



Statewide Single Audit Report for the Year Ended August 31, 2024

- The State's basic financial statements for fiscal year 2024 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.
- The State's Schedule of Expenditures of Federal Awards for fiscal year 2024 was materially correct in relation to the State's basic financial statements.
- We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

In our audit opinion dated February 21, 2025, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2024. The Office of the Comptroller of Public Accounts (Comptroller's Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2024, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

The consolidated financial statements provide a comprehensive view of the State's financial activities during the fiscal year and an overall picture of the financial position of the State at the end of the fiscal year. Compiling the State's consolidated financial statements is a major undertaking; those financial statements combine financial information for more than 200 state agencies and higher education institutions.

• *Audit Objective* | p.31

This audit was conducted in accordance with Texas Government Code, Section 403.013(c), and Title 31, United States Code, Section 7502.

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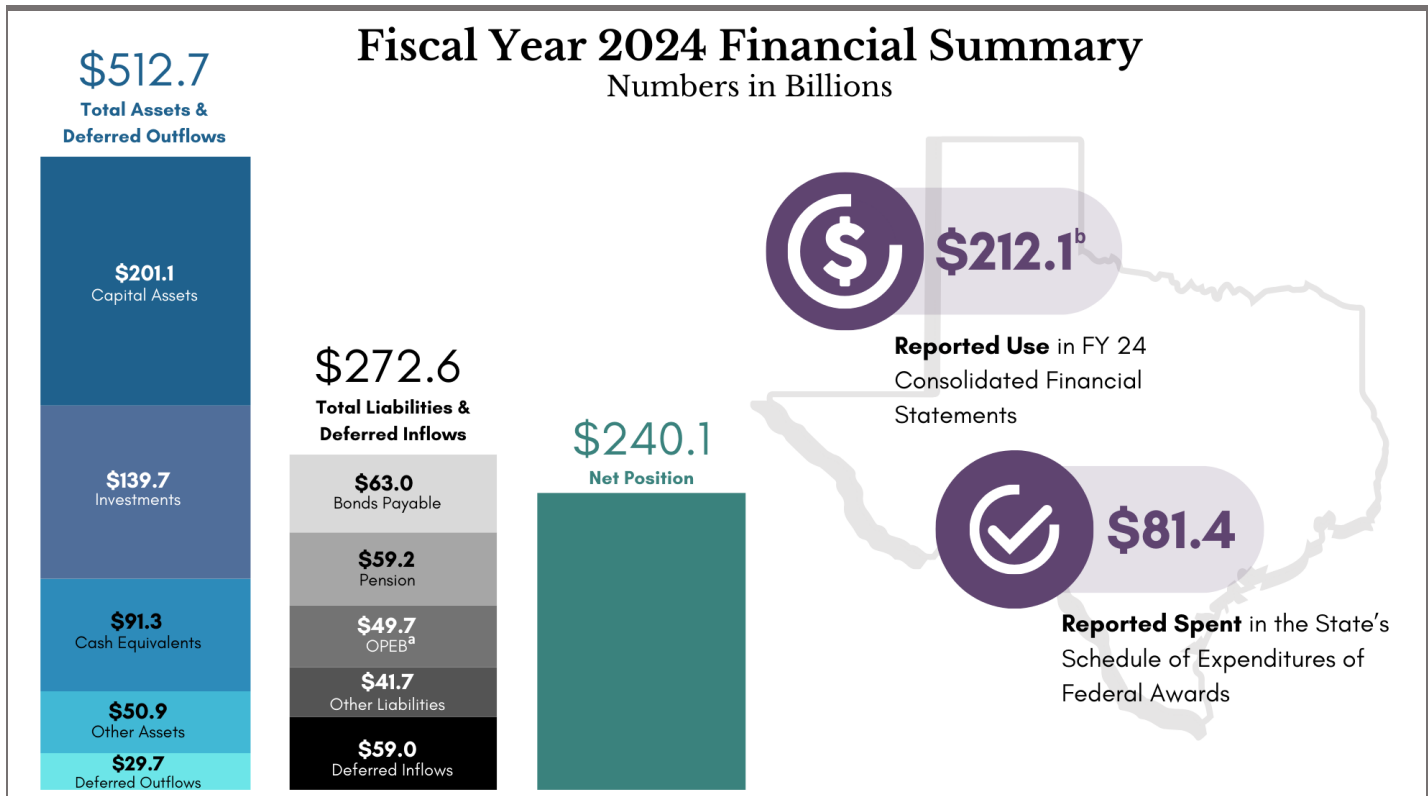
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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Figure 1 summarizes the State’s key financial information for fiscal year 2024.

