additionally, the institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement. (Title 34, Code of Federal Regulations, Section 668.19).

The University did not request and review NSLDS notifications prior to disbursing financial aid funds for two of seven transfer students tested.

Recommendations:

The University should continue the program it implemented in late Spring 2006 to ensure that all students and parents receive the required disbursement notifications regarding FFELP and FPLP loans.

To ensure that disbursement notifications are sent no earlier than 30 days before and no later than 30 days after crediting the student's account, the University should further modify the program that is in place to automatically create the notification letters from the data file that is created within the Student Information and Financial Aid Management System.

The University should request and review the financial aid history of all transfer students using NSLDS information prior to disbursing financial aid funds. The University should also wait seven days after requesting NSLDS Notification, unless NSLDS replies sooner or the University accesses the NSLDS Web site and acquires information that allows the University to make the financial aid disbursement.

Management Response and Corrective Action Plan:

The University began sending out notification letters to all students who receive Federal Family Educational Loans and parents who receive Federal Parent Loans in April 2006 as indicated in the auditors findings.

Implementation Date: April 2006

Responsible Person: Rena Gallego

The University has updated procedures requiring a screen shot of NSLDS information on all transfer students at the point of disbursement. Automated processes will be available in Banner. Programming has been completed to automatically create the notification letters from the data file that is created within the Student Information and Financial Aid Management System.

Implementation Date: July 2006

Responsible Person: Rena Gallego

Texas A&M International University

Reference No. 07-44

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - Not applicable for CFDA 84.032 and CFDA 84.038
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Texas A&M International University (University) did not maintain evidence that it sent the required disbursement notifications within the specified timeframes.

Recommendation:

The University should retain evidence that it sends notifications to FPL and FFELP loan recipients within the required time periods.

Management Response and Corrective Action Plan:

The Office of Financial Aid at Texas A&M International University previously and currently creates letters based on our EFT (electronic funds transfer) reports and mail them out to students and parents. We place a copy of this letter in the student's folder. Since this process is done using Word our student system (IA Plus) did not keep record of these notifications being created. With the university changing into a new student system (Banner) effective fall 2006 we continue to create and mail letters using Word. The Office of Financial Aid is currently working on creating an automated email or letter to be created through Banner that will advise students of the necessary notification in accordance with 34CFR668.165. Banner will keep record of when the notification is created, printed and mailed.

Implementation Date: February 2007

Responsible Person: Laura Elizondo

Texas A&M University

Reference No. 07-45
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

The total amount a graduate or professional student may borrow for any academic year of study under the Stafford Loan Program, in combination with any amount borrowed under the Federal Direct Stafford/Ford Loan Program, may not exceed $8,500 (Title 34, code of Federal Regulations, Section 682.204(5)). The maximum annual amount of Federal Perkins Loans and National Direct Student Loans an eligible undergraduate student may borrow is $4,000 (Title 34, Code of Federal Regulations, Section 674.12).

Two judgmentally selected students received more than the annual limit of $8,500 in subsidized loans. One of them received $8,500 for the Fall and Spring semesters and then received an additional subsidized loan of $6,467 for the Summer semester. The other student received $148 in subsidized loans for the Fall semester and $8,500 for the Spring semester (the $8,500 loan was reduced in January to $8,352, but it was guaranteed and disbursed for the full $8,500).

Another judgmentally selected student received more than the annual limit of $4,000 for a Perkins loan. The student was awarded a $4,000 loan through a manual process for the Summer semester, and the counselor who awarded that loan was unaware that the student had received a disbursement of $1,000 for the Spring semester.

The University has corrected the errors described above. For the first student, the University reclassified the subsidized loan of $6,467 to an unsubsidized loan. For the second student, the University returned $148 (the amount by which the annual subsidized loan limit had been exceeded) to the lender. For the third student, the University lowered the awarded amount for the summer to $3,000 and awarded the difference as a Texas grant fund.

Recommendation:

To ensure that annual limits are not exceeded, the University should ensure that counselors review awards already made to students before manually awarding financial assistance to them.

Management Response and Corrective Action Plan:

Texas A&M University acknowledges the judgmental finding. We have completed a review of the 19,000+ loans awarded for the 2005-2006 award year and have identified one other error from a manual award which has been corrected. We will continue to include in our manual awarding guidelines the requirement to review and take into account prior loan awards in the same academic year. We have highlighted this issue in our training on student loans this fall and have emphasized this issue in the manual awarding guidelines. Written award procedures are available for all counselors.

Implementation Date: October 2006

Responsible Person: Joseph P Pettibon, II

Reference No. 07-46

Reporting

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.038 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

To participate in the Federal Perkins Loan, Federal Work-Study, or Federal Supplemental Educational Opportunity Grant programs (collectively known as campus-based programs), an institution must file an application before the deadline date established annually by the U.S. Department of Education through publication of a notice in the *Federal Register* (Title 34, Code of Federal Regulations, Section 673.3). In addition, a *Fiscal Operations Report and Application to Participate* (FISAP) form must be submitted electronically via the Internet, and the combined signature page must be mailed to the appropriate office. The 2005-2006 FISAPs were required to be submitted by September 29, 2006 (*Federal Register*: March 27, 2006 [Volume 71, Number 58]).

Institutions use the Fiscal Operations Report portion of the FISAP to report expenditures in the previous award year, and they use the Application to Participate portion of the FISAP to apply for the following year. Institutions must keep financial records that reflect all campus-based program transactions, and they must keep all records supporting the institution's application for campus-based funds. This documentation includes the applications and records of all students who applied for campus-based assistance for a specific award year and who were included on the institution's FISAP for that award year. The institution must keep general ledger control accounts and related accounts that identify each program transaction and must separate those transactions from all other institutional financial activity (*Federal Student Aid Handbook*, Volume 6, Chapter 1, Pages 6-2, 6-5, and 6-17).

In Part III, Section C of the FISAP, institutions report cumulative repayment information for Perkins loans. Auditors' tests of Part III of the FISAP for Texas A&M University (University) determined that the reported amounts lent to several categories of borrowers did not agree to underlying reports generated from the University's Campus Loan Manager (CLM) system.

According to University management, the amounts reported in Part III of the FISAP were based on earlier CLM reports that were run in July 2006. The software vendor subsequently modified CLM in September 2006 to correct a known reporting problem; however, management was unaware that this reporting problem also affected the column dealing with amounts lent to borrowers. As a result, the University reported inaccurate amounts for five categories of borrowers on its FISAP for the 2005-2006 award year. In the most extreme case, an amount was overstated by $877,574, or 150 percent. The University submitted a corrected FISAP December 15, 2006.

Recommendations:

Texas A&M University should implement procedures to ensure that its FISAP contains current and accurate information.

Management Response and Corrective Action Plan:

The FISAP report does not provide an entry field for Part III, Sec C, column c, lines 3 and 4 - "Total Borrowers" not in repayment status and "Borrowers" on schedule in repayment status, respectively. With this information included, the "Total Amount Lent" (column c) total should equal the "Amount Lent" total on the CLM generated FISAP report. A step has been included in the spreadsheet which will require entry of that data for verification purposes. A note will also be made that indicates the total should agree with the CLM generated FISAP report total for Part III, Sec C, column c. In addition to this measure, key fields of the FISAP will be reviewed for accuracy by either the Assistant Director or Director prior to submittal.

Implementation Date: January 2007 to be utilized in FISAP preparation for AY 2007 which will occur in September 2007

Responsible Person: Bob Piwonka

Reference No. 07-47

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Unless an institution expects to submit its next student status confirmation report to the Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). One student graduated in spring 2006 but was still reported as being enrolled full-time to NSLDS because he was subsequently enrolled as a full-time graduate student. Another student graduated in fall 2005 but was reported as withdrawn on December 14, 2005, to NSLDS because he had no subsequent enrollment data and NSC concluded that he had withdrawn.

The University uses an automated program to report graduations to the NSC. It runs this program after graduation and six weeks later to capture any students who may have been missed. The program uses information from the University's Student Information Management System (SIMS). To honor the University's privacy policy, SIMS has a privacy feature that enables data elements to be blocked from being viewed or disseminated to anyone who is not performing official University business. The privacy flags are set by the student. The two students whose status changes were not reported correctly to NSLDS had placed a block on the graduation variable in SIMS, which caused the University's automated program to exclude their records from the graduation report sent to NSC. As a result, students who graduated and who had privacy blocks on the graduation variable were not reported to NSLDS within the required 60-day time frame.

Recommendation:

The University should develop and implement a process that both fulfills its students' privacy requests and enables it to comply with financial assistance reporting requirements.

Management Response and Corrective Action Plan:

Effective August 2006, the programming for the report of graduations to the NSC has been corrected such that rather than exclude a student who has flagged his or her graduation as private information, the report will now include the name of the student with a notation to indicate to the NSC that the student's graduation information should be maintained as private information, only available to those with written consent to obtain this information, those with a legitimate educational interest, or any other such individuals granted rights to this information under the Family Educational Rights & Privacy Act of 1974, as amended.

Implementation Date: August 2006

Responsible Person: Don Carter, Registrar

Texas Engineering Experiment Station

Reference No. 07-48

Special Tests and Provisions - Key Personnel

Research and Development Cluster
Award year - All Award Years
Award number - All Grants
Type of finding - Reportable Condition Control

Questioned Cost: $ 0

Federal Agencies that Provide R&D Grants

For federal awards issued by the National Science Foundation (NSF), the grantee is required to send electronic notification to the grant management officer if the principal investigator or key personnel specifically named in the award agreements will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award. NSF must approve any alternate arrangement proposed by the grantee, including any replacement of the principal investigator or key personnel named in the award agreements. (*NSF Grant Policy Manual*, Chapter 3.12; award agreements). Federal grantors other than NSF have similar requirements.

The Texas Engineering Experiment Station does not have written policies or procedures to ensure that (1) principal investigators and other key personnel named in the notice of grant award are involved in the project or (2) it obtains approval for changes in the principal investigator or key personnel from the federal grantor. Although there are no written policies or procedures, audit testing did not identify any exceptions related to these requirements.

Recommendation:

The Texas Engineering Experiment Station should develop and implement written policies and procedures designed to ensure that principal investigators and other key personnel named in the notice of grant award are involved in the project and that it obtains approval for changes in principal investigators or key personnel from the federal grantor.

Management Response and Corrective Action Plan:

The Texas Engineering Experiment Station (TEES) is in the process of reviewing, documenting and enhancing current practices for tracking participation of principal investigators and key personnel on projects and providing any required notification to sponsors. Written procedures will be developed and implemented to ensure that principal investigators and other key personnel named in the notice of grant award are involved in the project and that TEES obtains approval for changes in principal investigators or key personnel from the federal grantor.

Implementation Date: February 28, 2007

Responsible Person: Gwynn Ellison

Texas Higher Education Coordinating Board

Reference No. 07-49

Special Tests and Provisions - ED Form 799

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

For lenders to receive payments of interest benefits and special allowance, they must submit a quarterly *Lender's Interest and Special Allowance Request and Report* (LaRS report) to the U.S. Department of Education (Department). The LaRS report is also used to report origination fees collected on new loans. In addition, other information on the Federal Family Education Loan Program (FFELP) portfolio must be reported to assist the Department in proper management of the FFELP. Parts V and VI of the LaRS report contain information regarding the changes to the guaranteed loan balances during the quarter and the analysis of the status of ending balances of all applicable accounts, including past due accounts (*Compliance Audits [Attestation Engagements] For Lenders and Lender Servicers Participating in the Federal Family Education Loan Program,* Section II.1; Title 34, Code of Federal Regulations, Section 682.305(a); *Common Manual Unified Student Loan Policy,* Section A.3.B).

When performing compliance testing for due diligence in collection of delinquent loans, auditors determined that the Texas Higher Education Coordinating Board (Coordinating Board) incorrectly included loan amounts in Part VI of its quarterly LaRS reports for 18 of the 30 students tested. These students were not included on Coordinating Board's Past Due List, indicating that their loans were not in the current due diligence cycle. For these loans, no further collection efforts were required because a claim had already been paid, a suit had been filed, or the borrower was in bankruptcy. Loans that are not in the current due diligence cycle are not guaranteed. As a result, these loans should not have been reported. The loans were reported as a part of Coordinating Board's loans in repayment or in forbearance.

Similarly, when performing compliance testing related to loan portfolio analysis on Parts V and VI of the LaRS report, auditors determined that the Coordinating Board incorrectly included 3 of 30 loans tested on its LaRS report. In one case, the borrower had been in judgment status since 1983, while in the other two cases the borrowers had been in bankruptcy status since 1979. All three of these loans were incorrectly reported as guaranteed subsidized loans in repayment; however, they were no longer guaranteed, and no payments were received on them during the 2005-2006 award year.

Recommendation:

The Coordinating Board should implement procedures to ensure that it includes only guaranteed loan amounts in its quarterly LaRS reports.

Management Response and Corrective Action Plan:

A request to modify programming has been submitted to ensure that only accounts with the guarantee intact will be reported in Parts IV and V of the LaRS report. No adjustments to prior quarter billing are necessary.

Implementation Date: April 2007

Responsible Person: Katherne Carson

Reference No. 07-50

Special Tests and Provisions - Interest Benefits

Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans (FFELP)
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $0

U.S. Department of Education

The U.S. Department of Education (Department) pays interest benefits to lenders on behalf of eligible borrowers with subsidized FFELP loans (subsidized Stafford and certain consolidated loans) when such loans are in qualifying statuses. These statuses include the in-school loan period, the grace period, and any authorized deferment period or post-deferment grace period (Title 34, Code of Federal Regulations (CFR), Section 682.300). Generally, the Department's obligation to pay interest benefits to a lender ceases when the eligible borrower enters repayment status and does not qualify for deferment. Interest benefits to the lender also begin or terminate with certain other day-specific events enumerated in Title 34, CFR, Sections 682.300(b)(2) and (c).

A lender requests payment of interest benefits by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report) to the Department. Applicable loan interest rates are provided in Section 427 A (a)-(i) of the Higher Education Act. Interest benefits due to the lender may be calculated by using either the average daily balance or actual accrual methods as defined in Title 34, CFR, Sections 682.304(b) and (c). Adjustments for prior periods must be reported as separate line items.

For 7 of 30 FFELP loans reviewed, the Texas Higher Education Coordinating Board's (Coordinating Board) interest benefit calculations for the quarter ending December 31, 2005, used an incorrect ending date of December 30, 2005. As a result, interest benefits for the quarter were understated by one day's interest for each loan. This was a systematic error that also affected all other loans receiving interest benefits for that quarter.

Recommendation:

The Coordinating Board should implement controls to ensure that it uses the appropriate dates for interest benefit calculations.

Management Response and Corrective Action Plan:

The incorrect date was identified the following quarter and corrected at that time. This is a manual process on our current system. We will be migrating to a new system 4-1-2007. The new system's automated processes should eliminate any future errors.

Implementation Date: April 1, 2007

Responsible Person: Katherne Carson

Reference No. 07-51

Special Tests and Provisions - Special Allowance Payments

(Prior Audit Issues - 06-46, 06-47, and 06-48)

Student Financial Assistance Cluster – Loan Servicing of Federal Family Education Loans
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Material Weakness Control and Material Non-Compliance

Loan Balances Ineligible for Special Allowance Payments

Questioned Cost: $ Undetermined

U.S. Department of Education

The U.S. Department of Education (Department) pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances of eligible Federal Family Education Loan Program (FFELP) loans. The lender/servicer bills the Department on a quarterly basis for special allowance payments (SAP) through Part IV of the *Lender's Interest and Special Allowance Request and Report* (LaRS report). The lender/servicer must separate loans according to loan type, applicable interest rate, and special allowance category, and the lender/servicer must provide the sum of average daily balances for each loan within these groups. The Department then calculates a special allowance per category. SAP categories are defined by the Department according to the type of loan; the date the loan was disbursed; the loan period; and, in some cases, the number of quarters for which the loan has been outstanding or the loan's status (in-school, grace, deferment, or repayment) (Title 34, Code of Federal Regulations, Section 682.302 (c)).

The lender/servicer also must report the status and balance of each FFELP loan held and make any adjustments to submissions covering earlier quarters. The Department's obligation to pay a special allowance for an eligible loan ends on the earliest of the following dates, as applicable: the date the loan is repaid; the date the lender receives a claim payment on the loan; the date the loan ceases to be guaranteed or loses its re-insurability; 60 days after the date the borrower defaulted on the loan, unless the lender files a claim with the guarantor before the 60th day; and other dates, as applicable, as outlined in Title 34, Code of Federal Regulations, Section 682.302(d).

The Texas Higher Education Coordinating Board (Coordinating Board) inappropriately reported and collected SAP on 319 loan disbursements that were ineligible for SAP due to their status. These included disbursements associated with borrowers who were deceased or in bankruptcy, or disbursements for which a claim had been filed. Specifically, auditors determined that the Coordinating Board inappropriately reported and collected SAP on:

- Two hundred eighty-seven loan disbursements (made to 90 borrowers) that were related to dischargeable bankruptcies that were no longer guaranteed. These loans had lost their guarantee because claims had not been filed in a timely manner. Auditors confirmed only that the Coordinating Board inappropriately reported and collected SAP on these loan balances in all four quarters for fiscal year 2006; however, it appears that the Coordinating Board has collected SAP on these loan balances every quarter since the bankruptcy filing dates, which date as far back as 1975. Auditors were unable to determine the amount of questioned costs associated with this issue. However, the total principal balance for these loans was $203,028.78 on August 31, 2006.

- Thirty-one loan disbursements to 10 borrowers who died after the disbursements were made. Auditors confirmed only that the Coordinating Board inappropriately reported and collected SAP on these loan balances in all four quarters for fiscal year 2006; however, it appears that the Coordinating Board has collected SAP on these loan balances every quarter since the borrowers' deaths, which date as far back as 1976. Auditors were unable to determine the amount of questioned costs associated with this issue. However, the total principal balance for these loans was $28,732.47 on August 31, 2006.

- One loan disbursement to a borrower when a claim had previously been filed on the disbursement on June 10, 1999. Auditors were unable to determine the amount of questioned costs associated with this issue. However, the total principal balance for this loan was $706.18 on August 31, 2006.

Two of the 319 loan disbursements discussed above were incorrectly classified and reported in SAP category "XE EVAR" when they should have been assigned to the "XB" category. The category classifications depend on specifics such as source of loan funds, disbursement dates, and rates of interest.

Prior Period Adjustments

Questioned Cost: $ 94.85
U.S. Department of Education

The Department pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances. The Coordinating Board, as the servicer, reports in Part IV of the quarterly ED Form 799 the average daily balance of those loans qualifying for the payment. The Coordinating Board must separate loans according to loan type, applicable interest rate, and special allowance category, and it must provide the sum of average daily balances for each loan within these groups. The Department then computes the special allowance payment per category during processing of the ED Form 799 (Title 34, Code of Federal Regulations, Section 682.304-305).

The Coordinating Board also reports prior period adjustments related to special allowance payments (SAP) in Part IV of the ED Form 799. These adjustments are also considered when the U.S. Department of Education computes payments. The Coordinating Board uses a computer-generated report, the *Void Cure Special Allowances Adjustment Report*, to prepare the prior period adjustments.

For 2 of the 40 prior period adjustments tested, the Coordinating Board did not categorize the loan into the correct SAP category. These misclassifications were the result of errors in the automated program tables used to calculate prior period adjustments. These misclassifications do not appear to have resulted in any overpayments to the Coordinating Board. The Coordinating Board has corrected these errors in the automated tables.

For another 1 of the 40 prior period adjustments tested, the Coordinating Board input the incorrect violation or void date into the system used to create the *Void Cure Special Allowance Adjustment Report*. The violation date entered was before the issue date of the loan. As a result, an adjustment for this loan was not calculated or included on the ED Form 799. Special allowance payments should have been reduced by an additional $94.85 when the third quarter prior period adjustments were prepared. The Coordinating Board indicated that this exception would be taken into account when preparing prior period adjustments in the next reporting cycle.

Recommendations:

The Coordinating Board should:

- Implement procedures to ensure that (1) only eligible loan balances are reported when claiming SAP and (2) loans are assigned to the correct SAP category as defined by the Department.

- Determine the amount of SAP claimed and received for each loan disbursement for every quarter since the date of the event that rendered the loan balance ineligible for SAP, and make the corresponding adjustments in its next quarterly LaRS report.

- Review the SAP table in its prior period adjustment program to ensure that correct SAP loan categories (as defined by the U.S. Department of Education) are assigned to loans.

- Implement a process to ensure that the information used to prepare prior period adjustments for the ED Form 799 is correct.

Management Response and Corrective Action Plan:

- *We will be migrating to a new system April 1, 2007. The new system's automated processes should eliminate any future errors.*

- *We plan to have completed all research and any necessary adjustments on or before December 31, 2007.*

Implementation Date: December 31, 2007

Responsible Person: Katherne Carson

- *We have reviewed and updated our SAP loan categories after consulting with the U.S. Department of Education to ensure the accuracy of our information.*

- *We will be migrating to a new system 4-1-2007. The new system's automated processes should eliminate any future errors. In the interim staff will be participating in additional training.*

Implementation Date: April 1, 2007

Responsible Person: Katherne Carson

Reference No. 07-52

Special Tests and Provisions - Student Status Changes

(Prior Audit Issue - 06-45)

Student Financial Assistance Cluster– Loan Servicing of Federal Family Education Loans
Award year - July 1, 2005 to June, 30 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

The Texas Guaranteed Student Loan Corporation (TGSLC) and the National Student Clearinghouse (NSC) communicate student status changes to the Texas Higher Education Coordinating Board (Coordinating Board) on a weekly basis. The Coordinating Board downloads electronic files from TGSLC and NSC each week for processing. Processing includes reviewing the downloaded information for each student and determining whether the downloaded information is more accurate than the Coordinating Board's records. Occasionally, students or institutions will have already contacted the Coordinating Board directly with information. If it is determined that an update is necessary, the Coordinating Board staff manually input the change.

Federal regulations require that after the Coordinating Board is notified of a student status change, it must use that information to make proper adjustments to each loan in a timely manner. For purposes of this requirement, "timely" means adjustments are made in time to satisfy the time requirements outlined in Title 34, Code of Federal Regulations, Section 682.209, for converting and beginning the collection of loans. The accuracy of billings for interest benefits and special allowance payments, and the timely conversion of loans to repayment status, depend on the timely and accurate processing of student status changes.

Two of 50 student status changes tested at the Coordinating Board were not processed in a timely manner in accordance with regulations. In one instance, the data sheet from TGSLC was marked as "same," indicating that an update was not necessary; however, the student's separation date was different by one month when compared to the Coordinating Board's records. In the other instance, current information regarding the student's separation date was overlooked and not updated in the Coordinating Board's records.

Recommendation:

The Coordinating Board should enhance its procedures to ensure that student status changes requiring updates are processed accurately and in a timely manner.

Management Response and Corrective Action Plan:

We will be migrating to a new system 4-1-2007. The new system's automated processes should eliminate any future errors. After April 1, 2007 there will be an electronic file uploaded to the new system, rather then our current hard copy manual process. Only a very few exceptions will be sent to an edit for manual review. In the interim we are examining our processes to determine where we need to strengthen our controls to prevent this from recurring.

Implementation Date: April 1, 2007

Responsible Person: Katherne Carson

Reference No. 07-53

Special Tests and Provisions - Cures

(Prior Audit Issue - 06-49)

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

A lender requests payment of interest benefits and special allowance for eligible loans by billing the U.S. Department of Education (Department) at the end of each calendar quarter. The lender does this by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report). A lender is prohibited from billing for federal interest benefits and special allowance payment on loans that are not eligible for federal reinsurance coverage. It is the lender's responsibility to repay immediately all federal interest benefits and special allowance payments on a loan that is, or was, ineligible to receive payments (*Common Manual, Unified Student Loan Policy,* Appendix A.3). A lender may have the guarantee on a loan reinstated by curing the applicable violation. Upon reinstatement of a loan's guarantee, the lender is again eligible to receive claim payments, interest benefits, and special allowance payments on the loan; the lender is ineligible to receive these payments from the date of the first unexcused violation to the date of the cure (*Common Manual, Unified Student Loan Policy,* Section 14.5).

For 5 of 25 students we tested, the Texas Higher Education Coordinating Board (Coordinating Board) continued to bill for, and receive, special allowance payments (SAP) after an unexcused violation. The payments received between the violation date and the discovery of the violation date should have been rebated. These students were never identified and entered into the Void/Cure SQL server data file, which would have triggered the rebate and prevented the accrual of SAP.

Additionally, information supporting the pending cure amounts in the LaRS report was inaccurate:

- One student was listed as a pending cure, but the Coordinating Board's mainframe system indicated that the student's violation had been cured in 2004. This student should not have been included in the pending cures on the LaRS report.
- Three of the 25 students tested had paid their accounts in full, and they should not have been included in the pending cures on the LaRS report.
- The Coordinating Board's mainframe system contained incorrect void status and date information for 11 of the 25 students tested. Ten of the 11 should have been assigned a permanent void status in the system, and they should not have been included as pending cures on the LaRS report. The mainframe system contained incorrect void dates for 4 of the 11, and an incorrect void status for 9 of the 11.

Recommendations:

The Coordinating Board should implement procedures to ensure that:

- All students with unexcused violations are identified and entered into the Void/Cure SQL server data file so that the accrual of SAP can be stopped and the appropriate rebates can be calculated for their loans.

- Information related to cures is maintained accurately in the mainframe system and reported accurately on the LaRS report.

Management Response and Corrective Action Plan:

- *We will be migrating to a new system April 1, 2007. The new system's automated processes should eliminate any future errors. In the interim we are examining our processes to determine where we need to strengthen our controls to prevent this from recurring.*

- *We will be migrating to a new system April 1, 2007. The new system's automated processes should eliminate any future errors. In the interim we are examining our processes to determine where we need to strengthen our controls to prevent this from recurring.*

Implementation Date: April 1, 2007

Responsible Person: Katherne Carson

Texas State University - San Marcos

Reference No. 07-54

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $0

U.S. Department of Education

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but the student failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

Texas State University - San Marcos (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3.1.1.3).

The University did not report 5 of 40 student status changes tested within the required 60 days. Specifically:

- Two students' status changed from full-time to half-time, and the University reported the status changes to NSC after 54 days. However, NSLDS did not receive notification of those changes from NSC until 65 days after the changes occurred.

- Three students graduated, and the University reported the status changes to NSC after 23 days. However, NSLDS did not receive notification of those changes from NSC until 70 days after the changes occurred.

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. Management may wish to consider reporting more frequently to NSC. In particular, management may wish to consider scheduling additional reporting dates during the latter part of the fall and spring semesters to help ensure that changes occurring during those periods will be reported promptly.

Management Response and Corrective Action Plan:

Although Texas State was reporting monthly to NSC, we were unaware that the information was not automatically forwarded to NSLDS. NSC position was to wait and supply information at the request of NSLDS. Texas State has requested NSLDS to request information from NSC on a monthly basis. This request was submitted in September, 2006.

Please note that our Registrar's Office has assumed the responsibility of providing enrollment information to NSC.

Implementation Date: September, 2006

Responsible Persons: Melissa Hyatt and Dede Gonzales

Reference No. 07-55

Special Test and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.268 P06G03615201
Type of finding - Material Weakness Control and Material Non-Compliance

Questioned Cost: $ 58,451

U.S. Department of Education

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) system within 30 days of disbursement (U.S. Office of Management and Budget control number 1845-0021). Each month, the COD system provides institutions with a School Account Statement (SAS) data file that consists of a Cash Summary, Cash Detail, and Loan Detail records (optional at the request of the institution). The institution is required to reconcile these files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 303).

Texas State University - San Marcos (University) did not reconcile, on a monthly basis, the School Account Statement to its financial records. According to the U.S. Department of Education, there is a $58,451 difference between the amount of the University's cash draws and the amount of its net accepted and posted disbursements.

In addition, for 1 of the 50 students tested, the University did not report 1 disbursement via the COD system to DLSS within 30 days of disbursement.

Recommendations:

The University should:

- Reconcile the School Account Statement to its financial records on a monthly basis.
- Report applicable disbursements to DLSS via the COD system within 30 days of disbursements.

Management Response and Corrective Action Plan:

The financial aid accountant is responsible for reconciling the expenditures for the various federal, state and local funds. Although procedures are in place to have accounts kept up to date on a monthly basis, we experienced a setback in award year 2005-2006. During the months of February 2006 thru April 2006. We were without an accountant from February through April, 2006 and hired an accountant in May 2006.

As of 01/10/2007 we have resolved the differences between the University's cash draws and the amount of net accepted/posted disbursements in COD. We are in the process of correcting the cash draws and these changes should be reflected in COD before month's end.

Additionally, we were authorized to hire another accountant to assist in the expanding work load and the new accountant began working on January 8, 2007. Consequently, we expect to begin the process of monthly reconciling the School Account Statements (SAS) to our financial records no later than March 2007.

In the current award year all applicable disbursements to DLSS via the COD system have met the requirement and have been reported within 30 days of disbursement. To strengthen the process in reporting disbursements, we have added a quality control aspect in the Direct Loan Reject report. Specifically, the accountant performs a second review of the Rejected Disbursement Report and spot checks the work performed.

Implementation Date: March 2007

Responsible Persons: Harold Whitis and *Stephanie Lopez*

University of Houston

Reference No. 07-56
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.007 P007A054166
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 3,600

U.S. Department of Education

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must first select students with the lowest expected family contributions (EFC) who also receive Pell grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Pell grant recipients, it must award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Pell grants (Title 34, Code of Federal Regulations, Section 676.10).

The University of Houston's (University) student financial aid packaging system awards FSEOG based on an EFC range, without regard to other Pell grant eligibility requirements. As a result, the University awarded $3,600 in FSEOG funds to 4 students of 50 tested when those 4 students did not also receive Pell grants. This conflicted with federal regulations because other students who had received Pell grants were not awarded FSEOG. Specifically, 18 of 27 students tested received Pell grants but they did not receive FSEOG.

The circumstances related to the four students who received FSEOG but did not receive Pell grants were as follows:

- Two students were not eligible for Pell grants based on their enrollment status.
- One student was not eligible for a Pell grant based on his EFC, but he was incorrectly awarded FSEOG due to a manual error during the summer packaging process.
- One student did not receive a Pell grant because of conflicting information regarding class status (graduate or undergraduate) for the student.

According to its Schedule of Expenditures of Federal Awards, the University awarded $1,561,839.95 in FSEOG grants during the 2005-2006 award year.

Recommendation:

The University should ensure that it awards FSEOG to Pell grant recipients before it awards FSEOG to eligible non-Pell grant recipients with the lowest EFCs.

Management Response and Corrective Action Plan:

The University will modify its awarding practices to ensure that it awards FSEOG to Pell recipients before it awards FSEOG to eligible non-Pell grant recipients with the lowest EFCs.

Implementation Date: April 2007

Responsible Person: Ralph Perri

Reference No. 07-57

Reporting - Pell Payment Data

(Prior Audit Issues 06-52, 05-47, and 04-48)

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P052333
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) system. Origination records can be sent in advance of any disbursements, as early as an institution chooses to submit them for any student it reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. Institutions must report the student payment data (1) within 30 calendar days after it makes payments or (2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Institutions may do this by reporting once every 30 calendar days, bi-weekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner.

For 41 of 50 students tested, the University of Houston (University) reported incorrect disbursement dates to the COD system. This resulted from a programming error in vendor software that used the incorrect loan primary disbursement dates for the first Pell disbursements of each semester, instead of the dates the awards were disbursed to students.

In addition, for 27 of 50 students tested, the University did not report disbursement records to the COD system within 30 calendar days of the disbursement date. Twenty-five of these instances were related to August 13, 2005, disbursement records that were not reported to COD until September 15, 2005. This issue resulted from the University's transition to an automated process to report Pell information to the COD system, and the first report submission using the new process was delayed because of several aborted attempts between August 31, 2005, and September 15, 2005. For the remaining two instances, the University did not load the acknowledgement from the COD system back into its financial aid system in a timely manner.

The total amount of Pell Grants the University disbursed for the award year was $23,739,222.

Recommendations:

The University should:

- Correct the programming error so that the correct disbursement date is reported to the U.S. Department of Education.
- Improve its oversight of the Pell reporting process to ensure that disbursement records are reported to the U.S. Department of Education in a timely manner.

Management Response and Corrective Action Plan:

The programming error will be corrected so that the correct disbursement date is reported to the U.S. Department of Education. Procedures will also be developed to improve oversight of the Pell reporting process to help ensure timely reporting to the U.S. Department of Education.

Implementation Date: April 2007

Responsible Person: Ralph Perri

Reference No. 07-58

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Unless an institution expects to submit its next student status confirmation report to the Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3.1.1.3).

The University did not report 14 of the 40 student status changes tested within the required 60 days. Changes were reported as follows:

- Two students were suspended in spring 2006. The University submitted the changes to NSC in fall 2006, but the changes were not received by NSLDS or the lender.

- Two students went from full-time to half-time, and the University reported the changes to NSC within 25 days. However, NSLDS did not receive notification of those changes from NSC until 118 to 240 days after the changes occurred.

- Four students graduated in spring 2006, and the University reported those changes to NSC within 40 days after the change. However, NSLDS did not receive notification of those changes from NSC until 73 to 78 days after the changes occurred.

- Four students were suspended at the end of fall 2005, and the University reported those changes to NSC within 47 days after the change. However, NSLDS did not receive notification of those changes from NSC until 96 days after the changes occurred.

- Two students withdrew from the University. The University reported those changes to NSC within 47 days after the change. NSLDS did not receive notification of one of the changes from NSC. The other change was reported to NSLDS 96 days after it occurred.

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. Management may wish to consider reporting more frequently to NSC. In particular, management may wish to consider scheduling additional reporting dates during the latter part of the fall and spring semesters, to help ensure that changes occurring during those periods will be reported promptly.

Management Response and Corrective Action Plan:

The University will discuss with the Clearinghouse the scheduling of data submissions, reporting turnaround times, and developing a procedure to monitor the timeliness of reporting by the Clearinghouse. We are also considering reporting to the Clearinghouse more frequently.

Implementation Date: July 2007

Responsible Person: Ralph Perri

University of Houston - Downtown

Reference No. 07-59
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.007 P007A054118
Type of finding - Material Weakness Control and Material Non-Compliance

Questioned Cost: $ 148,531

U.S. Department of Education

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must give priority to students with the lowest expected family contributions (EFC) who also receive Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10).

An institution is not in compliance with the U.S. Higher Education Act, as amended, and FSEOG regulations if it awards FSEOG funds on a first-come, first-serve basis or arbitrarily sets expected EFC benchmarks (or cut-offs) below which it selects FSEOG recipients. Such a practice could exclude eligible students from the FSEOG award process (U.S. Department of Education's 2005 - 2006 *Student Financial Aid Handbook*, Volume 3, Chapter 5).

The University of Houston - Downtown (University) awarded FSEOG funds totaling $51,734 (26 percent of available FSEOG funds) to only 14 of 776 students who received Pell Grants and who also had EFCs of $0. It awarded the remaining $148,531 in FSEOG funds (74 percent of available FSEOG funds) to Pell Grant recipients who did not have the lowest EFCs. As a result, many Pell Grant recipients with the greatest financial need did not receive FSEOG assistance that should have been provided to them.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $425,425 in FSEOG grants during fiscal year 2006.

Recommendation:

In determining FSEOG awards, the University should give priority to Pell Grant recipients who have the lowest EFCs.

Management Response and Corrective Action Plan:

The University of Houston-Downtown will award FSEOG to Pell recipients with the lowest to the highest EFC beginning with those students who meet the financial aid priority deadline and will continue to do so with each packaging run thereafter.

Although the University had instances of awarding FSEOG to students without the lowest EFC within a packaging run, all students who received FSEOG awards did receive Pell awards (as noted by the auditors), and were otherwise eligible to receive FSEOG awards.

Implementation Deadline: April, 2007

Responsible Person: Robert B. Sheridan

Reference No. 07-60

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Material Weakness Control and Material Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

The University of Houston - Downtown (University) did not consistently send out the required notifications to FFELP loan recipients in fiscal year 2006. Of the 22 FFELP loan recipients sampled, 11 students (50 percent) did not receive any notification, and 7 students (32 percent) received notifications in the fall semester but not in the spring semester.

The University's current notification process is primarily manual and depends on employees to (1) accurately review the *Texas Guaranteed Student Loan Corporation Disbursement Report*, (2) enter the appropriate comment in the student financial aid management system, and (3) mail the notification. When the University does not distribute the required notifications, this reduces the opportunity for loan recipients to cancel the awards if they choose to do so.

