

Texas Higher Education
Coordinating Board
Facilities Audit



Audit Report # 12-25
October 4, 2012

Office of Auditing and Consulting Services

"Committed to Service, Independence and Quality"

THE UNIVERSITY OF TEXAS AT EL PASO



Office of Auditing and
Consulting Services

October 4, 2012

Dr. Diana Natalicio
President, University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968


Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited-scope audit of the University's facilities development projects to satisfy the Texas Higher Education Coordinating Board Facilities Audit Protocol.

Our examination was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the cooperation and assistance provided by the Office of Planning and Construction, and the Office of Space Information Resources during our audit.

Sincerely,


William A. Peters, CPA, CIA
Director

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**The University of Texas at El Paso
Office of Auditing and Consulting Services
Texas Higher Education Coordinating Board -Facilities Audit-
Project #12-25**

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**The University of Texas at El Paso
Office of Auditing and Consulting Services
Texas Higher Education Coordinating Board -Facilities Audit-
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**The University of Texas at El Paso
Office of Auditing and Consulting Services
Texas Higher Education Coordinating Board -Facilities Audit-
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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited-scope audit of the University's facilities development projects to satisfy the requirements of the Texas Higher Education Coordinating Board (THECB) Facilities Audit Protocol. The audit objective was to determine whether the University has complied with the THECB rules pertaining to facility development project applications and approvals.

During the audit, nine projects completed between September 2006 and August 2011 subject to the THECB's approval were selected for testing. We determined that the University was in compliance with the THECB rules for submission and approval/reapproval for these projects.

BACKGROUND

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. This process requires the internal audit function for the educational facility being audited to conduct a review of projects and acquisitions of real property for the preceding five years to determine whether the projects were submitted to the THECB and received all required approvals, as well as, to determine that the sample of projects was completed within the parameters specified in the project application approved by the THECB.

Current THECB rules require that institutions submit for its consideration new construction projects costing \$4 million or more, repair and renovations projects costing \$4 million or more, acquisitions of real property, and gifts or donations of improved real property. Prior to September 1, 2009, the amounts were \$1 million for new construction and \$2 million for repair and renovation. Current THECB rules 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 Coordinating Board approval date, or any funding source of an approved project is changed.

AUDIT OBJECTIVES

The audit objective was to determine whether the University complied with the THECB Rules §17.10-§17.14 pertaining to facility development project application and approvals.

SCOPE AND METHODOLOGY

To select our sample of facilities development projects, we requested the *University Annual Financial Report -Schedules of Changes in Investment in Plant, Buildings, Facilities and Other Improvements* from fiscal years 2006 through 2011. Thirty projects met the THECB criteria for project approval, including acquisition of real property, real property gifts or donations of less than \$1 million in value, new construction, additions, and repair and renovations. We selected nine projects (30%) to review for compliance with the THECB rules.

We reviewed the nine projects for:

- THECB approval,
- cost (must obtain reapproval if actual cost > 10% of original approval),
- square footage (must obtain reapproval if actual space > 10% of original approval), and
- funding source (must obtain reapproval for any change from original approval).

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AUDIT RESULTS

Based on the testing performed we concluded the following:

- Proper approvals were obtained on all projects tested.
- Proper reapprovals were obtained for the following two projects:
 - a) One project required a reapproval for an increase of \$1,300,000, from \$13,000,000 to \$14,300,000. The increase was due to construction inflation during 2006/2007.
 - b) One project required reapproval from \$23,500,000 to \$24,650,000 due to delays in the approval of the project by the El Paso Metro Planning Organization and the Texas Department of Transportation.
- Project completion was within the approved/reapproved project parameters.

No exceptions were noted during our testing.

CONCLUSION

Based on the audit procedures performed, projects selected for testing were in compliance with THECB Rules §17.10-§17.14 for submission and approval/reapproval of facilities development projects.

We also wish to thank the Office of Planning and Construction, and the Office of Space Information Resources for their assistance throughout the audit.