Figure 1



^a OPEB is other postemployment benefits.

^b The \$212.1 billion in annual expenditures exceeded the \$171.3 billion appropriated for fiscal year 2024 primarily because:

- Certain expenditures (such as higher education institutions’ expenditures of funds held outside the State Treasury) are included in the Annual Comprehensive Financial Report (ACFR) but are not included in the General Appropriations Act (GAA).
- The ACFR presents actual expenditures of federal funds, while the GAA presents estimated amounts for federal funds.
- Additional pension and OPEB-related expenditures are included in the ACFR but are not included in the GAA.

Compliance with the Single Audit Act

The State Auditor’s Office conducts this audit so that the State can comply with federal legislation (the Single Audit Act Amendments of 1996); state statute (Texas Government Code, Section 403.013(c)); and grant requirements to obtain an opinion regarding the fair presentation of its basic financial statements and a report on internal controls related to those statements. The results of this audit may be used by bond-rating companies, the Legislature, and federal agencies that award grants.

Fiduciary Funds

The State is the trustee or fiduciary for 10 pension and OPEB trust funds. The State is also responsible for other assets that can be used only for trust beneficiaries. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. Those activities are reported separately from other financial activities because the State cannot use the assets to finance its operations. The State’s fiduciary responsibilities include ensuring that assets reported in those funds are used for their intended purposes. The financial activity and balances for those fiduciary activities are not included in the fiscal year 2024 totals presented in Figure 1.

Auditor Responsibilities

Auditing the basic financial statements is not limited to verifying the numbers in those statements. Conducting this audit also requires the State Auditor’s Office to obtain a sufficient understanding of the agencies and higher education institutions and their operating environments—including obtaining an understanding of the internal controls over systems and processes that the agencies and higher education institutions use to record their financial activities—to assess the risk of material misstatement of the financial statements.

Schedule of Expenditures of Federal Awards (SEFA)

Current Year Findings. The State Auditor’s Office also audited the State’s SEFA in relation to the ACFR for fiscal year 2024 and issued an unmodified opinion. The Comptroller’s Office prepares the SEFA by using self-reported SEFA data from all state agencies and higher education institutions that made federal expenditures during the fiscal year. The State Auditor’s Office and CliftonLarsonAllen LLP (CLA) audited the processes for preparing SEFA information at 15 agencies and higher education institutions. Auditors identified errors related to the SEFA information at three agencies. Those errors are discussed in Chapter 2 of this report.

Prior Year Findings. As part of the audit work for SEFA, auditors performed follow-up work on 10 prior year findings at nine agencies and higher education institutions and determined that recommendations for 5 of those findings was not yet fully implemented (see the Summary Schedule of Prior Year Audit Findings in Chapter 4-A of this report).

Summary of Management Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The agencies and higher education institutions agreed with the recommendations in this report.



Chapter 1 Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to financial statements noted?	No

Federal Awards

Findings regarding the Schedule of Expenditures of Federal Awards for fiscal year 2024 are included in Chapter 2 of this report. All other fiscal year 2024 federal award information was issued in a separate report (see [State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024](#), by CLA).



**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Independent Auditor's Report

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dustin Burrows, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Texas (State) as of and for the year ended August 31, 2024, and the related notes to the consolidated financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 21, 2025. Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation, the Employees Retirement System of Texas, the Permanent School Fund Corporation, the Texas Lottery Commission, the Texas Treasury Safekeeping Trust Company, and the University of Texas System, as described in our report on the State's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be significant deficiencies for the State as a whole.

Summary of Findings and Responses

Agency	Finding Numbers
Department of State Health Services	25-555-01
Health and Human Services Commission	25-555-02
Texas Department of Criminal Justice	25-555-03

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the management of the audited entities.

Other Work Performed by the State Auditor's Office

We issued opinions on the following financial statements, which are consolidated into the basic financial statements of the State of Texas:

- [*A Report on the Audit of the Fiscal Year 2024 Financial Statements of the Teacher Retirement System of Texas*](#) (State Auditor's Office Report No. 25-006, November 2024).
- [*A Report on the Audit of the Fiscal Year 2024 Financial Statements of the Department of Housing and Community Affairs*](#) (State Auditor's Office Report No. 25-011, December 2024).

This report, insofar as it relates to the entities listed above, does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

State's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

February 21, 2025



This section identifies the significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. There are no significant deficiencies related to the State's basic financial statements, but Chapter 2 discusses significant deficiencies related to the State's Schedule of Expenditures of Federal Awards for fiscal year 2024.