Recommendation:

The University should automate its student notification process or implement a review process to ensure that it sends notifications to all FFELP loan recipients within the required time periods.

Management Response and Corrective Action Plan:

The University has automated this process to ensure that its notifications to all FFELP loan recipients are within the required time periods.

Implementation Date: January 2007

Responsible Person: Robert Sheridan

University of North Texas

Reference No. 07-61
Cash Management

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P052293
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

The U.S. Department of Education (Department) provides funds to an institution either under the advance, reimbursement, just-in-time, or cash monitoring payment methods. Under the reimbursement payment method, the institution must make disbursements to students and parents for the amount of funds those students and parents are eligible to receive under Federal Pell Grant, Direct Loan, and campus-based programs before it may seek reimbursement from the Department for those disbursements. The Department considers an institution to have made a disbursement if the institution has either credited a student's account or paid a student or parent directly with its own funds (Title 34, Code of Federal Regulations, Section 668.162).

The University of North Texas (University) uses the reimbursement method. For one of 15 cash draws tested, the University requested and received $672.93 more than the amount of funds it disbursed to students as of the draw date. Although the University's general ledger transaction detail supported the amount of the cash draw, five transactions within the detail were in error and were not reflected as disbursements in the students' accounts. According to University management, four of the five transaction errors occurred because of system errors during the payment application process. These transactions were all credit amounts that totaled -$1,352.07. The remaining error was the result of a duplicate posting in the general ledger for an excess of $2,025 posted to a student's account. The cumulative amount of funds requested as of the draw date was still below the authorized award amount. The University identified all errors and made required adjustments to the general ledger when it prepared its final Pell reconciliation in October 2006.

Recommendations:

The University should:

- Request reimbursement for only disbursed funds.
- Improve its reconciliation process to facilitate the timely detection and correction of system errors to help ensure that it does not draw funds in excess of funds disbursed.

Management Response and Corrective Action Plan:

Management recognizes that the cumulative amount of funds requested as of the single cash draw was below the authorized award amount. Although UNT's general ledger transaction detail supported the amount of the cash draw, Management recognizes the single cash draw and the subsequent five student payment transaction detail errors as problematic. As stated in the audit report, Management made required adjustments to the general ledger in its final Pell reconciliation in October.

To assure accurate cash draw requests and a prompt reconciliation process, Student Financial Aid and Scholarships (SFAS) Management and UNT's Grant Accounting office collaborated to establish documented procedures that includes SFAS notification to Grant Accounting of the correct cash draw amount to be requested.

A new query was developed and implemented to identify student payment transactions that might be in error during a payment application process.

Implementation Date: October 2006

Responsible Persons: Barbara MacDonald and Deborah Arnold

Reference No. 07-62

Reporting - Pell Payment Data

(Prior Audit Issue - 06-58)

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P052293
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. Origination records can be sent in advance of any disbursements, as early as an institution chooses to submit them for any student it reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. Institutions must report the student payment data (1) within 30 calendar days after it makes payments or (2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Institutions may do this by reporting once every 30 calendar days, bi-weekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner.

If an institution submits a student's payment data in the manner and form prescribed, and if the U.S. Department of Education accepts the data and considers that information to be accurate in light of other available information, the institution may receive either (1) a payment for an award to a Pell Grant recipient or (2) a corresponding reduction in the amount of federal funds received in advance for which it is accountable. Institutions are required to report to the U.S. Department of Education any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of a federal Pell Grant for which a student qualifies by submitting student payment data that discloses the basis and result of the change in award (Title 34, Code of Federal Regulations, Section 690.83). The types of costs included in the Pell budget are the same as those for the other Federal Student Aid programs; however, Pell costs are always based on the costs for a full-time student for a full academic year (*Federal Student Aid Handbook,* Volume 3, Chapter 2, page 3-21).

For the 2005-2006 award year, the University of North Texas (University) did not submit its first Pell disbursement report until September 20, 2005. This occurred because of the delayed implementation of modifications to the PeopleSoft Human Resources module, which is shared with the Financial Aid module and is used for Pell reporting. Initial Pell disbursements dated before August 21, 2005, were not reported until September 20, 2005, which exceeded the 30-day reporting requirement. Ten of 43 students selected for review had disbursement dates falling on August 18, 2005 or August 19, 2005, but that information was not submitted within 30 days of disbursement. University management was aware of this delay, and these issues were resolved prior to the audit.

In addition, for 7 of 43 students tested, the University reported a cost of attendance to the COD system that was not based on the costs of a full-time student for a full academic year. Specifically:

- For three of these students, University management attributed the discrepancies to manual errors that caused the cost of attendance to be prorated for less than full-time enrollment status.

- For four of the students, University management attributed the discrepancies to a system calculation error that caused the cost of attendance to be inflated in one of the terms of enrollment. According to management, the manufacturer is aware of the system error that caused the erroneous calculation of the Pell cost of attendance and has developed a tool to correct it.

The Pell grant awards and payments to the seven students were not affected by the incorrect cost of attendance reported to COD.

According to the Schedule of Expenditures of Federal Awards for fiscal year 2006, the University awarded $17,128,253 in federal Pell Grants.

Recommendations:

The University should:

- Implement procedures to correctly report cost of attendance.

- Implement the vendor's product that is designed to correct the system error related to cost of attendance calculations.

- Improve its training and review process to ensure that data reported to the COD System is correct.

Management Response and Corrective Action Plan:

Management submitted initial fall 2005 Pell disbursement activity to COD immediately upon its knowledge of full implementation of a PeopleSoft modification to its Human Resources module which is shared with the Financial Aid module and is used for Pell reporting. Since this factor was a temporary incident, Management adds that no other EIS modifications have occurred and COD reporting has been timely since September 2005.

Management is pleased that the disbursed Pell grant awards to the seven students noted in the audit report were not affected by incorrect cost of attendance amounts reported to the COD system. As noted, three errors were a result of inaccurate staff key-entry errors and a vendor software system design created the erroneous calculation of the Pell cost of attendance for four students.

Until receipt and implementation of the vendor (PeopleSoft) software to address the existing system errors, Management implemented a programming tool to assure accurate reporting of Pell student cost of attendance, effective October 2006.

Additional staff training will be conducted to address data entry instructions/responsibilities.

Implementation Date: October 2006 (Programming tool implemented); February 2007 (Training)

Responsible Persons: Lacey Thompson and Zelma DeLeon

Reference No. 07-63

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P052293
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application. These policies and procedures must include the procedures for making referrals described under Title 34, Code of Federal Regulations (CFR), Section 668.16 (Title 34, CFR, Section 668.53). Referrals should include instances in which the institution has identified credible information indicating that an applicant for Title IV Higher Education Act program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application (Title 34, CFR, Section 668.16).

The University of North Texas (University) does not have written procedures for making referrals required by federal regulations. As a result, it may not have the capability to identify and report instances of false or fraudulent information to the Office of the Inspector General of the U.S. Department of Education for investigation.

Recommendation:

The University should develop and implement procedures to identify suspected false or fraudulent information and make referrals to the Office of Inspector General of the U.S. Department of Education for investigation.

Management Response and Corrective Action Plan:

Management recognizes its responsibility to report financial aid/scholarship fraudulent student applicant data to the Office of Inspector General of the U.S. Department of Education for investigation.

Management will make its method to identify suspected false or fraudulent information on financial aid applications official by clarifying written procedures that are to be followed in order to appropriately make prompt referrals to the Office of Inspector General of the U.S. Department of Education for investigation.

Staff training will be conducted to call attention to the issue. In addition, staff will be reminded to report questionable aid applicant information to supervisors (Team Leaders) and to upper office Management so referrals to OIG can be made appropriately.

Implementation Date: January 2007

Responsible Persons: Lacey Thompson and Zelma DeLeon

Reference No. 07-64

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P052293
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 600

U.S. Department of Education

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI), U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

For the 2005-2006 award year, the University of North Texas (University) did not properly verify required items on the FAFSAs for 3 of 50 students tested. Auditors identified the following specific errors:

- One student listed $1,177 for student income taxes paid on his FAFSA, but his tax forms listed $0 taxes paid. During the verification process, the University noted $0 taxes paid on the independent verification statement, but it did not initiate a change to the FAFSA information in its Enterprise Information System (EIS). This student's EFC based on the $1,177 taxes paid was $430, but the correct EFC based on $0 taxes paid was $559. Because of the error in the EFC, the University over-awarded the student $100 in Pell Grant assistance.
- One student listed $0 for untaxed income on her FAFSA, but her dependent verification statement listed $1,846.20 in payments to a tax-deferred pension (a worksheet B item). During the verification process, the University noted the worksheet B item on the independent verification statement, but it did not initiate a change to the FAFSA information in EIS. This student's EFC based on the $0 in worksheet B was $3,055, but the correct EFC based on the $1,846.20 in payments to a tax-deferred pension was $3,512. Because of the error in the EFC, the University over-awarded the student $500 in Pell Grant assistance.
- One student listed $8 for student income taxes paid on his FAFSA, but his tax forms listed $0 in taxes paid. During the verification process, the University noted $0 taxes paid on the dependent verification statement, but it did not initiate a change to the FAFSA information in EIS. The student's EFC was not affected by this error and, therefore, there was no change in Pell Grant eligibility.

Recommendations:

The University should:

- Strengthen its controls related to FAFSA verification procedures.
- Consider providing refresher training courses for staff assigned to verifying items on the FAFSA.
- Process and submit corrections for the students noted above who were over-awarded Pell grant assistance.

Management Response and Corrective Action Plan:

Management is attentive to the U.S. Department of Education requirements associated with the Verification of FAFSA reported data. In addition, Management recognizes the requirement to report FAFSA corrections to the Federal Processor as a result of the Verification of Information process, particularly if an over-award of financial aid is detected.

Management will review existing Verification procedures to assure instructions are well documented.

Sessions will be scheduled to provide additional/refresher training to staff assigned to key-enter and monitor Verification data.

Management will take corrective action as noted in the audit report to rectify the 05-06 Pell Grant disbursements.

Implementation Date: January 2007

Responsible Persons: Lacey Thompson and Zelma DeLeon

Reference No. 07-65

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P052293, CFDA 84.007 P007A054085, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Sections 682.604(c), 685.303(b)(4), and 668.164).

The University of North Texas (University) disbursed loan funds earlier than 10 days prior to the first day of classes for 21 of 104 disbursements tested (104 disbursements to 50 students). The University input the wrong date in its Enterprise Information System (EIS), which resulted in the automated disbursement of loan funds one day earlier than allowed. The error resulted in the early disbursement of all awards that were packaged and authorized prior to the initial disbursement for the Fall 2005 semester.

Recommendations:

The University should ensure that the disbursement date input into EIS is not more than 10 days before the first class day of the semester. The University also may wish to consider implementing a review process of the disbursement date that is input into EIS.

Management Response and Corrective Action Plan:

While Management concurs with the audit report finding for fall 2005 disbursements, Management wishes to note that spring and summer 2006 disbursements did not exceed the 10 day (prior to the 1st class day) disbursement rule as directed by the Title IV HERA guidelines.

A Management team will review and discuss the specific disbursement dates applicable to each payment period and will do so each time EIS (Enterprise Information System) set-up tables/dates are revised for upcoming enrollment/payment periods/academic terms.

Management will assign one individual to key-enter the disbursement dates into the EIS with an additional individual assigned to monitor the key-entry.

Implementation Date: January 2007

Responsible Persons: Barbara MacDonald and Ed Turney

University of North Texas Health Science Center at Fort Worth

Reference No. 07-66

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable
Type of finding – Material Weakness Control and Material Non-Compliance

Disbursing Title IV, Higher Education Act Program Funds

Questioned Cost: $ 0

U.S. Department of Education

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Section 668.164).

The University of North Texas Health Science Center at Fort Worth (Health Science Center), disbursed loan funds 11 days in advance of the first day of classes for 37 of 40 students tested. This occurred because the Health Science Center populated the "Disbursement Date" field in the financial aid system's Disbursement ID table with incorrect dates.

Requesting FFELP Funds

An institution may not request that a lender provide it with loan funds by electronic funds transfer (EFT) or master check earlier than 27 days after the first day of classes of the first payment period for a first-year, first-time Federal Stafford Loan Program borrower; or 13 days before the first day of classes for any subsequent payment period for a first-year, first-time Federal Stafford Loan Program borrower or for any payment period for all other Federal Stafford Loan Program borrowers. An institution may not request that a lender provide it with loan funds by check requiring the endorsement of the borrower earlier than the first day of classes of the first payment period for a first-year, first-time Federal Stafford Loan Program borrower; or 30 days before the first day of classes for any subsequent payment period for a first-year, first-time Federal Stafford Loan Program borrower or for any payment period for all other Federal Stafford borrowers (Title 34, Code of Federal Regulations, Section 668.167).

The Health Science Center requested Federal Stafford Loan Program funds from lenders earlier than 13 days in advance of the first day of classes for all 39 students tested. This occurred because the Health Science Center populated the "Loan Request Date" field in the financial aid system's Disbursement ID table with incorrect dates.

Returning Funds to a Lender

An institution must return FFELP funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by EFT or master check on or after July 1, 1999, or 30 days after the institution receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the institution (Title 34, Code of Federal Regulations, Section 668.167).

For 6 of 39 students tested, the Health Science Center held funds for longer than the maximum number of days allowed before disbursing them.

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or FFELP loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic fund transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

The Health Science Center did not send the required disbursement notifications to all 37 students tested. Although the Health Science Center did not send the notifications, students have the ability to view the details and status of their financial aid through their online accounts maintained by the Health Science Center.

Recommendations:

The Health Science Center should:

- Ensure that the "Disbursement Date" field in the Disbursement ID table in the financial aid system does not contain a date more than 10 days before the first class day of the semester.
- Ensure that the "Loan Request Date" field in the Disbursement ID table in the financial aid system does not contain a date more than 13 days before the first class day of the semester.
- Ensure that funds are held for no more than the maximum allowed number of days before disbursing them to a student's account.
- Ensure that it sends the required notifications, including instructions for canceling awards, to loan recipients.
- Retain evidence that it sent notifications to loan recipients within the required time periods.

Management Response and Corrective Action Plan:

The Financial Aid office agrees with the findings of the auditor. The director will ensure that the Disbursement Date field in the Disbursement ID table in the financial aid system does not contain a date more than 10 days before the first class day of the semester for each academic program. Additionally, to ensure accuracy the director will review these dates on the first day of each month in which disbursements are scheduled.

The Financial Aid office agrees with the findings of the auditor. The director will ensure that the Loan Request Date field in the Disbursement LD table in the financial a id system does not contain a date more than 13 days before the first class day of the semester for each academic program. These dates will be reviewed for accuracy on the first day of each month in which disbursements are scheduled.

Implementation date: January 1, 2007

Responsible Person: Michael Haynes

The Financial Aid office agrees with the findings of the auditor. Those funds reaching an age of 3 business days are either returned, or the student situation analyzed to determine if circumstances exist which indicate the student will become eligible within the next 10 business days (as allowed by US Department of Education regulations). If the student in question does not establish eligibility, the funds are returned to the lending institution. The request for such action is originated by financial aid in the form of an email to all student financials personnel. Procedures pertaining to return of non-disbursed loan funds are maintained by and within the Office of Financial Aid.

Implementation Date: July 1, 2006

Responsible Person: Michael Haynes

The Financial Aid office agrees with the findings of the auditor. Financial aid personnel have established a process to notify students of the federally mandated Right to Cancel information 2 weeks prior to an established disbursement date. 'This information is conveyed electronically via email to the address maintained by the institution's student information system. Procedures pertaining to this notification process are maintained by and within the Office of Financial Aid.

The Financial Aid office agrees with the findings of the auditor. The Financial Aid office has established a process to electronically save copies of each individual email notification. The copies are accessible by all financial aid personnel in the event of student inquiries.

Implementation Date: July 21, 2006

Responsible Person: Michael Haynes

The University of Texas at Austin

Reference No. 07-67
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number -CFDA 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 3,143

U.S. Department of Education

The total amount an undergraduate student may borrow for any academic year of study under the Stafford Loan Program, in combination with any amount borrowed under the Federal Direct Stafford/Ford Loan Program, may not exceed $5,500. An institution also is responsible for determining whether prorated loan limits are applicable and how annual loan limits must be prorated. For a student who (1) is enrolled in an academic program of study which is at least one academic year, (2) has successfully completed at least two years of the program, and (3) has less than a full academic year remaining, the maximum amount the student may borrow for the remaining period is $5,500 multiplied by a ratio determined by the number of final hours enrolled for the remaining period, divided by the hours in an academic year (Title 34, code of Federal Regulations, Section 682.204(a) (3)(i) and (ii).

The maximum annual amount of Federal Perkins Loans and National Direct Student Loans an eligible undergraduate student may borrow is $4,000, and maximum annual amount for a graduate or professional student is $6,000 (Title 34, Code of Federal Regulations, Section 674.12(a)).

Auditors tested a judgmental sample of 30 students at the University of Texas at Austin (University) and determined that:

- Twenty-nine students in the sample received Stafford loans. One of those students (an undergraduate) received loan amounts that exceeded the prorated limit. This student received $5,084 in subsidized Stafford loans and $416 in unsubsidized Stafford loans for a total of $5,500 for the Summer 2006 semester, her last semester before graduation. However, those awards should have been prorated based on hours enrolled for the Summer 2006 semester divided by hours for an academic year. The Stafford loans awarded to this student exceeded the annual prorated limit by $3,142.86.

- Six students in the sample received Perkins loans. Three of those students received loan amounts that exceeded the annual limit:

  - One undergraduate student received $8,000 in Perkins loans for the award year, which exceeded the annual limit by $4,000. The University corrected this over-award during fieldwork, and reversed a $4,000 Perkins award and replaced it with a Texas Public Education Grant.

  - One undergraduate student received $7,780 in Perkins loans for the award year, which exceeded the annual limit by $3,780. The University corrected this over-award during fieldwork and reversed a $4,000 Perkins award and replaced it with a Texas Public Education Grant.

  - One professional student received $9,000 in Perkins loans for the award year, which exceeded the annual limit by $3,000. The University corrected this over-award during fieldwork and reversed a $3,000 Perkins award and replaced it with a Texas Public Education Grant.

According to the Schedule of Expenditures of Federal Awards for fiscal year 2006, the University awarded $14,380,251 in Perkins loans and $205,033,070 in Federal Family Education Loans.

Recommendations:

The University should:

- Implement a process to ensure that it does not award financial assistance that exceeds prorated and annual limits.

- Ensure counselors review awards already made to students during the award year before packaging or manually awarding more financial assistance to them.

Management Response and Corrective Action Plan:

The University concurs with the finding. However, regarding the six Perkins awards made in excess of annual limits, the State Auditors Office staff were provided a file of every federal aid recipient for the July 1, 2005 - June 30, 2006 award year. It was within this file of some 24,000 records where the Perkins awards over the annual limit were isolated and not the smaller sample file used to examine other federal student loan eligibility criteria. For perspective, the University awarded some 3,200 students Perkins loans during the Fall 2005 - Spring 2006 academic year.

As a regular component of the start up of a new year processing, the counseling staff is trained on awarding policies - including the maximum annual limits for federal aid programs.

Special emphasis will be made on these issues beginning with the 2007-08 awarding cycle. In addition, OSFS will run computer programs to identify students who may have been awarded funds beyond the amounts for which they are eligible and resolve the potential overawards prior to disbursement.

Loan proration will be a stand-alone topic for counselor training and integrated fully into the University's policies and procedures regarding moving students to a Borrower-based year.

Implementation Date: Training: February-March 2007. Reports: pre-disbursement of semester funds.

Responsible Persons: Sonje Johnson and Henry Urick

Reference No. 07-68

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 PO63PO52336
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 500

U.S. Department of Education

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI), U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

The University of Texas at Austin (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop and implement a quality improvement approach to federal student assistance program administration and delivery. The QAP provides participating institutions with an alternative management approach to develop verification that fits their population. As a part of the quality improvement for the verification process, the University's policy requires verifying wages and income exclusions in addition to all of the items required by Title 34, Code of Federal Regulations, Section 668.56.

For the 2005-2006 award year, the University did not properly verify required items on the FAFSAs for 4 of 30 students tested. The following specific errors were identified:

- One student reported no parental untaxed income on the FAFSA, but auditors' review of verification documents identified $3,936 in the student's parents' Social Security benefits. In addition, the student reported a $2,500 income exclusion on the FAFSA, but the verification documents confirmed a $0 income exclusion. The University neither corrected this information nor submitted data corrections to the U.S. Department of Education's central processor (central processor). The corrections would not have resulted in a change to the student's EFC and, therefore, his eligibility for Title IV assistance was not affected.

- One student reported $649 on the FAFSA worksheet A, but the verification documents listed $1,000 in an additional child tax credit, which is classified as a worksheet A item. In addition, the student reported a $1,000 income exclusion on the FAFSA, but the verification documents confirmed a $0 income exclusion. The University neither corrected this information nor submitted data corrections to the central processor. The EFC based on the $1,000 income exclusion and without the child tax credit was $70. The correct EFC based on the $0 income exclusion and with the child tax credit was $145. This resulted in the University over-awarding the student $100 in Pell Grant assistance. The University awarded the student a total of $4,000 in Pell Grant assistance.

- One student reported $1,895 in parents' taxes paid on the FAFSA, but the verification documents confirmed $0 in parents' taxes paid. The University neither corrected this information nor submitted data corrections to the central processor. The EFC based on $1,895 in parents' taxes paid was $2,359. The correct EFC based on $0 in parents' taxes paid was $2,783. This resulted in the University over-awarding the student $400 in Pell Grant assistance. The University awarded the student a total of $1,700 in Pell Grant assistance.

- After completing the verification process for one student, the University corrected the student's information and submitted corrections to the central processor. Specifically, it made corrections for $10,356 in untaxed benefits, $70,143 in income from a pension distribution, and a $0 income exclusion. Auditors' review of the verification documents indicated that the following corrections should have been made: $1,553 in untaxed benefits, $0 in income from a pension distribution, and a $500 income exclusion. The EFC based on the University's corrections was $27,287. The correct EFC based on corrections auditors identified was $8,804. This resulted in a potential increase in the student's unmet financial need from $0 to $5,200. However, for scholastic reasons, the student was not eligible for non-need based assistance.

Recommendations:

The University should:

- Provide on-going training regarding FAFSA verification to staff in the Office of Student Financial Services.

- Strengthen controls related to verification procedures to ensure that student information reported on FAFSAs matches the verification documents.

Management Response and Corrective Action Plan:

The University concurs with the finding. On an Office of Student Financial Services (OSFS) historical note, Verification had traditionally been performed exclusively by four to five experienced counselors in the Quality Control Section. This policy insured consistency and accuracy of treatment but resulted in some "bottlenecking" of the awarding of aid applicants. (UT Austin does not award aid until Verification is complete.) To improve the awarding timeline as well as to enhance and expand all counselors' professional skills, Verification was expanded to the entire counseling staff in the 2003-2004 award year. The Quality Control Section still retains some 50% of the Verification cases but the remaining half is delegated to the OSFS counselor of record to complete the Verification process. While thorough training was provided to the entire counseling staff at the initial distribution of Verification files, additional follow up training and exercises are now warranted to insure OSFS compliance with the Verification regulations.

As a result of the 2005-2006 finding, OSFS has already conducted a Re-Verification of the vast majority of the 2006-2007 federal aid applications selected for verification. This action was taken, first, to insure accuracy and validity of current year federal awards and, second, to assist OSFS staff in identifying any systemic weaknesses.

The process is nearly completed and has spotlighted some issues in the Verification procedures which lend themselves to re-education opportunities as OSFS implements 2007-2008 processing schedules.

An analysis of the results of the Re-Verification exercise will identify any specific trends related to the items (e.g., Taxes Paid, Adjusted Gross Income, etc) required for Verification. Those items will be reviewed extensively at the regularly scheduled Verification training for the counseling staff at the start up of the new processing year.

In addition, OSFS will sample its 070 Verification population shortly after start-up of processing for the 2007-08 award year and perform Re-Verification on the sample to measure the effectiveness of the February training. Another control will be to require the counseling staff to use the "FAA Access" verification tool provided on the federal Department of Education website rather than the UT Austin batch correction process. The FAA Access tool cleanly presents a side-by-side comparison between original data and verified data.

Implementation Date: February 2007

Responsible Persons: Henry Urick and Gloria De Leon

Reference No. 07-69

Matching

(Prior Audit Issues - 06-63, 05-57, 04-53, 03-09, and 02-48)

Research and Development Cluster
Award year - Multiple
Award number - All Grants with Matching Requirements
Type of finding - Reportable Condition Control

Non-federal entities may be required to share in the cost of research either on an overall entity or individual award basis. The specific program regulations, general agency award guidance, or individual federal award will specify matching requirements, if applicable (Office of Management and Budget Circular A-133 Compliance Supplement, Part 5, Section G).

Questioned Cost: $ 0

Federal Agencies that Provide R&D Grants

The University of Texas at Austin (University) administers its research and development programs through two offices: (1) the Office of Sponsored Projects and (2) Grants and Contracts. The principle investigator is directly responsible for the research and provides necessary information to those two offices. Information related to matching requirements is loaded into the Research Management System (RMS). The information loaded into RMS includes cost share type (effort, cash, in-kind, or other), amount, and commitment type (mandatory or voluntary).

The University continues to develop its capability to track and enforce matching requirements specified in award documents. The University has improved its process so that it can now determine average matching obligations for a specific award year (calculated by dividing the matching requirement by the number of award years). Auditors determined that controls were operating effectively to provide reasonable assurance that matching requirements were entered into RMS and periodically certified by project staff.

RMS classifies commitment types as either voluntary or mandatory. However, during the initial population of the RMS data fields related to matching, if the classification was not immediately clear, University staff initially designated awards with any type of matching obligation as mandatory. Although this practice does not affect the University's compliance with matching requirements, it makes it difficult to identify all awards for which matching is truly mandatory. Additionally, the University entered incorrect matching requirements into RMS for 1 of 15 project award records reviewed. Management determined that the error occurred because the original entry was based on an estimate, but that estimate was not updated with the final matching requirement when that was determined later in the award process.

Recommendations:

The University should:

- Continue to enhance its ability to monitor grant matching provisions on both a fiscal year basis and along with the grant period.
- Continue to improve its ability to identify only those grants that have mandatory matching requirements.
- Update RMS with final matching requirements (if it initially bases those requirements on estimates).

Management Response and Corrective Action Plan:

We concur. The University of Texas at Austin has been improving each year in identifying these awards and reporting cost-sharing and matching; an automation initiative was completed in July, 2006 to ensure that all awards with mandatory cost sharing or matching requirements were identified so that this reporting requirement can be met. Additional fields were added to the cost sharing screen in RMS to allow categorization of each item as mandatory cost sharing or voluntary committed cost sharing. It is expected that institutional records on all grants initiated in fiscal year 2007 forward will distinguish whether the matching commitment was mandatory or voluntary.

SAO reviewed the new process and the control design appeared adequate. The University considers this matter completely addressed.

Also, a batch report will be developed to identify year-to-date or project-to-date information on cost sharing. This report will show the actual cost sharing as certified in the University's electronic Effort Certification System (ECS). The University is also assessing a new third-party application to replace ECS. Should a decision be made to move to the third-party application, we will work with the vendor to ensure equivalent or enhanced report functionality is available.

Finally, the University will monitor awards to ensure cost share amounts reflected in RMS as a part of the proposal process get updated, as necessary, upon award acceptance to match the agreement amount.

Implementation Date: August 2007

Responsible Persons: Dr. Susan Wyatt Sedwick and Glenn (Fred) Friedrich

University of Texas Health Science Center at San Antonio

Reference No. 07-70
Allowable Cost/Cost Principles

Research and Development Cluster
Award year - 2006
Award number - All grants awarded from the National Institutes of Health
Type of finding - Reportable Condition Control

Questioned Cost: $ 0

National Institutes of Health

Appropriated funds for the National Institutes of Health, the Agency for Healthcare Research and Quality, and the Substance Abuse and Mental Health Services Administration shall not be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level I (Public Law 109-149, U.S. Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006, Section 204). The Executive Level I annual salary rate was $180,100 for the period January 1 through December 31, 2005. Effective January 1, 2006, the Executive Level I salary level increased to $183,500 (NOT-OD-06-031, Salary Limitation on Grants, Cooperative Agreements, and Contracts).

The University of Texas Health Science Center at San Antonio (Health Science Center), has implemented a monitoring plan related to employee effort reporting. For each semi-annual time and effort certification period, the Health Science Center selects a sample of employees and tests compliance with several time and effort requirements, including the National Institutes of Health (NIH) salary cap. However, for the first certification period of fiscal year 2006 (September 1, 2005, through February 28, 2006), the Health Science Center tested compliance with the NIH salary cap by comparing the employee's semi-annual salary and effort to the annual NIH salary cap. As a result, the Health Science Center did not identify employees who exceeded the NIH salary cap for the six-month period.

The Health Science Center became aware of this error before the second certification period of fiscal year 2006 was complete. The time and effort monitoring process for the second certification period of fiscal year 2006 was performed using the correct salary cap amount.

Recommendations:

The Health Science Center should:

- Continue its monitoring of compliance with effort requirements, including the NIH salary cap.
- Revise its monitoring to include secondary review procedures to help ensure that all future verification of compliance with the NIH salary cap is performed using the correct cap amount.

Management Response and Corrective Action Plan:

We concur with the recommendations. We have put into place a revised monitoring plan whereby the effort certification and payroll distribution of each individual subject to the NIH salary cap is reviewed at the end of the semi-annual effort certification process. Previously, we were only reviewing on a sampling basis. We have conducted individual training with each department having individuals subject to the cap who are paid from NIH funds. As well, we have added instructions and information on the NIH salary cap to our website: http://www.uthscsa.edu/ogm/forms/nihsalarycap.doc. Additionally, we have made certain that our monitoring procedures include the secondary review to verify that the correct cap amount is being used in our monitoring plan. Finally, we have made the necessary fund adjustments required in order to comply with the NIH salary cap.

Implementation Date: November 2006

Responsible Person: Jane A. Youngers

Reference No. 07-71

Equipment and Real Property Management

Research and Development Cluster
Award year - Not Applicable (control finding related to institutional policy only)
Award number - Not Applicable (control finding related to institutional policy only)
Type of finding - Reportable Condition Control

The recipient's property management standards for equipment acquired with federal funds and federally-owned equipment shall require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government shall be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

Questioned Cost: $ 0

Federal Agencies that provide R & D Grants

The University of Texas Health Science Center at San Antonio (Health Science Center) has a policy that requires all new equipment costing $5,000 and above and all State Comptroller-defined controlled items costing $500.00-$4,999.99 be tagged with an inventory number and placed on the official inventory records (*Handbook of Operating Procedures*, Chapter 6, General Policy 6.3.1).

Seven of the 49 equipment items tested at the Health Science Center did not have the asset identification tag affixed to the property. The total cost of these seven items was $102,643.90.

Two of the 52 equipment items tested were not located in the building to which the asset management system record indicated they were assigned. The Health Science Center located both items and corrected its property records. The total cost of these two items was $12,155.00.

Recommendations:

The Health Science Center should ensure that:

- Asset identification tags are affixed to, or located as near as possible to, equipment assets as required.
- Property records accurately reflect the current location of equipment.

Management Response and Corrective Action Plan:

The Property Control section of the Office of Accounting has examined its procedures for tagging assets that have been determined to meet the criteria for capitalization or control. Effective immediately, all equipment tags are physically affixed on capital equipment by a staff member of Property Control in a timely manner. The items identified above as missing an inventory tag have been subsequently tagged with the correct inventory number and bar code.

Institutional policy requires that departmental personnel notify the Property Control section of changes in the location of inventoried items. Corresponding with our Annual Inventory (February 2007), Property Control staff will implement a program to perform spot checks of random samples of the equipment inventory population to verify the location of individual items. Any discrepancies discovered will be corrected with follow-up instruction provided to appropriate HSC staff.

Implementation Date: January 2007

Responsible Person: Gerard E. Long

Reference No. 07-72

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - August 15, 2000 to June 30, 2005 and February 1, 2006 to January 31, 2007
Award number - CFDA 93.389 1C06RR015521-01 and CFDA 93.853 5U01NS038529-07
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

Federal Agencies that Provide R&D Grants

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circulars A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45, Code of Federal Regulations, Part 76, Governmentwide Debarment and Suspension).

The University of Texas Health Science Center at San Antonio (Health Science Center) has a procurement policy that requires vendors to complete a debarment certification form if they participate in the bid or proposal process involving federal funds in the amount of $25,000 or more.

For 2 of the 17 procurement files tested, the Health Science Center did not obtain the required suspension and debarment certifications. Auditors reviewed the EPLS and determined that the vendors were not suspended or debarred.

Recommendation:

The Health Science Center should obtain suspension and debarment certifications for all purchase orders expected to equal or exceed $25,000.

Management Response and Corrective Action Plan:

Health Science procedures have been modified to verify all vendors are not suspended, debarred or otherwise excluded from federal contracts by verifying vendor status via the Excluded Parties List System (EPLS) for all purchase orders greater than or equal to $25,000. Regarding the two POs identified during the audit, one PO represented a renewal of a contract issued the previous fiscal year. For the second PO, the use of federal funds was not clearly identified on the PO; therefore, the requirement for verification of vendor suspension and debarment status was not evident. The modification of our procedures to verify vendor status for ALL POs should address the risk of these or similar circumstances reoccurring. As noted by the auditors, the vendors in question were not suspended or debarred.

Implementation Date: November 2006

Responsible Person: Vikki F. Ross

Reference No. 07-73

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - December 5, 2004 to November 30, 2006; April 1, 2005 to March 31, 2006; August 1, 2005 to July 31, 2006
Award number - CFDA 93.837 1R01HL076312-01A1, CFDA 93.859 5R01GM071011-02, CFDA 93.847 5R01DK067690-03, CFDA 93.397 5P30CA054174-16
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 138,933

Federal Agencies that provide R & D Grants

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget (OMB) Circular A-110. These laws and regulations require that files document the significant history of the procurement, that procurements provide full and open competition, and the performance of appropriate cost or price analyses to support procurement actions, including contract modifications.

The University of Texas Health Science Center at San Antonio (Health Science Center) has a policy that requires the documentation of bidding or proprietary purchases greater than $5,000.

Three of the 40 procurement files tested did not contain bidding documentation to verify the presence of full and open competition or documentation supporting the rationale to limit competition (sole-source or sole-brand purchases). All three files contained a letter indicating the Health Science Center's policy regarding requests for quotations had been temporarily suspended for purchase orders costing less than $15,000 because of an increase in the volume of purchases to be processed at the end of the fiscal year. The suspension of the Health Science Center's policy created conflicts with federal regulations related to purchases with federal funds.

For 1 of 40 procurements tested, the Health Science Center issued a request for bids (RFB), but the RFB named a particular brand of product in the specifications. The Health Science Center did not retain justification for the decision to sole-brand this purchase as required by its internal purchasing procedures.

The total value of the four procurements discussed above was $138,932.91. Procurements for which there is not full and open competition reduce the likelihood that the Health Science Center obtains the best value for the use of federal funds.

Recommendations:

The Health Science Center should:

- Prepare and retain documentation to verify the presence of full and open competition and support for any purchases for which competition is limited (sole brand or sole source purchases).

- Not suspend compliance with its purchasing policies during periods of peak volume.

Management Response and Corrective Action Plan:

The practice of temporarily suspending requests for quotations was implemented by our former Purchasing Director and was intended to utilize our exemption from State regulations during peak processing periods. This practice has been discontinued and the Health Science Center ensures that all procurements provide full and open competitions at all times. Upon further review of the three purchase orders totaling $27,275 identified as exceptions in the audit, we determined that all three procurements should have been documented as sole source purchases due to the products' integration with on-going research and/or unique functionality required. We will ensure that appropriate documentation is maintained for all purchases.

As noted by the auditors, one procurement totaling $111,658 identified as lacking supporting documentation was appropriately competitively bid as a sole-brand; however, the documentation supporting justification for sole-brand was inadvertently excluded from the file. We have modified our RFB review procedures to ensure that appropriate documentation is maintained for all purchases.

