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An Audit Report on

**Financial Transactions  
Associated with Hurricane  
Katrina and Hurricane Rita at the  
Lamar Higher Education  
Institutions and the Texas State  
University System**

April 2009

Report No. 09-035



An Audit Report on

# *Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System*

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## *Overall Conclusion*

As of May 24, 2008,<sup>1</sup> three of the four Lamar higher education institutions had received \$10,384,310 more in state and federal emergency appropriations than they needed to cover their costs associated with Hurricane Katrina and Hurricane Rita (see Table 1 on page 3). Auditors subsequently identified additional hurricane-related expenditures for which the institutions have not yet requested reimbursement; when those expenditures are considered, the amount the three institutions received in excess of their costs is reduced to \$8,476,321 as of March 2009 (see Appendix 3 on page 54).

This occurred, in part, because Lamar University received duplicate reimbursements for expenditures by transferring \$2,112,660 in state emergency appropriations to its local account to pay invoices that it had already paid using state emergency appropriations. Lamar University also retained in its local accounts \$3,275,995 in FEMA reimbursements for expenditures it had already paid for with state emergency appropriations. In Lamar University's management response, presented in Chapter 5 on page 21, management agrees that the double reimbursements occurred.

In addition, the Texas State University System (System) and the Lamar higher education institutions overestimated their revenue losses. Auditors estimate that revenue losses for fiscal years 2006 through 2008 were \$11,885,883 (see Table 2 on page 6). Subsequent to receiving a draft of this report, the System and the Lamar higher education institutions revised revenue losses to be \$23,679,173 (see Chapter 5, page 18). When the institutions calculated their revenue losses, they included prospective revenue for possible future student growth. They also included

### **Background Information**

The four Lamar higher education institutions are:

- Lamar University (in Beaumont, TX).
- Lamar State College - Port Arthur.
- Lamar State College - Orange.
- Lamar Institute of Technology (in Beaumont, TX).

Through House Bill 63 (79th Legislature, 3rd Called Session), the Legislature appropriated \$34.0 million during a two-year period for the purpose of paying for or reimbursing costs associated with damages or disruptions caused when Hurricane Katrina and Hurricane Rita hit the Lamar higher education institutions in the fall of 2005. House Bill 63 was effective on May 24, 2006.

It was estimated that the \$34.0 million in state emergency appropriations and \$12.9 million in Federal Emergency Management Agency (FEMA) reimbursements the Lamar higher education institutions had received prior to May 2006 would make the institutions whole with respect to their hurricane losses.

<sup>1</sup> The May 24, 2008, date is significant because that was the date when state emergency appropriations were no longer available to the institutions.

requested formula funding amounts that were submitted to and addressed during the 80th legislative session. However, the institutions' formula funding was not reduced as a result of a decline in enrollment after the hurricanes. Lamar University did not include its growing graduate program in its initial tuition revenue loss calculations.

The System was responsible for allocating state emergency appropriations to the Lamar higher education institutions based on initial estimates of hurricane-related expenditures, revenue losses, federally required insurance premiums, and federal reimbursements that the institutions had received prior to receiving state emergency appropriations. The System also reported financial activities related to the hurricanes to the Legislative Budget Board. However, the System did not provide sufficient guidance and direction to the Lamar higher education institutions regarding the use of the funds. For example, the System did not provide the higher education institutions with assumptions to use in calculating tuition revenue losses, and it did not review the higher education institutions' financial reports for accuracy.

#### **Verification of Expenditures**

Auditors tested 167 expenditures totaling \$3,335,653 that the Lamar higher education institutions made between November 2005 and May 2008 and determined that all expenditures tested were for valid, hurricane-related costs.

The higher education institutions collectively applied 52.2 percent of their state emergency appropriations toward revenue losses.

#### **Expected Additional Funding**

The Lamar higher education institutions expect to receive an additional \$12,607,761. This comprises \$8,040,002 for FEMA claims awaiting payment, a request for an additional \$1,124,411 in FEMA funds to cover cost overruns, and \$3,443,348 in insurance claims.