Chapter 2 Schedules of Expenditures of Federal Awards – Current Findings

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their **fiscal year 2024** Schedules of Expenditures of Federal Awards (SEFAs) (see text box for additional information about SEFAs). Therefore, the SEFAs that they submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

State entities should strengthen the preparation and review of their Schedules of Expenditures of Federal Awards.

The agencies and higher education institutions audited reported \$70,616,006,125 in federal expenditures, or 87 percent of the total federal expenditures that the State of Texas reported for fiscal year 2024. The errors listed below were not material to the fiscal year 2024 SEFA for the State of Texas or to the fiscal year 2024 Annual Comprehensive Financial Report for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

Schedule of Expenditures of Federal Awards (SEFA)

Each state entity that expends federal awards is required to prepare a SEFA and submit it to the Office of the Comptroller of Public Accounts (Comptroller's Office). The expenditures are to be presented in the SEFA on the same accounting basis as each state entity's fund financial statements.

Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities (Title 2, U.S. Code of Federal Regulations (CFR), Section 200.1).

Federal financial assistance includes assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance (Title 2, CFR, Section 200.1).

Source: *Reporting Requirements for the Annual Financial Reports of State Agencies and Universities*, Comptroller's Office.

Department of State Health Services

Reference No. 25-555-01

(Prior Audit Issue 24-555-01)

Type of finding: Significant Deficiency

On its fiscal year 2024 SEFA, the Department of State Health Services (DSHS):

- Understated expenditures by \$28,535,432 for 43 Assistance Listing Numbers. The understatement occurred because DSHS incorrectly included prior year accruals and excluded current year accruals. As a result, DSHS understated federal revenues by the same amount in Note 2.
- Understated expenditures by \$651,990,131 for 10 Assistance Listing Numbers by incorrectly reporting pass-through revenue amounts as direct expenditures. As a result, DSHS understated federal revenues by the same amount in Note 2.
- Overstated expenditures by \$960,589 for 3 Assistance Listing Numbers. The amount reported on the SEFA was not supported by DSHS's accounting system. As a result, DSHS overstated federal revenues by the same amount in Note 2, and understated the amount reported in Note 1 by \$10,832,778.

Recommendation

DSHS should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting only federal expenditures within the SEFA, recording accruals in the appropriate fiscal year, and ensuring that all expenditures reported in the SEFA are supported by DSHS's accounting system.

Management's Response

Views of Responsible Officials

The Texas Department of State Health Services (DSHS) acknowledges and agrees with the finding as stated. DSHS has already taken significant action to address the underlying causes and continues to take action to achieve the goal of ensuring accurate reporting and quality control. DSHS launched efforts in FY 2025 to continue strengthening its financial reporting. DSHS created a Financial Reporting Unit to carry out this function, including assigning more staff. DSHS has hired the Financial Reporting Unit Manager and continues to fill the remaining staff positions within the unit.

Corrective Action Plan

To strengthen SEFA preparation and review, DSHS has designated the recently hired DSHS Financial Reporting Unit Manager and Accounting Section Director to oversee the following corrective action plan actions:

- Formal updates to procedures to better implement policy;
- Completion of hiring key financial reporting positions;
- A refresher training for staff and contractors involved in SEFA preparation and review; and
- Development of an internal quality review process for implementation during the next SEFA.

Implementation Date: 11/30/2025

Responsible Person: DSHS Financial Reporting Unit Manager

Health and Human Services Commission

Reference No. 25-555-02

Type of finding: Significant Deficiency

On its fiscal year 2024 SEFA, the Health and Human Services Commission (HHSC) incorrectly classified \$86,544,124 in relation to 3 Assistance Listing Numbers (ALN) as direct expenditures when that amount should have been reported as pass-through to non-state entity expenditures.

Recommendation

HHSC should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly by classifying expenditures appropriately by expenditure type.

Management's Response

Views of Responsible Officials

HHSC acknowledges and agree with the findings. Through analysis of the exceptions identified in the audit, HHSC will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan

HHSC has implemented resolutions to address the classification of pass-through expenditures. HHSC has adjusted the way we compile our data for NSE reporting. In addition, the workbook used for the SEFA reconciliation was updated to include criteria that will prevent this issue in the future. The Federal Reporting team will also work with the CFO Operations Support team to automate some of the manual processes that contributed to the misclassification. Decreasing the number of manual processes involved will reduce human error, ensure a more accurate report, and allow for a more enhanced review period.