Implementation Date: November 2006

Responsible Person: Vikki F. Ross

University of Texas of the Permian Basin

Reference No. 07-74
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P053265
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Costs: $ 5,681

U.S. Department of Education

A student is eligible to receive title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

According to the Satisfactory Academic Progress (SAP) policy established by the University of Texas of the Permian Basin (University), "Undergraduate students are expected to maintain a minimum Cumulative Grade Point Average (CGPA) of 2.00 each semester they are enrolled. Students falling below this minimum CGPA are subject to academic probation or dismissal as described in the 'Grading Policies' section of the catalog. Failure to meet the minimum standards described above or in the 'Grading Policies' section of the catalog will result in sanctions ranging from losing eligibility for scholarships to termination of all financial aid eligibility."

The University did not enforce its SAP policy for 2 of 33 students tested, and these two students continued to receive Title IV loan funds after establishing CGPAs below 2.0. University management attributed the oversight to a breakdown in the manual process involving the review and follow-up on reported information related to academic progress.

Recommendations:

The University should:

- Ensure that students who fail to meet satisfactory academic progress do not receive Title IV loan funds.
- Maintain adequate documentation to support any decisions to grant exceptions in accordance with its SAP policy to students on academic probation.
- Consider determining the feasibility of automating enforcement of the SAP policy to help ensure compliance with federal and University requirements.

Management Response and Corrective Action Plan:

With regards to ensuring students who fail to meet SAP, we concur with the finding. The university will enhance its processes in uploading SAP data from prior years to ensure all previous students placed on SAP do not receive financial aid.

The University of Texas of the Permian Basin has reviewed its process of maintaining adequate documentation and as a result will upgrade present maintenance. Annual review of prior year SAP students will be preformed.

UTPB's Office of Student Financial Aid will work closely with our Information Resource Office to identify automated enforcement of the SAP policies.

Implementation Date: July 2007

Responsible Person: Robert Vasquez

Reference No. 07-75

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number – All Awards
Type of finding - Material Weakness Control and Material Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

The University of Texas of the Permian Basin (University) did not send the required disbursement notifications to FFELP loan recipients during the 2005-2006 award year. The University does not participate in the FPL program.

Returning Funds to a Lender

An institution must return Federal Family Education Loan Program (FFELP) funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by Electronic Funds Transfer (EFT) or master check on or after July 1, 1999, or 30 days after the institution receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the institution (Title 34, Code of Federal Regulations, Section 668.167).

For 4 of 43 students tested (6 of 62 disbursements), the University held funds for longer than the maximum number of days allowed before disbursing them.

Disbursing Title IV, Higher Education Act Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Section 668.164).

The University did not maintain support that enabled auditors to determine which students were first-time, first-year borrowers. As a result, the University was unable to demonstrate compliance with this requirement. As an alternative approach, auditors identified two students who appeared to be first-year students because the University's student information system showed no accumulated credits for these students at the beginning of the award year. Auditors tested information associated with these two students (which included three disbursements) and determined that the University did not wait the required 30 days after the first day of the students' program before disbursing loan funds.

Disbursement dates are not set in the financial aid system to ensure funds are disbursed within the appropriate timeframe. The financial aid office relies on an undocumented, manual process to determine when to distribute loan funds.

Required Reviews Prior to Disbursement

Before an institution may disburse Title IV, HEA program funds to a student who previously attended another eligible institution, the institution must use information it obtains from the National Student Loan Data System (NSLDS) or its successor system, to determine (1) whether the student is in default on any Title IV, HEA program loan; (2) whether the student owes an overpayment on any Title IV, HEA program grant or Federal Perkins Loan; (3) for the award year for which a Federal Pell Grant is requested, the student's scheduled Federal Pell Grant and the amount of Federal Pell Grant funds disbursed to the student; (4) the outstanding principal balance of loans made to the student under each of the Title IV, HEA loan programs; and (5) for the academic year for which Title IV, HEA aid is requested, the amount of, and period of enrollment for, loans made to the student under each of the Title IV, HEA loan programs (Title 34, Code of Federal Regulations, Section 668.19).

The University did not maintain evidence that it verified the required information described above with information received from NSLDS prior to disbursing Title IV loan funds. It is the University's practice to assign responsibility for verifying the information from NSLDS for all transfer students to staff in the Student Financial Aid Office; however, auditors found no indications that this verification was occurring.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

The University does not have appropriate segregation of duties within its student financial aid office. Managers have the ability to manipulate the entire award process, including loading students in the student information system, awarding federal assistance, and disbursing funds to that student with no effective approvals throughout the process. In addition, disbursements of less than $5,000 are generally processed without further inquiry.

All staff within the financial aid office also have the same level of access to the financial aid system (POISE). Student workers with access to POISE can perform the same functions that the financial aid director can perform, including viewing sensitive student information and changing award amounts.

Access to the financial accounting system (DEFINE) also is not appropriately restricted. The financial aid director has access that would allow updates to DEFINE and the creation of journal vouchers resulting in payables to anyone (including payments to university employees). Student workers have this same update access to DEFINE; therefore, they have the ability to view sensitive student information and create checks.

As a result of these weaknesses in internal controls, auditors expanded audit procedures. Auditors did not identify any fictitious students or inappropriate disbursements.

Recommendations:

The University should ensure that it sends disbursement notifications to FFELP loan recipients within the required time periods.

The University should:

- Ensure that it does not hold loan funds for more than three days before disbursing those funds to students.
- Ensure that it maintains information enabling it to identify first-time, first-year borrowers, and that it does not disburse funds to these students prior to 30 days after classes begin.
- Implement a documented process that would help ensure that it complies with the appropriate disbursement date timeframes.
- Consider researching opportunities to automate as many components of the disbursement process as may be feasible given the University's current systems.
- Verify all required information from NSLDS for each transfer student, and it should maintain evidence of this verification.
- Segregate duties in the financial aid office.
- Restrict access to the financial aid system so that student workers cannot view or update sensitive student information or change award amounts.
- Restrict access to the accounting system so that staff in the financial aid office have access to only view (and not change) information in that system.

Management Response and Corrective Action Plan:

The University of Texas of the Permian Basin has reviewed the issue and proposed recommendation, and will implement a disbursement notification process. All student awarded financial aid will receive a General Notice electronically at the beginning of each term which advises students of their rights to cancel loans or disbursements. An explanation of the procedure will be included. Students will also be reminded of their access to Campus Connect where they can review account information.

With regards to the recommendations ensuring that the university does not hold loan funds for more than three day before disbursing and maintaining information to identify first-time first-year borrowers, the university concurs with the finding. The Office of Student Financial Aid will work with the Information Resources Office to review and implement automated disbursement procedures. The OSFA will establish a documented process that ensures compliance with appropriate disbursement date timeframes.

The University of Texas of the Permian Basin has reviewed the issue and proposed recommendation, and will implement a maintenance process of verification of NSLDS data. Research of the FAMS will be performed to determine the most efficient and effective maintenance process.

With regards to segregating duties in the financial aid office, we concur with the finding. The OSFA will implement functional responsibilities to prevent staff from processing through the entire process. Functional responsibilities will be assigned to ensure that appropriate approvals are implemented during each phase of the financial aid process. Research in determining automation of specific functions will be performed to determine which processes can be established within the FAMS.

The University of Texas of the Permian Basin has reviewed student worker's access to the POISE and DEFINE systems and as a result will restrict student workers access to sensitive student information. Student workers will be assigned duties that do not require access to sensitive student information and be appropriately restricted in usage of POISE and DEFINE. The OSFA will research the possibility of adding additional full-time staff to address the issue of Student workers' access. The NASFAA Staffing Model will be a guide in determining the need for additional full-time staff.

Research in determining automation of specific functions will be preformed to determine which processes can be established within the two systems.

The University of Texas of the Permian Basin has reviewed staff access to the accounting system and as a result will implement access to view only. Disbursement of residual checks will be delegated to the Office of Accounting. The OSFA will approve a list of students who are eligible for residuals and the Office of Accounting will cut the checks. Research in determining automation of specific functions will be performed to determine which processes can be established to enhance compliance and efficiency.

Implementation Date: July 2007

Responsible Person: Robert Vasquez

University of Texas at San Antonio

Reference No. 07-76

Reporting - Pell Payment Data

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P053294
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System. If an institution submits a student's payment data in the manner and form prescribed, and if the U.S. Department of Education accepts the data and considers that information to be accurate in light of other available information, the institution may receive either (1) a payment for an award to a Pell Grant recipient or (2) a corresponding reduction in the amount of federal funds received in advance for which it is accountable. Institutions are required to report to the U.S. Department of Education any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of a federal Pell Grant for which a student qualifies by submitting student payment data that discloses the basis and result of the change in award (Title 34, Code of Federal Regulations, Section 690.83).

For all 40 students tested, the University of Texas at San Antonio (University) reported an inaccurate cost of attendance (COA) amount to the COD System. The differences between the actual full-time, full year amounts according to the campus budgets and the amounts reported to the COD System ranged from $862 to $2,833. In each case, the University reported a lower COA to the COD System. University management attributed these differences to a failure to update all Pell Budgets in the Student Financial Aid System based on the revised campus budgets for the 2005-2006 award year. These differences did not result in any over-awards of Pell grants in the 2005-2006 award year.

Recommendation:

The University should improve its review process to ensure that (1) Pell Budgets are updated in the Student Financial Aid System for each new federal award year and (2) data reported to the COD System is accurate.

Management Response and Corrective Action Plan:

The Office of Student Financial Aid has updated the cost of attendance figures to reflect the appropriate 2006-07 cost of attendance for PELL. As indicated in the finding, this did not have an impact on the eligibility for any of the students in question during 2005-06. Based on eligibility for the PELL grant, the cost of attendance at UTSA far exceeds the amounts on the Education Department's PELL chart that requires a lower award of PELL. The PELL chart indicates that if your cost of attendance is below a specific dollar amount, then PELL awards should be pro-rated lower. In our case, that would not apply because our cost of attendance is higher. However, due to the recommendations of the auditors, the PELL Cost of Attendance has been adjusted on Banner for 2006-07 and will also be adjusted for subsequent years during the New Year Rollout process.

Implementation Date: December 2006

Responsible Person: Lisa Blazer

Reference No. 07-77

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.063 P063P053294, CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 725

U.S. Department of Education

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI), U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

For the 2005-2006 award year, the University of Texas at San Antonio (University) did not properly verify required items on the FAFSAs for 4 of 50 students tested. For these students, dollar amounts associated with the items the University did not verify exceeded the acceptable tolerance level of $400. The following specific errors were identified:

- For one student, the need analysis screen in the University's Banner Student Information System (SIS) indicated no AGI for the student and no untaxed income and benefits. However, auditors identified AGI of $309 on the student's tax return and $7,860 of disability benefits from the U.S. Department of Veterans Affairs on the student's verification worksheet. The student qualified for an automatic zero EFC; therefore, his eligibility for Title IV was not affected. The student received $8,806.00 in Title IV assistance.

- For one student, the SIS did not reflect any untaxed benefits, but, auditors identified an earned income credit of $2,351 and an additional child tax credit of $1,000 through review of the student's tax return. The student qualified for an automatic zero EFC; therefore, her eligibility for Title IV was not affected. The student received $14,942.50 in Title IV assistance.

- For one student, the SIS reflected a household size of seven in one field, but another field showed a household size of eight with two family members in college. The student's verification worksheet indicated there were nine family members. After auditors discussed this student with financial aid staff, the staff investigated further and determined that the need analysis should have reflected only two family members, with only one family member in college. The student's award was based on an EFC of $0; the recalculated EFC, taking into account these corrections, was $668. Based on the incorrect EFC of $0, the University over-awarded the student $325 in Pell Grant assistance. The student received a total of $7,117.50 in Title IV assistance.

- For one student, the SIS reflected a parental AGI of $23,400 and untaxed benefits of $2,626. However, the parent's tax return indicated an AGI of $24,300 and untaxed benefits of $2,560. Additionally, the SIS indicated that the student had an AGI of zero, while the student's tax return indicated an AGI of $4,732. The University based the student's award on an EFC of $223, while the recalculated EFC after these corrections was $1,036. Based on the incorrect EFC of $223, the University over-awarded the student in $400 in Pell Grant assistance. The student received a total of $1,900 in Title IV assistance.

According to the Schedule of Expenditures of Federal Awards, the University awarded $151,327,744 in federal financial assistance to students during fiscal year 2006.

Recommendation:

The University should:

- Strengthen its controls related to FAFSA verification procedures.
- Consider providing refresher training courses to staff assigned to verifying items on the FAFSA.
- Process and submit corrections for the students noted above who were awarded too much in Pell grant assistance.

Management Response and Corrective Action Plan:

Controls have already been created for the 2006-07 award year with increased quality control from the Compliance area of the office. The compliance team will do a 100% QC on all students selected for verification so that we can identify any problem issues with regards to training. The university already provides refresher courses at the beginning of each award year and will continue to provide additional refreshers courses throughout the year if items are identified during the quality control process. Additional training was provided at the end of the audit to ensure members of the office that were processing verification were fully trained and understood the errors that were made in verification. Corrections have already been submitted for the students that had a questioned cost and reduced eligibility. Adjustments have been made to the awards and funds have been returned.

Implementation Date: December 2006

Responsible Person: Lisa Blazer

Reference No. 07-78

Special Tests and Provisions - Verification

(Prior Audit Issue - 06-79)

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.007 P007A054169, CFDA 84.063 P063P053294, CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 17,520.14

U.S. Department of Education

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI), U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

For 3 of 50 students tested, the University of Texas at San Antonio (University) could not provide auditors with documentation that it collected during the FAFSA verification process. Without this documentation, auditors were unable to determine whether the University verified students' FAFSAs before the students received federal assistance.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $151,327,744 in federal financial assistance to students during fiscal year 2006.

Recommendation:

The University should improve its procedures for storing the documentation it uses to verify FAFSAs.

Management Response and Corrective Action Plan:

During the 2005-06 award year, our new imaging process was started during mid-year, which created a slight problem with ensuring that all documents were imaged before they were processed. Documents were routed straight to the processor and then imaged once the verification was complete. For the 2006-07 award year, all verification documents are routed first to the imaging area and then once they are imaged, they are forwarded to the processor for completion. This will ensure that documents are imaged before they move forward once received via mail, fax or drop box. For the 2007-08 award year, we will be requiring students to submit their verification documents via mail, drop box or the counter and not through fax utilizing a folder specifically designed to require students to submit a complete file. This will reduce any missing documents as students verification will not be processed if incomplete.

For the students in question, we are still attempting to retrieve the documents so that we can ensure that verifications were processed correctly. If we are unable to find the documents, any federal funds awarded to those students will be returned.

Implementation Date: December 2006

Responsible Person: Lisa Blazer

Reference No. 07-79

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

(Prior Audit Issue - 06-80)

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, code of Federal Regulations, Section 668.165).

The University of Texas at San Antonio (University) did not send disbursement notifications within the required time period to 2 of 37 students tested. Both instances related to Summer 2006 disbursements. In discussions with management, auditors determined that the University did not send notifications to students enrolled in the Summer 2006 term until August 2006. A memo from management states that the University created new summer fund codes to automatically package students' awards, but these new codes were not added to the automated process for sending electronic funds transfer notifications to students. This oversight was discovered in August 2006, and all notification letters were then created and distributed to students via paper mail.

The University distributed $5,851,519 in FFELP loans through electronic funds transfer for the summer 2006 term. It did not make any disbursements by master check.

Recommendation:

The University should ensure that notifications of disbursements are sent to students within the required time period.

Management Response and Corrective Action Plan:

As indicated in the auditor comments, this problem was due to a change in awarding the Summer 2006 term. Fund codes were created so that we could automatically package summer students and those fund codes for student loans were not added to the automated process that sends out EFT notifications weekly. That process has been revised and the fund codes have been added to the process. This was actually discovered in August 2006, before the auditors arrived and an EFT notification was immediately sent to the students. Letters are sent out weekly and will include all fund codes associated with federal student loans.

Implementation Date: August 2006

Responsible Person: Lisa Blazer

Reference No. 07-80

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

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

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

An institution must return Federal Family Education Loan Program (FFELP) funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by electronic funds transfer or master check on or after July 1, 1999, or 30 days after the institution receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the institution (Title 34, Code of Federal Regulations, Section 668.167(b)).

If an institution does not disburse FFELP funds by the required disbursement date, it is required to return those funds to the lender within 10 business days after the required disbursement date (Title 34, Code of Federal Regulations, Section 668.167(b)(2)).

For 4 of 8 students tested, the University of Texas at San Antonio (University) did not return funds to the lender within the required time period. In those instances, funds were returned to the lender 6 to 14 days later than the required 10 business days.

Recommendation:

The University should ensure that it returns undistributed funds to lenders within the required time period.

Management Response and Corrective Action Plan:

The university experienced some issues with our hold/release process during the spring semester, which caused a problem with the aging report that provides the information for loans that must be returned. The aging report on Banner provides the loan team with the students that have not disbursed so that we can return funds within the appropriate timeframes (up to 23 days total depending on circumstances). The problem has been fixed with the hold/release program and the aging report is worked by the loan team once a week to ensure funds are returned within the appropriate timeframes.

Implementation Date: December 2006

Responsible Person: Lisa Blazer

Reference No. 07-81

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

Unless an institution expects to submit its next student status confirmation report to the Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University of Texas at San Antonio (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC regardless, of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still the University's responsibility to ensure that the respective parties are notified of status changes within the required time period.

Four of 30 student status changes tested were not reported to NSLDS within the required 60 days. These errors were generally associated with situations in which students dropped classes late in a semester. The University did not report enrollment status to NCS for those students until 38 to 42 days after the changes occurred. NSLDS did not receive notification of those changes from NCS or the guaranty agency until 69 to 82 days after the changes occurred.

The University reported Federal Family Education Loan Program disbursements totaling $123,773,265 for the fiscal year ending August 31, 2006.

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. Management may wish to consider reporting more frequently to NSC. For example, management may wish to consider scheduling additional reporting dates during the latter part of the Fall and Spring semesters to ensure that changes occurring during those periods will be reported promptly.

Management Response and Corrective Action Plan:

Based on the recommendation of the auditors and discussions with the National Student Clearinghouse (NSC) and the UTSA Registrar's Office, we have changed the schedule of reporting to NSC to at least once a month. This will allow for sufficient turnaround for the NSC to report information to the NSLDS so that we stay within the appropriate 60 day turnaround time.

Implementation Date: January 2007

Responsible Person: Lisa Blazer

University of Texas Southwestern Medical Center at Dallas

Reference No. 07-82

Allowable Costs/Cost Principles

Research and Development Cluster
Award year - September 1, 2005 to June 30, 2006 and February 1, 2006 to January 31, 2007
Award number - CFDA 93.859 7R01GM06715904, CFDA 93.837 5R01HL06376207
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

Federal Agencies that Provide R&D Grants

The method of payroll distribution used by entities that receive federal awards must recognize the principle of "after-the-fact" confirmation or determination so that the costs that are distributed from federal awards represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons, with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, activity reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, activity reports must be prepared no less frequently than monthly and must coincide with one or more pay periods (OMB Circular A-21, Cost Principles for Educational Institutions, Section J, Subsection 10).

The University of Texas Southwestern Medical Center at Dallas's (Medical Center) activity reports did not include information for 2 of 18 employees tested. These two individuals worked on an hourly basis, and the Medical Center does not include hourly employees in its activity reporting system. Therefore, it does not perform systematic, "after-the-fact" activity confirmation for hourly employees. Although hourly employees complete timesheets affirming the number of hours they work, their timesheets do not identify the breakdown of time they work among awards. If an employee works on multiple awards, this could result in incorrect disbursements from the awards.

Less than one percent (or approximately $195,000) of the Medical Center's payroll distributed from federal awards was for wages earned by hourly employees during the period September 1, 2005, to June 30, 2006.

The Medical Center did not confirm activity reports for an additional four employees in a timely manner. As of July 12, 2006, the most recent confirmed activity reports for these four employees were for the six-month period ending August 2005. In one instance, an activity report for the period ending August 2005, was not confirmed until July 13, 2006, which was approximately 11 months after the activity reporting period. The Medical Center does not have a written policy that identifies how long departments can wait before they must confirm the activity reports for their employees. The prolonged time between the activity and the confirmation of the activity potentially decreases the accuracy of reporting and increases the time between the payroll distribution and any required adjustments to that distribution.

For the period ending February 2006, management asserts that the Medical Center delayed confirmation of activity because enhancements were being made to the activity reporting system. While this upgrade may have contributed to the delayed confirmation for that period, it does not account for all of the delays in confirmation that auditors identified.

Recommendations:

The Medical Center should (1) include hourly employees into its activity reporting system or (2) use timesheets that allow for "after-the-fact" confirmation of hourly employees' effort among awards. If the Medical Center uses its current activity reporting system, it should make modifications to ensure that it generates activity reports on a monthly basis for hourly employees.

The Medical Center also should develop and implement a written policy that specifies how long departments are permitted to wait after a reporting period before they must confirm activity reports.

Management Response and Corrective Action Plan:

Effective 8/06, the Medical Center has modified its activity reporting system to ensure that reports for hourly paid employees are generated on a monthly basis. Effective 12/26/06, The Medical Center's Policy on Activity Confirmation was issued. Included in this policy is a requirement that Activity Confirmation reports shall be certified within 30 days of notification that the reports are available for review and certification.

Implementation Date: August 2006 and December 26, 2006

Responsible Person: Don Mele

Reference No. 07-83

Procurement and Suspension and Debarment

(Prior Audit Issue - 06-83)

Research and Development Cluster

Award year - June 6, 2005 to August 31, 2006 and February 1, 2005 to January 31, 2006
Award number - CFDA 93.279 1U10DA02002401 and CFDA 93.855 5U01A105641203
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $11,431

Federal Agencies that Provide R&D Grants

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget Circular A-110. These laws and regulations require that procurement files document the significant history of the procurement; that procurements provide for full and open competition; and that organizations perform appropriate cost or price analyses to support procurement actions, including contract modifications.

According to the University of Texas Southwestern Medical Center at Dallas's (Medical Center) *Handbook of Operating Procedures*, Section 6.22.7.8 - Proprietary Purchases, competitive bidding requirements are generally applicable to all purchases made by the Medical Center. This includes requirements to ensure both price competition and product competition. If product competition is not available, but price competition can be obtained, the purchase may be referred to as a "proprietary purchase." If both product and price competition are not available, the purchase is a "sole source purchase." According to the *Handbook of Operating Procedures*, individuals must justify proprietary or sole source purchases that they wish to make. The justification must be made online and must be based upon a need for some feature or characteristic (such as a specification) that is unique to the requested product or service. In addition, the feature or characteristic underlying the justification cannot be provided by any other product or service.

One of the 50 procurement files tested did not contain bidding documentation to verify the presence of full and open competition or documentation to support the rationale to limit competition. This purchase order was initially under the Medical Center's bidding threshold of $5,000, but the final procurement amount exceeded that threshold.

Another one of the 50 procurement files tested did not contain adequate justification of the rationale to limit competition. The file contained justification for a proprietary purchase (for a specific brand required). However, because of the absence of any bids to support the purchase, in effect the procurement was treated as a sole source purchase.

The total value of the two procurements discussed above was $11,431.04. Procurements for which there is not full and open competition reduce the likelihood that the Medical Center obtains the best value for its use of federal funds.

Recommendation:

The Medical Center should prepare and retain documentation to verify the presence of full and open competition and support for any purchases for which competition is limited. To ensure that it has the required documentation for purchases that exceed the $5,000 purchasing threshold, the Medical Center also should consider all charges, such as shipping charges, when calculating the total cost of an item.

Management Response and Corrective Action Plan:

Management in the Purchasing office has enacted the following:

A process has been established for spot auditing Purchase Orders. A sampling of orders under $25,000 but over $5,000 are retrieved from the files by the Sr. Buyers and verified to ensure all required documentation is present and accurate.

Additional training was provided to the Buyers on flagging blanket orders with the appropriate spend level. By using the correct flags, excessive funds cannot be added to blanket purchase orders because the system will not accept the encumbrances.

Blanket purchase orders will no longer have separate lines for freight charges. All freight charges are to be paid from funds encumbered on the purchase order. This prevents the purchase order from exceeding the bid limit threshold due to freight charges.

Implementation Date: July 2006

Responsible Person: Darr Oney

Reference No. 07-84

Procurement and Suspension and Debarment

(Prior Audit Issue - 06-82 and 05-65)

Research and Development Cluster
Award year - September 1, 2005 to August 31, 2006 and June 1, 2005 to May 31, 2006
Award number - CFDA 93.959 031349062PPI and CFDA 93.837 7P01HL04995313
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

Federal Agencies that Provide R&D Grants

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circulars A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45 Code of Federal Regulations, Part 76, Governmentwide Debarment and Suspension).

The University of Texas Southwestern Medical Center at Dallas's (Medical Center) procurement policy requires vendor suspension and debarment certifications for transactions with amounts that are greater than or equal to $25,000. It also requires that buyers check the EPLS Web site and print screen views from that system to verify that the vendor has not been suspended or debarred.

Three of the 52 vendor files tested did not contain suspension and debarment certifications or screen prints from the EPLS Web site. One of these files was for the lease of equipment from a state-certified vendor. The other two files were for purchases under blanket purchase orders that were originally below the $25,000 threshold but later exceeded the threshold. The Medical Center does not have a process to identify blanket purchase orders that would require verification that the vendor was not suspended or debarred. A review of the ELPS Web site indicated that none of the three vendors was suspended or debarred.

Recommendation:

The Medical Center should verify that all vendors to which it awards contracts with amounts greater than or equal to $25,000 are not suspended or debarred from federal contracts. It also should perform this verification for blanket purchase orders that will likely equal or exceed the $25,000 threshold during the fiscal year.

Management Response and Corrective Action Plan:

All orders over $25,000 processed by the Buyers are required to be reviewed and signed by a Sr. Buyer, Asst. Director, or Asst. Vice President. All amended blanket orders exceeding this level must also be signed as additional funds are added. All necessary file elements including suspension and debarment documentation will be reviewed before signature is applied.

Implementation Date: December 2005

Responsible Person: Darr Oney

Reference No. 07-85

Special Tests and Provisions - Key Personnel

Research and Development Cluster
Award year - All Grants
Award number - All Grants
Type of finding - Reportable Condition Control

Questioned Cost: $ 0

Federal Agencies that Provide R&D Grants

For federal awards issued by the National Institute of Health (NIH), the grantee is required to notify the grant management officer in writing if the principal investigator or key personnel specifically named in the Notice of Grant Award (NOGA) will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award (for example, a proposed change from 40 percent effort to 30 percent effort or less). NIH must approve any alternate arrangement proposed by the grantee, including any replacement of the principal investigator or key personnel named in the NOGA. The requirement to obtain NIH prior approval for a change in status pertains only to the principal investigator and those key personnel NIH names in the NOGA, regardless of whether the grantee designates others as key personnel for its own purposes. (NIH Grants Policy Statement (12/03) Part II: Terms and Conditions of NIH Grant Awards Subpart A: General). Federal grantors other than NIH have similar requirements.

The University of Texas Southwestern Medical Center at Dallas (Medical Center) does not have written policies or procedures to ensure that principal investigators and other key personnel named in the NOGA are involved in the project, or that it obtains approval for changes in the principal investigator or key personnel from the awarding agency. However, the Medical Center's Office of Grants Management performs procedures to seek approval from the awarding agency if it becomes aware of changes in the effort of principal investigators or other key personnel. Compliance testing did not identify any exceptions related to this requirement.

Recommendation:

The Medical Center should develop and implement written policies and procedures designed to ensure that principal investigators and other key personnel named in the NOGA are involved in the project and that it obtains approval for changes in principal investigators or key personnel from the awarding agency.

Management Response and Corrective Action Plan:

Effective 12/26/06, The Medical Center's Policy on Activity Confirmation was issued. Included in this policy are the following requirements: Proposals submitted should include documentation that all principal investigators and key personnel approve their committed effort as submitted in the grant application. The Designated Responsible Party of The Medical Center shall develop and ensure an effective monitoring process. In accordance with UT System Business Procedures Memorandum (BPM) "failure to request sponsor approval in advance for reduction in effort of greater than or equal to 25%" is identified as a specific risk that The Medical Center shall actively monitor.

Implementation Date: December 2006

Responsible Person: Don Mele

The University of Texas at Tyler

Reference No. 07-86
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.007 P007A054158
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must give priority to students with the lowest expected family contributions (EFC) who also receive Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10).

An institution is not in compliance with the U.S. Higher Education Act, as amended, and FSEOG regulations if it awards FSEOG funds on a first-come, first-serve basis or arbitrarily sets expected EFC benchmarks (or cut-offs) below which it selects FSEOG recipients. Such a practice could exclude eligible students from the FSEOG award process (U.S. Department of Education's 2005 - 2006 *Federal Student Aid Handbook*, Volume 3, Chapter 5).

In our sample of 40 students at the University of Texas at Tyler (University), one student received FSEOG funds without having received a Pell Grant or having the lowest EFC. After further investigation, ten other students were identified as also having received FSEOG funds without having received a Pell Grant or having the lowest EFC. The 11 students who received funds in error were awarded a total of $10,000 in FSEOG funds. These errors occurred because a table in the University's financial aid system was coded incorrectly. There was no independent review of this table setup by another individual.

According to its 2005-2006 federal award letter, the University had $94,241 in FSEOG funds available to award. Auditors identified the 11 students who received FSEOG funds in error before the University had drawn down all of its FSEOG funds for the year. After auditors brought this matter to the University's attention, the University replaced the FSEOG funds it had awarded in error to students with Texas Public Educational Grants Program funds.

Recommendation:

The University should ensure that it gives priority to Pell Grant recipients with the lowest EFCs when it awards FSEOG funds.

Management Response and Corrective Action Plan:

The University agrees with this recommendation. The erroneous awards were corrected prior to drawing down the funds for them and we have corrected the coding in our financial aid system. We have incorporated an independent review of the packaging tables for our system set-up in the future.

Implementation Date: June 2006

Responsible Person: Candice Lindsey

Reference No. 07-87

Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2005 to June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's *Institutional Student Information Report* (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." The University may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

The University of Texas at Tyler (University) estimates a student's cost of attendance based on half-time enrollment for each semester a student is enrolled, regardless of the number of hours in which the student' is actually enrolled for the semester. Therefore, if a student is enrolled in more than a half-time course load, the student's cost of attendance and financial need are understated. This understatement of financial need could result in the student not receiving aid for which he or she is eligible.

The University incorrectly calculated the cost of attendance for 31 (78 percent) of 40 students tested.

According to the Schedule of Expenditure of Federal Awards, the University awarded $21,573,820 in federal financial assistance to students during 2005-2006.

Recommendation:

The University should determine each student's cost of attendance and financial need based on the student's actual enrollment status.

Management Response and Corrective Action Plan:

UT Tyler initially uses the half-time cost of attendance budget, but Federal Pell Grant awards are based on full-time enrollment level. Pell awards adjust within our system based on the student's enrollment level. Other state and institutional awards that require full-time enrollment are made at the full-time level also. This information is noted on the Award Notice that students must sign to receive funding. However, we make adjustments to the COA for any student who is full-time and requests the adjustment. This is the method we use to comply with these regulations:

Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

The awards that are usually impacted, if any, are student loans. Many UT Tyler students attend on a part-time basis consistently, but others have enrollment fluctuations for various reasons. If we make half-time our standard, we are less likely to over-fund, yet we maintain the flexibility to adjust awards for those who want and/or need more money. Our corrective action plan was to increase the awareness of this policy to our students by adding information to our website instructing students to contact us if they meet certain circumstances and want to have their eligibility reviewed.

Implementation Date: June 2006

Responsible Person: Candice Lindsey

Reference No. 07-88

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

Student Financial Assistance Cluster
Award year - July 1, 2005 - June 30, 2006
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Section 668.164).

The University of Texas at Tyler (University) disburses loan funds to student accounts upon the receipt of funds from the lenders. For all other types of financial aid, the University initially uses institutional funds to credit student accounts. For 11 of 42 students tested (which covered 17 of 76 fall 2005 disbursements tested), the University disbursed loan funds to the students' accounts 12 days before the start of the fall 2005 semester, which was two days earlier than is allowed by federal regulations. For one other student who was a first-year, first-time borrower, the University disbursed loan funds to the student's account 29 days after the start of fall classes, which was one day earlier than is allowed by federal regulations.

According to the Schedule of Expenditures of Federal Awards for 2005-2006, the University disbursed $17,186,207 in FFELP loans during the 2005-2006 fiscal year.

Recommendation:

The University should redesign its loan calendar to ensure that it does not disburse financial aid funds earlier than 30 days after the start of classes (for first-year, first-time borrowers) or more than 10 days before the start of classes (for all other recipients).

Management Response and Corrective Action Plan:

UT Tyler agrees that we released some loan funds to students' accounts 12 days before the start of the fall 2005 semester; however, it should be noted that the 10th day prior to the start of the fall 2005 semester was Sunday, August 14. The loan funds were disbursed to the student accounts on Friday, August 12, during our peak disbursement processing for fall loans. We were trying to get loan funds made available to our students as expeditiously as possible.

We also agree that one first-year, first-time borrower had their loan funds released to the student account 29 days after the start of the semester.

Our corrective action plan was to adjust our calendar so that future disbursements scheduled to be received by the institution no more than 10 days prior to the start of the loan period or no earlier than 30 days after the start of the loan period for those requiring delayed disbursement. This adversely impacted our ability to get our students their loan funds at the earliest possible date, but it keeps us in strict compliance with regulations.

Implementation Date: August 2006

Responsible Person: Candice Lindsey

Summary Schedule of Prior Audit Findings

Federal Portion of
Statewide Single Audit Report

For the Year Ended August 31, 2006

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Summary Schedule of Prior Year Audit Findings - KPMG

Federal regulations (*Office of Management and Budget Circular OMB Circular A-133*) state, "the auditee is responsible for follow-up and corrective action on all audit findings." As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2005 Schedule of Findings and Questioned Costs
- Each finding in the 2005 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding

The Summary Schedule of Prior Audit Findings (year ended August 31, 2006) has been prepared to address these responsibilities.

Commission on Alcohol and Drug Abuse

Reference No. 03-44
Maintenance of Effort

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
Type of finding - Non-Compliance

Initial Year Written: 2002
Status: Implemented

U.S. Department of Health and Human Services

The Texas Commission on Alcohol and Drug Abuse (TCADA) was not in compliance with its maintenance of effort requirements of the Block Grants for Prevention and Treatment of Substance Abuse. Under 45 C.F.R. 96.134, TCADA was required to maintain aggregate State expenditures for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant. The base must be calculated using generally accepted accounting principles and the composition of the base must be applied consistently from year to year.

In past fiscal years, TCADA reported revenue receipts rather than state expenditures as the base in calculating the maintenance of effort threshold. When TCADA revised the calculation to reflect actual state expenditures, TCADA was in compliance with the fiscal year 2002 maintenance of effort requirement. However, TCADA was not in compliance with its maintenance of effort requirement for fiscal year 2001 by approximately $800,000.

Corrective Action:

Corrective action was taken

Department of Aging and Disability Services

Reference No. 06-01
Allowable Costs/Cost Principles

Medicaid Cluster
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 0405TX5028; 0505TX5028; 0405TX5048 and 0505TX5048

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 0401TXSOSR and 0501TXSOSR
Type of finding - Non-Compliance

Initial Year Written:
2005
Status: Partially Implemented

U.S. Department of Health and Human Services

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

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

The Department of Aging and Disability Services (DADS) submitted their revised CAP to the U.S. Department of Health and Human Services on August 31, 2004. The federal Division of Cost Allocation elected not to review and approve the DADS CAP due to DADS not meeting the definition of a State agency as defined in 45 CFR 95.503. Consequently, the federal Division of Cost Allocation designated the Health and Human Services Commission (HHSC) as the responsible agency for financial oversight of the programs administered by DADS.

HHSC has reviewed and provided conditional approval for the DADS CAP. Additionally, HHSC's CAP is pending federal approval and any issues that impact their CAP may result in changes to the conditionally approved DADS CAP.

Per review of the 2005 expenditure patterns, payroll and benefit expenditures were determined to be direct and material to both Medicaid and Social Services Block Grant programs. In accordance with the conditionally approved DADS CAP, payroll and benefit expenditures are to be allocated based on three methodologies: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, or payroll effort certification.

- DADS performs RMTS and FTE headcount analysis on a quarterly basis (federal fiscal year quarters) for the Medicaid and Social Services Block Grant programs. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. Timesheets are to be maintained and certified for the payroll effort certification personnel.
- From the results of the RMTS and FTE headcount analysis, a quarterly Cost Allocation Report is prepared by program activity code (PAC). The summarized information is used to update/upload the information into the main Cost Allocation System which allocates employees' time to the respective programs. The updates are done on a quarterly basis. Timesheets are completed on a monthly basis.