### ***Summary of Management's Response***

Management of the System and the Lamar higher education institutions disagree that three Lamar higher education institutions received more in state and federal emergency appropriations than they needed to cover costs associated with Hurricane Katrina and Hurricane Rita. Management also disagrees that all four institutions overstated their revenue losses. Management asserts that the Lamar higher education institutions have incurred hurricane-related expenditures and revenue losses that exceed insurance proceeds and state and federal emergency appropriations, see Chapter 5 page 18. However, management agrees that, if any of its reimbursements exceeds actual hurricane-related losses, it should reimburse the excess.

Management agrees that Lamar University was unable to provide auditors with a complete and accurate account of all of its hurricane-related expenditures that fully reconciled with its internal accounting systems. Management also agrees that Lamar University received double reimbursement for expenditures already paid for with state emergency appropriations. See Chapter 5, page 13, for management's detailed responses.

### ***Auditor Follow-up Comment***

The management responses refer to a recent State Auditor's Office report that the System and institutions assert provides a methodology for calculating revenue losses. However, the System and institutions did not follow that methodology because they included projected future growth in enrollment and allowed for multiple years of tuition revenue loss/formula funding.

### ***Summary of Objectives, Scope, and Methodology***

The objectives of this audit were to determine:

- How the Lamar higher education institutions calculated and supported expenditure and revenue losses attributable to Hurricane Katrina and Hurricane Rita.
- How the System approved and allocated emergency funds.

The scope of this audit included an analysis of state emergency appropriations and FEMA funds awarded to Lamar higher education institutions for September 23, 2005, through May 24, 2008. Additional hurricane-related expenditures through March 2009 were provided by the institutions and were not audited by the State Auditor's Office.

The audit methodology included conducting interviews, researching federal and state laws, reviewing method of funding distributions, reviewing hurricane expenditures and revenue losses, and analyzing Uniform Statewide Accounting System transactions. Auditors did not perform any information technology control work on this audit because the primary accounting system that supported the majority of the expenditures tested was replaced in fiscal year 2008.

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## *Detailed Results*

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# Detailed Results

Chapter 1

## ***Lamar University Overstated Its Expenditures Related to Hurricane Katrina and Hurricane Rita***

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As of May 24, 2008, the four Lamar higher education institutions had spent all \$34,000,000 in state emergency appropriations, \$21,025,290 in Federal Emergency Management Agency (FEMA) reimbursements, and \$22,850 in insurance proceeds for expenditures and revenue losses attributed to Hurricane Katrina and Hurricane Rita, for a total of \$55,048,140. However, auditors determined that these higher education institutions had incurred \$44,663,830 in hurricane-related expenditures and revenue losses as of May 24, 2008. In addition, these higher education institutions collectively applied 52.2 percent of their state emergency appropriations toward revenue losses (see Chapter 2 for information related to revenue losses).

All expenditures auditors tested were directly hurricane-related. Auditors did not identify any discrepancies in expenditures at Lamar State College – Port Arthur, Lamar State College – Orange, and Lamar Institute of Technology.

The Texas State University System and Lamar higher education institutions did not obtain required approval from the Legislative Budget Board and Governor’s Office prior to spending \$8,043,009 in FEMA reimbursements received after May 24, 2006.

Chapter 1-A

### **Lamar University Overstated Its Expenditures Related to Hurricane Katrina and Hurricane Rita**

Lamar University did not have adequate controls in place to track its hurricane-related expenditures. As a result, Lamar University:

- Received \$2,112,660 in reimbursements from state emergency appropriations to pay invoices that it had already paid using state emergency appropriations. See Appendix 2, page 52, for the journal vouchers that Lamar University submitted related to those reimbursements.
- Received \$3,275,995 in FEMA reimbursements for expenditures it had already paid for with state emergency appropriations.