Implementation Date: 09/01/2025

Responsible Person: Director I, State and Federal Reporting

Texas Department of Criminal Justice

Reference No. 25-555-03

Type of finding: Significant Deficiency

On its fiscal year 2024 SEFA, the Texas Department of Criminal Justice (TDCJ) overstated federal expenditures related to ALN 21.027 by \$1,796,926,853 by incorrectly including federal revenue received. As a result, TDCJ overstated federal revenue by the same amount in Note 2.

Recommendation

TDCJ should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting only federal expenditure transactions within the SEFA.

Management's Response

Views of Responsible Officials

The 2024-2025 General Appropriations Act, Article IX, Section 18.01, provided \$5,449,900,000 in ARPA appropriations to the Texas Department of Criminal Justice (TDCJ) for salaries, benefits, and other eligible agency expenditures. Due to the significant impact of this funding to our payroll, we requested and received a cash advance to ensure the funds were available for payroll processing. This was the first time the agency has received a cash advance related to federal funds. Historically, the TDCJ is reimbursed federal funds based on expenditures.

When preparing the SEFA schedule, we coordinated with the Governor's Office to validate the information being reported, however TDCJ reported the FY 2024 total amount received on SEFA instead of actual expenditures and an "accrual" for the remaining balance.

The TDCJ agrees with the finding and has implemented corrective action.

Corrective Action Plan

When the TDCJ receives grant funding in advance and expenditures have not yet occurred, an accrual will be submitted in SEFA at fiscal year-end for the estimated expenditures.

Implementation Date: January 30, 2025

Responsible Person: Accounting and Business Services Director

Chapter 3

Federal Award Findings and Questioned Costs

Findings regarding the State's Schedule of Expenditures of Federal Awards for fiscal year 2024 was included in Chapter 2 of this report. All other fiscal year 2024 federal award information was issued in a separate report. See [State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024](#), by CLA.



Summary Schedule of Prior Audit Findings

Chapter 4

Summary Schedule of Prior Audit Findings

Federal regulations (Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) state that “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditees report the corrective actions they have taken for the findings reported in:

- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008*](#) (State Auditor’s Office Report No. 09-555, April 2009).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009*](#) (State Auditor’s Office Report No. 10-555, March 2010).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010*](#) (State Auditor’s Office Report No. 11-555, February 2011).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011*](#) (State Auditor’s Office Report No. 12-555, February 2012).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012*](#) (State Auditor’s Office Report No. 13-555, February 2013).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013*](#) (State Auditor’s Office Report No. 14-555, February 2014).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014*](#) (State Auditor’s Office Report No. 15-555, February 2015).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2015*](#) (State Auditor’s Office Report No. 16-555, March 2016).
- [*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2016*](#) (State Auditor’s Office Report No. 17-555, February 2017).

- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2017](#) (State Auditor's Office Report No. 18-555, February 2018).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2018](#) (State Auditor's Office Report No. 19-555, February 2019).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019](#) (State Auditor's Office Report No. 20-555, February 2020).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2020](#) (State Auditor's Office Report No. 21-555, February 2021).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021](#) (State Auditor's Office Report No. 22-555, February 2022).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2022](#) (State Auditor's Office Report No. 23-555, February 2023).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023](#) (State Auditor's Office Report No. 24-555, February 2024).

The Summary Schedule of Prior Audit Findings (for the year ended August 31, 2024) has been prepared to address these responsibilities.

Chapter 4-A

Schedules of Expenditures of Federal Awards – Prior Findings

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their **fiscal year 2023** Schedules of Expenditures of Federal Awards (SEFAs).

Department of State Health Services

Reference No. 24-555-01

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the Department of State Health Services (DSHS):

- Overstated federal expenditures related to Assistance Listing Number (ALN) 93.994 by \$23,899,533 by incorrectly including non-federal transactions within its Certified SEFA. As a result, DSHS overstated federal revenues by the same amount in Note 2.
- Overstated expenditures on its fiscal year 2023 SEFA by \$46,733,217 for 43 ALN programs. The overstatement occurred because DSHS incorrectly included prior year accruals and excluded current year accruals. As a result, DSHS overstated federal revenues by the same amount in Note 2.

Implementation Status

The finding was reissued as current year reference number 25-555-01.

Office of the Governor

Reference No. 24-555-02

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the Office of the Governor incorrectly classified \$56,471,265 in expenditures related to ALN 21.027 as pass-through expenditures when they should have been reported as direct expenditures.

Implementation Status

Corrective action was implemented.

Texas Department of Agriculture

Reference No. 24-555-03

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the Texas Department of Agriculture (TDA):

- Incorrectly classified \$421,283,999 in relation to 5 ALNs as direct expenditures when they should have been reported as pass-through to non-state entity expenditures.
- Did not identify \$18,160,931 in expenditures related to 9 ALNs as COVID-19 related on the SEFA as required.