Based on test work performed over these areas, DADS is allocating the payroll and benefit expenditures in accordance with the conditionally approved DADS CAP.

Recommendation:

DADS should continue to work with HHSC to ensure that any issues that impact the existing DADS CAP are appropriately addressed and any necessary adjustments are made.

Corrective Action:

This finding was reissued as current year reference number: 07-02.

Reference No. 06-02

Allowable Costs/Cost Principles

CFDA 93.667 -Social Services Block Grant
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 0401TXSOSR and G0501TXSOSR
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Departmemt of Health and Human Services

OMB Circular A-87, attachment B, section 8H, requires that, where employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and coincide with the pay period,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to Federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the Federal program. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than ten percent.

KPMG selected a sample of 30 transactions that were direct charge to the Program under audit (Title XX) and noted the following:

During the fiscal year 2005, the Department of Aging and Disability Services (DADS) did not require employees whose salary is directly charged to Social Services Block Grant or their supervisors to certify their time. Total salary and benefits charged to the program for the fiscal year was approximately $ 2,308,000.

Corrective Action:

Corrective action was taken.

Department of Assistive and Rehabilitative Services

Reference No. 06-03
Allowable Costs/Cost Principles
(Prior Audit Issue - 05-39)

CFDA 84.126 - Rehabilitation Services-Vocational Rehabilitation Grants to States
Award year - See below
Award number - See below
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Implemented

U.S. Departmemt of Education

OMB Circular A-87, attachment B, section 8H, requires that, where employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and coincide with the pay period,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to Federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the Federal program. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than ten percent.

During the fiscal year 2005, the Department of Assistive and Rehabilitative Services (DARS) did not require timesheets for employees working on multiple programs. These costs were allocated based on budgeted amounts and not adjusted to actual. Total salary and benefit costs for multiple program personnel charged to the major program for the fiscal year was $2,800,373.

DARS has multiple grant awards and award years for the Rehabilitation Services-Vocational Rehabilitation Grants to States program. During fiscal year 2005 the following grant award years and grant award numbers, respectively, were open for the program:

Grant Number	Award year
H126A030064F	October 1, 2002 to September 30, 2004
H126A040064D	October 1, 2003 to September 30, 2005
H126A050064	October 1, 2004 to September 30, 2006
H126A050064	October 1, 2004 to September 30, 2006
H126A030065F	October 1, 2002 to September 30, 2004
H126A040065E	October 1, 2003 to September 30, 2005
H126A050065	October 1, 2004 to September 30, 2006
H126A050065A	October 1, 2004 to September 30, 2006
H126A050065B	October 1, 2004 to September 30, 2006

Corrective Action:

Corrective action was taken.

Reference No. 06-04

Eligibility

CFDA 84.126 - Rehabilitation Services-Vocational Rehabilitation Grants to States
Award year - See below
Award number - See below
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Departmemt of Education

The State vocational rehabilitation (VR) agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or

b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

For one of 30 individuals reviewed for eligibility, the client's eligibility was determined in excess of 60 days after the application date and exceptional and unforeseen circumstances were not applicable. The oversight was determined to have occurred because Department of Assistive and Rehabilitative Services (DARS) staff did not enter the receiving date on the application into the database in a timely fashion. The individual was determined to be eligible for services.

Grant Number	Award year
H126A050065	October 1, 2004 to September 30, 2006
H126A050065A	October 1, 2004 to September 30, 2006
H126A050065B	October 1, 2004 to September 30, 2006

Corrective Action:

Corrective action was taken.

Department of Family and Protective Services

Reference No. 06-05
Allowable Costs/Cost Principles

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX00FP and G0401TX00FP

CFDA 93.659 - Adoption Assistance
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1407 and G0401TX1407

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1401 and G0401TX1401

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TXTANF and G0401TXTANF

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0401TXSOSR and G0501TXSOSR
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Health and Human Services

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

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

The Department of Family and Protective Services (DFPS) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The federal Division of Cost Allocation (DCA) has not approved the CAP as of December 31, 2005. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. However based on test work performed over the areas noted below, DFPS allocated direct expenses, including payroll and benefit expenditures, in accordance with the CAP submitted to DCA for approval during fiscal year 2005.

Per review of the 2005 expenditure patterns, direct expenses, including payroll and benefit expenditures, were determined to be direct and material to various major programs noted above. In accordance with the CAP submitted by DFPS for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, service unit cost analysis, case count analysis, or payroll effort certification.

- DFPS performs RMTS, service unit cost analysis, and case count analysis on a quarterly basis. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. FTE headcount analysis is performed monthly and timesheets are to be maintained and certified for the payroll effort certification personnel each month.

- From the results of the various allocation methods noted above, summarized information is used to update/upload the information into the Cost Allocation System which allocates employees' time and other direct expenditures to the respective programs.

Corrective Action:

This finding was reissued as current year reference number: 07-05.

Reference No. 06-06

Allowable Costs/Cost Principles

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX00FP and G0401TX00FP

CFDA 93.659 - Adoption Assistance
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1407 and G0401TX1407

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1401 and G0401TX1401

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TXTANF and G0401TXTANF

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0401TXSOSR and G0501TXSOSR
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

OMB Circular A-87, attachment B, section 8H, allows substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods (primarily for Aid to Families with Dependent Children (AFDC), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:
   (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);
   (ii) The entire time period involved must be covered by the sample; and
   (iii) The results must be statistically valid and applied to the period being sampled.

(b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

The Department of Family and Protective Services (DFPS) utilizes substitute systems for allocating expenditures in accordance with their cost allocation plan. One of these is the random moment time study (RMTS) and three divisions of DFPS participate: Adult Protective Services (APS), Child Protective Services (CPS), and Statewide Intake (SWI). APS employees are observed eight times per quarter, CPS employees are observed two times per quarter, and SWI employees are observed 25 times per quarter.

A sample of 50 employees involved in RMTS was selected for review and one employee in the CPS division was only observed once for the quarter ended March 31, 2005, and one employee transferred from the CPS to the APS division and was not observed in the APS division for the quarter ended March 31, 2005. Approximately 3,600 employees are included in the RMTS substitute system at DFPS.

Corrective Action:

Corrective action was taken.

Reference No. 06-07

Eligibility

CFDA 93.659 - Adoption Assistance
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1407 and G0401TX1407
Type of finding - Reportable Condition Control and Non-Compliance

In accordance with 42 USC 675 (3), adoption assistance subsidy payments may be paid on behalf of a child if the written adoption assistance agreement for the subsidy contains information concerning the nature of services, the amount, and the duration of the subsidy. For one of 40 files reviewed, the monthly subsidy payment exceeded the established amount in the adoption assistance agreement by $41. The family receiving the subsidy payment was overpaid for a 54 month period or $2,214.

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

Corrective Action:

Corrective action was taken.

Reference No. 06-08

Earmarking

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX00FP and G0401TX00FP
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Health and Human Services

In accordance with 42 USC 629b(a)(4), 45 CFR section 1357.15(s), and ACYF-CB-PI-03-05, "Of the remaining funds after administrative costs, States must expend a significant portion, defined as 20 percent, on each of the following 4 categories: programs of family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services".

During test work, the adoption promotion and support services for fiscal year 2005 was found to be only 16.06%. The Department of Family and Protective Services (DFPS) also does not have a formal methodology to allocate expenditures incurred to the four specific categories. The minimum earmarking requirements are actually estimated by the budget department based on expenditure patterns. Twenty percent of fiscal year 2005 expenditures is approximately $6,395,000.

Corrective Action:

This finding was reissued as current year reference number: 07-07.

Reference No. 06-09

Eligibility

(Prior Audit Issue - 05-03, 04-37 and 04-38)

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1401 and G0401TX1401
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2003
Status: Partially Implemented

U.S. Department of Health and Human Services

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

- Child abuse or neglect
- Spousal abuse
- A crime against a child or children (including child pornography), or
- A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.

A sample of 40 children for whom Foster Care - Title IV-E payments were made during fiscal year 2005 was selected for review. For each child, we selected one foster care provider and verified that the provider satisfactorily met the criminal records check. For foster care providers other than individual homes, we obtained a listing of employees and verified that a criminal background check was performed for each employee. For six of the providers selected, the criminal background check was missing for a total of eleven employees.

Corrective Action:

This finding was reissued as current year reference number: 07-08.

Department of Health

Reference No. 05-11

Level of Effort

CFDA 93.994 - Maternal and Child Health Services Block Grant to States
Award year - October 1, 2003 to September 30, 2005 and October 1, 2002 to September 30, 2004
Award number - 6B04MC02422-01-03 and 2B04MC00320-07 B04MC04232-01-03
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

U.S. Department of Health and Human Services

In accordance with 42 USC 705(a)(3)(A) and 42 USC 705(a)(3)(B), the state agency must use at least 30% of payment amounts for preventive and primary care services for children and at least 30% of payment amounts for services for children with special health care needs.

Our audit procedures included obtaining from the general ledger the total amount of payments for preventive and primary care services and amount of payments for services for children with special health care needs. It was noted that 26% of payments were for services related to preventive and primary care services for children and 27% of payments were for services related to children with special health care needs.

Corrective Action:

This finding was reissued as current year reference number: 07-34.

Health and Human Services Commission

Reference No. 06-10
Matching, Level of Effort and Earmarking

Medicaid Cluster
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 0405TX5028 and 0505TX5028; 0405TX5048 and 0505TX5048
Type of finding - Reportable Condition Control

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

The State Medicaid agency may apply for a waiver of Federal requirements. Waivers are intended to provide the flexibility needed to enable States to try new or different approaches to the efficient and cost-effective delivery of health care services, or to adapt their programs to the special needs of particular areas or groups of beneficiaries. Waivers allow exceptions to State plan requirements and permit a State to implement innovative programs or activities on a time-limited basis, and are subject to specific safeguards for the protection of beneficiaries and the program.

Actions that States may take if waivers are obtained include: (1) implement a primary care case-management system or a specialty physician system; (2) designate an entity to act as a central broker in assisting Medicaid beneficiaries to choose among competing health care plans; (3) share with beneficiaries (through the provision of additional services) cost-savings made possible through the beneficiaries' use of more cost effective medical care; (4) limit beneficiaries' choice of providers to providers that fully meet reimbursement, quality, and utilization standards, which are established under the State plan and are consistent with access, quality, and efficient and economical furnishing of care; (5) include as medical assistance, under its State plan, home and community-based services furnished to beneficiaries who would otherwise need inpatient care that is furnished in a hospital or nursing facility, and is reimbursable under the State plan; and (6) impose a deduction, cost-sharing or similar charge of up to twice the nominal charge established under the State plan for outpatient services for certain non-emergency services. A State may also obtain a waiver of statutory requirements to provide an array of home and community-based services, which may permit an individual to avoid institutionalization (42 CFR part 441 subpart G). Depending on the type of requirement being waived, a waiver may be effective for initial periods ranging from two to five years, with varying renewal periods.

The Health and Human Services Commission (HHSC) Star Plus CMS 372 report was selected to ensure that the waiver was being prepared using reasonable and supported amounts, to ensure that the applicable dollar requirements for the waiver were being met and that the CMS 372 report was approved and certified by the Health and Human Services Commission Associate Commissioner for Medicaid and CHIP. The Star Plus (waiver 0325) CMS 372 report for the reporting period of February 1, 2004 through January 31, 2005 was not approved or certified by the Health and Human Services Commission Associate Commissioner for Medicaid and CHIP.

Corrective Action:

Corrective action was taken.

Reference No. 06-11

Equipment and Real Property Management

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004 and October 1, 2002 to September 30, 2003
Award number - G0501TXTANF, G0401TXTANF, G0301TXTANF
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

In accordance with 74 CFR section 34 (f) the recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

(1) Equipment records shall be maintained accurately and shall include the following information:

- (i) A description of the equipment;
- (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number;
- (iii) Source of the equipment, including the award number;
- (iv) Whether title vests in the recipient or the Federal Government;
- (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost:
- (vi) Information from which one can calculate the percentage of federal government's share in the cost of the equipment (not applicable to equipment furnished by the Federal Government);
- (vii) Location and condition of the equipment and the date the information was reported;
- (viii) Unit acquisition cost; and
- (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the HHS awarding agency for its share.

(2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.

(3) The recipient shall take a physical inventory of equipment and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

(4) Recipient shall maintain a control system to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the HHS awarding agency.

(5) The recipient shall implement adequate maintenance procedures to keep the equipment in good condition.

(6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

For the seven equipment items selected for test work from a total population of 19, the following was noted. The total cost of all 19 items was approximately $5,247,000.

- Two equipment items did not have identification tags. There value is $29,352.
- Two equipment items were not observed as the Health and Human Services Commission (HHSC) was unable to provide location information during field work. There value is $2,375.
- The vouchers for two of the assets could not be located.

- The required information for each equipment item was not maintained in the fixed asset subledger. Specifically the subledger did not include source, cost, condition, disposal/retirement date, or disposal/retirement amount. Additionally, the custodians and locations listed for some of the assets were incorrect. The total cost for the seven items reviewed is $49,194.

Corrective Action:

Corrective action was taken.

Reference No. 06-12

Allowable Costs/Cost Principles

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004 and October 1, 2002 to September 30, 2003
Award number - G0501TXTANF, G0401TXTANF, G0301TXTANF

Food Stamp Cluster
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 6TX40015

Medicaid Cluster
Award year - October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004 and October 1, 2002 to September 30, 2003
Award number - 05-0505TX5028/05-0505TX5048; 05-0405TX5028/05-0405TX5048 and 05-0305TX5028/05-0305TX5048
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

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

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

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

The Health and Human Services Commission (HHSC) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The federal Division of Cost Allocation (DCA) has not approved the CAP as of December 31, 2005. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. In accordance with the CAP submitted by HHSC for approval, expenditures are to be allocated based various methodologies as determined by the associated projects: random moment time study (RMTS), headcount, and client count analysis.

During the test work performed, RMTS information was collected by HHSC during the fiscal year. However management of HHSC made the decision to not update the costs allocation system for the quarterly 2005 RMTS information since the CAP plan was not approved by DCA. As a result, fiscal year 2005 federal expenditures for HHSC were allocated based on fiscal year 2004 RMTS information. HHSC also did not update any of the other allocation systems with current headcount or client count information during 2005.

Corrective Action:

This finding was reissued as current year reference: 07-09.

Reference No. 06-13

Procurement and Suspension and Debarment

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004 and October 1, 2002 to September 30, 2003
Award number - G0501TXTANF, G0401TXTANF, G0301TXTANF

Food Stamp Cluster
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - 6TX40015
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

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

States shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. U.S. Department of Health and Human Services requires the following for procurement (45CFR92.36):

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

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

(1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws; or

(2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

Upon review of 51 selected vendor files, KPMG noted the following:

- For three vendors, an unauthorized individual approved and entered the vendor information in the procurement system. All three vendors were utilized by both the Temporary Assistance for Needy Families (TANF) and the Food Stamp programs. Health and Human Services Commission (HHSC) staff was aware of these unauthorized approval prior to our audit and did review their files to ensure the vendors were authorized. These procurements were for $3,688,777.
- For seven Food Stamp and TANF vendors, an additional three Food Stamp, and an additional one TANF vendors (total of 11 of 51 files), HHSC was not able to provide anti-trust certifications for the vendors. During the audit, HHSC requested these 11 vendors to supply certifications and received certifications from nine vendors. These procurements of $3,098,199 were found to not be in violation of the anti-trust provisions. The remaining two Food Stamp vendors had $5,562 and the one TANF vendor had $129 of expenditures.

Corrective Action:

This finding was reissued as current year reference: 07-19.

Health and Human Services Commission

Department of Family and Protective Services

Reference No. 06-14

Procurement and Suspension and Debarment

(Prior Audit Issue 05-05)

CFDA 93.556 - Promoting Safe and Stable Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX00FP and G0401TX00FP

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1401 and G0401TX1401

CFDA 93.558 - Temporary Assistance for Needy Families
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TXTANF and G0401TXTANF

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0401TXSOSR and G0501TXSOSR
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

U.S. Department of Health and Human Services

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

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

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

(1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws; or

(2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

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

Upon review of 40 selected vendor files, KPMG noted the following:

- For two vendors, the Texas Department of Family and Protective Services (DFPS) could not provide bids signed by the vendor. The procurements were approximately for $47,000.

- For three vendors, DFPS could not locate the original contract files or provide all documentation required. The application of the above procedures could not be performed. The procurements were approximately for $53,000.
- For four vendor that were contract renewals, the DFPS could not provide documentation that an attempt to solicit bids from at least three vendors, of which at least two were from historically underutilized business, was made or that bid tabulation sheets were prepared. The procurements were approximately for $80,000.
- For fourteen vendors, DFPS could not provide certification that bidders have not violated anti-trust laws. Twelve of these fourteen vendors were sole sourced. The procurements were approximately for $184,000.

Corrective Action:

This finding was reissued as current year reference: 07-19.

Health and Human Services Commission
Department of State Health Services

Reference No. 06-15

Procurement and Suspension and Debarment

(Prior Audit Issue - 05-17 and 05-14)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Award year - October 1, 2003 to September 30, 2004 and October 1, 2004 to September 30, 2005
Award number - 6TX700506

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2004 to August 30, 2005
Award number - U90/CCU617001-05

CFDA 93.977 - Preventive Health Services - Sexually Transmitted Diseases Control Grants
Award year - January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - CCH604349-13-11 and CCH604349-14
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

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

Per the Federal Register, Vol. 68, No. 228 / Wednesday, November 26, 2003 / Rules and Regulations, contractors receiving individual awards for $25,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. The verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

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

(1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws; or

(2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

Lastly, the Health and Human Services Commission Procurement Manual requires that purchases or other acquisitions that will cost more than $5,000 are to be competitively bid unless the purchasing of goods or services are exempt from competitive bidding in which case the exemption must be documented in the purchasing documentation.

Specifically test work found the following:

- Women, Infants, and Children, CFDA 10.557 - two of the 28 files reviewed did not have the certification noting the vendor was in compliance with the antitrust laws. DSHS received one certification subsequent to fieldwork, in which, the procurement was approximately $5,200. The procurement for the remaining file was for approximately $9,800.

- Public Health Preparedness and Response for Bioterrorism, CFDA 93.283 - eight of the 27 files reviewed did not have the certification noting the vendor was in compliance with the antitrust laws. One of these eight files also did not have the bid tabulation documentation denoting that competitive bidding was performed. The certifications and bid tabulation was obtained and provided subsequent to fieldwork. The procurements were for approximately $79,000.

- Preventive Health Services - Sexually Transmitted Disease Control Grant, CFDA 93.977 - one of 4 files reviewed did not have the certification noting the vendor in compliance with the antitrust laws nor that the vendor was not suspended or debarred. Upon review of the EPLS, the vendor was not found to be suspended or debarred. DSHS obtained the anti-trust certification subsequent to fieldwork. The procurement was for approximately $78,000.

Corrective Action:

This finding was reissued as current year reference: 07-19.

Reference No. 06-16

Subrecipient Monitoring

(Prior Audit Issue - 05-20, 05-18, 04-07, 04-27, 03-12, 02-11, 02-15, 02-19, 01-555-36)

CFDA 93.889 - National Bioterrorism Hospital Preparedness Program
Award year - September 1, 2004 to August 31, 2005 and September 1, 2004 to August 31, 2005
Award number - 4U3RMC00046-02-06 and 1U3RMC03939-01-00

CFDA 93.217 - Family Planning - Services
Award year - April 1, 2004 to March 31, 2005 and April 1, 2005 to March 31, 2006
Award number - 2 FPHPA060898-23-00 and 5 FPHPA06089-24-00

CFDA 93.268 - Immunization Grants
Award year - January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number –CCH622571-02 and CCH622571-03

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2004 to August 30, 2005
Award number - U90/CCU617001-05

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2003 to September 30, 2004 and October 1, 2004 to September 30, 2005
Award number - G-0401TXSOSR and G-0501TXSOSR

CFDA 93.917 –HIV Care Formula Grants
Award year - April 1, 2004 to March 31, 2005 and April 1, 2005 to March 31, 2006
Award number - 6 X07HA00054-14-02 and 6 X07HA00054-15-01

CFDA 93.940 - HIV Prevention Activities-Health Department Based
Award year - January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - U62/CCU623516-01 and U62/CCU623516-02

CFDA 93.959 –Block Grants for Prevention and Treatment of Substance Abuse
Award year - October 1, 2002 to September 30, 2004, October 1, 2003 to September 30, 2005 and October 1, 2004 September 30, 2006
Award number - 03B1TXSAPT-05, 04B1TXSAPT-04, and 05B1TXSAPT-01

CFDA 93.977 - Preventive Health Services - Sexually Transmitted Diseases Control Grants
Award year - January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - CH604349-13-11 and CCH604349-14

Non-major Programs:

CFDA 10.572 - WIC Farmers' Market Nutrition Program
CFDA 14.241 - Housing Opportunities for Persons with AIDS
CFDA 93.110 - Maternal and Child Health Federal Consolidated Programs
CFDA 93.116 - Project Grants and Cooperative Agreements for Tuberculosis Control Programs
CFDA 93.118 - Acquired Immunodeficiency Syndrome (AIDS) Activity
CFDA 93.136 - Injury Prevention and Control Research and State and Community Based Programs
CFDA 93.150 - Projects for Assistance in Transition from Homelessness (PATH)
CFDA 93.197 - Childhood Lead Poisoning Prevention Projects (CLPPP) - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children
CFDA 93.215 - Hansen's Disease National Ambulatory Care Program
CFDA 93.230 - Consolidated Knowledge Development and Application (KD&A) Program
CFDA 93.234 - Traumatic Brain Injury State Demonstration Grant Program
CFDA 93.235 - Abstinence Education Program
CFDA 93.243 - Substance Abuse and Mental Health Services
CFDA 93.275 - Substance Abuse and Mental Health Services - Access to Recovery
CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs
CFDA 93.576 - Refugee and Entrant Assistance - Discretionary Grants
CFDA 93.944 - HIV/AIDS Surveillance
CFDA 93.945 - Assistance Programs for Chronic Disease Prevention and Control
CFDA 93.958 - Block Grants for Community Mental Health Service
CFDA 93.974 - Family Planning - Service Delivery Improvement Research Grants
CFDA 93.978 - Preventative Health Services - STD Research Public and Professional Education Projects
CFDA 93.982 - Mental Health Disaster Assistance and Emergency Mental Health
CFDA 93.988 - Cooperative Agreements for State Based Diabetes Control Program
CFDA 93.991 - Preventive Health and Health Services Block Grant
CFDA 93.994 - Maternal and Child Health Services Block Grant

Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2000
Status: Partially Implemented

U.S. Department of Agriculture
U.S. Department of Health and Human Services
U.S. Department of Housing and Urban Development

Effective September 1, 2004, the Department of Health (TDH), Commission on Alcohol and Drug Abuse (TCADA), and the Mental Health portion of Mental Heath and Mental Retardation (MHMR) were consolidated to form the Texas Department of State Health Services (DSHS).

DSHS passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. DSHS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. DSHS' subrecipient monitoring procedures include a risk assessment process, technical assistance, financial monitoring and OMB Circular A-133 audit report reviews. According to OMB Circular A-133, DSHS must assure that subrecipients expending Federal funds in excess of $500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to DSHS. DSHS is to review the report and to issue a management decision, if applicable.

Since federal funds are awarded based on the grant year and DSHS grants have different grant years, the Grants Management department of DSHS does the risk assessment (for financial monitoring) in January of each year to determine the subrecipients to be monitored the following State fiscal year. Accordingly, the risk assessment that is being used by DSHS to perform subrecipient monitoring during fiscal year 2005 was completed in January 2004.

The 2005 level of funding for each area that had a completed risk assessment is as follows:

- TDH had 116 high risk subrecipients receiving approximately $152 million in funding, 118 moderate risk receiving approximately $36 million in funding and 278 low risk subrecipients receiving approximately $20 million in funding.
- TCADA had 44 high risk subrecipients receiving approximately $98 million in funding, 63 moderate risk receiving approximately $35 million in funding and 67 low risk subrecipients receiving approximately $8 million in funding.

- MHMR had 41 subrecipients receiving approximately $28 million in federal funding.

From September 2004 through February 2005, the financial monitoring function for the State of Texas health and human services agencies was the responsibility of the Health and Human Services Commission (HHSC), Office of Inspector General (OIG) for the State of Texas. In March of 2005 the financial monitoring function was transferred back to the individual agencies and was no longer a centralized function. In fiscal year 2005, 69 subrecipients of approximately 725 were monitored which accounts for approximately 24% of the total funds passed through to the subrecipients for TDH, 8% for TCADA, and 18% for MHMR. This is an improvement from fiscal year 2005 where 50 subrecipients were monitored. The completed financial monitoring for each legacy agency is as follows:

TDH
- 21 high risk subrecipients receiving approximately $48 million in funding.
- Eight moderate risk subrecipients receiving approximately $700,000 in funding.
- Six low risk subrecipients receiving approximately $1 million in funding.

TCADA
- Eight high risk subrecipients receiving approximately $12.9 million in funding.
- Nine moderate risk subrecipients receiving approximately $5.1 million in funding.
- Eight low risk subrecipients receiving approximately $882,000 in funding.

MHMR
- Nine subrecipients receiving approximately $4.6 million in funding.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2005 were:

Federal Program	Amount Charged to the Federal Program
CFDA 10.572	$ 617,680
CFDA 14.241	2,676,153
CFDA 93.110	32,119
CFDA 93.116	3,163,203
CFDA 93.118	10,478
CFDA 93.136	3,202,941
CFDA 93.150	2,214,530
CFDA 93.197	410,660
CFDA 93.215	98,920
CFDA 93.217	13,535,981
CFDA 93.230	4,403,783
CFDA 93.234	17,100
CFDA 93.235	7,066,034
CFDA 93.243	962,970
CFDA 93.268	6,796,723

Federal Program	Amount Charged to the Federal Program
CFDA 93.275	59,348
CFDA 93.283	34,979,956
CFDA 93.566	1,612,780
CFDA 93.576	176,271
CFDA 93.667	3,701,513
CFDA 93.889	15,315,748
CFDA 93.917	17,912,326
CFDA 93.940	10,747,088
CFDA 93.944	500,255
CFDA 93.945	129,595
CFDA 93.958	21,302,980
CFDA 93.959	113,226,571
CFDA 93.974	145,740
CFDA 93.977	4,264,536
CFDA 93.978	203,912
CFDA 93.982	5,250
CFDA 93.988	283,745
CFDA 93.991	2,596,517
CFDA 93.994	10,416,156
Total	$ 282,789,561

Corrective Action:

This finding was reissued as current year reference: 07-36.

Department of Housing and Community Affairs

Reference No. 06-17
Allowable Costs/Cost Principles

CFDA 14.239 - HOME Investment Partnerships Program
Award year - July 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - M04-SG48010C and M05-SG480100
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Housing and Urban Development

The Code of Federal Regulations, Title 24, Subtitle A (4–1–05 Edition), Section 92.207 describes allowable administrative costs as such salaries, wages, and related costs of the participating jurisdiction's staff. In charging costs to this category the participating jurisdiction may include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involves program administration assignments.

In addition, OMB Circular A-87, attachment B, section 8H, requires that, where employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and coincide with the pay period,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to Federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the Federal program. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than ten percent.

During the review of 34 of 50 payroll charges, no compliance issues were noted. Through other procedures, the Department of Housing and Community Affairs' (DHCA) noted they had five employees who have both general administrative duties and specific HOME program related duties for these five employees. As of August 31, 2005, these five employees had estimations of their time allocations maintained within the time and effort system and the HOME program was charged according to the proportioned budgets. Further for these five employees, there was no time and effort reporting performed and therefore, no reconciliation from the budgeted amount charged to the actual effort incurred. The total amount of salary and benefit costs allocated to the program for these five employees was $217,026 for the fiscal year.

Corrective Action:

Corrective action was taken.

Reference No. 06-18

Reporting

CFDA 14.871 - Section 8 Housing Choice Vouchers
Award year - July 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - TX-901VO and TX - 903VO
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Housing and Urban Development

The Code of Federal Regulations, Title 24, Section 908 and 982.158 requires the Department of Housing and Community Affairs (the Department) to submit form HUD-50058, *Family Report (OMB No. 2577-0083)* electronically to Housing and Urban Development (HUD) each time the Department completes an admission, annual reexamination, interim examination, portability move-in, or other change of unit of a family. The Department must also submit the *Family Report* when a family ends participation in the program or moves out of the Departments' jurisdiction under portability.

The following line items contain critical information:

- Line 2a - *Type of Action*
- Line 2b - *Effective Date of Action*
- Line 3b, 3c - *Names*
- Line 3e - *Date of Birth*
- Line 3n - *Social Security Numbers*
- Line 5a - *Unit Address*
- Line 5h, 5i - *Unit Inspection Dates*
- Line 7i, - *Total Annual Income*
- Lines 2k and 17a - *Family's Participation in the Family Self Sufficiency (FSS) Program*
- Line 17k (2) - *FSS Account Balance*

For two of the 40 reports tested, a social security number for a dependent in the household was entered incorrectly into the Form HUD-50058. Therefore, HUD received incorrect tenant data. For one of the 40 reports tested, the tenants' live-in-aide was incorrectly included as a resident within the Form HUD-50058. Therefore, HUD received incorrect tenant data.

Corrective Action:

Corrective action was taken.

Reference No. 06-19

Special Tests and Provisions - Utility Allowance Schedule

CFDA 14.871 - Section 8 Housing Choice Vouchers
Award year - July 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - TX-901VO and TX-903VO
Type of finding - Material Weakness Control and Scope Limitation

Initial Year Written: 2005
Status: Implemented

U.S. Department of Housing and Urban Development

The Code of Federal Regulations, Title 24, section 982.517 requires the Department of Housing and Community Affairs (the Department) to maintain up-to-date utility allowance schedule. The Department must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised.

KPMG reviewed the most recent Utility Allowance Technical Assistance Order Form/Agreements and Utility Allowance Schedules and noted that the updating of the Utility Allowance Schedules as of August 31, 2005 was 4.5 months over the annual review requirement. The 2004 utility allowance schedule was revised April 15, 2004 and was effective from April 15, 2004 through April 15, 2005. The 2005 utility allowance schedule will not be effective until December 1, 2005 and has a maturity date of December 31, 2006. Therefore, KPMG notes that the utility allowance schedule utilized from April 15, 2005 through the end of the year under audit August 31, 2005 was not reviewed and was not current. KPMG notes that the aggregate amount of the revised utility amounts that were determined by the Department from the outdated utility allowance schedules from April 16, 2005 through August 31, 2005 was $668,918.

Corrective Action:

Corrective action was taken.

Reference No. 06-20

Allowable Costs/Cost Principles

(Prior Audit issue - 05-22)

CFDA 14.871 - Section 8 Housing Choice Vouchers
Award year - July 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - TX-901VO and TX-903VO
Type of finding - Reportable Condition Control

Initial Year Written: 2004
Status: Significantly Different

U.S. Department of Housing and Urban Development

The Department of Housing and Community Affairs (Department) Section 8 program relies on the use of their computer system, Genesis, to approve and process federal expenditures for payment. No compliance issues were noted during our review of 30 allowable cost transactions. The following items were noted:

- The Section 8 Regional Coordinators had access to the CAS8 menu in Genesis allowing them the capabilities to setup payment information. This access was removed on June 10, 2005.

- Within the accounting department, one employee had two user accounts to enter accounts payable vouchers, which was not in accordance with policy. An employee who had changed their last name and been issued a new access ID**.** The prior access ID was disabled on August 24, 2005. In addition, two programmer accounts had access to the production environment. One programmer account, which was disabled on August 24, 2005 was set-up to provide assistance on programming changes. The other programmer account was used to perform system administrative functions and is still used for that purpose and well as for promoting program changes. Given the limited staff, this account is shared by the PeopleSoft Administrator/Programmer and the backup PeopleSoft Administrator.
- The Department implemented software development procedures during fiscal year 2005. During the year, there was one change to user parameters which involved coding changes. This change was not formally documented as in accordance with the software development procedures as implemented by the Department.

Recommendation:

The Department should:

- Access to setup payment information should be limited to the Section 8 Project Managers who do not have the responsibility for approving vouchers for payment. Management should periodically review access to systems to determine if access is appropriately restricted.
- Inappropriate access should be disabled. The employee's duplicate account was disabled during field work, as was one of the two programmer accounts. Management should periodically review access to systems to determine if access is appropriately restricted. In addition, given the inherent limitations with limited staff, management should consider implementing a monitoring process to ensure program changes developed and implemented by the PeopleSoft Administrator/Programmer are properly reviewed for appropriateness and compliance with software development procedures.
- The Department should consistently follow their software development procedures for all changes and formally document the completion of those procedures.

Corrective Action:

The Department of Housing and Community Affairs no longer utilizes the Genesis system, therefore this finding is no longer applicable.

Department of Human Services

Reference No. 02-23

Allowable Costs/Cost Principles/Auto-Eligibility Approval by FEMA

CFDA 83.543 - Individual Family Grants (FEMA)
Type of finding - Non-Compliance

Initial Year Written: 2001
Status: Partially Implemented

Federal Emergency Mangement Agency

In an effort to expedite assistance, FEMA automated the awarding process for selected individuals affected by Tropical Storm Allison. When caseworkers (both Federal and DHS employees) visit sites and perform inspections, their case files are loaded into NEMIS, FEMA's computer system. If the case file passed established threshold checks, approval was automatic and the award was transferred by DHS' computer system into the nightly batch of warrants requested from the State Treasury. For the files that were not auto approved, DHS personnel worked the files and when approval was given, they too were transferred into the nightly batch of warrant requests.

FEMA has quality control procedures in place to monitor disasters. During the performance of these procedures, FEMA discovered that over payments were made to the auto approved (i.e., no DHS involvement) eligible recipients. The recipients were eligible for grant funds but the calculation of the amount was incorrect. FEMA has established an IFG Recoupment Process which includes reviewing 3,029 auto-approved files. Per their review, FEMA noted 814 over awards or a 27% error rate due to a FEMA programming error. The estimated dollars with those 814 files is $1,835,207. These files were considered to be high-risk by FEMA (i.e., based on the nature of the programming error). DHS estimates that about 36,715 files were auto approved and the average claim per file is $5,014.

Management Response and Corrective Action Plan 2003:

IFG personnel worked with FEMA personnel throughout fiscal year 2002 to identify cases and recoup Federal and State funds from Tropical Storm Allison. The State and FEMA are currently discussing the management and monitoring of recoupment cases. IFG is manually testing as many cases as possible related to Disaster 1425 that are auto-approved by NEMIS. As amounts that should be recouped are identified, the case are placed in the NEMIS recoupment queue. At present, there are about 700 cases representing $1,624,000 in debt collection at FEMA's disaster finance center, of which approximately $44,000 has been collected as of August 2003. Discussion is being held with U.S. Department of Treasury (IRS) regarding collection of these outstanding amounts.

Management Response and Corrective Action Plan 2004:

There are about 700 cases with overpayments of approximately $1,617,000 being pursued by FEMA and the U.S. Department of Treasury. As of February 2005, approximately $78,000 total has been returned. The U.S. Department of Treasury has begun turning cases over to private collection agencies.

Management Response and Corrective Action Plan 2005:

FEMA and HHSC staff continue to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of November 2005, a total of $473,662.54 has been recouped, consisting of $152,229.47 in interest and $321,433.07 in principal.

Management Response and Corrective Action Plan 2006:

FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 19, 2007, a total of $363,779 in principal has been collected.

Implementation Date: On-going

Responsible Person: Pam Wade and Allen Bledsoe

Juvenile Probation Commission

Reference No. 06-21
Subrecipient Monitoring
(Prior Audit Issue - 05-31)

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1401 and G0401TX1401
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

U.S. Department of Health and Human Services

The Juvenile Probation Commission (JPC or TJPC) is required by OMB Circular A-133, section .400 to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. JPC's subrecipient monitoring procedures include a risk assessment process, standardized contracts, training and technical assistance, program and financial monitoring and review of agreed-upon procedures reports required to be performed at the juvenile probation department level. JPC relies on the Department of Protective Services to determine eligibility and to set the reimbursement rates. JPC passes through a 100% of their Foster Care funds to subrecipients (i.e., Texas counties). During fiscal year 2005 there were approximately 164 counties that received foster care funds of $50,697,000 from JPC.