Lamar University was unable to provide auditors with a complete and accurate account of all of its hurricane-related expenditures that fully reconciled with its internal accounting systems. On multiple occasions, Lamar University supplied auditors with hurricane-related expenditure data that it had compiled using spreadsheets, rather than system-generated reports.

Each set of expenditure data and revenue loss estimates Lamar University provided to auditors during the course of the audit was different, which demonstrates that Lamar University was not always able to generate reliable financial information. In addition, Lamar University did not always record hurricane-related expenditures to the dedicated hurricane-related accounts. As a result, auditors manually reviewed 945,293 individual transactions to determine whether they were expenditures related to Hurricane Katrina and Hurricane Rita.

Auditors also were unable to reconcile the cash and expenditure amounts in Lamar University's accounting systems to the amounts in the Uniform Statewide Accounting System (USAS). Auditors identified expenditures that Lamar University's accounting systems indicated were paid for with local funds but that USAS indicated were paid for with state emergency funds from House Bill 63 (79th Legislature, 3rd Called Session). While Lamar University prepared reconciliations of its internal accounting systems to USAS, those reconciliations were not supported by reports from these systems showing account balances and transactions.

Auditors did not identify any discrepancies in expenditure reimbursements at Lamar State College – Port Arthur, Lamar State College – Orange, and Lamar Institute of Technology. However, Lamar Institute of Technology did not charge its expenditures to the correct object codes in USAS. Information in USAS indicated that Lamar Institute of Technology appeared to have no direct expenditures for repairs and damages from Hurricane Katrina and Hurricane Rita; however, auditors determined that Lamar Institute of Technology had \$1,164,062 in direct expenditures for hurricane-related repairs and damages. It is important to use the correct object codes to report expenditures in USAS because the State's consolidated annual financial report is produced from the information stored in USAS.

Table 1 summarizes the FEMA, state, and insurance funds the Lamar higher education institutions received and expended related to Hurricane Katrina and Hurricane Rita.

Table 1

Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - May 24, 2008					
	Lamar University	Lamar State College - Port Arthur	Lamar State College - Orange	Lamar Institute of Technology	Totals
Funds Received as of May 24, 2008					
FEMA Payments Received before May 24, 2006	\$12,403,925	\$386,579	\$ 190,322	\$ 1,455	\$12,982,281
FEMA Payments Received after May 24, 2006	7,533,127	22,125	96,432	391,325	8,043,009
State Emergency Appropriations	25,031,416	5,421,273	2,024,424	1,522,887	34,000,000
Insurance Proceeds Received	<u>0</u>	<u>22,850</u>	<u>0</u>	<u>0</u>	<u>22,850</u>
Total Funds Received	\$44,968,468	\$5,852,827	\$2,311,178	\$1,915,667	\$55,048,140
Funds Expended as of May 24, 2008					
Funds Expended	\$27,609,377	\$1,425,809	\$1,355,047	\$1,032,676	\$31,422,909
Less: Insurance premiums paid for auxiliary buildings from state emergency appropriations	<u>690,006</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>690,006</u>
Subtotal: Funds Expended	26,919,371	1,425,809	1,355,047	1,032,676	30,732,903
Revenue Losses	7,359,467	2,739,903	727,049	1,059,464	11,885,883
FEMA Administrative Fee Received by Institution	135,685	9,174	6,735	8,856	160,450
Expenditures Reimbursed with FEMA Funds Held Locally	0	368,021	86,113	472	454,606
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	<u>\$1,389,477</u>	<u>22,507</u>	<u>0</u>	<u>18,004</u>	<u>1,429,988</u>
Total Funds Expended	\$35,804,000	\$4,565,414	\$2,174,944	\$2,119,472	\$44,663,830
Excess of Funds Received over Funds Expended as of May 24, 2008	\$9,164,468	\$1,287,413	\$136,234	(\$203,805)	\$10,384,310

Sources: USAS and auditors' analysis.

All expenditures tested were for hurricane-related costs. Auditors tested 167 expenditures totaling \$3,335,653 that the Lamar higher education institutions made between November 2005 and May 2008 and determined that all expenditures tested were for valid, hurricane-related costs.