Recommendation

TDA should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly by (1) classifying expenditures appropriately by expenditure type and (2) identifying and reporting COVID-19-related expenditures as required.

Implementation Status

Corrective action was partially implemented.

Management's Response

Views of Responsible Officials 2024

The Texas Department of Agriculture (TDA) acknowledges and agrees with the findings.

- Assistance Listing Number (ALN) 10.170 reported Pass-Thru of \$331,395 incorrectly as COVID on the Schedules of Expenditures of Federal Awards (SEFA).

TDA will work to develop and implement a corrective action plan to further improve processes addressing the audit finding above.

Corrective Action Plan 2024

Pass-Thru analysis will be heightened to include all aspects of the type of funding as well as the dollar value of transmissions. Increase review as the Pass-Thru is applied to the SEFA.

Implementation Date: July 2025

Responsible Person: Accounting Director

Views of Responsible Officials 2023

The Texas Department of Agriculture (TDA) acknowledges and agrees with the findings.

- Non-monetary pass-through expenditures were noted as direct expenditures in error within the Schedules of Expenditures of Federal Awards (SEFA). The expenditures were reflected in the incorrect column.
- For several Assistance Listing Numbers (ALN) relating to "COVID-19" funds, the check box was not selected in the Comptroller SEFA web application, thus creating an error.

TDA will work to develop and implement a corrective action plan to further improve processes addressing the audit findings above.

Corrective Action Plan 2023

The Texas Department of Agriculture (TDA) will develop a mechanism within Centralized Accounting and Payroll/Personnel System (CAPPS) to identify non-monetary activities. Revisions to current COVID-19 tracking will be implemented to aid in the preparation of Schedules of Expenditures of Federal Awards (SEFA). Additional quality control steps will be implemented for the SEFA prior to submission. Staff will attend training in Single Audit/Yellow Book, Annual Financial Report (AFR) and Comptroller AFR web applications.

Implementation Date: July 1, 2024

Responsible Person: Accounting Director

Lamar University

Reference No. 24-555-04

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, Lamar University (Lamar):

- Misstated expenditures in relation to 5 ALNs due to timing differences between Lamar's Student Financial Aid system and its accounting system. In addition, one of the five ALNs was understated due to the exclusion of administrative costs. Overall, expenditures related to these ALNs were overstated by \$1,369,132. As a result, federal revenue in Note 2 was overstated by \$199,245, and the New Loans Processed sections of Note 2 and Note 3a were overstated by \$1,169,887.
- Overstated expenditures and revenue related to the Nursing Faculty Loan Program (ALN 93.264) within the Certified SEFA by \$586,649 due to reporting the amount of federal funding received rather than the amount of new loans processed during fiscal year 2023. As a result, Note 2 was overstated by the same amount. In addition, the New Loans Processed section of Note 3a was understated by \$20,369, and the Current Year Admin Cost Recovered section was overstated by \$607,018.
- Overstated expenditures by \$285,981 for ALN 97.036, Federal Disaster Grants – Public Assistance (Presidentially Declared Disasters). The overstatement occurred because Lamar incorrectly included expenditures associated with project worksheets that FEMA approved in prior fiscal years. As a result, expenditures disclosed within Note 8 and federal revenue reported in Note 2 were overstated by the same amount. On its

SEFA for Note 8, an agency should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

Recommendation

Lamar should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year and correctly categorizing expenditures related to loan programs.

Implementation Status

Corrective action was not implemented.

Management's Response

Views of Responsible Officials 2024

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2024

The University has already implemented significant process enhancements in this area. Financial Services and Financial Aid have been working together to develop a reconciliation process. New processes to reconcile the Common Origination and Disbursement (COD) system with Banner had to be developed which delayed implementation. The new process has been implemented but the implementation occurred after the end of the fiscal year.

Implementation Date: October 2024

Responsible Person: Controller

Views of Responsible Officials 2023

The University accepts and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement procedures to further improve and enhance the process.

Corrective Action Plan 2023

The University is implementing a monthly reconciliation process to validate the information reported by Financial Aid, Finance, and in the Common Origination and Disbursement (COD) system, as well as training and a thorough review process for the Schedule of Expenditures of Federal Awards (SEFA). The reconciliation and SEFA review processes will be formally documented to ensure proper procedures are followed by all responsible personnel. Internal training regarding revenue recognition for federal awards will be conducted annually as well as SEFA preparation. External training, when available, will also be utilized.