More specifically, JPC's subrecipient monitoring process includes:

- Yearly grant awards exist with each county along with an approved 2030 budget form that estimates the amount of foster care entitlement funds expected to be incurred for the fiscal year. The contract is used to communicate the CFDA information and applicable regulations.
- To receive enhanced administrative reimbursement, the county must also file an implementation plan that documents their indirect cost rate. JPC's fiscal personnel review the implementation plans for completeness and reasonableness of the indirect rate.
- Quarterly or monthly reimbursement requests from the counties are recalculated based on the applicable reimbursement rate by JPC personnel prior to approval for payment.
- Programmatic site visits are performed for counties that place children in the foster care program.
- There is a risk assessment process and the top 20 counties were selected for a financial desk review that includes review of payroll effort documentation, proper use of travel reimbursement rates, and allowability of expenses.
- JPC also requires an agreed upon procedures report from each county which includes provisions for the local auditor to review the accuracy of the fees paid to private service providers, the categorization of training costs into the appropriate categories, and the allowable expenses for direct and indirect categories. Also the agreed upon procedures report is to note if there are any findings related to the Foster Care program in the county's A133 report.

For the fiscal year 2005, the top 20 counties received a financial desk review. During fiscal year 2004, four of the top 10 counties received a financial monitoring visit and no financial reviews were performed for fiscal year 2003. As part of the desk reviews JPC selects expenditures for one quarter and requests invoices and payroll detail, including timesheets, to assess the allowability of expenditures.

JPC's monitoring process also relies heavily on the performance of the agreed upon procedures reports. The suggested procedures in the agreed-upon procedures polices and not specific enough to determine whether the respective auditors are selecting samples of invoices and timesheets to review for allowable costs. The agreed-upon procedures reports do include any foster care findings noted in the county's OMB Circular A-133 reports, however there is no follow-up by JPC for the findings and assessment of corrective action plans.

Additionally, JPC does not inquire whether the subrecipients expended $500,000 or more in federal funds to assess whether an OMB Circular A-133 report is required to be submitted to JPC.

Corrective Action:

This finding was reissued as current year reference: 07-23.

Reference No. 06-22

Cash Management

CFDA 93.658 - Foster Care - Title IV-E
Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004
Award number - G0501TX1401 and G0401TX1401
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

According to the Treasury-State agreement for the State of Texas, the Foster Care grant at the Juvenile Probation Commission (JPC or TJPC) is included in Subpart A of the 34 CFR Part 205, which implements the Cash Management Improvement Act. Under the State of Texas CMIA agreement with the Department of Treasury, the Foster Care program at JPC utilizes the pre-issuance funding technique which requires the calculation of a clearance pattern. The clearance pattern is calculated at Department of Family and Protective Services (DFPS) since DFPS is responsible for drawing the foster care funds from the federal government.

JPC receives Foster Care funds on a reimbursement basis from DFPS and passes through funds to the subrecipients. JPC's policy is to disburse funds to subrecipients within three business days of receiving the funds from DFPS. For fifteen out of forty subrecipients, it was noted that JPC is holding funds greater than three days before making payments to subrecipients. For these fifteen subrecipients, the average days from the date JPC received the funds from DFPS and the date JPC made the payments to the subrecipients are thirteen to twenty-one days. All fifteen exceptions occurred in the same quarter when training was being held for JPC staff.

Corrective Action:

Corrective action was taken.

Department of Public Safety

Reference No. 06-23
Cash Management

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)
Award year - see below
Award number - see below
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Homeland Security

According to the Treasury-State Agreement for the State of Texas, the hazard mitigation grant is not included in Subpart A of 34 CFR, part 205, which implemented the Cash Management Improvement Act. Therefore the Department of Public Safety (DPS) should be complying with Subpart B, which applies to programs in the catalog of federal domestic assistance that are not subject to Subpart A. These standards state that "cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accord only the actual, immediate cash requirement of the State in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of allowable indirect costs. Neither a State nor the Federal government will incur an interest liability on the transfer of funds for a program subject to this Subpart." To define "administratively feasible", we reviewed correspondence from (FEMA) Federal Emergency Management Agency's Region VI director dated August 14, 2002, noting that seven days would be administratively feasible. The Hazard Mitigation grant is subject to Subpart B, as such there is no interest liability.

An adequate control does not exist to ensure funds are paid to jurisdictions within seven days of receipt of the cash draws from Department of Homeland Security. For 10 of the 40 hazard mitigation sample items selected for test work, the invoice was not paid within seven days of the receipt of the federal funds. For the exceptions noted above, the average days the funds were held in excess of seven days were 10.5 days. The total expenditures for the fiscal year were $36,089,481.

Disaster Number	Grant Number	Start Date
1257	996125773	October 18, 1998
1274	FEMA 1274-DR	October 18, 1998
1287	FEMA 1287-DR	October 18, 1998
1356	FEMA 1356-DR	April 24, 2001
1379	TX01HM1379	October 18, 1998
1425	FEMA 1425-DR	October 18, 1998
1434	TX02HM1434	October 18, 1998
1439	TX03HM1439	October 18, 1998
1479	TX03HM1479	October 18, 1998

Corrective Action:

Corrective action was taken.

Reference No. 06-24

Reporting

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Homeland Security

The Department of Public Safety (DPS) must report on a quarterly basis for each Federal Emergency Management Agency (FEMA) approved project a FEMA Form 20-10, *Financial Status Report* (OMB No. 3067-0206), per OMB A-133. A supervisor did review the report to ensure the report was complete as to the required information. Supporting documentation is not reviewed by management. Thirty-five (35) reports were filed during fiscal year 2005. Per review of all 35 reports, three reports filed for the quarter ended March 31, 2005, reported financial information for the quarter ended December 31, 2004.

The hazard mitigation grant has multiple grant subawards and award years as noted below:

Disaster Number	Grant Number	Start Date
1257	996125773	October 18, 1998
1274	FEMA 1274-DR	October 18, 1998
1287	FEMA 1287-DR	October 18, 1998
1356	FEMA 1356-DR	April 24, 2001
1379	TX01HM1379	October 18, 1998
1425	FEMA 1425-DR	October 18, 1998
1434	TX02HM1434	October 18, 1998
1439	TX03HM1439	October 18, 1998
1479	TX03HM1479	October 18, 1998

Corrective Action:

Corrective action was taken.

Reference No. 06-25

Subrecipient Monitoring

CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)
Award year - see below
Award number - see below
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Homeland Security

In accordance with 44 CFR 206.439(c), the Department of Public Safety (DPS) may not reimburse a subgrantee (i.e., subrecipient) for indirect costs. Indirect costs are only allowed to be reimbursed to the grantee (i.e., DPS) in accordance with the current indirect cost plan. Reimbursement to subrecipients are reviewed and approved by an authorized individual before being processes for payment to the subrecipient.

For one of the 40 hazard mitigation sample items selected for test work, indirect costs in the amount of $1,002 had been submitted for payment by the subrecipient, approved for payment by DPS, and inappropriately paid by DPS. An additional one item of the 40 items was not approved for reimbursement prior to the processing of the payment to the subrecipient. No unallowable costs were noted.

The hazard mitigation grant has multiple grant subawards and award years as noted below:

Disaster Number	Grant Number	Start Date
1257	996125773	October 18, 1998
1274	FEMA 1274-DR	October 18, 1998
1287	FEMA 1287-DR	October 18, 1998
1356	FEMA 1356-DR	April 24, 2001
1379	TX01HM1379	October 18, 1998
1425	FEMA 1425-DR	October 18, 1998
1434	TX02HM1434	October 18, 1998
1439	TX03HM1439	October 18, 1998
1479	TX03HM1479	October 18, 1998

Corrective Action:

Corrective action was taken.

Reference No. 05-38

Allowable Costs/Cost Principles
Cash Management

CFDA 20.218 - National Motor Carrier Safety
Award year - See below
Award number - See below
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

U.S. Department of Transportation

Allowable Costs:

Per OMB Circular A-87, attachment B, section 8H, support of salaries and wages, where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and coincide with the pay period,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to Federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the Federal program. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent.

Two of 24 personnel activity reports did not agree to the federal reimbursement request amount. Fourteen hours in excess of the time sheets was charged to the grant. These two employees were commissioned so the rate was $31.84 an hour or $446. The questioned costs relate to MB-03-48-1 and BR-03-48-1 awards. The timesheets were reviewed by the immediate supervisor and thus certified. The certified timesheets are used by grant accounting to manually update the grant expenditure spreadsheet that is used to prepare the cash reimbursement requests. Cash requests are reviewed based on the expense spreadsheets, however, there is no detailed review of the data input into the spreadsheet. Total salary and benefits charged to the grant was approximately $17,575,000.

Cash Management:

According to the Treasury-State Agreement for the State of Texas, the National Motor Carrier Safety grant is not included in Subpart A of 34 CFR, part 205, which implemented the Cash Management Improvement Act. Therefore The Department of Public Safety (DPS) should be complying with Subpart B, which applies to programs in the catalog of federal domestic assistance that are not subject to Subpart A. These standards state that "cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accord only the actual, immediate cash requirement of the State in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of allowable indirect costs. Neither a State nor the Federal government will incur an interest liability on the transfer of funds for a program subject to this Subpart." The expense spreadsheets discussed above are to be reconciled to the general ledger on a monthly basis. Sixteen reconciliations were reviewed and none of them agreed to the general ledger. Reconciliations appear to have been done at year-end only in conjunction with the preparation of the schedule of federal expenditures. Thirty expenditures were reviewed and it was determined that the invoice or payroll was paid prior to reimbursement request.

The National Motor Carrier Safety grant has multiple subawards and award years. During fiscal year 2004 the following grant award years and grant award numbers, respectively, were open: Award years: October 1, 2003 to September 30, 2004, September 1, 2003 to August 30, 2004, September 20, 1999 to September 30, 2003, October 1, 2002 to December 30, 2003, July 8, 2003 to July 8, 2004, October 1, 2002 to March 31, 2004, October 1, 2003 to December 31, 2004, March 31, 2004 to September 30, 2004, October 1, 2002 to September 30, 2004, April 1, 2003 to March 31, 2004, August 30, 2003 to September 30, 2004, September 30, 2002 to September 30, 2003, October 1, 2002 to September 30, 2004, October 1, 2003 to March 31, 2004; Award numbers: MB-03-48-1, CD-03-TX-1, MC-99-48-222, MC-01-48-222, MC-03-48-2, MC-03-48-1, MC-04-48-1, CD-02-48-2, BR-03-48-1, MH-03-48-1, MR-03-48-2, RB-02-48-01, BR-03-48-2, and MB-02-48-2.

Recommendation:

DPS should reconcile the expense spreadsheets to the general ledger on a monthly basis. These reconciliations should be reviewed by someone other than the preparer on a timely basis.

Management Response and Corrective Action Plan - Allowable Costs 2004:

DPS concurs with the above finding. We found that the two employee's reports not matching the supporting documentation related to human error from manual reporting procedures. Although the amounts involved were immaterial (approximately $70) and within acceptable margins of error we are taking steps to implement a reporting system directly from the electronic database where this information is keyed to avoid the same type of human error on future reports.

Implementation Date: September 1, 2005

Responsible Person: Major Mark Rogers

Management Response and Corrective Action Plan - Allowable Costs 2005:

DPS concurs with the above finding. We found that the one employee's reports did not match the supporting documentation. This difference is attributable to human error from manual reporting procedures. We are taking steps to implement a reporting system were all source documents will be reported in an electronic format so we can avoid the same type of human error on future reports.

Implementation Date: May 1, 2006

Responsible Person: Major Mark Rogers

Management Response and Corrective Action 2006 - Allowable Costs 2006:

DPS concurs with the finding above. There has been no significant change in the way that the employee hours are tallied from their weekly activity reports in order to determine the number of hours that will be submitted to the Federal Motor Carrier Safety Administration. The process remains manual. DPS continues to conduct self audits on this process to ensure accuracy.

The computer prosecgramming needed to make this process entirely electronic is nearing completion. System testing should begin in Spring 2007 and we are hopeful that the process will be converted over to electronic reporting by Summer 2007. Under this system, employee weekly reports (source documents) will be electronically transferred from field locations to the Motor Carrier Bureau database. Queries of the database will be run in order to pull out the hours that are eligible for reimbursement, thus eliminating the current manual counts. A summary document will then be certified by the Manager, Motor Carrier Bureau, and transmitted to Accounting so that an invoice can be prepared and submitted to FMCSA for reimbursement.

Implementation Date: September 1, 2007

Responsible Person: Major Mark Rogers

Management Response and Corrective Action Plan - Cash Management 2004:

DPS concurs with the finding above. We are implementing new procedures and hiring additional personnel to address the issues identified above.

Implementation Date: June 30, 2005

Responsible Person: Doug Noren

Management Response and Corrective Action Plan - Cash Management 2005:

DPS concurs with the finding above. The attempts to hire personnel solely responsible for the reconciliation process were not successful. Management has decided to restructure the department and add the additional responsibilities of reconciliations to the six Grant Accountants. The Accountants will have one set of assigned programs they will be responsible for auditing and billing. A separate set of programs will require reconciling to the internal accounting system (MSA) and the Uniform State Wide Accounting System (USAS). The reclassification for this job function change is currently in the Human Resources Department pending approval.

Implementation Date: June 2006

Responsible Person: Janet L. Espinosa

Management Response and Corrective Action 2006 - Cash Management 2006:

The approved reclassification for the Grant Accountant positions was received 09/30/06. These positions were filled in November 2006. We will be implementing monthly reconciliations on the MCSAP programs this Fiscal Year.

Implementation Date: December 2006

Responsible Person: Janet L. Espinosa

Department of State Health Services

Reference No. 06-26
Eligibility

CFDA 93.917 - HIV Care Formula Grants
Award year - April 1, 2004 to March 31, 2005 and April 1, 2005 to March 31, 2006
Award number - 6 X07HA00054-14-02 and 6 X07HA00054-15-01
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

To be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV disease and be a low-income individual, as defined by the State (42 USC 300ff-26(b)).

For the selected and reviewed eligibility files, there was one recipient of 40 in which no file could be found to verify the eligibility of this individual for the HIV Care Formula Grants. We verified that a printed copy of the client's eligibility screens were placed in the THMP files as evidence of the client's eligibility for the services.

Corrective Action:

Corrective action was taken.

Reference No. 06-27
Reporting
(Prior Audit Issue - 05-08)

CFDA 93.917 - HIV Care Formula Grants
Award year - April 1, 2004 to March 31, 2005 and April 1, 2005 to March 31, 2006
Award number - 6 X07HA00054-14-02 and 6 X07HA00054-15-01
Type of finding - Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

U.S. Department of Health and Human Services

Per the grant agreement, the Department of State Health Services (DSHS) must account for all funds awarded in the contractual category in the fiscal year 2005 Title II application and notify Health Resources and Services Administration (HRSA) when it has completed reporting on its contracting process. The Consolidated List of Contracts and Subcontracts Report is due to HRSA within 60 days of award of contracts. The consolidated list of contracts must include the contractor/agency, full address, Employer Identification Number (EIN) number, whether or not the contractor is a minority provider, whether or not clients are services directly, service type, amount of contract and the overall total of budgets submitted with the list (per grant agreement between the State of Texas and HRSA).

A supervisor did review the report to ensure the correct information was submitted. However, there were various errors in the information submitted such as inaccurate EIN numbers and transposed EIN numbers.

Corrective Action:

This finding was reissued as current year reference: 07-35.

Reference No. 06-28
Reporting
(Prior Audit Issue - 05-13)

CFDA 93.268 - Immunization Grants
Award year - January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - CCH622571-02 and CCH622571-03
Type of finding - Reportable Condition Control

Initial Year Written: 2004
Status: Implemented

U.S. Department of Health and Human Services

Per the grant agreement, the Department of State Health Services (DSHS) is required to submit a monthly Vaccine Inventory and Distribution Report to the federal government. DSHS' procedures did not include management review of the report and related supporting documentation until January 2005. The reports for November 2004 and March 2005 were selected for review and no errors were noted during testwork performed to agree report to supporting documentation.

Corrective Action:

Corrective action was taken.

Reference No. 06-29
Cash Management

CFDA 93.667 - Social Services Block Grant
Award year - October 1, 2003 to September 30, 2004 and October 1, 2004 to September 30, 2005
Award number - G-0401TXSOSR and G-0501TXSOSR
Type of finding - Reportable Condition Control

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

According to the Treasury-State agreement for the State of Texas, the Social Service Block Grant at the Department of State Health Services (DSHS) is included in Subpart A of the 34 CFR Part 205, which implements the Cash Management Improvement Act. Under the State of Texas CMIA agreement with the Department of Treasury, the Social Service Block Grant program at DSHS utilizes the pre-issuance funding technique which requires the calculation of a clearance pattern. DSHS submits its draw requests to the Health and Human Services Commission (HHSC) since HHSC is responsible for drawing the funds from the federal government.

During test work, the following was noted:

- From September 2004 through April 2005, there was no evidence of review of the draw request from anyone other than the preparer.
- From May 2005 through September 2005, management did review the draw request but only after notification from HHSC of the federal deposit had been received.

The clearance pattern for fiscal year 2005 was determined to be reasonable based on the utilization of pre-issuance funding technique. Approximately $30,603,000 was drawn from the federal government for the Social Services Block Grant on behalf of DSHS during fiscal year 2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-30

Special Tests and Provisions - Independent Peer Review

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
Award year - October 1, 2002 to September 20, 2004 and October 1, 2003 to September 30, 2005
Award number - 03B1TXSAPT-05 and 04B1TXSAPT-04
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

The Department of State Health Services (DSHS) must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in Texas shall be reviewed. The entities reviewed shall be representative of the entities providing the services. DSHS shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process. (42 USC 300x-53(a): 45CFR section 96.136)

The selected entities for peer review were not representative of the entities providing services. Only Treatment Adult Services Providers were in the population to be selected for peer review, while there were also Methadone Treatment and Treatment Youth Service Providers in the program. At least 5% were selected and the peer reviewers were determined to be independent.

Corrective Action:

Corrective action was taken.

Reference No. 06-31

Allowable Costs/Cost Principles

CFDA 93.977 - Preventive Health Services - Sexually Transmitted Diseases Control Grants
Award year - January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005
Award number - CCH604349-13-11 and CCH604349-14
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments", is applicable to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal Government or indirectly through a pass-through entity. The circular describes selected cost items, allowable and unallowable costs, and standard methodologies for calculating indirect costs rates.

In addition, specific allowable or unallowable expenditures are noted in the respective grant agreement. With regard to the Preventive Health Services - Sexually Transmitted Disease Control Grant certain medications purchased must be approved by the Center for Disease Control.

One out of 30 direct cost sample items reviewed was for a purchase of a medication that was not approved by the Center for Disease Control. The amount of the expenditure was $22,721. Total expenditures for this medication during fiscal year 2005 were approximately $1,704,000.

Corrective Action:

Corrective action was taken.

Reference No. 06-32

Subrecipient Monitoring

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
Award year - August 31, 2004 to August 30, 2005
Award number - U90/CCU617001-05
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Health and Human Services

Department of State Health Services (DSHS) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. DSHS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. DSHS' subrecipient monitoring procedures include a risk assessment process, technical assistance, program reviews, and financial monitoring and OMB Circular A-133 audit report reviews. When a program review is completed, the subrecipients are required to submit a corrective action plan to DSHS for the findings noted and DSHS is required to send letters of approval or rebuttal after the corrective action plan is reviewed.

Of a sample of 30 subrecipient selected for test work, the following was noted:

- For four subrecipients monitored, DSHS took between six to eight months after the site-visit to send out the initial monitoring report to inform the subrecipient of the findings discovered.
- For three out of these four subrecipients, it has been more than a year from the date of the site-visit and the necessary rebuttal letters for the subrecipients' corrective action plans have not been sent out

Total payments to these four subrecipients for fiscal year 2005 was approximately $4,642,000 of approximately $34,980,000 passed through to all subrecipients.

Corrective Action:

Corrective action was taken.

Texas Cooperative Extension

Reference No. 06-33

Equipment and Real Property Management

CFDA 10.500 - Cooperative Extension Service
Award year - See below
Award number - See below
Type of finding - Material Weakness and Material Non-compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Agriculture

In accordance with 7 CFR section 3015.169, recipient procedures for managing equipment shall, as a minimum, meet the following requirements until such actions as transfer, replacement or disposal takes place: Property records shall be maintained accurately and shall include for each item of equipment the following:

- A description of the equipment including manufacturer's serial number.
- An identification number, such as the manufacturer's serial number.
- Identification of the grant under which the recipient acquired the equipment.
- The information needed to calculate the Federal share of the equipment.
- Acquisition date and unit acquisition cost.
- Location, use and condition of the equipment and the date the information was reported.
- All pertinent information on the ultimate transfer, replacement, or disposal of the equipment.

Texas Cooperative Extension (TCE) has various equipment items used throughout the state that are both maintained in offices as well as outside in parking lots and fields. The following were noted during equipment inventory inspections:

- In eight of 40 assets physically inspected, the asset tag number was missing from the equipment.
- In one of 40 assets physically inspected, the serial number on the equipment did not agree to the property ledger.
- In one of 40 assets physically inspected, the Vehicle Identification Number (VIN)/serial number recorded in the system could not be agreed to the equipment since the asset did not have a serial number and the description in the system was to vague to verify the asset.

Cooperative Extension Grant (CES) has multiple grant awards and award years. During fiscal year 2005 the following grant award years and grant award numbers, respectively, were open for the program:

- Award years: May 15, 2001 to May 14, 2006, October 1, 1998 to September 30, 1999, October 1, 1997 to September 30, 1998, October 1, 1996 to September 30, 1997, October 1, 1995 to September 30, 1996, October 1, 1992 to September 30, 1993, October 1, 1977 to September 30, 1978;

- Award numbers: 2001-45049-01149, FY1999 Smith-Lever Act CSREER-OD-1088-F, FY1998 Smith-Lever Act CSREER-OD-1088-F, FY1997 Smith-Lever Act CSREER-OD-1088-F, FY1996 Smith-Lever Act CSREER-OD-1088-F, FY1993 Smith-Lever Act CSREER-OD-1088-F, FY1978 Smith-Lever Act CSREER-OD-1088-F.

Corrective Action:

Corrective action was taken.

Reference No. 06-34

Allowable Costs/Cost Principles

Major Program:

CFDA 10.500 - Cooperative Extension Service
Award year - see below
Award number - see below

Non-major Programs:

CFDA 10.001 - Agricultural Research - Basic and Applied Research
CFDA 10.025 - Plant and Animal Disease, Pest Control and Animal Care
CFDA 10.200 - Grants for Agricultural Research, Special Research Grants
CFDA 10.206 - Grants for Agricultural Research - Competitive Research Grants
CFDA 10.215 - Sustainable Agriculture Research and Education
CFDA 10.224 - Fund for Rural America - Research, Education and Extension Activities
CFDA 10.303 - Integrated Programs
CFDA 10.450 - Crop Insurance
CFDA 10.600 - Foreign Market Development Cooperator Program
CFDA 10.664 - Cooperative Forestry Assistance
CFDA 10.912 - Environmental Quality Incentives Program
CFDA 10.961 - Wildlife Habitat Incentive Program
CFDA 11.417 - Sea Grant Support
CFDA 11.419 - Coastal Zone Management Administration Awards
CFDA 12.100 - Aquatic Plant Control
CFDA 12.114 - Collaborative Research and Development
CFDA 12.300 - Basic and Applied Scientific Research
CFDA 15.504 - Water Reclamation and Reuse Program
CFDA 15.608 - Fish and Wildlife Management Assistance
CFDA 15.910 - National Natural Landmarks Program
CFDA 16.540 - Juvenile Justice and Delinquency Prevention - Allocation to States
CFDA 17.700 - Women's Special Employment Assistance
CFDA 66.419 - Water Pollution Control - State and Interstate Program Support
CFDA 66.456 - National Estuary Program
CFDA 66.460 - Nonpoint Source Implementation Grant
CFDA 66.509 - Science to Achieve Results (STAR) Research Program
CFDA 66.606 - Surveys, Studies, Investigations and Special Purpose Grants
CFDA 66.714 - Pesticide Environmental Stewardship - Regional Grants
CFDA 81.117 - Energy Efficiency and Renewable Energy Information Disseminator
CFDA 84.186 - Safe and Drug-Free Schools and Communities
CFDA 93.051 - Alzheimer's Disease Demonstration Grants to States
CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
CFDA 93.969 - Geriatric Education Centers
CFDA 93.988 - Cooperative Agreement for State-Based Diabetes Control Programs
Food Stamp Cluster
Highway Safety Cluster
Aging Cluster

Type of finding - Reportable Condition Control

According to OMB Circular A-21, negotiated rates shall be accepted by all Federal agencies. Only under special circumstances, when required by law or regulation, may an agency use a rate different from the negotiated rate for a class of sponsored agreements or a single sponsored agreement. Grantees are required to take the lesser of the following amounts (1) the Federally approved negotiated indirect cost rate and base, or (2) the limit identified in the statutory language of the grant per Article 3 of the Cooperative State Research, Education, and Extension Service (CSREES) Federal Demonstration Partnership III Agency - Specific Terms and Conditions. Educational institutions are required to use the simplified method for calculating F&A rates. F&A cost pool consists of direct expenditure bases exclusive of capital items and other costs specifically identified as unallowable such as general administration and related expenses, operation and maintenance of physical plant and related depreciation, library, department administration expenses, etc.

Initial Year Written: 2005
Status: Implemented

U.S. Department of Agriculture
U.S. Department of Commerce
U.S. Department of Defense
U.S. Department of Interior
U.S. Department of Justice
U.S. Department of Labor
U.S. Department of Transportation
U.S. Environmental Protection Agency
U.S. Department of Energy
U.S. Department of Education
U.S. Department of Health and Human Services

Texas Cooperative Extension (TCE) calculates indirect costs uses an indirect costs rate table for each project/grant. The table's access is not appropriately restricted in the FAMIS system thereby allowing programmers access to modify the expense accounts included and exempt from the indirect cost base calculation. There are currently nine people in the FAMIS support group who have access to the table, six of whom are programmers. There are no mitigating controls in place to prevent or detect inappropriate changes to the table. Four monthly indirect cost calculations were selected for test work. The rates and the expense accounts utilized per the system table were agreed to their respective grant awards noting the rates agreed and the expense accounts included in the base were accurate.

Cooperative Extension Grant (CES) has multiple grant awards and award years. During fiscal year 2005 the following grant award years and grant award numbers, respectively, were open for the program:

- Award years: March 15, 2005 to March 14, 2006, September 15, 2004 to September 14, 2005, May 15, 2001 to May 14, 2006, September 15, 2001 to September 14, 2006, September 15, 2001 to September 14, 2006, June 1, 2001 to May 31, 2006, September 15, 2001 to September 14, 2006, October 1, 2004 to September 30, 2005, October 1, 2004 to September 30, 2005, October 1, 2004 to September 30, 2005;
- Award numbers: 2005-48623-03157, subaward S03046, 2001-45049-01149, 2001-48112-01270, 2001-48112-01270, 2001-48307-01171, 2001-49200-01238, FY2005 Smith-Lever Act CSREER-OD-1088-F, FY2005 Pesticide Safety, and FY2005 CSRS.

Corrective Action:

Corrective action was taken.

Texas Engineering Extension Service

Reference No. 06-35

Allowable Costs/Cost Principles

Major Program:

Homeland Security Cluster
CFDA 16.008 - State and Local Domestic Preparedness Training Program
Award year - see below
Award number - see below

Non-major Programs:

CFDA 11.303 - Economic Development Technical Assistance
CFDA 11.611 - Manufacturing Extension Partnership
CFDA 12.110 - Planning Assistance to States
CFDA 12.800 - Air Force Defense Research Sciences Program
CFDA 12.910 - Research and Technical Development
CFDA 16.565 - National Institute of Justice Domestic Anti-Terrorism Tech Development
CFDA 17.502 - Occupational Safety and Health - Susan Harwood Training Grants
CFDA 43.002 - Technology Utilization
CFDA 66.463 - Water Quality Cooperative Agreements
CFDA 66.467 - Wastewater Operator Training Grant Program
CFDA 66.478 - Water Security Training and Technical Assistance Grant Program
CFDA 66.606 - Surveys, Studies, Investigations and Special Purpose Grants
CFDA 66.931 - EPA - Financial Assistance
CFDA 83.526 & 97.025 - National Urban Search and Rescue (US&R) Response System
CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
CFDA 97.007 - Homeland Security Preparedness Technical Assistance
CFDA 97.043 - State Fire Training Systems
Public Works and Economic Development Cluster
Urban Areas Security Initiative Cluster
Employment Service Cluster
Highway Safety Cluster

Type of finding - Reportable Condition Control

Initial Year Written: 2005
Status: Significiantly Different

U.S. Department of Commerce
U.S. Department of Defense
U.S. Department of Justice
U.S. Department of Labor
U.S. Department of Transportation
National Aeronautics and Space Administration
Environmental Protection Agency
U.S. Department of Health and Human Services
U.S. Department of Homeland Security

According to OMB Circular A-21, negotiated rates shall be accepted by all Federal agencies. Only under special circumstances, when required by law or regulation, may an agency use a rate different from the negotiated rate for a class of sponsored agreements or a single sponsored agreement. Educational institutions are required to use the simplified method for calculating F&A rates. F&A cost pool consists of direct expenditure bases exclusive of capital items and other costs specifically identified as unallowable such as general administration and related expenses, operation and maintenance of physical plant and related depreciation, library, department administration expenses, etc.

Texas Engineering Extension Service (TEEX) calculates indirect costs using an indirect costs rate table for each project/grant. The table's access is not appropriately restricted from systems analysts in the Masterpiece system thereby allowing them to modify the expense codes included and excluded from the indirect cost base calculation as well as the indirect cost rates. There are currently four people who have access to the table, two of whom are systems analysts, and two of whom are financial office staff. There is a mitigating control in place to prevent or detect inappropriate changes to these tables; the system records all changes made by user name and timestamp, however no formal review of those system logs occur. Forty-four account's/task's monthly indirect cost calculations related to Homeland Security Cluster, 41 related to State and Local Domestic Preparedness Training Program, and seven related to non-major programs (total of 92) were selected for test work. The rates and the expense codes utilized per the system table agreed with their respective grant awards and were accurate.

Homeland Security Cluster and the State and Local Domestic Preparedness Training Program have multiple grant awards and award years. During fiscal year 2005 the following grant award years and grant award numbers, respectively, were open for each program: Award years: October 1, 2003 to December 31, 2004, May 20, 2002 to May 19, 2005, August 1, 2002 to October 31, 2005, May 1, 2003 to October 31, 2005, April 1, 2003 to March 31, 2006, December 1, 2003 to November 30, 2005, October 1, 2004 to March 31, 2007, and May 1, 2003 to October 30, 2005 for Homeland Security Cluster and July 1, 2000 to October 31, 2005, May 1, 2004 to September 30, 2005, January 1, 2000 to April 30, 2006, September 1, 2002 to March 31, 2006, September 1, 2002 to August 31, 2005, and July 1, 2002 to December 30, 2005 for State and Local Domestic Preparedness Training Program.

Award numbers: 2003-TK-T-0002, 2002-TE-CX-0074, 2002-TE-CX-0116, 2003-MU-T3-0020, 2003-TE-TX-0174, 2004-GE-T4-0015, 2005-GE-T5-0025, and 2003-MU-T3-0020 for Homeland Security Cluster and 2000-TG-CX-K001, subaward #39067, 2000-LF-CX-0002, 2003-GT-CX-K002, 2003-GT-CX-K006, and 2002-GT-CX-K003 for State and Local Domestic Preparedness Training Program.

Recommendation:

The systems analysts' update access to the Masterpiece production environment should be limited, with the Masterpiece software package. Additionally, a formal review of the system log for the appropriateness of changes to the indirect cost tables should be initiated.

Corrective Action:

Texas Engineering Extension Service is no longer the Single State Administrator (SSA) for Homeland Security Cluster program as the SSA role was transferred to Department of Public Safety during fiscal year 2006; therefore this finding is no longer applicable.

Reference No. 06-36

Period of Availability of Federal Funds

Homeland Security Cluster
Award year - October 1, 2003 to December 31, 2004
Award number - 2003-TK-TX-0002
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Significiantly Different

U.S. Department of Homeland Security

Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. Furthermore, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee. *(28 CFR 66.23)*

For one out of 40 expenditures tested, the transaction was processed and received after the grant's closing date. A purchase order was provided to the Texas A&M University (TAMU) Purchasing department prior to December's 2004 winter break; however, the actual purchase order was not sent out to the vendor until February 2005 which is after the grant's closing date.

Recommendation:

TEEX should ensure expenditures are not charged or obligated outside of the grant's period of availability, unless formal authorization is obtained from the granting agency.

Corrective Action:

Texas Engineering Extension Service is no longer the Single State Administrator (SSA) for Homeland Security Cluster program as the SSA role was transferred to Department of Public Safety during fiscal year 2006; therefore this finding is no longer applicable.

Reference No. 06-37

Reporting

Homeland Security Cluster
Award year - October 1, 2003 to December 31, 2004
Award number - 2003-TK-TX-0002
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Significantly Different

U.S. Department of Homeland Security

In accordance with 28 CFR section 66.41, each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. If the Federal agency requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through and analysis of the documentation on hand.

Texas Engineering Extension Service (TEEX) reports their program outlay on a cash basis in accordance with their records and the requirements noted above. For one out of 30 reports selected for testing, the expenditure included in the report was not consistent with the cash accounting basis. TEEX was filing its finalized SF-269 for this grant and included $85,693 in the expenditures for invoices that were still outstanding. The funding for these expenditures was already drawn in order to close out the grant.

Recommendation:

TEEX should ensure program outlays included in the filed reports are only those already paid out (i.e., cash basis) and therefore in compliance with the required cash accounting basis.

Corrective Action:

Texas Engineering Extension Service is no longer the Single State Administrator (SSA) for Homeland Security Cluster program as the SSA role was transferred to Department of Public Safety during fiscal year 2006; therefore this finding is no longer applicable.

Reference No. 06-38

Subrecipient Monitoring

(Prior Audit Issue - 05-42)

Major Program:

Homeland Security Cluster
Award year - August 1, 2002 to October 31, 2005; April 1, 2003 to March 31, 2006; May 1, 2003 to October 31, 2005; and December 1, 2003 to November 30, 2005
Award number - 2002-TE-CX-0116, 2003-TE-TX-0174, 2003-MU-T3-0020, and 2004-GE-T4-0015

Non-major Program:

CFDA 97.008 - Urban Areas Security Initiative
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Significantly Different

U.S. Department of Homeland Security

The Texas Engineering Extension Service (TEEX) is required by OMB Circular A-133, section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. Some of these regulations are to identify to the subrecipient the Federal award information and applicable compliance requirements, obtain certifications from subrecipients stating they are not suspended or debarred, manage the day-to-day operations of grant and subgrant supported activities by monitoring subgrants to assure compliance with applicable Federal requirements, and ensure required A-133 audits are performed and the subrecipient takes prompt corrective action on any audit findings.

TEEX's subrecipient awarding and monitoring procedures include a standardized subaward agreement, risk assessment process, technical assistance and financial monitoring. According to OMB Circular A-133, TEEX must identify the following Federal award information to the subrecipients: CFDA title and number, award name, name of Federal agency, and applicable compliance requirements (e.g., allowable costs, cash management basis, equipment monitoring, period of availability, reporting, procurement, suspension and debarment certification from both the subrecipients and for purchases made/subawards granted from vendors by the subrecipients). TEEX must ensure the subrecipient is not suspended or debarred either, (a) include the certification clause in the award agreement, (b) obtain written certification, or (c) verify compliance by checking the *Excluded Parties List System (EPLS),* maintained by the General Services Administration). Additionally, TEEX must assure that subrecipients expending federal funds in excess of $500,000 have an OMB Circular A-133 single audit performed and provide a copy to TEEX which should include any necessary management corrective actions. TEEX is then required to issue a management decision within six months of receipt of the report and to follow up on the subrecipients planned corrective action. Financial monitoring includes ensuring expenditures incurred and reimbursed to subrecipients are allowable and in accordance with grant guidelines.

