



UNIVERSITY OF  
**TEXAS**  
ARLINGTON

**TEXAS HIGHER EDUCATION COORDINATING BOARD  
FACILITIES AUDIT**

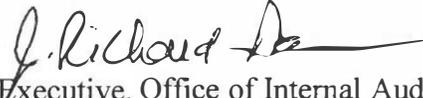
**OCTOBER 21, 2015**

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**MEMORANDUM**

**TO:** Dr. Vistasp Karbhari  
President

**FROM:** J. Richard Dawson   
Interim Chief Audit Executive, Office of Internal Audit

**DATE:** November 4, 2015

**SUBJECT:** Texas Higher Education Coordinating Board Facilities Audit Report  
Dated October 21, 2015

***Executive Summary***

We have completed our audit of the University's facilities development projects to satisfy the audit requirements of the Texas Higher Education Coordinating Board (THECB) Facilities Audit Protocol.

The objectives of this audit were to determine if facilities development applications and acquisitions of real property were:

- submitted to and approved by the THECB, and
- completed within the parameters specified in the project applications as approved by the THECB.

The scope of the audit included facility development projects between January 2013 and December 2014 that met the THECB criteria for approvals or re-approvals. During this period, there were two projects that met the criteria. Our tests and reviews confirmed that the University was in compliance with THECB's rules for submission and approval/re-approval.

Based upon interviews with according staff, review of supporting documents, and testing of projects, we confirmed that facilities projects are submitted, approved and completed within the parameters specified by the THECB.

We appreciate the courtesy and cooperation we received from the Office of Facilities Management staff throughout this audit.

## ***Background Information***

Texas Education Code and THECB rules §17.10-§17.14 require that public institutions of higher education receive THECB approval or re-approval for real property acquisitions, new construction, addition projects, and repair and renovation projects financed from any source of funds. Effective 9/4/2014, the thresholds for property acquisitions requiring approval from the THECB was raised from zero to only those projects costing \$1,000,000 or more. Thresholds related to new construction, addition projects, etc., requiring approvals/re-approval from the THECB was raised from \$4,000,000 to those projects \$10,000,000 or more.

The Texas Education Code requires the THECB to periodically conduct a comprehensive audit of all educational and general facilities on the campuses of public senior colleges and universities. As part of this process, internal audit will conduct a review of projects and acquisitions of real property over the preceding five years (or since the last audit) to determine if they were submitted to the THECB and received required approvals. Additionally, internal audit was to ensure the sample of projects was completed within the parameters specified in the project application as approved by the THECB.

## ***Objectives***

The objectives of this audit were to determine if facilities development applications and acquisitions of real property were:

- submitted to and approved by the THECB, and
- completed within the parameters specified in the project applications as approved by the THECB.

## ***Scope and Methodology***

The scope of the audit covered the University facilities development applications and acquisitions of real property for the period January 1, 2013 through December 31, 2014.

To achieve the audit objectives, we interviewed key personnel in the Office of Facilities Management, reviewed the applicable policies, and evaluated available documentation related to selected projects.

The THECB rules require that institutions submit for approval – based on particular thresholds – new construction projects, repair and renovations projects, acquisitions of real property, and gifts or donations of improved real property. The THECB rules also require institutions to submit projects for re-approval if the total cost of a project exceeds cost estimates by more than 10%, the gross square footage is changed by more than 10%, the institution has not contracted for the project within 18 months from its final THECB approval date, or any funding source of an approved project is changed.

In order to verify that the University facilities projects were submitted, approved, and completed as required by the THECB rules, we determined the population from a review of all capital asset projects as included in the University's Annual Financial Reports for FY 2013 and 2014. We selected a sample of two facilities development projects to test. The procedure performed was to determine whether the facilities projects were approved by the THECB as required.

### ***Audit Results***

As noted above, we selected a sample of two projects to test. Both projects were land acquisitions that met THECB criteria. In both instances, the projects were approved and confirmation received from the THECB. The projects reviewed were completed within their specific timeframe parameters and re-approval for period extension was not needed.

### ***Conclusion***

Based upon interviews with according staff, review of supporting documents, and testing of projects, we confirmed that facilities projects are submitted, approved and completed within the parameters specified by the THECB.

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System policy UTS 129 titled "Internal Audit Activities" requires that we adhere to the *Standards*.

We appreciate the courtesy and cooperation we received from the Office of Facilities Management staff throughout this audit.

cc: Dr. Ronald L. Elsenbaumer, Provost and Vice President for Academic Affairs, UT Arlington  
Ms. Kelly Davis, Vice President for Business Affairs and Controller, UT Arlington  
Mr. John Hall, Vice President for Administration and Campus Operations, UT Arlington  
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Report File