Implementation Date: March 2024

Responsible Person: Controller

Texas State University

Reference No. 24-555-05

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, Texas State University (Texas State) overstated expenditures related to 3 ALNs by \$426,309 due to timing differences between the University's Student Financial Aid system and its accounting system. As a result, Federal Revenue in Note 2 was overstated by \$97,918, and the New Loans Processed sections in Note 2 and Note 3a were overstated by \$328,391.

Implementation Status

Corrective action was implemented.

The University of Texas at Arlington

Reference No. 24-555-06

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, The University of Texas at Arlington (UT Arlington) understated the Nursing Student Loan Program (ALN 93.364) by \$126,269. The loan program was new to the university during fiscal year 2023 and was overlooked during the SEFA preparation process. As a result, the New Loans Processed sections in Note 2 and Note 3a were understated by the same amount.

Implementation Status

Corrective action was implemented.

The University of Texas at Austin

Reference No. 24-555-07

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, The University of Texas at Austin (UT Austin):

- Understated expenditures related to the Federal Work Study Program (ALN 84.033) by \$1,293,822 due to the incorrect exclusion of administrative costs and a calculation error. As a result, Federal Revenue in Note 2 was understated by the same amount.
- Incorrectly reported administrative costs of \$48,743 related to Perkins Loans Program (ALN 84.038) under New Loans Processed in Note 3a. As a result, Federal Revenue in Note 2 was understated by the same amount.
- Incorrectly reported Note 3a in relation to the Nursing Faculty Loan Program (ALN 93.264). UT Austin understated the beginning balance for ALN 93.264 by \$719,260 and incorrectly calculated the ending balance for fiscal year 2023. As a result, the fiscal year 2023 ending balance was understated by \$254,982.

- Overstated expenditures in Note 8 by \$4,539,543. The University incorrectly included expenditures from fiscal year 2023. On its SEFA for Note 8, an entity should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

Recommendation

UT Austin should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year and accurately calculating financial aid amounts as well as ending and beginning balances for loan programs.

Implementation Status

Corrective action was partially implemented.

Management's Response

Views of Responsible Officials 2024

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2024

The University of Texas at Austin has updated our SEFA Procedures Guide to include instructions for how to correctly report administrative costs on the SEFA.

Implementation Date: January 29, 2025

Responsible Person: Senior Financial Analyst

Views of Responsible Officials 2023

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2023

The University of Texas at Austin has updated our SEFA Procedures guide to ensure that expenditures are reported in the correct fiscal year and loan programs have accurate ending and beginning balances. We also plan on offering additional training on the use of our business intelligence report writer to ensure that financial aid amounts are calculated and recorded correctly.

Implementation Date: January 29, 2024

Responsible Person: Accountant II

The University of Texas at Dallas

Reference No. 24-555-08

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, The University of Texas at Dallas (UT Dallas):

- Understated expenditures in relation to 3 ALNs by \$179,707 due to incorrectly excluding student financial aid administrative costs. As a result, this caused Federal Revenue in Note 2 to be understated by the same amount.
- Overstated Note 8 by \$574,456. The overstatement occurred because UT Dallas incorrectly included expenditures associated with project worksheets that FEMA approved in prior fiscal years. On its SEFA for Note 8, an entity should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

Implementation Status

Corrective action was implemented.

University of Houston

Reference No. 24-555-09

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the University of Houston overstated expenditures by \$1,353,472 for ALN 97.036, Federal Disaster Grants – Public Assistance (Presidentially Declared Disasters). The overstatement occurred because the University of Houston incorrectly included expenditures associated with project worksheets that FEMA [Federal Emergency Management Agency] approved in prior fiscal years. As a result, federal revenue reported in Note 2 was overstated by the same amount, and expenditures disclosed in Note 8 were overstated by \$1,374,778.¹ On its SEFA for Note 8, an entity should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

Recommendation

The University of Houston should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.

Implementation Status

Corrective action was partially implemented.

Management's Response

Views of Responsible Officials 2024

The University of Houston acknowledges and agree with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

¹ In relation to one project worksheet, the University of Houston reported fewer expenditures in the Certified SEFA than were disclosed in Note 8.

Corrective Action Plan 2024

The University of Houston has already implemented significant process enhancements to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. The SEFA Standard Operating Procedures have been further revised to include updated instruction on the confirmation process and the inclusion of accruals, particularly when confirming pass-through paid to the University from TDEM for Federal Disaster Relief Grants. These updated instructions include guidance on how to calculate amounts to be accrued in order to accurately report incurred expenditures related to Federal Disaster Relief Grants for the reporting fiscal year. In addition to verifying the 'Date Awarded' on the PW, the preparer will verify the amount paid by TDEM on the PW and the total amount of expenditures posted on the cost center. If the amount paid by TDEM is less than the total award amount listed on the PW and total to date expenditures posted to the cost center exceed the amount paid, the preparer will request an accrual from TDEM up to the total amount of posted expenses or up to the total award amount, whichever is the lesser amount.