TEEX passes through a significant amount of Federal funds to subrecipients. During fiscal year 2005 there were approximately 1,226 subrecipients that received homeland security funds from TEEX. The following were noted regarding subrecipient monitoring:

- In 15 of the 50 items sampled, TEEX did not include the CFDA number in the standard contract. All contracts were originated prior to March 2004 and TEEX was unable to inform subgrantees prior to their September 2005 deadline for correction of deficiencies due to the State of Texas changing the State Administration Agency (SAA) from TEEX to the Governor's Office in May 2005.
- In all 50 of the 50 items sampled (all issued prior to December 2004), TEEX did not ensure the subrecipient was not suspended or debarred. TEEX was unable to obtain certifications from subgrantees prior to their September 2005 deadline for correction of deficiencies due to the State of Texas changing the State Administration Agency (SAA) from TEEX to the Governor's Office in May 2005. Per review of EPLS, the vendors were not found to be suspended or debarred.
- In one of the 50 items sampled, the invoice voucher for $2,833 selected for test work was recorded to an incorrect grant. This voucher was corrected and charged to the correct grant in FY06.

- During TEEX's site visits, four subrecipients were noted to have disallowed costs of $3,542 that were not paid back to TEEX, reduced in future payments to the subrecipients or removed from TEEX's schedule of federal awards prior to fiscal year end.

In addition to the program noted above, TEEX's State Administration Agency (SAA) also handles subrecipient monitoring for Homeland Security funding paid to 47 subrecipients under the Urban Areas Security Initiative (UASI). As a result of SAA also monitoring UASI's subrecipients, the first two findings noted above are extended to the funds expended for UASI during fiscal year 2005.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2005 were:

Federal Program		Amount Charged to the Federal Program
CFDA 16.007	$	69,951,374
CFDA 97.004		54,462,535
CFDA 97.067		6,485,940
CFDA 16.011		4,894,940
CFDA 97.008		3,965,869
Total	$	139,760,658

Recommendation

TEEX should ensure subrecipients with agreements issued prior to March 2004 (that are not already closed out) are notified of the agreement's CFDA title and number for proper reporting on the subrecipient's Schedule of Expenditures of Federal Awards. Similarly, TEEX should ensure subrecipients with agreements issued prior to December 2004 (that are not already closed out) are in compliance with suspension and debarment requirements through their established policy of obtaining certifications from the subrecipient, as noted in a clause in the revised subrecipient agreements.

TEEX should monitor the posting of expenditures are to ensure accurate tracking of expenditures for each award granted. Also, TEEX should establish a policy to remove/adjust disallowed costs noted during site visits.

Corrective Action:

Texas Engineering Extension Service is no longer the Single State Administrator (SSA) for Homeland Security Cluster program as the SSA role was transferred to Department of Public Safety during fiscal year 2006; therefore this finding is no longer applicable.

Texas Workforce Commission

Reference No. 06-39
Eligibility

CFDA 17.245 - Trade Adjustment Assistance - Workers
Award year - October 1, 2004 to September 30, 2005
Award number - TA-14408-05-55; UI-14463-05-55
Type of finding - Non-Compliance

Reformed Trade Adjustment Assistance (TAA) Eligibility:

Initial Year Written: 2005
Status: Implemented

U.S. Department of Labor

For reformed TAA to be eligible for training and other reemployment services, an individual must meet all of the following (29 CFR section 90.16):

(a) Be an adversely affected worker covered under a Department of Labor (DOL) certification for which the petition was filed on or after November 4, 2002, as indicated by a petition number of TA-W-50,000 or above.

(b) Have a qualifying separation which occurred (i) on or after the impact date specified in the certification as the beginning of the import caused unemployment or underemployment and (ii) before the expiration of the two-year period beginning on the date on which the Secretary of Labor issued the certification for his or her group or, if earlier, before the termination date, if any, specified in the certification.

For one of 30 participants selected for review, the separation date of November 5, 2001 was before the impact date of November 23, 2001. Per review of the participant's history, the employer originally provided a separation date that was after the impact date. The employer originally provided Texas Workforce Commission (TWC) the date of the worker's last pay check instead of the last day of employment. On May 27, 2004, the employer provided the correct data to TWC. The TAA information was updated and the participant became ineligible. TWC procedures are to manual notify the trade readjustment allowances (TRA) department so the benefits can be adjusted. For this one participant, the manual notification was not performed. The participant received an overpayment of $17,245.

TRA Eligibility:

TRA becomes payable to eligible claimants only after they have exhausted their entitlement to regular unemployment compensation benefits, including extended benefits, if applicable. (20 CFR section 617.11) For one of 30 participants reviewed, they were overpaid $311 because their benefits were one week longer than they were entitled. The overpayment occurred because the TRA screener overlooked the updated information. (i.e. human oversight)

Corrective Action:

Corrective action was taken.

Reference No. 06-40

Reporting

CFDA 17.245 - Trade Adjustment Assistance - Workers
Award year - October 1, 2004 to September 30, 2005
Award number - TA-14408-05-55; UI-14463-05-55
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Labor

Texas Workforce Commission (TWC) is required to submit the special report, ETA 563, *Quarterly Determinations, Allowance Activities and Reemployment Services Under the Trade Act (OMB No. 1205-0016)* on a quarterly basis. The report includes details of the quarterly activities for each petition in the state (20 CFR section 617.57; 29 CFR section 97.40).

Twenty petitions were selected for detail review from the December 2004 and March 2005 ETA563 reports, for a total of forty petitions. Upon examination of the December 2004 ETA563 report, the following was noted:

- The Quarterly Training Completed Quantity column did not agree to supporting documentation for eight of 20 petitions reviewed.
- The Job Referral Received Quantity column did not agree to supporting documentation for one of the 20 petitions reviewed.

Corrective Action:

Corrective action was taken.

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Summary Schedule of Prior Year Audit Findings - Other Auditor

Federal regulations (*Office of Management and Budget Circular OMB Circular A-133*) state, "the auditee is responsible for follow-up and corrective action on all audit findings." As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2005 Schedule of Findings and Questioned Costs
- Each finding in the 2005 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding

This section of the Summary Schedule of Prior Audit Findings for the year ended August 31, 2006 has been audited by other auditors.

Tarleton State University

Reference No. 06-41
Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster
Award year - July 2004 to June 2005
Award number - Not applicable for CFDA 84.032
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loan (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement; (2) the student's or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or loan disbursement; and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement on FFELP applies only if the funds are disbursed by electronic funds transfer (EFT) payment or master check. The notification can be in writing or electronic (per Title 34, Code of Federal Regulations, Section 668.165).

Tarleton State University (University) sends a general notice electronically at the beginning of each term to all students receiving financial aid. This notice instructs students to review their individual accounts online for details regarding their awards and the dates and amounts of disbursements. However, the information provided when students access their accounts does not include notification of the right to cancel loans or disbursements and the procedures and time line for doing so.

For the award year 2004–2005, the University disbursed $30,735,871.88 through EFT payment for which the required notifications were not sent. The University did not make any disbursements by master check. The University does not participate in the Perkins Loan program.

Recommendation:

The University should implement a process for ensuring that required notifications are provided to students and parents.

Management Response and Corrective Action Plan 2005:

Tarleton State University has reviewed the issue and proposed recommendation, and as a result, will revise its current process. All students receiving financial aid will electronically receive a General Notice at the beginning of each term which advises students of their rights to cancel loans or disbursements. Also included in the mass General Notice will be an explanation of the procedure.

Tarleton State University will update Banner Web, which is where all students can go to review their individual account information for details regarding their financial aid awards. Each student will be provided the following: (1) dates and amounts of disbursements, (2) notification of their right to cancel loans or disbursements, (3) procedures and timeline for canceling loans or disbursements, and (4) a link to the Loan Cancellation Form, which will provide easy access and submission to the Financial Aid Office.

Management Response and Corrective Action Plan 2006:

Tarleton State University has revised its current process. All students receiving financial aid will electronically receive a General Notice at the beginning of each term which advises students of their rights to cancel loans or disbursements. Also included in the mass General Notice will be an explanation of the procedure.

Banner Web, which is where all students can go to review their individual account information for details regarding their financial aid awards, has been modified to reflect the notification process. Each student is now provided the following: (1) dates and amounts of disbursements, (2) notification of their right to cancel loans or disbursements, (3) procedures and timeline for canceling loans or disbursements, and (4) a link to the Loan Cancellation Form, which will provide easy access and submission to the Financial Aid Office.

In April 2006, The Texas A&M University System Office of Policy Implementation, followed up on the status of this audit by asking us to complete an audit tracking form. The required form was completed by the stated deadline, informing the System that the process was modified and implemented.

Implementation Date: February 1, 2006

Responsible Person: Betty Murray

Texas A&M University - College Station

Reference No. 06-42

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

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not applicable for CFDA 84.032 and CFDA 84.038; CFDA 84.063 P063J045286
Type of finding - Reportable Condition Control and Non-Compliance

Notification to Student or Parents When Crediting a Student's Account

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loan (FPL) or Federal Family Education Loans (FFEL), no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. This requirement for FFEL loans applies only if the funds are disbursed by electronic funds transfer or master check. The notification can be in writing or electronic (per Title 34, Code of Federal Regulations, Section 668.165). For 3 (8.11 percent) of 37 students tested, Texas A&M University - College Station (University) did not notify the students within 30 days that loan funds were being credited to their accounts. The three exceptions pertained to Federal Perkins Loans.

Notification to Student or Parents Regarding Amount of Funds Received

An institution also must notify a student of the amount of funds the student and his or her parent can expect to receive from each federal student assistance program and how and when those funds will be disbursed. According to the *Federal Student Aid Handbook*, this notification must be sent before the disbursement is made. For 1 (2.5 percent) of 40 students tested, the University did not send the award letter prior to disbursing funds.

The University awarded $121,070,363 and $5,190,524.86 in FFEL and Perkins loans, respectively, to students during 2004-2005 per the Schedule of Expenditures of Federal Awards.

Corrective Action:

Corrective action was taken.

Reference No. 06-43

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not Applicable for CFDA 84.032
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

When a student who receives Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV assistance the student earned as of the withdrawal date. If the total amount of Title IV assistance earned is less than the amount that was disbursed as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (per Title 34, Code of Federal Regulations, Section 668.22[a][1]–[3]).

The amount of financial assistance earned is based on the percentage of the payment period completed multiplied by the amount of aid received. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (per Title 34, Code of Federal Regulations, Section 668.22[e]).

The payment period basis is used for students who attended standard, term-based educational programs (per Title 34, Code of Federal Regulations, Section 668.22[e][5]). The total number of calendar days in a payment period includes all days within the period, except that scheduled breaks of at least five consecutive days or approved leaves of absence are excluded from the total number of calendar days (per Title 34, Code of Federal Regulations, Section 668.22[f]).

Texas A&M University - College Station (University) defined the payment period for fall 2004 and spring 2005 as the first class day through the last final exam day. However, for the 2005 summer I, summer II, and 10-week summer terms, the University defined the payment period as the first class day through the last class day, leaving out the final exam days. Because of the shorter payment periods for the summer terms, the withdrawal dates for ten students were greater than or equal to 60 percent of the payment period, so the students earned 100 percent of the Title IV assistance received. If the exam days had been included, the students would have earned only 58.3 percent of the aid received, and the University would have had to return $4,571 to the U.S. Department of Education. The University would also have been required to notify the students that they should return $8,123 of the aid they received.

The University awarded $145,775,467.27 in federal financial assistance to students during 2004-2005 per the Schedule of Expenditures of Federal Awards.

Corrective Action:

Corrective action was taken.

Texas A&M University - Commerce

Reference No. 06-44

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

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not Applicable for CFDA 84.032, CFDA 84.038, or CFDA 84.268
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

If an institution credits a student's account at the institution with Direct Loan, Perkins, or Federal Family Education Loan Program (FFELP) funds, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement and (2) the student's or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. The requirement of FFELP funds applies only if the funds are disbursed by electronic funds transfer payment or master check (per Title 34, Code of Federal Regulations, Section 668.165).

Of the 40 disbursements tested at Texas A&M University - Commerce (University), none of the students received notification of the date and amount of award disbursement along with the right to cancel all or a portion of the loan. However, the University sends award letters instructing students to accept or reject the awarded amount within 14 days of the letter. The University also sends bulletins informing students that the University will begin disbursing assistance seven days before classes start. As reported in the Schedule of Expenditures of Federal Awards for 2004-2005, the University awarded $26,989,199 in Direct loans, Perkins loans, and FFELP loans.

Recommendation:

The University should send notification within 30 days of disbursement to each student receiving assistance. These letters should include the date of disbursement, amount of disbursement, and an explanation of the right to cancel all or a portion of the loan.

Management Response and Corrective Action Plan 2005:

In collaboration with the Student Accounts Manager, a plan has been developed to send a notification to students and parents when funds are disbursed to a student's account in accordance to 34CFR 668.165.

Management Response and Corrective Action Plan 2006:

Initiated e-mail notification process that provides students with the date/amount of disbursement and explains their right to cancel all or part of the loan. Notification is sent within 24 hours of processing.

Implementation Date: March 31, 2006

Responsible Person: Smithenia Harris

Texas A&M University - Corpus Christi

Reference No. 04-42
Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2003
Status: Implemented

U.S. Department of Education

Under the Federal Family Education Loan programs, schools must complete and return within 30 days of receipt the Roster File sent by the National Student Loan Data System (NSLDS) (OMB No. 1845-0035). The Roster File is transmitted electronically. The institution determines how often it receives the Roster File, but the minimum is twice a year. Once received, the institution must correct and submit any changes electronically. Unless the school expects to complete its next Roster File within 60 days, the school must notify NSLDS within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (34 CFR section 682.610). Per the NSLDS reporting guide, schools are recommended to report a minimum of five times an academic year. Also if the next enrollment report roster file is not scheduled within 60 days of a student status change, then the school must submit an ad hoc report or update the student records online.

For the award year 2002-2003, Texas A&M Corpus Christi set up four enrollment reporting cycles with NSLDS. The four dates selected are September 2, 2002, November 1, 2002, February 3, 2003, and April 1, 2003. One of the four rosters was returned to NSLDS in 45 days instead of the required 30 days. Also for 7 of the 30 students reviewed, their respective change in status was not reporting to NSLDS within 30 days or included in a roster file update within 60 days. There were no questioned costs as the changes in status were reported in adequate time to transfer the student from in-school to grace to repayment status.

Corrective Action:

Corrective action was taken.

Texas Higher Education Coordinating Board

Reference No. 06-45

Special Tests and Provisions - Student Status Changes

Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans (FFELP)
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

The Texas Guaranteed Student Loan Corporation (TGSLC) communicates student status changes to the Texas Higher Education Coordinating Board (Coordinating Board) on a weekly basis. The Coordinating Board downloads the electronic file each week for processing. Processing includes reviewing information for each student and determining whether the TGSLC's information is more accurate than the Coordinating Board's records. Occasionally, students or institutions will contact the Coordinating Board directly with information. After it is determined that an update is necessary, staff at the Coordinating Board manually input the change.

Federal rules require that after the Coordinating Board is notified of a student status change, it must use the data to make proper adjustments to each loan in a timely fashion. For purposes of this requirement, "timely" means adjustments are made in time to satisfy the time requirements outlined in Title 34, Code of Federal Regulations, Section 682.209, for converting and beginning the collection of loans.

Three of 30 student status changes tested at the Coordinating Board were not processed in a timely manner in accordance with rules.

Corrective Action:

This finding was reissued as current year reference number: 07-52.

Reference No. 06-46

Special Tests and Provisions - Special Allowance Payments

Student Financial Assistance Cluster
Award Year - July 1, 2004 to June 30, 2005
Award Numbers - Not applicable for CFDA 84.032
Type of Finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

The U.S. Department of Education (Department) pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances. The lender/servicer bills the Department on a quarterly basis for special allowance payments on eligible Federal Family Education Loan Program (FFELP) loans. The lender must separate loans according to loan type, applicable interest rate, and special allowance category, and it must provide the sum of average daily balances for each loan within these groups. The Department then calculates the amount of special allowance per category. Special allowance payment (SAP) categories are defined by the Department according to the type of loan; the date the loan was disbursed; the loan period; and, in some cases, the number of quarters for which the loan has been outstanding or the loan's status (in-school, grace, deferment, or repayment) per Title 34, Code of Federal Regulations, Section 682.302(c).

An automated program on the Texas Higher Education Coordinating Board's (Coordinating Board) mainframe has been programmed to group loans into SAP categories to report on a quarterly basis the average daily loan balances on the *Lender's Interest and Special Allowance Request and Report* (LaRS report). However, for the 2004–2005 award year, the Coordinating Board did not categorize into the correct SAP category 4 of 40 loans tested. This occurred because of errors in the automated program. These programming errors resulted in the Department's paying incorrect special allowance payments for these loans to the Coordinating Board. The four loans' average daily balances were reported in the "XE EVAR category" when they should have been classed into the "XB" category. These categories pay different special allowance payment interest rates.

According to Section A.3 of Appendix A of the *Common Manual*, Unified Student Loan Policy, the lender must make any adjustments to average daily loan balance submissions covering earlier quarters on the LaRS report for the current quarter. The Coordinating Board immediately started investigating, and it found 52 quarters that needed adjustments to four SAP categories; for some of these quarters, adjustments had to be made to the SAP categories of more than 20,000 loans. While the impact of these classification errors will not be known until January 2006, when the December 2005 quarter-end LaRS report will be completed, the difference in interest rate factors for SAP calculations among some of the categories was only .0015, which would be multiplied by the average daily loan balance for the adjusted loans in each quarter.

Corrective Action:

This finding was reissued as current year reference number: 07-51.

Reference No. 06-47

Special Tests and Provisions - Special Allowance Payments

Student Financial Assistance Cluster
Award Year - July 1, 2004 to June 30, 2005
Award Numbers - Not applicable for CFDA 84.032
Type of Finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

A lender requests payment of a special allowance for eligible loans by billing the U.S. Department of Education (Department) at the end of each calendar quarter. This is done by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report). The lender also must report the status and balance of each Federal Family Education Loan Program (FFELP) loan held and make any adjustments to submissions covering earlier quarters. The Department's obligation to pay a special allowance for an eligible loan ends on the earliest of the following dates, as applicable: the date the loan is repaid; the date the lender receives a claim payment on the loan; the date the loan ceases to be guaranteed or loses its re-insurability; 60 days after the date the borrower defaulted on the loan, unless the lender files a claim with the guarantor before the 60th day; and other dates, as applicable, as outlined in Title 34, Code of Federal Regulations, Section 682.302(d).

For the 2004–2005 award year, in its average daily balances reported for all four quarters on the LaRS reports it submitted, the Texas Higher Education Coordinating Board (Coordinating Board) reported in error a loan that was awarded to a student who subsequently filed for bankruptcy. In addition, the Coordinating Board has included that loan in all LaRS reports it has submitted since 1982. In 1982, the Coordinating Board did not have a Claims Department, but it subsequently created one; the creation of the Claims Department assisted the Coordinating Board in identifying errors such as this one.

For the LaRS reports the Coordinating Board submitted between 1982 and June 2005, the adjustment to the special allowance payment for this loan (which had a $450 current balance as of June 2005) was $704.

Corrective Action:

This finding was reissued as current year reference number: 07-51.

Reference No. 06-48

Special Tests and Provisions - Special Allowance Payments

Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans (FFELP)
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

In addition to interest benefits, for eligible loans the U.S. Department of Education pays a compensating special allowance to the lender on the average unpaid daily loan principal balance. The Texas Higher Education Coordinating Board (Coordinating Board), as the servicer, reports in Part IV of the quarterly ED Form 799 the average daily balance of those loans qualifying for the payment in each category. The U.S. Department of Education then computes the payment during processing of the ED Form 799 (per Title 34, Code of Federal Regulations, Section 682.304-305).

The Coordinating Board reports prior period adjustments related to special allowance payments in the same part of the ED Form 799. These adjustments are also considered when the U.S. Department of Education computes payments. The Coordinating Board uses a computer-generated report, the *Void Cure Special Allowances Adjustment Report*, to prepare the prior period adjustments. In testing prior period adjustments for the last quarter of 2004, auditors noted that the report used to prepare those adjustments contained an incorrect ending date for the third quarter of 2004. Instead of using September 30, 2004, the program that generated the report used an ending date of October 1, 2002. It appears that this was the result of human error when entering dates into the report program, along with a lack of adequate review.

For some loans, this error resulted in the failure to calculate an adjustment amount for that quarter. For other loans, an amount was calculated, but it was not carried forward to the summary total page used to prepare the resulting adjustments.

After auditors brought this issue to management's attention, a new report was run using the correct ending date. Comparison of the two reports indicated that special allowance payments should have been reduced by an additional $345.69 when the fourth quarter prior period adjustments were prepared. Management indicated that this would be taken into account when preparing prior period adjustments in the next reporting cycle.

Corrective Action:

This finding was reissued as current year reference number: 07-51.

Reference No. 06-49

Special Tests and Provisions - Cures

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

For the Federal Family Education Loan Program (FFELP), a lender/servicer may "cure" a violation of the collection due diligence requirement or the 90-day deadline for the filing of default claims in order to reinstate the loan guarantee and the lender's right to interest and special allowance. If there is a gap of 46 days or more and at least one violation, the lender may use either of the following two methods for obtaining reinstatement of reinsurance coverage on the loan:

- After the violations occur, the lender obtains a new repayment agreement signed by the borrower. The repayment agreement must comply with repayment period limitations.
- After the violations occur, the lender obtains one full payment. If the borrower later defaults, the guaranty agency must obtain evidence of this payment, such as a copy of the check, from the lender (per Title 34, Code of Federal Regulations, Section 682.800).

In addition, because most due diligence violations and timely filing violations occur after termination of a grace period, interest payments are not ordinarily affected by such violations. However, there are three types of situations in which a lender may have received interest payments from the U.S. Department of Education to which it was not entitled because of a due diligence or timely filing violation:

- Cases in which promissory notes include a requirement that the borrower sign a repayment agreement no later than 120 days prior to the expiration of the grace period. In such cases, a due diligence violation may occur during the grace period when the lender may otherwise have been eligible to receive interest benefits.
- Cases involving deferment periods. A due diligence violation may occur prior to a deferment period when the lender would otherwise have been eligible to receive interest benefits.
- Cases in which loans were made prior to December 15, 1968 (per Title 34, Code of Federal Regulations, Section 682.800 Appendix C).

For the 2004–2005 award year, the Texas Higher Education Coordinating Board (Coordinating Board) erroneously reported the status of one student as a pending cure instead of a cure. The Coordinating Board received the proper cure documentation (signed repayment schedule and disclosure statement) from the borrower for the type of due diligence violation described above (a gap of 46 days or more), but it did not adjust the status of the account due to a misfiling of the cure documentation in its imaging system.

The Coordinating Board also did not submit interest benefits adjustments for 1 of 20 students tested for cures. The due diligence violation occurred prior to the end of the last deferment period at a time when the account was still eligible for interest benefits. However, the interest benefit calculation was not stopped in the Coordinating Board's mainframe system. The interest benefit adjustment process at the Coordinating Board is not done through an automated system control; instead, it requires the preparation of a manual adjustment form by the claims program manager. The Coordinating Board does not have a systematic process to check for the three types of infrequent situations described above. In this case, the adjustment was omitted. Upon identification of the error, the claims program manager prepared an adjustment of $773.41 to be processed in the following reporting period.

Corrective Action:

This finding was reissued as current year reference number: 07-53.

Texas Tech University

Reference No. 06-50

Reporting - Pell Payment Data

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.063 P063P042328
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

Institutions submit Pell Grant origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) system. Origination records can be sent in advance of any disbursements, as early as an institution chooses to submit them for any student it reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. Institutions must report the student payment data (1) within 30 calendar days after they make payments or (2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Federal rules specify that institutions may do this by reporting once every 30 calendar days, bi-weekly, or weekly; or they may set up their own systems to ensure that changes are reported in a timely manner.

For the 2004–2005 award year, Texas Tech University (University) had procedures for the submission of origination and disbursement records. However, the University did not follow these procedures in a timely manner. After the University became a full participant in using COD for the 2003–2004 award year, it had difficulties with the COD software. The software difficulties and resulting reconciliation issues were not resolved for the 2003–2004 award year until late in fall 2004, which delayed reporting for the majority of fall semester Pell payments for the 2004–2005 award year. Within a random sample of 40 students (which included 73 Pell grant disbursements), 41 disbursements (35 for the fall semester and 6 for the spring semester) were reported to COD more than 30 days after the University made the payments to the students. Thirty-six of the 40 students tested had late submissions. However, auditors noted that the required data elements for both disbursement and origination records were properly included in the transmission files. The University awarded $12,515,495 in Federal Pell Grants assistance during the 2004–2005 award year per the Fiscal Operations Report and Application to Participate (FISAP).

Recommendation:

The University should investigate Pell grant submissions with resulting COD error codes of "055" (which mean that submission of information occurred more than 30 days after the University made the payment to the student) to ensure that it makes corrections to enable it to submit information within the required time frame.

Management Response and Corrective Action Plan 2005:

Texas Tech University's Office of Student Financial [Aid] will work closely with our IT personnel to identify in a timely fashion records which were not properly originated.

Texas Tech University's Office of Student Financial Aid will submit grant origination files to the U.S. Department of Education's Common Origination and Disbursement (COD) system every 15 days beginning February 1, 2006, for each open award period.

During the implementation phase of the Student Financial Aid Banner 7.0 system scheduled for fall 2007, we will work to ensure that all federal reporting requirements are addressed.

Management Response and Corrective Action Plan 2006:

During the implementation phase of the Student Financial Aid Banner 7.0 system scheduled for Fall 2007, we will work to ensure that all federal reporting requirements are addressed.

Implementation Date: By Fall 2007

Responsible Person: Becky Wilson

Reference No. 06-51

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award numbers - CFDA 84.007 P007A044151, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P042328
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for education expenses, and it is determined based on the financial information provided by the student and parent(s) on the applications for student financial assistance. The information on the application is subject to verification (per Title 34, Code of Federal Regulations, Sections 668.51, 668.52, 668.54, and 668.56).

An institution must verify all Free Applications for Federal Student Aid (FAFSA) that the Federal Student Aid Central Processing System selects for verification (up to 30 percent of the institution's total number of federal assistance applicants). According to Title 34, Code of Federal Regulations, Section 668.56, items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, IRA/Keogh deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds.

For the 2004–2005 award year, Texas Tech University (University) did not properly verify required items on the FAFSAs for 4 of 40 students tested. For these four students, dollar amounts associated with the items the University did not verify were outside of the acceptable tolerance level of $400. The following specific errors were identified:

- For one student, TechSIS (the University's Student Information System) showed verification that no untaxed income appeared on the parents' 1040 income tax return or W-2 forms; however, auditors identified $2,000 in untaxed income on documents submitted for verification. The student was awarded $6,300 in Title IV assistance.
- For one student, TechSIS showed no untaxed income on the parents' 1040 income tax return or W-2 forms; however, auditors identified $4,204 in untaxed income on documents submitted for verification. The expected family contribution did not change when the additional untaxed income was added into the calculation; therefore, eligibility for Title IV was not affected. The student was awarded $14,600 in Title IV assistance.

- For one student, TechSIS showed verification of information using a 2002 1040 income tax return, instead of the then-current 2003 1040 income tax return. The University did not receive the 2003 1040 income tax return the student had committed to submitting. The student was awarded $1,697.50 in Title IV assistance.

- The University was able to override a verification flag and, as a result, did not verify one student's documentation. The student was awarded $8,701 in Title IV assistance.

Because the EFC is calculated by the U.S. Department of Education based upon a number of factors, auditors were unable to determine questioned costs related to these errors or to the program as a whole.

According to the Schedule of Expenditures of Federal Awards, the University awarded $106,914,727.37 in federal financial assistance to students during 2004-2005.

Corrective Action:

Corrective action was taken.

University of Houston

Reference No. 06-52
Reporting - Pell Payment Data
(Prior Audit Issues 05-47 and 04-48)

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.063 P063P042333
Type of finding - Material Weakness Control and Non-Compliance

Initial Year Written: 2003
Status: Partially Implemented

U.S. Department of Education

Federal regulations (Title 34, Code of Federal Regulations, Section 690.83) note "the Secretary accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contain the information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution." The March 10, 2004, *Federal Register* (Vol. 69, Num. 47) specified the following, "We consider that federal Pell grant funds are disbursed on the earlier of the date that the institution: (a) credits those funds to a student's account in the institution's general ledger or any sub ledger of the general ledger, or (b) pays those funds to a student directly. We consider that federal Pell grant funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department."

For the award year 2004–2005, the disbursement dates in the University of Houston's (Houston) disbursement records were the dates the records were reported to the U.S. Department of Education, instead of the dates the awards were disbursed to students. The University's software was erroneously programmed to use the incorrect data field in the disbursement record file. The total amount of Pell Grants disbursed for the award year was $23,770,096.

Corrective Action:

This finding was reissued as current year reference number: 07-57.

Reference No. 06-53
Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.032 P007A044166, CFDA 84.063 P063P042333
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (per Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

An institution must verify all FAFSAs that have been selected for verification. According to Title 34, Code of Federal Regulations, Section 668.56, items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, IRA/Keogh deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds.

For the 2004–2005 award year, the University of Houston (University) did not verify required items on the FAFSAs for 3 of 31 students tested. For these three students, dollar amounts associated with the items the University did not verify were outside of the acceptable tolerance level of $400. The following specific errors were identified:

- For one student, the verification screen on the University's Student Information System showed verification that no untaxed income appeared on the parents' 1040 income tax return or W-2 forms; however, auditors identified $1,600 in untaxed income on documents submitted for verification. The student was awarded $6,537.50 in Title IV assistance.

- For one student, the verification screen showed no earned income credit; however, the parents' 1040 income tax return contained $283 in earned income credit. The student was awarded $9,500 in Title IV assistance.

- For one student, the verification screen showed verification of information using a 2002 1040 income tax return, instead of the then-current 2003 1040 income tax return. The University did not receive the 2003 1040 income tax return the student had committed to submitting. The student was awarded $5,642 in Title IV assistance.

Because the EFC is calculated by the U.S. Department of Education based upon a number of factors, auditors were unable to determine questioned costs related to these errors or to the program as a whole.

In the Schedule of Expenditures of Federal Awards, the University reported that it awarded $153,156,322.87 in federal financial assistance to students during fiscal year 2004-2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-54

Cash Management

Research and Development Cluster
Award year - August 1, 2003, to November 30, 2004; December 1, 2004, to November 30, 2005
Award number - CFDA 16.560 G088539 G090038
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

The Cash Management Improvement Act of 1990 (CMIA), as amended, Section 205.12, requires that funds drawn be fully expended within three days of draw. The University of Houston (Houston) has selected the reimbursement method of cash management, which helps to ensure that the three-day requirement is met. Under this method, draw amounts should be based upon expended amounts. The reimbursement method also helps to ensure that the University complies with individual research and development grants that require the reimbursement method.

Under the reimbursement method, draw amounts should be based upon disbursed amounts. However, the University's draw amounts are based on a weekly report from its financial system that includes accruals (expenses incurred but not paid), and the University does not monitor the draw requests to identify and remove amounts that have not been paid. Therefore, the University does not always meet the three-day requirement or the requirements of reimbursement grants.

For example, the University accrues month-end payroll entries around the 20th of the month and pays them on the first business day of the following month. Because the process to calculate the federal draw amount is run on a weekly basis and is based on the date payroll posts to the general ledger (which may be before payroll is disbursed), it is possible for draw amounts to include payroll amounts not yet disbursed. In one such instance, although payroll expenses were paid within three days of receipt of the federal funds, the draw did not comply with the grant agreement, which specified reimbursement funding.

Prior to May 2005, the University had a prompt payment policy that allowed but did not require payments from non-state funds (including federal funds) to be immediately scheduled for payment. In May 2005, the University modified this policy to begin requiring that all expenses from non-state funds be scheduled for payment immediately upon entry into the accounts payable system. However, this policy was not enforced effectively. For two of 15 federal draws tested, there were transactions that were paid more than three days after the University received the reimbursement. One of these draws was made after implementation of the new policy.

Audit tests were based on samples; therefore, auditors did not determine the extent to which accrued expenses were drawn and not expended within three days.

Recommendation:

The University should implement and enforce policies and procedures to ensure compliance with CMIA requirements and grant agreements.

Management Response and Corrective Action Plan 2005:

The University of Houston is reviewing the Letter of Credit process to determine how it can be changed to ensure that all draw down requests only include items that have been paid.

Management Response and Corrective Action Plan 2006:

Effective May 1, 2006, the University of Houston modified its Letter of Credit process to ensure that all draw down requests only include items that have been paid. Specifically, Research Accounting runs queries in the HR and Finance systems to determine if any HR or Accounts Payable journals exist on LOC cost centers that have not been disbursed. If so, Research Accounting creates a journal entry to reverse the revenue recognized and corresponding accounts receivable for the unpaid expenditures, so that these expenses will not be included in the LOC draw down process.

Implementation Date: May 1, 2006

Responsible Person: Mike Glisson

Reference No. 06-55

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - Multiple
Award numbers - See Below
Type of finding - Material Weakness Control and Non-Compliance

Suspension and Debarment Verification

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Initial Year Written: 2005
Status: Implemented

See Award Number Informaiton for Specific Agencies

The University of Houston (University) is not verifying that vendors were not suspended or debarred from federal contracts. Six of 40 procurements tested exceeded $25,000. The University did not verify that vendors were not suspended or debarred from federal contracts for any of these 6 procurements, which totaled $383,519. Based upon review of the EPLS, none of the vendors for these 6 procurements was suspended or debarred.

Procurement Documentation

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget Circular A-110. These laws and regulations require that files document the significant history of the procurement, that procurements provide full and open competition, and the performance of appropriate cost or price analyses to support procurement actions, including contract modifications.

Of 40 procurements tested, one in the amount of $11,080 was for a purchase from a single source, but the file lacked the required justification for a noncompetitive procurement. A second $5,000 procurement file did not contain documentation from the vendor for the amount to be paid.

Award numbers -

- National Science Foundation CFDA 47.049 Award Number CHE-0303708
- U.S. Department of Justice - National Institute of Justice CFDA 16.560 Award Number 2003-IJ-CX-K011
- Federal Flow Through from Texas Education Agency, U.S. Department of Education CFDA 84.048, Award Number ERROR054200277110
- National Eye Institute CFDA 93.867 Award Number 5 R01 EY01139-29
- U.S. Environmental Protection Agency CFDA 66.500 Award Number R-83037701
- National Institutes of Health CFDA 93.853 Award Number 1 R01 NS50589-01
- National Institute of Child Health and Human Development CFDA 93.862 Award Number R01 HD046661-01
- Federal Flow Through from TKC Communications, LLC, U.S. Department of Defense CFDA 12.630, Award Number UH111604

Corrective Action:

Corrective action was taken.

University of Houston - Clear Lake

Reference No. 06-56
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2004 through June 30, 2005
Award number - CFDA 84.033 P033A044160, CFDA 84.063 P06320043465, CFDA 84.007 P007A044160, Not applicable to CFDA 84.032 and CFDA 84.038
Type of finding - Reportable Condition Control

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's *Institutional Student Information Report* (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603)

PowerFAIDS, which is the Student Financial Aid system used by the University of Houston - Clear Lake (University), combines the tuition and fees for a full-time student into one line item and then multiplies that amount by 75 percent for a three-quarter-time student, 50 percent for a half-time student, and 25 percent for a student who is less than half-time. However, according to the approved budgets provided by the University, this prorating approach should be used only for the tuition portion. Fees do not prorate at the same rate and should be set up as an additional line item. Therefore, any student who is classified as less than full-time was budgeted incorrectly by the PowerFAIDS system. In our sample of 30 students, there were 14 graduate students. Of these, two had a status of less than half-time and were being budgeted accordingly, even though no courses are offered that would allow a graduate student to attend less than half-time. Half-time is defined as three credit hours. These students should have been budgeted as half-time, rather than less than half-time.

The budgeting effect of prorating was as follows:

- Twenty of the 30 students tested for eligibility were affected by the system calculation error. Specifically:
  - Sixteen of the 30 students tested for eligibility were underbudgeted in the PowerFAIDS system by a total of $5,026.
  - Four of the 30 students tested for eligibility were overbudgeted in the PowerFAIDS system by a total of $1,434.
- The total amount of federal assistance awarded in the eligibility sample was $336,947; assistance for the students affected comprised $228,635 (67.85 percent) of that amount.

The differences in the calculation of cost of attendance did not appear to place any one student within the sample into an over-award for campus-based assistance. Campus-based programs are the Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant (per Student Assistance General Provisions Title 34, Code of Federal Regulations, Section 668.2[b]).