Implementation Date: January 17, 2025

Responsible Person: Financial Manager

Views of Responsible Officials 2023

The University of Houston acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University of Houston will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2023

The University of Houston has updated its SEFA Standard Operating Procedures on how to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. In preparation of the SEFA, the preparer will review the "Date Awarded" on the PWs associated with the amount passed from Agency 575 – TDEM to the University. Those PWs with prior fiscal year beginning dates and prior year expenses will be excluded from the SEFA. Only those PWs with current year start dates will be included.

Implementation Date: January 26, 2024

Responsible Person: Financial Manager

Reference No. 22-555-01

(Prior Audit Issue 21-555-02, 20-555-02, 19-555-01, 18-555-04, 17-555-04, 16-555-04, 15-555-05, 14-555-07, 13-555-02, 12-555-05, 11-555-17, 10-555-26, and 09-555-19)

Type of finding: Significant Deficiency

The higher education institution discussed below did not appropriately prepare or adequately review its **fiscal year 2021** Schedule of Expenditures of Federal Awards (SEFA). Therefore, the SEFAs that it submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

The University of Texas at Austin

The University of Texas at Austin (UT Austin) incorrectly classified expenditures related to the Research and Development cluster for 2 Assistance Listing Number (ALN) programs. Specifically:

- \$564,967 of expenditures were incorrectly excluded from the Research and Development cluster for ALN 93.433, and
- \$33,736 of expenditures were incorrectly included in the Research and Development cluster for ALN 84.334A.

As a result, the R&D cluster was understated by a net amount of \$531,231. The errors occurred because these expenditures were incorrectly classified in the internal data that UT Austin used to prepare the SEFA.

Implementation Status

Corrective action was implemented.



Appendix 1

Objective, Scope, and Methodology

Objective

The audit objective was to determine whether the State’s basic financial statements present fairly, in all material respects, the consolidated balances and activities for the State of Texas for the fiscal year ended August 31, 2024.

The Statewide Single Audit is an annual audit for the State of Texas. It is conducted so that the State complies with (1) the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and (2) state statute requiring that an audited Annual Comprehensive Financial Report be provided to the Governor (Texas Government Code, Section 403.013(c)).

Scope

The scope of the financial portion of the Statewide Single Audit included an audit of the State’s basic financial statements and a review of significant controls over financial reporting and compliance with applicable requirements.

The opinion on the basic financial statements, published in the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended August 31, 2024, was dated February 21, 2025.

The scope of the federal compliance portion of the Statewide Single Audit included an audit of the State's Schedule of Expenditures of Federal Awards (SEFA), a review of compliance for each major program, and a review of significant controls over federal compliance. The State Auditor's Office contracted with CliftonLarsonAllen LLP (CLA) to provide an opinion on compliance for each major program and internal control over compliance. The State Auditor's Office provided an opinion on the State's SEFA, in relation to its opinion on the ACFR. Information on the federal compliance portion of the Statewide Single Audit is included in a separate report entitled [State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024](#), by CLA.

Methodology

Audit fieldwork was conducted from August 2024 through February 2025. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the State Auditor's Office and those performing the audit be independent, and that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The State Auditor's Office implemented safeguards to maintain its independence to perform this audit. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To avoid duplication of effort, the State Auditor's Office relied on CLA's testing of the internal controls over certain systems and processes as they related to the financial portion of the Statewide Single Audit.

Auditors assessed the reliability of the State's data by (1) performing electronic tests of required data elements, (2) reviewing existing information about data and the systems that produced the data, and (3) interviewing agency and higher education institution officials knowledgeable about data. Auditors determined that the data was sufficiently reliable for the purposes of the audit.

Addressing the Audit Objective

During the audit, we performed the following:

- Identified the relevant criteria:
 - Texas statutes.
 - The Texas Administrative Code.
 - The Office of the Comptroller of Public Accounts' (Comptroller's Office) policies and procedures.
 - The Comptroller's Office's *Reporting Requirements for the Annual Financial Reports of State Agencies and Universities*.
 - Agency and higher education institution policies and procedures.
 - Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
 - Generally accepted accounting principles as established by existing authoritative literature including, but not limited to, literature published by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.
- Reviewed agency and higher education institution policies and procedures.
- Reviewed agency and higher education institution accounting data, which consisted of accounting data from agency and higher education institution accounting systems and accounting data from the Uniform Statewide Accounting System.
- Reviewed agency and higher education institution fiscal year 2024 annual financial reports.
- Reviewed agency and higher education institution year-end accounting adjustments.
- Evaluated automated systems controls, including agency internal accounting systems and the Uniform Statewide Accounting System.
- Performed analytical tests of account balances.