The University implemented PeopleSoft after the 2004–2005 award year, and PowerFAIDS has become a legacy system.

According to the Schedule of Expenditures of Federal Awards, the University awarded $32,942,589.84 in federal financial assistance to students during 2004-2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-57

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

Student Financial Assistance Cluster
Award year - July 1, 2004 through June 30, 2005
Award number - CFDA 84.038 5013G520011 and Award Number Not Applicable for CFDA 84.032
Type of finding - Material Weakness Control and Non-Compliance

Notification of Disbursements

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

If an institution credits a student's account at the institution with a Federal Perkins Loan and/or a Federal Family Education Loan Program (FFELP) loan, no earlier than 30 days before and no later than 30 days after crediting a student's account at the institution, the institution must notify the student, or parent, of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement on FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (per Title 34, Code of Federal Regulations, Section 668.165).

The University of Houston - Clear Lake (University) uses postcards to notify students of FFELP and Perkins disbursements, but not all required information is included on those postcards. Specifically, the date and amount of the disbursement are not included. In addition, the University does not have a process to (1) ensure that all students and parents were notified or (2) track the notifications it sends. According to the schedule of federal awards for the year ended August 31, 2005, the University disbursed $29,520,996.44 in FFELP loans and $84,959 in Perkins loans during the 2004–2005 fiscal year.

Payment of Credit Balances within 14 Days

If a financial aid disbursement to a student's account at an institution creates a credit balance that includes federal funds, the institution must pay the credit balance directly to the student or parent as soon as possible, but no later than 14 days after the later of:

- The date the balance occurred in the student's account, if the balance occurred after the first days of class of a payment period.

- The first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period (per Title 34, Code of Federal Regulations, Section 668.164[e]).

For 2 of 47 disbursements tested at the University, checks to the student or parent were not refunded within the 14-day time frame as required when a disbursement of financial assistance created a credit balance. In one instance, the student had prior term charges. The student was allowed to register and enroll in the current semester with prior term charges on the student's account; however, a refund was not released until those charges had been cleared. This transaction occurred one day after the prior term charges were cleared but two months after the funds were originally credited to the student's account. The other exception noted pertained to a student's refund that was released one month after the University posted funds to the student's account. The refund was not released within the required 14 days because the University's Business Office will not generate a refund check if it is greater than $10,000.

Returning Funds to the Lender

An institution is required to return funds to the lender in 10 business days after the date the institution is required to disburse the funds (per Title 34, Code of Federal Regulations, Section 668.167[b][2]). For one of five sample items tested, the University did not return funds to the lender within the required 10 business days. In this instance, funds were returned to the lender three months after the University received the funds.

Recommendations:

The University should:

- Implement a process for ensuring that (1) all required notifications are sent, (2) notifications include all necessary elements, and (3) documentation of the notifications is maintained.

- Ensure that, if federal student assistance disbursements to a student's account create a credit balance, the University pays the credit balance directly to the student or parent as soon as possible, but no later than the 14-day time frame for paying credit balances.

- Return funds to the lender within 10 business days after it is required to disburse funds.

Management Response and Corrective Action Plan 2005:

We will request a modification to PeopleSoft (our current FAM system) that will create an email communication to students who are to receive FFELP or Perkins disbursements that contains all information required by Federal Regulations and results in sufficient documentation and tracking of all such notifications. The PeopleSoft system will generate these emails on a weekly basis, so that we will easily meet the requirement of no earlier than 30 days before and no later than 30 days after crediting the students account.

We will review the process that writes refund checks to students with credit balances and request a modification to the program to write the refunds within the required 14 days. In the interim the university will manually review credit balances on a weekly basis and process checks accordingly.

We will implement a policy that requires staff to verify all change transactions created to return funds the next business day to be sure they are successfully completed.

Management Response and Corrective Action Plan 2006:

Item One: Notification of Disbursements

In February, 2006 the Office of Student Financial Aid submitted a formal request to the UHS PeopleSoft Project to develop a modification that would identify students with a FFELP or Perkins disbursement (as defined by date ranges entered by the end user), assign a communication, and send email to those students. This modification is near completion, and is estimated to be given to UHCL for user acceptance testing Monday, June 5, 2006.

This modification to PeopleSoft will meet the requirements set forth in Title 34, Code of Federal Regulations, Section 668.165 because the email generated will (1) contain the date and amount of the disbursement; (2) contain the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and (3) will inform borrowers of the procedures and the time by which they must notify the institution that he or she wishes to cancel the loan or loan disbursement. Also, PeopleSoft will record the date the notification was sent.

Preliminary tests of this modification by the UHS project team show that it is near completion and will be delivered to end users shortly.

Item Two:

Query was written to obtain listing of all students with credit balances. Query is reviewed weekly and refunds are processed for all students that do not have holds placed on their accounts.

Item Three: Returning Funds to the Lender

With the implementation of Peoplesoft, our processes and procedures regarding loan change transactions changed from the way PowerFAIDS handled these transactions. We have revised our Policy and Procedure manual to outline the steps to send change transactions, have identified reports and queries for the end user to determine that the process was successful, and are requiring counselors making loan changes to keep a print screen of that transaction to check the next business day to verify the change was processed correctly.

Implementation Date: June 2006

Responsible Persons: Lynda McKendree and John Cordary

University of North Texas

Reference No. 06-58

Reporting - Pell Payment Data

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.063 P063P042293
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System. If an institution submits a student's payment data in the manner and form prescribed, and if the U.S. Department of Education accepts the data and considers that information to be accurate in light of other available information, the institution may receive either (1) a payment for an award to a Pell Grant recipient or (2) a corresponding reduction in the amount of federal funds received in advance for which it is accountable. Institutions are required to report to the U.S. Department of Education any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of a federal Pell Grant for which a student qualifies by submitting student payment data that discloses the basis and result of the change in award (per Title 34, Code of Federal Regulations, Section 690.83).

For 2 of 40 students tested, the University of North Texas (University) reported a cost of attendance of $13,500 to the COD System; however, according to the University's student financial aid system (the Enterprise Information System, or EIS), those students' actual cost of attendance was $13,520. University management attributed the discrepancies to an error in a system table that caused the reported cost of attendance for students living at home to be understated by $10 per semester. The students' Pell Grant amounts were determined using the correct values. According to management, budget data is entered manually into the cost of attendance set-up tables. Although manual reviews are conducted during the testing phase, those reviews did not detect the error that led to the reporting inaccuracies noted above. As reported in the Schedule of Expenditures of Federal Awards for 2004-2005, the University awarded $16,146,809 in Federal Pell Grants.

Corrective Action:

This finding was reissued as current year reference number: 07-62.

Reference No. 06-59

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

(Prior Audit Issue - 05-50 and 04-51)

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not applicable for CFDA 84.032
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2003
Status: Implemented

U.S. Department of Education

If an institution credits a student's account at the institution with Federal Perkins Loan (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement on FFELP applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (per Title 34, Code of Federal Regulations, Section 668.165).

The University of North Texas (University) runs a program that extracts information regarding FFELP borrowers from its Billing Receivable System. From that query, which occurs after disbursements, e-mail notifications are sent to students with FFELP or FPL disbursements to notify them of the date and amount of disbursement and the right to cancel. If the University does not have an active e-mail address for a student, then it mails the notification to the student. Notifications are automatically tracked on the comment page for each student.

For 15 of 40 students sampled for the 2004–2005 award year, notices were sent 10 to 11 days late for the spring 2005 FFELP disbursements. Management has attributed this lack of timeliness to programming problems relating to conversion to a new information system. FFELP funds disbursed for 2004–2005 (as reported in the Schedule of Expenditures of Federal Awards) totaled $97,335,669.

Corrective Action:

Corrective action was taken.

University of North Texas Health Science Center at Fort Worth

Reference No. 06-60

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - Multiple
Award number - All Grants with Procurement
Type of finding - Material Weakness Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

The University of North Texas Health Science Center at Fort Worth (Health Science Center) does not have policies or procedures for verifying that vendors are not suspended and debarred. The Health Science Center has an automated process that compares its vendor list with the Texas Building and Procurement Commission's (TBPC) listing of ineligible bidders. However, this process is not effective because TBPC's list of ineligible vendors does not identify vendors that are suspended or debarred from federal contracts. The Health Science Center's invitation to bid includes a statement that bidders are required to certify they are eligible to receive the contract according to Texas Government Code, Section 2155.004. However, this code section does not relate to federal suspension and debarment. There is no process for comparing Health Science Center vendors to the EPLS maintained by the GSA, nor is there a suspension and debarment certification clause that vendors must sign.

Of 30 purchase orders tested, 6 exceeded $25,000. None of these six purchase orders contained suspension and debarment certifications. The EPLS indicated that none of these six vendors was suspended or debarred.

Recommendation:

The Health Science Center should ensure that the federal suspension and debarment requirements are incorporated into its procurement process. Incorporation can be done through a standard contract clause, a certification from the vendor, and/or an additional step in the procurement process to review the EPLS.

Management Response and Corrective Action Plan 2005:

The University of North Texas Health Science Center at Fort Worth (UNTHSC) will incorporate a federal procurement, suspension and debarment certification clause into our bid documents for purchases of $25,000 or more.

Management Response and Corrective Action Plan 2006:

The University of North Texas Health Science Center at Fort Worth (UNTHSC) incorporated a federal procurement, suspension and debarment certification clause into our bid documents for purchases of $25,000 or more.

Implementation Date: January 23, 2006

Responsible Persons: LeAnn Forsberg and Lane Nestman

University of Texas at Austin

Reference No. 06-61

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award numbers - CFDA 84.007 P007A044173, CFDA 84.063 P063P042336, CFDA 84.038 P038A044173, CFDA 84.033 P033A044173
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

When a student who receives Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV assistance the student earned as of the withdrawal date. If the total amount of Title IV assistance earned is less than the amount that was disbursed as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (per Title 34, Code of Federal Regulations, Section 668.22[a][1]–[3]).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (per Title 34, Code of Federal Regulations, Section 668.22[e]).

The withdrawal date is (1) the date that the student began the withdrawal process prescribed by the institution; (2) the date that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw; or (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment (per Title 34, Code of Federal Regulations, Section 668.22 [c] and [d]).

The University of Texas at Austin (University) does not have a process to review students who received all failing grades each semester to determine whether any of those students (1) effectively withdrew by not attending classes and (2) provided no official notification to the University of their withdrawal.

If students with all failing grades stopped attending classes, the effective withdrawal date would have been the midpoint of the payment period, at 50 percent completion; therefore, this situation would have required the University to return unearned Title IV funds. Auditors did not test students with all failing grades to determine whether they had actually withdrawn because the University did not provide lists of students per semester with all failing grades until after audit work was completed.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $230,321,317.27 in federal financial assistance to students during 2004-2005.

Recommendation:

After each semester, the University should review the list of students who received Title IV funds and received all failing grades to verify that these students attended classes for at least 60 percent of the semester.

Management Response and Corrective Action Plan 2005:

UT Austin had felt that the Satisfactory Academic Progress policy currently in place appropriately addressed students who make all F's in a semester, including those who may not have attended a complete semester. Based on this finding, however, the Office of Student Financial Services will, put into place a process to review those students who have all F's at the end of the semester, to ascertain if they were attending classes until the 60% point of the semester.

The Office of Student Financial Services has already attained a list of students for the Fall 2005 semester who received Federal financial aid and made all F's as final grades and are starting a review process. This process will include review of various documentation available throughout the University to corroborate dates of attendance, such as Registrar's records, academic advisor notes, other university correspondence, etc. For any students where there may be a question of last dates of attendance, UT Austin will also attempt to contact students by email and/or regular mail, to ask them certain questions regarding their attendance at UT Austin. If, after these types of review, we find that certain students did, in fact, stop attendance prior to the 60% day of class, we will revise their awards as necessary to reflect an effective date of withdrawal at the mid-point, as noted by the auditors. Following appropriate calculations, any unearned aid will be returned.

Management Response and Corrective Action Plan 2006:

OSFS completed the in-house manual search of various data bases to review the Fall, 2005 list of all F students who received federal financial aid, and determined that 39 students could not be documented as having engaged in academic activity beyond the 60% point of the semester.

UT Austin, as requested by the United States Department of Education based on the initial finding, supplied the list of students with amounts of unearned aid in each program to them. The Department of Education in response requested the return of all unearned aid to the appropriate federal aid sources, which was performed by UT Austin.

In addition, complete reviews of students with all F's have been performed for Spring 2006 and summer 2006 semester and students with unearned federal aid because attendance could not be documented past the 60% point of the semester have had the calculated amount of unearned aid returned to the appropriate source. Enhanced procedures for this review process are in place to be performed after each semester and the review for the current Fall, 2006 is near completion.

The University of Texas at Austin considers this matter completely addressed.

Implementation Date: January 2006

Responsible Person: Don Davis

Reference No. 06-62

Special Tests and Provisions - Student Status Changes

(Prior Audit Issue - 05-53)

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not applicable for FFELP loans
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Implemented

U.S. Department of Education

Under the Federal Family Education Loan Program (FFELP), institutions must complete and return within 30 days of receipt the roster files sent by the National Student Loan Data System (NSLDS) (per Office of Management and Budget No. 1845-0035). The roster file is transmitted electronically. The institution determines how often it receives the roster file, but the minimum is twice a year. After the roster file is received, the institution must correct and submit any changes electronically. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves of absence. The NSLDS reporting guide recommends that institutions report a minimum of five times an academic year.

In addition, as long as there is reason to believe that a student intends to enroll for the next regularly scheduled term, the student is to be considered to be in school and continuously enrolled during academic year holiday and vacation periods, as well as during the summer between academic years (even if not enrolled in a summer session). For example, students should not be reported as "withdrawn" at the end of the spring term if they are expected to re-enroll for the fall term.

The University of Texas at Austin (University) did not report status changes to NSLDS within the required time frames for 3 of 37 students tested. These three students had academic dismissals, which the University reported to NSLDS as much as 144 days later. In addition, according to the University's *General Information Catalog* for 2004–2005 (Chapter 4, Academic Policies & Procedures, Scholastic Probation and Dismissal, Rule 8 a and b), students who are dismissed cannot re-enroll until after at least one long-session semester and any intervening summer session. These students should not have been expected to return after summer; therefore, they should have been reported as dismissed or withdrawn within 60 days.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $193,551,282 in FFELP loans to students during 2004-2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-63

Matching and Program Income

(Prior Audit Issue - 05-57, 04-53, 03-09, 02-48)

Research and Development Cluster
Award year - Multiple
Award number - All Grants with Matching Requirements
Type of finding - Material Weakness Control

Initial Year Written: 2001
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

When federal grantor agencies require that the grantee match or share the cost of research, the specific program regulations or individual federal awards specify any applicable matching requirements (Office of Management and Budget Compliance Supplement, Part G).

The University of Texas at Austin (University) administers its research and development programs through the Office of Sponsored Projects (OSP) and Grants and Contracts (G&C). The Principle Investigator (PI) is directly responsible for the research and provides necessary information to OSP and G&C. G&C sets up an electronic profile for each grant in the DEFINE accounting system after OSP, the PI, and the sponsor have approved the grant. The profile set-up has certain fields that are required; if data is not entered into these fields, DEFINE will not process the grant.

The University was able to provide a cumulative cost-sharing recap for each proposal and subsequent award. The University uses this recap to track compliance. However, it is not possible to determine which of the grants were subject to federal matching requirements or the amount of the match for the year. In order to determine the amount matched in a given year, each grant must be manually reviewed to determine whether any matching expenditures were recorded in the general ledger.

Corrective Action:

This finding was reissued as current year reference number: 07-69.

Reference No. 06-64

Procurement and Suspension and Debarment

(Prior Audit Issue - 05-55)

Research and Development Cluster
Award year - September 1, 2004 to August 31, 2005 and April 1, 2004 to March 31, 2005
Award number - CFDA 47.070 EIA-0303609 and CFDA 5 K01HG000038-06
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Implemented

Federal Agencies that Provide R&D Grants

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Two of 40 vendor files tested at the University of Texas at Austin (University) did not have suspension and debarment certifications. The EPLS indicated these two vendors were not suspended or debarred. The two files were for purchases made under blanket purchase orders. Although it appears the University verified the suspension and debarment status for all other categories of purchases, it excluded blanket purchase orders from the requirement. As a result, the University did not obtain the required vendor certification statements for these two purchases.

Corrective Action:

Corrective action was taken.

Reference No. 06-65

Subrecipient Monitoring

Research and Development Cluster
Award year - October 1, 2001 to September 30, 2006, September 1, 2004 to August 31, 2005
Award number - CFDA 47.074 DEB-0120709, CFDA 93.173 5U01DC04560
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

Federal Agencies that Provide R&D Grants

Pass-through entities must ensure that each subrecipient expending $500,000 or more in federal awards during the subrecipient's fiscal year has met the audit requirements of Office of Management and Budget Circular A-133. The University of Texas at Austin's (University) policy requires that its Office of Sponsored Projects obtain an A-133 audit certification statement or a copy of the subrecipient's audit from the subrecipient before the agreement is executed. For multi-year agreements, the University requires the subrecipient to submit a new audit certification statement each year.

Two of 52 subrecipient files tested did not contain A-133 audit certification statements or other evidence that the required A-133 audits were performed. For one of the two, the University recorded the information as received when the audit certification by the subrecipient noted that the audit would be completed later in the year. The University did not follow up on the subrecipient's response. Information on the Federal Audit Clearinghouse Web site as of November 19, 2005, indicates that both of these subrecipients had submitted fiscal year 2004 audit information to the federal government and the audits had findings that may have related to their subawards from the University.

Corrective Action:

Corrective action was taken.

University of Texas at Dallas

Reference No. 06-66
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award numbers - CFDA 84.063 P063P043234, CFDA 84.033 P033A044174, CFDA 84.038 P038A044174, CFDA 84.007 PP007A044174
Type of finding - Reportable Condition Control

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

As noted in Chapter 2, Volume 3 of the *Federal Student Aid Handbook* for the 2004-2005 award year, the cost of attendance (or budget) is the cornerstone of establishing a student's financial need because it sets a limit on the total aid that a student may receive. The federal Higher Education Act, Section 472, specifies the types of costs that are included in the cost of attendance, but an institution must determine the appropriate amount to include for each category of students at the institution.

In the process of testing eligibility at the University of Texas at Dallas (University), auditors requested a cost of attendance budget from the Financial Aid Office, which is responsible for preparing student financial assistance packages. As test work progressed, it was determined that in some cases, the budget in the University's financial aid system did not agree with the budget provided. The Financial Aid Office was unable to provide an adequate explanation for how it arrived at the budget it used to make student awards for the 2004–2005 academic year, and auditors were unable to determine whether the amounts in the system, which the Financial Aid Office used in determining financial aid awards, were appropriate. University management reported that it used an internally-developed budget that is submitted to the Higher Education Coordinating Board (Coordinating Board) each year. However, for six of eight relevant categories of students, the budgets submitted to the Coordinating Board did not match the budgets recorded in the University's financial aid system. University management could not provide explanations for these differences.

In testing eligibility, auditors used the cost of attendance budgets recorded in the financial aid system and found no exceptions. However, if the amounts submitted to the Coordinating Board had been used, some students may have been eligible for larger awards because the cost of attendance figures submitted to the Coordinating Board were larger than the cost of attendance budgets used by the Financial Aid Office. It is important to note that factors other than cost of attendance, such as availability of funds within the University and lifetime award history of each student, affect the size of student awards. Therefore, auditors could not conclusively determine whether additional student financial assistance would have been awarded in these cases.

The University reported in the Schedule of Expenditures of Federal Award for 2004-2005 that it awarded $48,594,294 in federal financial assistance.

Recommendation:

The University's Financial Aid Office should develop additional internal controls over its process for determining and documenting the cost-of-attendance budget used to determine amounts of financial assistance for which students are eligible. This will help ensure that the budget the Financial Aid Office uses can be independently verified.

Management Response and Corrective Action Plan 2005:

The Financial Aid Office submits all reports to external agencies to the Office of Institutional Research for approval prior to release to external agencies. This protocol was put in place in May, 2005. Requests to management on new tuition rates will be done in writing with signature sign off from administrative offices involved in the process of establishing tuition rates for new academic years. Testing of new rate in programming will continue as in the past but each test file will be identified by date with extension name of draft as part of the name. Also a new signed off protocol by the Associate Director of Financial Aid will be required with a copy to the Director of Financial Aid. Prior to implementing final rates into production programming, final electronic file will be labeled with date and extension name of "final." The Associate Director of Financial Aid will again sign off on the approval. Final approval by the Director of Financial Aid will be required before cost of attendance budgets are placed in electronic folder on financial aid network drive.

Management Response and Corrective Action Plan 2006:

In establishing the cost of education budgets for FY07, data, obtained from the VP of Student Affairs Office, and shared with Institutional Research Office, and Budget Office prior to submitting to the Coordinating Board. Submission of data to the Board was done in the Office of Institutional Research. The budget spreadsheet stored in financial aid network drive was labeled with extension final and other preliminary spreadsheet labeled as such. This distinction makes for the clear identification of the appropriate budgets. The process will repeat itself in new years.

The Implementation Date: April 2006

Responsible Persons: Maria del C. Ramos and Richard Cummings

Reference No. 06-67

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

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.063 P063P043234, CFDA 84.033 P033A044174, CFDA 84.038 P038A044174, CFDA 84.007 PP007A044174
Type of finding - Material Weakness Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

The *Student Financial Aid Handbook* (Volume 4, Chapter 2, pages 4-13 and 4-14) requires institutions to notify students in writing or electronically regarding the amount of funds the students and their parents can expect to receive from each student financial assistance program and how and when those funds will be disbursed. This notification must be sent no earlier than 30 days before and no later than 30 days after crediting the students' accounts.

The University of Texas at Dallas (University) asserts that it notifies students by e-mail; however, the e-mail notifications are not archived. This prevents verification of the proper notification within the specified time frame. As a result, there are no system controls that guarantee that the award notification is sent within the required period. The University provided $48,594,294 in financial assistance to students during the fiscal year ended August 31, 2005.

Corrective Action:

Corrective action was taken.

University of Texas Health Science Center at Houston

Reference No. 06-68
Cash Management

Research and Development Cluster
Award year - Multiple
Award number - All Grants
Type of finding - Material Weakness Control

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

The requirements of the Cash Management Improvement Act of 1990 (CMIA) are designed to minimize the time that elapses between the transfer of funds to recipients from the U.S. Treasury and the issuance or redemption of checks, warrants, or other payments by the recipient. To help ensure that it meets these requirements, the University of Texas Health Science Center at Houston (Health Science Center) requests the majority of the federal funds it is awarded from the U.S. Department of Health and Human Services on a weekly, cost-reimbursement basis. The Health Science Center's Post Award Finance Team (PAFT) is responsible for computing the drawdown amount based on the prior week's expenditures.

Internal policy requires that, before submitting a request for federal funds, the drawdown must be reviewed and approved by a PAFT team member other than the individual who computed the draw amount. However, the Health Science Center does not appear to have effectively implemented this control procedure. For 5 of the 37 federal cash drawdowns tested, the Health Science Center could not provide any evidence that the PAFT calculation review and approval occurred.

Three drawdowns also were not calculated entirely on a cost-reimbursement basis and, as a result, the amounts drawn exceeded paid expenditures. However, the Health Science Center expended those funds within the three-day requirement in Section 205 of the CMIA.

In addition, when auditors requested the documentation necessary to test the PAFT's review and approval of the cash drawdowns, the Health Science Center provided an altered drawdown document. The sign-off date on the drawdown summary page, which is supposed to be evidence of approval, was whited out on the document and an earlier date was written in.

The Health Science Center states that, during preparation for this audit, one of its PAFT employees compiled information requested by the auditors and sought to correct documents that lacked signatures or dates. The Health Science Center responded specifically to the altered drawdown documentation described above by stating that the information in the original document had been validated but was not originally signed by the reviewer. Prior to providing the unsigned document to auditors, the document was signed with the incorrect date and then subsequently corrected.

Recommendations:

The Health Science Center should evaluate its policies and procedures to ensure that there is evidence of the PAFT's review and approval of each drawdown. In addition, the Health Science Center should improve its control environment by providing or enhancing ethical guidelines and training to ensure that employees understand the importance of all transactions accurately reflecting events.

Management Response and Corrective Action Plan 2005:

Although all FY 2005 drawdowns were in compliance with Section 205 of the CMIA, the Health Science Center re-evaluated its drawdown procedures in July, 2005 as part of an overall financial system upgrade. Effective with the July 20, 2005 drawdown, the Health Science Center implemented an enhanced drawdown control process. Although the associated procedure did not explicitly require written evidence of review and approval of drawdown support, such evidence has been consistently provided. The procedure has now been modified further to specifically require evidence of the review and approval of drawdown support.

The Health Science Center will augment its current General Compliance Training Program to include mandatory on-line compliance/ethics refresher courses for all employees. This training will be consistent with that already provided during new employee orientation which does emphasize accuracy of records and, specifically, appropriate methods for correcting errors or omissions in such records.

Management Response and Corrective Action Plan 2006:

Management modified the drawdown procedure to require evidence of review and approval of drawdown support. Audit & Advisory Services reviewed completed drawdown documentation that noted supervisory approval. Audit & Advisory Services observed that management distributed a broadcast email on 5/12/06 to UTHSC-H, which contained the mandatory ethics and compliance course. Per management's response they would complete the training process in August 2006.

Implementation Date: June 2006

Responsible Person: Arlene Staller

Reference No. 06-69

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - September 6, 2004 to May 31, 2005
Award number - CFDA 93.859 5P50GM038529
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget (OMB) Circular A-110. These laws and regulations require that files document the significant history of the procurement, that procurements provide full and open competition, and the performance of appropriate cost or price analyses to support procurement actions, including contract modifications.

The University of Texas Health Science Center at Houston (Health Science Center) was unable to locate 2 of 50 procurement files auditors selected for testing. As a result, auditors were unable to determine whether those two procurements, with a total value of $17,000, were made in accordance with the requirements of OMB Circular A-110 described above.

Recommendation:

The Health Science Center should retain support for all procurements to demonstrate compliance with OMB Circular A-110.

Management Response and Corrective Action Plan 2005:

The University of Texas Health Science Center - Houston (UTHSC-H) concurs with the recommendation. UTHSC-H gives individual departments the authority to issue purchase orders up to the amount of $5,000. Each department has the responsibility to maintain complete files of all purchase transactions. If the amount of the purchase order is subsequently modified, it requires the approval of a buyer in Purchasing. The buyer reviews the need for the modification with the department and approves the transaction electronically in the system. The supporting documents continue to be maintained by the department.

Record maintenance is currently included within the procurement training curriculum, but is not currently included in the Buyer's Guide. The Buyer's Guide will be amended to include material reinforcing the record maintenance training. In addition, an institutional broadcast will be sent out to all procurement system users reminding them of the record-keeping responsibilities.

In the case of the two items which could not be located, Procurement has recently worked with the Medical School to implement a centralized purchasing team to support the Medical School under the management direction of the Procurement Department. As of January 1, 2006, we have incorporated substantially all departments within the Medical School into this new process. Procurement is now responsible for maintaining all purchasing files for the Medical School regardless of the amount of the purchase order.

Management Response and Corrective Action Plan 2006:

Audit &Advisory Services (A&AS) reviewed evidence that management included record maintenance training in the buyer's guide. Management provided A&AS copies of an institutional broadcast that were sent out to remind procurement system users of their records keeping responsibilities. Management presented A&AS with documentation supporting their statements that the procurement functions for the Medical School were centralized. Management also created a centralized purchasing team for the Medical School and relocated the team members to a location that was closer to the Medical School. A&AS reviewed the centrally stored procurement files for the Medical School.

Implementation Date: May 19, 2006

Responsible Person: Jerry Fuller

Reference No. 06-70

Subrecipient Monitoring

Research and Development Cluster
Award year - September 1, 2004 to August 31, 2005; June 1, 2004 to May 31, 2005; September 30, 2004 to September 29, 2005; September 27, 2004 to July 31, 2005
Award number - CFDA 93.273 5R01AA013642, CFDA 93.856 5R01AI046556, CFDA 93.867 5U10EY12471, CFDA 93.389 1R25RR020543
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Pass-through entities must ensure that each subrecipient expending $500,000 or more in federal awards during the subrecipient's fiscal year has met the audit requirements of Office of Management and Budget Circular A-133. The University of Texas Health Science Center at Houston (Health Science Center) requires that each subrecipient submit an A-133 audit certification statement or a copy of its audit before the subrecipient agreement is executed.

Three of 50 subrecipient files tested did not contain A-133 audit certification statements or other evidence that the required A-133 audits were performed. In one additional instance, the Health Science Center incorrectly accepted a certification from a school district claiming exemption from the A-133 audit requirement. Information on the Federal Audit Clearinghouse Web site (http://harvester.census.gov/sac) indicated that all four subrecipients had completed the required audits and had "no findings." However, in the first three instances, the Health Science Center did not follow its policy to obtain subrecipient A-133 audit certifications prior to executing the subrecipient agreement, and it could not provide any evidence that these three subrecipients' audit results had been received or verified by the Health Science Center prior to the auditors' request for this information.

Recommendation:

The Health Science Center should obtain subrecipient A-133 audit certifications or copies of subrecipients' audits prior to executing subrecipient agreements.

Management Response and Corrective Action Plan 2005:

The University of Texas Health Science Center - Houston (UTHSC-H) concurs with the recommendation. The Office of Sponsored Projects (OSP) took over the responsibility for A133 subrecipient monitoring in June 2004 from the Post Award Finance Team. The period covered by this audit was during the transition period when OSP personnel were being trained and procedures were being developed for reviewing subrecipient compliance.

All subcontract personnel in OSP have now been trained in Subrecipient Monitoring and controls are in place. All subcontracts processed where UTHSC-H is the "prime" require that the subrecipient provide UTHSC-H with its most current or last A-133 audit certification. This requirement has been made part of the subcontract processing review checklist and follow-up is done with the subrecipient entity until the audit certification form is received. Only at that point can the subcontract document be signed and the award set up. The certification form is imaged as part of the permanent file.

In the past there was some confusion concerning dates of the A-133 audit. The certification letter was revised in December 2005 to clarify "current" vs. "last completed". If the last completed is not within the fiscal year, OSP will follow-up to obtain the current audit 30 days after the anticipated date of completion.

If a subrecipient returns a certification form indicating an exemption, OSP will further research this to verify accuracy of the exemption. If audit findings are disclosed by a subrecipient, the certification form is sent to Auditing and Advisory Services for review and, based upon that review/recommendation, OSP management makes the decision to finalize the subcontract.

Management Response and Corrective Action Plan 2006:

Audit & Advisory Services (A&AS) reviewed documentation supporting that management held training classes to train employees on the subrecipient process. A&AS reviewed documentation supporting that management created and used a processing checklist that required the most current or last A-133 audit certification for the subrecipient. We reviewed files demonstrating that management used the subrecipient checklist and the revised certification letter.

Implementation Date: May 19, 2006

Responsible Person: Johnna Kincaid

University of Texas M.D. Anderson Cancer Center

Reference No. 05-60
Allowable Costs
(Prior Audit Issue - 02-30)

Research and Development Cluster
Award year - Multiple
Award number - Multiple
Type of finding - Non-Compliance

Initial Year Written: 2001
Status: Partially Implemented

U.S. Department of Health and Human Services

Prior to fiscal year 2004, the University of Texas M.D. Anderson Cancer Center (M.D. Anderson) used the plan confirmation method as its effort reporting system, which is an acceptable method under OMB Circular A-21 (A-21). However, as M.D. Anderson is recognized as a hospital, the cost principles set forth in "A Guide for Hospitals", Office of Assistant Secretary Comptroller (OASC-3) should be followed. The plan confirmation method is not included as an acceptable method under OASC-3.

OASC-3 requires that, for members of the professional staff, current and reasonable estimates of the percentage distribution of their total effort may be used as support in the absence of actual time records. In order to qualify as current and reasonable, estimates must be made no later than one month after the month in which the services were performed. Estimates determined before the performance of services, such as budget estimates on a monthly, quarterly, or yearly basis do not qualify as estimates of effort spent. (45 CFR 74, App. E, IX B7)

Prior to August 1995, M.D. Anderson had prepared their indirect cost proposals in accordance with OMB Circular A-21, which were approved by Department of Health and Human Services (DHHS). However in August 1995, DHHS informed M.D. Anderson that they were recognized as a hospital and should be utilizing the DHHS cost principles and procedures as set forth in OASC-3. At that time, M.D. Anderson was in the midst of implementing the plan confirmation system, which was in accordance with OMB Circular A-21.

In the summer of 1995, M.D. Anderson representatives met with DHHS officials in Washington, DC to discuss M.D. Anderson's continued use of the plan confirmation method. Since 1995, M.D. Anderson has prepared and submitted its yearly cost proposals in accordance with OASC-3, which have been approved by DHHS with no objections related to M.D. Anderson's continued use of the plan confirmation effort certification method.

In July 2000, M.D. Anderson sent a letter to DHHS requesting the consideration of a change to OASC-3, as it is being revised, to include alternative effort reporting methodologies consistent with OMB Circular A-21. This letter again advised DHHS that M.D. Anderson was using the plan confirmation effort certification method. Additionally, this letter included background and procedural attachments related to M.D. Anderson's plan confirmation certification. To date, M.D. Anderson has not received a response from DHHS.

During fiscal year 2004, M.D. Anderson altered their time and effort reporting to an after-the-fact confirmation effort certification method. M. D. Anderson required each member of the professional staff to complete the after-the-fact confirmation certification on a quarterly basis. This effort reporting system is acceptable under OASC-3 but completion of the certifications quarterly does not meet OASC-3's required timeframe of monthly. Approximately $69,242,000 in salary and benefit expense was charged to the research and development cluster during fiscal year 2004.

Recommendation:

M.D. Anderson should have the after-the-fact confirmation effort certifications performed on a monthly basis.

Management Response and Corrective Action 2004:

We agree that the OASC-3 regulations do require after-the-fact effort certification be performed on a monthly basis. There are several reasons we made the business decision to perform our certification on a quarterly basis. First, as we took our PCC system off-line in fiscal year 2004, we looked to create an electronic tool to assist in capturing and reporting the time and effort data. Due to complications and delays in creating this tool, we were forced to capture the data manually. In order to capture the data in a consistent, accurate, and user-friendly manner, we decided that quarterly effort reports made the best business sense for the institution and we accomplished full certification of all employees within the institution.

Secondly, our quarterly effort reporting system is consistent with our peer academic research institutions that fall under A-21 regulations. Also, it is our understanding from communications with the Department of Health and Human Services (DHHS) that the OASC-3 regulations are being revised to reflect consistency with A-21. In the past, DHHS has approved OASC-3 governed hospitals to use quarterly effort systems. We also requested this approval from DHHS, which they responded that further exceptions would not be made due to the pending OASC-3 revisions.

Lastly, we discussed with the Director of the Division of Cost Allocations (DCA) in Dallas our desire to move from OASC-3 to A-21, if the OASC-3 revisions are not completed in a timely manner or do not allow for quarterly effort reporting. The DCA Director responded that a move to A-21 could be discussed in our next F&A Cost Rate negotiation, which will occur in February 2006.

Management Response and Corrective Action 2005:

Pending the revision of the OASC-3 regulations to allow for quarterly reporting, our institution will be in compliance. If the revisions to OASC-3 are not completed in a timely manner or do not allow for quarterly effort reporting the institution may request permission to move to A-21 regulations. The DCA Director responded that a move to A-21 could be discussed in our next F&A Cost Rate negotiation, which will occur in February 2006.

The Office of Research Administration (ORA) has received: 100% of certifications for the 1st Quarter of FY2005; 90% of certifications for 2nd Quarter of FY2005; and, is currently working on the 3rd Quarter certifications. To assist in the process of reviewing and cleaning up the effort commitment data, we have developed a Lotus Notes database that shows an individual's overall effort commitments for sponsored research and tracks changes made to effort during the award's budget period so that the 25% change requirement can be monitored. We have also implemented two new Standard Operating Procedures (SOP's) to assist with effort reporting: (1) Request for Time and Effort Changes on NIH Grants; and, (2) Payroll Cost Transfers to Grant and Contract Accounts. These SOP's will help the faculty and their staff follow the NIH grant guidelines. We have drafted a formal Institutional Policy on Effort Reporting, and this policy is currently under review by the Faculty Senate.

ORA is also involved in the RFP bid process through UT System, to identify a software package that provides electronic effort reporting and certification. We have entered the formal "planning and analysis" stage of review and have narrowed the selection to three vendors for further review.

Management Response and Corrective Action 2006:

Update 3rd Qtr FY 2006: Effort reporting continues to move forward on a quarterly basis using a paper-based reporting system. 100% of effort reports for FY2005 have been certified. For FY2006, Q1 is 98% complete and Q2 is 88% complete, as shown on the chart below. Q3 effort reports will be distributed on June 15, 2006. MD Anderson received a 90 day extension for submission of its Facilities and Administration Cost Rate proposal. This proposal was submitted at the end of May, and the negotiations anticipated in the last update have therefore not yet begun. We have elected to remain under the Hospital classification, although this may be a point for negotiation, along with the rate negotiation itself.

The University of Texas has recently circulated a draft policy on effort reporting for implementation system wide, in consultation with a committee including M.D. Anderson representatives. It is in the comment and review phase of development. This policy will clarify requirements for all UT institutions, and will be followed by creation of a training module from UT, which MD Anderson plans to use in internal training.

	FY06	
	Nov - Q1	**Feb - Q2**
Effort Reports Generated		
Quarterly	3048	3158
Effort Reports Completed		
Quarterly	2997	2795
Effort Reports % Completed		
Quarterly	98.33%	88.51%

Implementation Date: August 31, 2006

Responsible Person: Leonard A. Swelling, MD, MBA

Reference No. 05-61

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - Multiple
Award number - Multiple
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Under federal rules in effect prior to November 26, 2003, contractors receiving individual awards for $100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003 (per the Federal Register, Vol. 68, No. 228/ Wednesday, November 26, 2003/ Rules and Regulations), the threshold was decreased to $25,000 and the verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Our audit procedures found that the University of Texas M.D. Anderson Cancer Center did not have any controls in place to identify the change in procurement threshold. Therefore, they were not verifying that the vendors between $25,000 and $100,000 after November 26, 2003 were not suspended or debarred. Subsequent to November 26, 2003, there was $3,693,501 of purchase orders received between the amounts of $25,000 and $100,000. Upon review of the EPLS, none of the vendors were suspended or debarred.

In addition, institutions of higher education shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. Specifically, the U.S. Department of Health and Human Services requires the following with regard to procurement (45CFR 92.36):

- Verify the contract file documents the significant history of the procurement.
- Verify the procurements provide full and open competition.
- Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.
- Verify that the awarding federal agency approved procurements exceeding $100,000 when such approval was required. Generally procurements (1) awarded by noncompetitive negotiation, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder, or (4) specifying a "brand name" product may require prior federal awarding agency approval.

Of the 30 items selected for compliance procedures, 11 files with expenditures in the amount of $264,771 did not have documentation of formal bids, sole sourcing, or price/cost analysis. In addition, the University of Texas M.D. Anderson Cancer Center does not have any procedures in place to determine if approval from the awarding agency is necessary. There were two vendors with contracts for $558,368 that exceeded the $100,000 threshold individually.

Recommendation:

The University of Texas M.D. Anderson Cancer Center should incorporate into their vendor selection process controls and compliance provisions to ensure vendors with contracts greater than $25,000 are not suspended or debarred. In addition, consideration should be given to developing a checklist to assist with maintaining the required documentation in the vendor contract files. Then training should be initiated to ensure that all individuals responsible for procurements are familiar with the documentation standards.

Management Response and Corrective Action 2004:

We agree with the finding and recommendation and will strengthen controls in the vendor selection process. In addition, we are establishing a research financial compliance function that will provide dedicated oversight and assurance of compliance in the future.

Management Response and Corrective Action 2005:

In response to the A-133 Audit Findings, the University of Texas M.D. Anderson Cancer Center Supply Chain Services department has taken the following steps:

1) *Updated and revised Business Office Procedure 4-1-020 to include responsibilities for Vendor Checks on all purchase orders processed;*

2) *Developed and implemented an agreement Compliance Checklist that will help to ensure required documents are included in all agreement files;*
3) *Developed and implemented a purchase order compliance checklist that will help to ensure required documents are included in all purchase order files;*
4) *Presently updating the Supply Chain Services training curriculum to include emphasis on the Vendor Check requirements, Agreement Compliance Checklist and the Purchase Order Checklist;*
5) *Introduced the new policies and checklist to the leadership team;*
6) *Scheduled in-service/training sessions for all Procurement Services and Sourcing & Contract personnel later this month (August, 2005)*

Further, the new financial research compliance section will perform quarterly reviews to ensure that Supply Chain Services carries out the necessary procedures to comply with Circular A-133 requirements.

Management Response and Corrective Action 2006:

Update 3rd Qtr FY 2006: The University of Texas M.D. Anderson Cancer Center Supply Chain Services department continues to utilize the Agreement Compliance Checklist and the Purchase Order Checklist as tools to help ensure required documentation is included in all agreement and purchase order files. The Agreement Compliance Checklist was updated requiring Contract Managers to sign the checklists representing the completeness of the contract files. Supply Chain Services held a mandatory follow-up session reiterating the importance of this initiative to all Sourcing & Contract Management and Purchasing Services personnel and reminding them of the required documentation requirements. The Controller's Office performed monitoring during the quarter and is working with Supply Chain Services to ensure control procedures are being consistently performed throughout the department. Monitoring will also be performed in Q4 to ensure recent actions taken by the department are yielding the desired results.

Implementation Date: May 31, 2006

Responsible Person: John Gillespie

Reference No. 05-62

Reporting

Research and Development Cluster
Award year - Multiple
Award number - Multiple
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

45CFR74.52 requires that the following forms be used for obtaining financial information from subrecipients: SF 269 (Financial Status Report) and PMS 272 (Report of Federal Cash Transactions). NIH Grants Policy Statement (3/01 and 2/03, revised) - Part II, Terms and Conditions of NIH Grant Awards, financial or expenditure reporting is required as documentation of the financial status of grants and is accomplished using the Financial Status Report (FSR). The FSR is required on an annual basis, submitted for each budget period, unless the grant is under the Streamlined Non-competing Award Process (SNAP) in which case in lieu of the annual FSR, NIH will use the quarterly SF 272, to monitor the financial aspects of the grant. All non-SNAP NIH grants are required to file an annual SF 269.

Our audit procedures found that the University of Texas M.D. Anderson Cancer Center did not have a control in place to ensure that the Non-SNAP NIH grants were meeting the annual reporting requirements. In addition, five of the 13 U.S. Department of Army grants were not included in the reporting due date matrix that is the primary control to ensure that reports are prepared and submitted timely. Reports that were submitted were found to agree to support documentation. In our sample of 40 grants, the following discrepancies were noted:

- The annual FSR report was not prepared for eight of the 27 NIH grants tested.
- The FSR report was not completed timely for two NIH grants.
- The PMS 272 report was not completed in accordance with due date requirements for 13 of 13 U.S. Department of Army grants.

Recommendation:

The University of Texas M.D. Anderson Cancer Center should review and make enhancements to their policies and procedures to ensure that all reporting requirements are met.

Management Response and Corrective Action 2004:

We agree with the finding and recommendation. In October 2004, senior management began a comprehensive review of the management oversight and internal controls of the Grants and Contracts Accounting Department. Senior management decided that the Office of Research Administration, which was primarily responsible for preaward functions, would take a more active role in the management of grants and contracts (i.e., time and effort reporting and certification, budget set-up, administrative reviews, cost transfer review and approval, etc.). Additionally, the Grants and Contracts Accounting Department, which was primarily a post-award function, would focus on the accounting and financial reporting related to research activities (i.e., invoicing, drawdowns, cash posting, financial reporting, expenditure posting, balance sheet reconciliation, etc.). The departments are meeting with each other on a weekly basis to document the new processes and responsible parties and developing standard operating procedures (SOP). We will begin immediately developing new processes and SOP and identifying responsible parties for ensuring compliance for this weakness. Additionally, we are establishing a research financial compliance function that will provide dedicated oversight and assurance of compliance in all high-risk areas. We will provide more in-depth descriptions of our action plan to address this finding at the next quarterly audit finding update.

Management Response and Corrective Action 2005:

GCA (note: GCA - Grants & Contracts Accounting) *has a new financial reporting section that will carry out all financial reporting. GCA has implemented a tracking a mechanism that will be used to notify the Financial Reporting Team when a report is due. GCA is committed to reviewing the reports to ensure timely submission. Further, standard operating procedures are being devised to govern these activities. The target date for completion of the SOP's relating to this activity is September 1, 2005.*

Also, a financial research compliance function has been created and will focus on identifying and mitigating risks related to the grant, contract, and sponsored agreement activity; compliance monitoring and auditing; providing necessary education and training, and taking proactive steps to decrease instances of noncompliance. Policies and procedures are currently being developed to guide this process as well. This team will administer a comprehensive grants and contracts compliance program to ensure compliance with all applicable government regulations, laws, and institutional policies, which govern all grants, contracts, and sponsored programs.

Management Response and Corrective Action 2006:

Update 3rd Qtr FY 2006: We are using the tracking database described in the Q2 update, although we are continuing to work on resolving some problems uncovered during implementation. Nonfederal grants are being entered into the database as awarded, as well. When the monitoring process implementation is finalized we anticipate a period of 90 days to accumulate data to assure a sufficient understanding that the process implementation is successful.

Implementation Date: January 1, 2007

Responsible Person: Claudia Delgado

Reference No. 05-63

Period of Availability

Research and Development Cluster
Award year - Multiple
Award number - Multiple
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2004
Status: Implemented

Federal Agencies that Provide R&D Grants

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency (OMB Circular A-110, Section .28).

The University of Texas M.D. Anderson Cancer Center has an automated close-out control which reverses any expenditures charged to the grants after the grant end date. This process is not performed frequently enough and/or in conjunction with the annual financial statement preparation. As a result there were six of 30 grants reviewed with expenditures after the grant end date. These expenses of $6,991 were incorrectly reported in the schedule of expenditures of federal awards since the grants were in open status even though the grant period had expired.

Corrective Action:

Corrective action was taken.

Reference No. 05-64

Subrecipient Monitoring

Research and Development Cluster
Award year - Multiple
Award number - Multiple
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

M.D. Anderson is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. M.D. Anderson's subrecipient monitoring procedures include a standardized contract, risk assessment process, site visits, close out procedures, and OMB Circular A-133 audit report reviews. According to OMB Circular A-133, M.D. Anderson must assure that subrecipients expending Federal funds in excess of $500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to M.D. Anderson, which should include any necessary management corrective actions. M.D. Anderson's total payments to subrecipients for fiscal year 2004 were approximately $9,290,000.

In our sample of 50 subrecipients, the following discrepancies were noted:

- Required award identification information (i.e., CFDA title and number, award name, name of federal agency, and applicable compliance requirements) was not included in 16 files.
- The OMB Circular A-133 Certification Form notifying the University of Texas M.D. Anderson Cancer Center if the subrecipient was required to have an OMB Circular A-133 audit was not available for 15 subrecipients.
- Risk assessments were not performed on 13 subrecipients.
- Close out procedures had not been performed within 90 days for six subrecipients.
- There was no site visit or any other monitoring procedures for 26 subrecipients.
- Reviews were not performed on OMB Circular A-133 reports submitted for 32 subrecipients.
- Contract agreement or modification document could not be located, therefore the budget period or first date of disbursement could not be determined for five files.

Recommendation:

University of Texas M.D. Anderson Cancer Center's subrecipient monitoring process relies heavily on the performance of site visits and OMB Circular A-133 reviews. University of Texas M.D. Anderson Cancer Center should ensure that it has the necessary resources to perform the reviews as determined by the risk assessment process. Additionally, University of Texas M.D. Anderson Cancer Center should implement procedures to ensure that OMB Circular A-133 audit reports are obtained from and follow-up procedures performed for all subrecipients expending more than $500,000 in Federal Funds from all sources of funding.

Management Response and Corrective Action 2004:

We agree with the finding and recommendation. In October 2004, senior management began a comprehensive review of the management oversight and internal controls of the Grants and Contracts Accounting Department. Senior management decided that the Office of Research Administration, which was primarily responsible for preaward functions, would take a more active role in the management of grants and contracts (i.e., time and effort reporting and certification, budget set-up, administrative reviews, cost transfer review and approval, etc.). Additionally, the Grants and Contracts Accounting Department, which was primarily a post-award function, would focus on the accounting and financial reporting related to research activities (i.e., invoicing, drawdowns, cash posting, financial reporting, expenditure posting, balance sheet reconciliation, etc.). The departments are meeting with each other on a weekly basis to document the new processes and responsible parties and developing standard operating procedures (SOP). We will begin immediately developing new processes and SOP and identifying responsible parties for ensuring compliance for this weakness. Additionally, we are establishing a research financial compliance function that will provide dedicated oversight and assurance of compliance in all high-risk areas. We will provide more in-depth descriptions of our action plan to address this finding at the next quarterly audit finding update.

Management Response and Corrective Action 2005:

An SOP for Subrecipient Monitoring was implemented in November 2004, to complete A-133 audits of subrecipients prior to execution and funding of the subaward. A quality assurance check completed in June 2005, indicated that 100% of subawards underwent an A-133 review prior to execution of the subaward.

ORA has developed a Subrecipient Monitoring and Review Tool (SMART) to track subrecipients and subawards, including the risk assessment and monitoring plan for each subaward. The record for each subaward in SMART also includes required identification information (CFDA title and number, award name, name of federal agency, and applicable compliance requirements) and copies of or links to the subrecipient's most recent audit report. This tool went live on July 1, 2005, and is shared with the Compliance Section in GCA for use in their auditing and monitoring of subawards. Staff in ORA and GCA meet regularly to review and monitor the subawards and develop action plans for audits and site visits, as required by each subaward's monitoring plan.

Management Response and Corrective Action 2006:

The subcommittee formed in February 2006 to review the subrecipient monitoring process has continued its efforts and is working to develop a tool for assessing the risk level of potential subrecipients. Sample materials used by other institutions were collected and drafts of a tool for use by MD Anderson are being reviewed. The risk assessment tool contains indicators of risk which are assigned values. The values are totaled and used to rank the potential subrecipient as low, medium, or high risk. Different levels of institutional review would be initiated by MD Anderson, depending on the risk level assigned. Drafts of a new Standard Operating Procedure and supporting worksheets have been developed, and are undergoing revisions at this time. Current institutional procedures include completing a risk assessment that includes a review of the subrecipient's A-133 audit, collecting A-133 certification letters from subrecipients, and reviewing invoices on each subaward.

Implementation Date: August 31, 2006

Responsible Person: Melinda Mathis, MPA

University of Texas Medical Branch at Galveston

Reference No. 06-71
Allowable Costs/Cost Principles
Cash Management
Matching
Period of Availability
Reporting

Research and Development Cluster
Award year - 2005
Award number - All Research and Development Grants
Type of finding - Material Weakness Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Recipients of federal awards are required to have financial management systems that (1) accurately disclose the financial results of each federally-sponsored project or program; (2) identify adequately the source and application of funds for federally-sponsored activities; and (3) provide effective control over and accountability for all funds, property, and other assets (per OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Section _.21).

In September of 2003, the University of Texas Medical Branch at Galveston (Medical Branch) implemented a new accounting system, converting from a mainframe to a complex database system. In the subsequent periods, the Medical Branch began to identify a number of problems with the system implementation. Of particular concern were problems with one module of the database system. This module is the basis for billing the federal government for research and development grants. It also contains information, such as the agreed-upon F&A (facilities and administration or indirect cost) rate and base for each grant, used to allocate costs among the various Medical Branch accounts. The Medical Branch was also experiencing problems with its time and effort reporting.

Subsequently, the Medical Branch contracted with an external specialist to identify the nature and extent of the compliance and operational problems with the system implementation. The Medical Branch expects that process to be complete in December 2006.

The Medical Branch's inadequate planning for and management of its financial management systems represents an overall control weakness in the accounting for federal programs and noncompliance with Uniform Administrative Requirements. During the audit period (fiscal year ended August 31, 2005), Medical Branch management did not know the full effect of the implementation problems on its accounting for federal programs, which represents a material weakness in management's controls over research and development programs. The compliance requirements most affected by these controls are Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability, and Reporting requirements.

In the third quarter of fiscal year 2005, the Medical Branch implemented a manual control to detect and correct any salary payments in excess of the limits set by the National Institutes of Health (NIH), which funds many of the Medical Branch's research and development programs. However, this control does not appear to be effective. It was not possible to determine within a reasonable amount of time the extent of noncompliance or whether there were questioned costs, but auditors identified at least two instances when the control did not detect overpayment of salary for the quarter tested.

On December 6, 2005, the Medical Branch advised the National Institutes of Health (NIH), which funds many of the Medical Branch's research and development programs, of compliance issues related to this system conversion. Among the issues specifically identified were billings, cost allocation, and noncompliance with NIH salary caps.

The Medical Branch reported total expenditures of $129,600,257 for the research and development cluster in the Schedule of Expenditures of Federal Awards in the fiscal year ended August 31, 2005.

Recommendation:

To help ensure that the Medical Branch's financial management system conforms to Uniform Administrative Requirements and can be relied upon for the management and reporting of sponsored programs, the Medical Branch should continue its efforts to identify and correct system problems that affect the accounting for its federal programs.

Management Response and Corrective Action Plan 2005:

Senior leadership at the Medical Branch is actively involved in the ongoing operational changes necessary to achieve research compliance, including resolution of system problems, accuracy of Time and Effort reporting, and integration of key operational areas which may affect the accounting for its federal programs. Efforts were initiated in August 2004 that led to an upgrade in July 2005 of the database system; the upgrade resolved the majority of the technical issues encountered with the system implementation. Additionally, specific projects addressing grants administration operational and accounting issues were initiated in November 2004 and continue at this time. In November 2005, an integrated team of senior leaders began an effort to strengthen our infrastructure and foundation to support our expanding research enterprise. Many corrective actions have already been taken, including reviewing and refreshing, a variety of policies and operating procedures during the early months of FY 2006.

A manual review and reconciliation was undertaken to scrutinize all Time & Effort entries for FY 2005, including approximately 4,500 worksheets detailing certification periods by individual. Secondary reviews of this data resulted in identification of improvements that could be made in the reconciliation process and these are being retrospectively incorporated into the FY 2005 review. The manual reconciliation process will continue for all periods until an automated system can be implemented for management of Time & Effort. Accountability for accurate entry of Time and Effort will be re-emphasized and continues to be the responsibility of each individual at all levels of involvement with the system. A mandatory, comprehensive training program for all those entering and/or reconciling time is being implemented in March 2006 to reinforce the Time & Effort guidelines.

Due to the complex nature of the issues and database systems we continue to monitor and refine our processes. Senior leadership is committed to providing effective control over and accountability for all federally sponsored activities. We will provide the status of our corrective actions to address this finding at the next quarterly audit finding update.

Management Response and Corrective Action Plan 2006:

During the initial install of PeopleSoft training for the end-user and the processing areas was not emphasized. There was a deficiency in knowledge about how information flowed through the various modules. A highly integrated, de-centralized system was rolled out to campus without adequate training and changes to existing business processes. In addition, numerous module-specific customizations were programmed. These customizations negatively impacted other modules because of the integrated nature of the system. Since the original install (version 8.4), an upgrade (version 8.8) has been installed. During the upgrade many of the previous customizations were removed and a rigorous systems implementation approach was used. A priority focus of the upgrade was the training of the end user and processing units. The training is ongoing and expanding today.

In addition to the training, a "help-desk" was established. The help desk is staffed with employees who previously worked in processing units, thereby making them functionally and technically knowledgeable. The help-desk also maintains a list of module specific 'subject matter experts' who also serve as a source of expertise.

UTMB has conducted a significant review of its PeopleSoft financial system through various projects. The "Balance Forward" project entailed reloading the balances that existed at the time of conversation then applying 30 months of transactions to compare against the production database. The variance was .003%. The results of this project established a high level of confidence in our financial system.

Staging reports have been developed to identify errors within the billing system. The reports are validated prior to initiating a draw. Templates have been created as a mechanism of standardizing the worksheets supporting financial reports. Additional staff is being hired to increase productivity, new processes are being implemented to increase accuracy and analysis is being done to reconcile and confirm balances within the system. Communications continue with Federal sponsors.

Other projects included a review of the contract limit (spending authority) conducted for all UTMB awards to assure that we could not inadvertently draw more than the value of any given award and implementation of a mechanism for stopping all expenditures on the research account while still allowing for revenue and adjustments, if applicable, related to the final report to be processed.

The 100% reconciliation of effort to salary expense is continuing from its inception (FY 2005) through the current period. This reconciliation process will continue until a new software program has been implemented that integrates with the PeopleSoft Human Capital Management system. Review of FY 2005 for all salary cap salaries has been performed and any necessary adjustments have been made.

Mandatory training for the research community is ongoing for Time & Effort and Financial Responsibility. Through a variety of targeted courses, the entire research community involved in these two areas will be trained by August 31, 2006.

Implementation Date: August 31, 2006

Responsible Person: William New

Reference No. 06-72

Equipment and Real Property Management

Research and Development Cluster
Award Year - Multiple
Award Number - All Grants from which equipment was acquired with federal funds
Type of finding - Reportable Condition Control and Non-Compliance

Office of Management and Budget Circular A-110, Subpart C, sets forth standards for obtaining consistency and uniformity among federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations. Those standards specify, among other requirements, that records for equipment acquired with federal funds document whether title is vested in the recipient or the federal government.

Initial Year Written: 2005
Status: Implemented

Federal Agencies that Provide R&D Grants

The University of Texas Medical Branch at Galveston's (Medical Branch) Asset Management System includes fields for required equipment and real property information, such as description (including serial number or other identification number), source, acquisition date and cost, location, condition, and ultimate disposition data (including date of disposal and sales price or method used to determine current market value). However, the Asset Management System does not include a field identifying who holds title to the research equipment purchased with federal funds. Without this information, Medical Branch personnel could improperly dispose of federally-owned equipment.

Property records for 30 of 30 research equipment items acquired with federal funds did not contain information identifying who holds title to the equipment.

Corrective Action:

Corrective action was taken.

Reference No. 06-73

Procurement and Suspension and Debarment

Research and Development Cluster
Award Year - March 1, 2004 to February 28, 2005 and September 30, 2003 to March 31, 2009
Award Number - CFDA 93.853 NIH 2 R01 NS030045-10, CFDA 93.000 NIH N01-AI-30065
Type of Finding - Reportable Condition Control and Non-compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Procurement policies for the University of Texas Medical Branch at Galveston (Medical Branch) require that purchasing managers or buyers with a delegated authority over $25,000 review all procurements using more than $25,000 in federal funds to ensure that the vendor is not on any federal or state excluded, suspended, or debarred list. The Medical Branch's procurement policy further states the buyer shall ensure that all purchase orders/contracts/agreements using federal funds that are greater than or equal to $25,000 include a federal/state debarment affirmation.

Of 30 procurements tested, 12 were greater than or equal to $25,000. Of these 12, 2 did not have the required suspension and debarment certifications. The EPLS indicated that neither vendor was suspended or debarred.

Recommendation:

The Medical Branch should enforce its procurement policies to ensure that each vendor with which it is entering into a procurement transaction valued at $25,000 or above is not suspended, debarred, or otherwise excluded from federal procurement activity.

Management Response and Corrective Action Plan 2005:

Management agrees with the audit finding regarding review of procurements over $25,000 and the need to ensure that required suspension and debarment certifications are included as part of the standard operating procedure. The Purchasing Department has a standard operating procedure that outlines the necessity of this process. Immediately following the SAO audit, the training was repeated with employees. The Purchasing Department will continue to monitor the compliance with this requirement and realizes that the incidents identified by the State Auditors were an oversight by the department.

Management Response and Corrective Action Plan 2006:

In May 2006, UTMB updated our procurement procedures to include checking every new vendor (prior to loading into our systems) against the federal debarment list to ensure that we do not pay a debarred vendor. This is in addition to our existing policy of checking all vendors, each month, against the federal debarment list.

Implementation Date: May 6, 2006

Responsible Person: Dan Goggin

Reference No. 06-74

Subrecipient Monitoring

Research and Development Cluster
Award year - 2005
Award number - See Below
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Health and Human Services

An entity that passes federal funds through to subrecipients is required to monitor the subrecipients' use of federal funds through reporting, site visits, regular contact, or other means. This monitoring should be adequate to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations and provisions of contracts or grant agreements (per Office of Management and Budget Compliance Supplement, Part 3, Section M).

For 8 of 30 projects tested that involved subrecipients, the University of Texas Medical Branch at Galveston (Medical Branch) did not have evidence that it monitored the subrecipients during the projects.

Award Numbers -

- CFDA 17.261 AH124700260
- CFDA 93.000 N01-HV-28184
- CFDA 93.822 1 D18 HP 10040-03-00
- CFDA 93.359 6 D66HP01379-02-01
- CFDA 93.856 1 U54 AI057156-02, 5 U54 AI057156-02
- CFDA 93.865 1 P01 HD0389833-03, 5 P01 HD039833-03

Recommendation:

The Medical Branch should retain evidence that it has properly monitored subrecipients during research and development projects.

Management Response and Corrective Action Plan 2005:

Research Services established a subrecipient administrative review program in late summer 2005. A checklist and standard procedure have been identified. In the four months since the inception of this program, work has been started to include all subrecipients in a review process but because of the time frame since inception, not all the population has been incorporated. Certain sponsored projects that may have been administered in areas at UTMB other than Research Services have now been included in the population of projects that will be administered as part of this function. The program is expanding to include all prior subrecipients and the current ones being added.

Management Response and Corrective Action Plan 2006:

The sub-recipient monitoring function is fully implemented. Projects not previously under the purview of Research Services have been included in the subrecipient monitoring function. These include the projects listed above. They have each been reviewed and included in the database. In addition, as part of the mandatory "Financial Management for PIs" training course, all Principal Investigators are educated regarding their responsibilities as it pertains to sub-recipients

Implementation Date: May 31, 2006

Responsible Person: William G. New

University of Texas - Pan American

Reference No. 06-75

Reporting - Pell Payment Data

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.063 P063P042296
Type of finding - Material Weakness Control and Material Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

Institutions submit Pell Grant origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. Origination records can be sent in advance of any disbursements, as early as an institution chooses to submit them for any student it reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. Institutions must report the student payment data (1) within 30 calendar days after they make payments or (2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Federal rules specify that institutions may do this by reporting once every 30 calendar days, bi-weekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner.

For the 2004–2005 award year, the University of Texas - Pan American (University) had procedures for the submission of origination and disbursement records. However, the University did not follow these procedures in a timely manner. After the University became a full participant in using COD for the 2004–2005 award year, it had difficulty with the new COD software for full participants; it also lost certain key information technology personnel. Within a random sample of 30 students (which included 63 Pell Grant disbursements), 31 disbursements were reported to COD more than 30 days after the University made the payments to the students. Twenty-four of the 30 students tested had late submissions. In addition, 8 disbursements were reported to COD with incorrect disbursement dates. However, auditors noted that the required data elements for both disbursement and origination records were properly included in the transmission files. The University disbursed $26,003,709 in Federal Pell Grants during the 2004–2005 award year.

Corrective Action:

Corrective action was taken.

University of Texas at San Antonio

Reference No. 06-76
Eligibility

Student Financial Assistance Cluster
Award year - September 1, 2004 to August 31, 2005
Award number - CFDA 84.063 P063P043294
Type of finding - Material Weakness Control and Non-Compliance

A person must be enrolled as a regular student in an eligible program in order to receive federal student assistance funds. A regular student is someone who is enrolled or accepted for enrollment in an eligible institution for the purpose of obtaining a degree or certification offered by the school (per Title 34, Code of Federal Regulations, Section 668.32).

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

According to the *Student Financial Aid Handbook*, institutions are required to document a student's enrollment in an eligible program only at the time of admission. However, institutions must have a system to notify the financial aid office if the student leaves the program at any time during the course of enrollment. Institutions must also document that a recipient of assistance is a regular student.

The University of Texas at San Antonio's (University) course registration automated system does not notify the financial aid office when a student leaves an academic program. In addition, if a course is dropped with a drop/delete indicator, all remaining courses are deleted, even if the intention was to drop only one course. As a result of these programming problems, the University awarded a Pell Grant to one student (in a sample of 30 students) who was listed with a status of inactive and for whom there is no record of withdrawal or satisfactory academic progress for enrolled coursework. The University's automated system completely deleted all courses for this student, and no notification to the financial aid office was made. Further, the University gave a 100 percent refund to the student, and that refund included proceeds from a Pell Grant for $2,025. The fall 2004 semester began August 25, 2004; the Pell Grant was awarded August 27, 2004; and all coursework was dropped between August 31, 2004, and September 1, 2004. No official withdrawal documentation was completed for this out-of-state student, and no Title IV funds were returned to the U.S. Department of Education.

The University awarded $ 24,263,821 in Federal Pell Grants assistance during the 2004-2005 award year.

Corrective Action:

Corrective action was taken.

Reference No. 06-77
Eligibility

Student Financial Assistance Cluster
Award year - September 1, 2004 to August 31, 2005
Award number - CFDA 84.007 P007A044169
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must first select students with the lowest expected family contributions (EFC) who also receive Pell Grants in that year (per Title 34, Code of Federal Regulations, Section 676.10).

The University of Texas at San Antonio's (University) eligibility requirement policy for the 2004–2005 award year was to award FSEOGs to students who received Pell Grants but still had remaining financial need. However, the policy did not consider which of the students who were awarded Pell Grants had the lowest EFCs. One student in our sample of 30 students had an EFC of $2,123 and received an FSEOG award of $600. But a review of all full-time students who received Pell Grants for the 2004–2005 award year indicated that there were 2,212 other students who had EFCs of $0 but were not awarded FSEOGs. These students should have been given priority over the student who had an EFC of $2,123.

The University changed its FSEOG eligibility policy for the 2005–2006 award year to give priority to students with the lowest EFCs.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $961,294 in FSEOG grants during 2004-2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-78
Reporting

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not applicable for CFDA 84.063, CFDA 84.038 P038A044169, CFDA 84.007 P007A044169, CFDA 84.033 P033A044169
Type of finding - Reportable Condition Control and Non-compliance

Initial Year Written: 2005
Status: Implemented

U.S. Department of Education

The *Fiscal Operations Report and Application to Participate* (FISAP) is an electronic report that an institution must submit annually to the U.S. Department of Education in order to receive funds for campus-based programs. Institutions use the Fiscal Operations Report portion of the FISAP to report expenditures in the previous award year, and they use the Application to Participate portion of the FISAP to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year, which is always June 30. Institutions must retain accurate and verifiable records for program review and audit purposes (per the *Instruction Booklet for Fiscal Operations Report and Application to Participate*, page 4).

The University of Texas at San Antonio (University) could not provide supporting documentation for Pell Grants on its FISAP. In addition, the University incorrectly included $5,696,477 in Texas Grants, Robert C. Byrd Honors Scholarships, and Fifth Year Accounting Student Scholarships as state grants and scholarships made to undergraduates on its FISAP. The University makes the final decision on which students receive these funds, but only state financial assistance for which the University does not make the final decision should be included within state grants and scholarships made to undergraduates (per the *Instruction Booklet for Fiscal Operations Report and Application to Participate*, pages 11-12).

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $131,363,341.34 in federal financial assistance to students during 2004-2005.

Corrective Action:

Corrective action was taken.

Reference No. 06-79

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - CFDA 84.063 P063P043294, CFDA 84.033 P033A044169, Not applicable for CFDA 84.032
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

Students who receive Title IV financial assistance at public universities are subject to having information from their Free Applications for Federal Student Aid (FAFSA) verified. According to Title 34, Code of Federal Regulations, Section 668.56, when FAFSAs are selected for verification, items that are required to be verified include household size; number of household members who are in college; adjusted gross income; U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, IRA/Keogh deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds.

For 2 of 50 students tested, the University of Texas at San Antonio (University) could not provide auditors with documentation it collected during the verification process. Without this documentation, auditors were unable to determine whether these students' FAFSAs were verified before they received federal assistance.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded $131,363,341.34 in federal financial assistance to students during 2004-2005.

Corrective Action:

This finding was reissued as current year reference number: 07-78.

Reference No. 06-80

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

Student Financial Assistance Cluster
Award year - July 1, 2004 to June 30, 2005
Award number - Not Applicable for CFDA 84.032, or CFDA 84.038
Type of finding - Reportable Condition Control and Material Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

U.S. Department of Education

If an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan (FPL), or Federal Family Education Loan Program (FFELP) funds, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement and (2) the student's or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. The requirement of FFELP funds applies only if the funds are disbursed by electronic funds transfer payment or master check (per Title 34, Code of Federal Regulations, Section 668.165).

The University of Texas at San Antonio (University) uses e-mail to notify students of the FFELP and FPL disbursements. The University generates the e-mails per FFELP electronic fund transfer reports and various other system-generated reports. However, the University does not have a process in place to ensure all students and parents are notified. Of the 34 students sampled for disbursements on FFELP and FPL, required evidence of notifications for eight students could not be located. As reported in the Schedule of Expenditures of Federal Awards for 2004-2005, the University disbursed $104,636,028 in FFELP loans and Perkins loans during the fiscal year 2004-2005.

Corrective Action:

This finding was reissued as current year reference number: 07-79.

University of Texas Southwestern Medical Center at Dallas

Reference No. 06-81
Cash Management

Research and Development Cluster
Award year - All Grants
Award number - All Grants
Type of finding - Reportable Condition Control

Initial Year Written: 2005
Status: Implemented

Federal Agencies that Provide R&D Grants

The University of Texas Southwestern Medical Center at Dallas (Medical Center) has selected the reimbursement method of cash management. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government (Office of Management and Budget Circular A-110, Subpart C, Section .22).

From September 2004 until April 11, 2005, the Medical Center's *Letter of Credit Drawdown Report* (an Excel file used to calculate the federal draw amount) contained a calculation error. For each draw during that time period, this calculation error caused the amount to be drawn to be overstated. However, the Medical Center did not actually draw down too much in federal funds at any point during the year because (1) it rounds the amount to be drawn down to the nearest $100,000 and (2) the draw amount did not include overhead expenses that had been incurred but not yet charged to federal accounts. However, the calculation error represents a weakness in cash management controls. An automated system is in place to help calculate the federal draw amounts, but much of the cash draw process is still manual, with little or no review of manual input.

Corrective Action:

Corrective action was taken.

Reference No. 06-82
Procurement and Suspension and Debarment
(Prior Audit Issue - 05-65)

Research and Development Cluster
Award year - July 1, 2004 to June 30, 2005 and May 1, 2004 to April 30, 2005
Award number - CFDA 93.837 5P01HL02094829 and CFDA 93.859 5R01GM05632210
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2004
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed $25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

The University of Texas Southwestern Medical Center at Dallas's (Medical Center) procurement policy requires vendor suspension and debarment certifications for transactions greater than or equal to $25,000. However, a recent addition to the Medical Center's procurement procedures applies only to procurements greater than $25,000. Therefore, in practice, the Medical Center is applying the suspension and debarment requirement only to procurements greater than $25,000.

Two of 51 vendor files tested did not have suspension and debarment certifications. The EPLS indicated these two vendors were not suspended or debarred.

Corrective Action:

This finding was reissued as current year reference number: 07-84.

Reference No. 06-83

Procurement and Suspension and Debarment

Research and Development Cluster
Award year - August 1, 2003 to July 31, 2006 and July 1, 2004 to June 30, 2006
Award number - CFDA 93.837 5U01HL06688004, CFDA 93.847 5R01DK00389244
Type of finding - Reportable Condition Control and Non-Compliance

Initial Year Written: 2005
Status: Partially Implemented

Federal Agencies that Provide R&D Grants

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget Circular A-110. These laws and regulations require that files document the significant history of the procurement, that procurements provide full and open competition, and the performance of appropriate cost or price analyses to support procurement actions, including contract modifications.

According to the University of Texas Southwestern Medical Center at Dallas's (Medical Center) *Handbook of Operating Procedures*, Section 6.22.7.8 Proprietary (Sole Source) Purchases, justification for proprietary or sole source purchases must be made. The justification must be made online; must be based upon a need for some feature or characteristic (such as a specification) that is unique to the requested product or service; and the feature or characteristic underlying the justification cannot be provided by any other product or service.

Two of 51 procurement files tested did not contain bidding documentation to verify the presence of full and open competition or documentation supporting the rationale to limit competition. The total value of the procurements was $13,647.

Corrective Action:

This finding was reissued as current year reference number: 07-83.

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