- Evaluated agency and higher education institution transactions.
- Compared agency and higher education institution accounting practices with the Comptroller's Office's reporting requirements.
- Evaluated selected agency and higher education institution fiscal year 2024 SEFA submissions to the Comptroller's Office.
- As part of the audit procedures performed on the SEFA, auditors selected a risk-based sample of generic Assistance Listing Numbers to test that the correct unique identifying number was reported.

Project Information



The following members of the State Auditor's staff performed the audit of the Annual Comprehensive Financial Report:

- Anca Pinchas, CPA, CISA, CIDA, MACy, MS (Project Manager)
- Elizabeth Gallegos, MAcc (Assistant Project Manager)
- Erin Hubener Peloquin, CPA, CIDA, CISA, CRFAC (Assistant Project Manager)
- Robert H. (Rob) Bollinger, CPA, CGMA, CFE
- Robert Burg, MPA, CPA, CFE
- Daniel Carr, CFE
- Benjamin Fox, CPA, CISA
- Charles Guymon
- Ben Hikida, Macy, CFE
- Taylor L. Huff, CFE
- Surabi Jagdish
- Kevin Mack, CFE
- Robert Pagenkopf, MBA, CFE
- Fabienne Robin, MBA, CFE
- Keith Rodriguez, Macc
- Heather Stearns
- Alexander Sumners, CFE
- Michele Yonkeu
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Jeannette Quiñonez Garcia, CPA (Audit Manager)

The following members of the State Auditor’s staff performed the audit of the Schedule of Expenditures of Federal Awards:

- Jennifer Grant, CFE (Project Manager)
- Jacqueline Thompson, CIA, CFE (Assistant Project Manager)
- Charlotte Carpenter, CPA
- Daniel Carr, CFE
- Shea Caverner
- Mikayla Polio
- Makoa Shibuya
- Kiara White
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (Audit Manager)

Appendix 2

Agencies and Higher Education Institutions Audited

Financial accounts were audited at the following agencies and institution of higher education:

- Health and Human Services Commission.
- Office of the Comptroller of Public Accounts.
- Texas A&M University System.
- Texas Education Agency.
- Texas General Land Office.
- Texas Water Development Board.
- Texas Workforce Commission.

Schedules of Expenditures of Federal Awards at the following agencies and higher education institutions were audited by either the State Auditor's Office or CliftonLarsonAllen LLP (CLA):

- Department of Family and Protective Services.
- Department of Housing and Community Affairs.
- Department of State Health Services.
- Department of Transportation.
- Health and Human Services Commission.
- Lamar University (auditors performed only prior year finding follow up work).
- Office of the Governor (auditors performed only prior year finding follow up work).
- Texas A&M Engineering Experiment Station.

- Texas Department of Agriculture (auditors performed only prior year finding follow up work).
- Texas Department of Criminal Justice.
- Texas Education Agency.
- Texas State University (auditors performed only prior year finding follow up work).
- Texas Veterans Commission.
- Texas Workforce Commission.
- The University of Texas at Arlington (auditors performed only prior year finding follow up work).
- The University of Texas at Austin.
- The University of Texas at Dallas (auditors performed only prior year finding follow up work).
- The University of Texas Health Science Center at Houston.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston
- The University of Texas Southwestern Medical Center.
- University of Houston (auditors performed only prior year finding follow up work).



Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Boards, Commissions, Chancellors, Executive Directors, and Presidents of the Following Agencies and Higher Education Institutions

Department of Family Protective Services

Department of Housing and Community Affairs

Department of State Health Services

Department of Transportation

Health and Human Services Commission

Lamar University

Office of the Comptroller of Public Accounts

Office of the Governor

Texas A&M Engineering Experiment Station

Texas A&M University System
Texas Department of Agriculture
Texas Department of Criminal Justice
Texas Education Agency
Texas General Land Office
Texas State University
Texas Veterans Commission
Texas Water Development Board
Texas Workforce Commission
The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Dallas
The University of Texas Health Science Center at Houston
The University of Texas M. D. Anderson Cancer Center
The University of Texas Medical Branch at Galveston
The University of Texas Southwestern Medical Center
University of Houston



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