Reimbursements for insurance premium payments in 2007 and 2008 from state emergency appropriations may not have been appropriate. The Lamar higher education institutions spent \$1,130,105 from state emergency appropriations to pay insurance premiums on education and general buildings as a condition for receiving public assistance on any future disasters of the same type immediately following the hurricane. However, Lamar University also used \$2,207,909 from state emergency appropriations to pay the premiums to renew those insurance policies in 2007 and 2008. This amount includes



\$690,006 in insurance premiums for auxiliary buildings that had been insured prior to Hurricane Rita. The premium payments made in 2007 and 2008 for renewing the insurance policies did not appear to be direct costs related to damages and disruptions from Hurricane Rita. Therefore, these premium payments should have been included as part of Lamar University's operating budget, particularly the premium payments for insurance on auxiliary buildings that were covered by insurance prior to the hurricane.

The Lamar higher education institutions did not deposit FEMA funds in the State Treasury in a timely manner. The Department of Public Safety sent FEMA funds directly to the Lamar higher education institutions (instead of transferring the funds to the institutions' appropriations in the State Treasury). As a result, the institutions were responsible for depositing the funds into the State Treasury, and in some cases that did not occur until months later. For example, one institution took 11 months to deposit a FEMA reimbursement into the State Treasury. In addition, the FEMA appropriation activity in the USAS system did not reflect all FEMA funds received.

## Recommendations

Lamar University should:

- Reimburse the State for expenditure reimbursements received that exceeded its actual hurricane-related losses.
- Determine whether the insurance premiums paid from state emergency appropriations were allowable costs and, if they were not allowable costs, reimburse the State accordingly.

All Lamar higher education institutions should:

- Use appropriate object codes to report expenditures in USAS.
- Deposit federal reimbursement funds into the State Treasury in a timely manner.

## The Lamar Higher Education Institutions Did Not Obtain Required Approval from the Legislative Budget Board and Governor's Office Prior to Spending FEMA Reimbursements Received After May 24, 2006

As of May 24, 2008, the Lamar higher education institutions had received \$21,025,290 in FEMA reimbursements. They received \$8,043,009 (38.3 percent) of that amount after state emergency funds had been appropriated.

### House Bill 63 Requirements for Expending Additional FEMA Reimbursements

SECTION 2. APPROPRIATION. (a) In addition to other appropriated amounts that may be used for this purpose, the amount of \$34 million is appropriated out of the general revenue fund to the Texas State University System for the two-year period beginning on the effective date of this Act for the purpose of paying for or reimbursing payments for costs associated with damages or disruptions caused by Hurricane Katrina or Hurricane Rita and suffered by Lamar University or its related institutions.

SECTION 3. PREVENTION OF DOUBLE RECOVERY OR DOUBLE REIMBURSEMENT. (a) The purpose of this section is to prevent double recovery or double reimbursement for the same hurricane-related cost or expenditure.

(b) If the Texas State University System, Lamar University or one of its related institutions, or another state agency, institution, or office receives reimbursement from the federal government for expenditures made for a purpose described by Section 2 of this Act, the amounts received may not be spent without the prior approval of the governor and the Legislative Budget Board. A federal reimbursement described by this subsection shall be deposited in the state treasury and is considered to be undedicated general revenue.

Source: House Bill 63, 79th Legislature, 3rd Called Session.

The Lamar higher education institutions had spent all of the FEMA reimbursements deposited in the State Treasury as of May 24, 2008.

House Bill 63 required that, if the Texas State University System, Lamar University, or one of its related institutions received reimbursement from the federal government for expenditures for hurricane damages, the amounts received could not be spent without the prior approval of the Governor and the Legislative Budget Board (see text box for additional details). However, neither the Lamar higher education institutions nor the Texas State University System requested that approval.

### Recommendation

All Lamar higher education institutions should reimburse the State for expenditure reimbursements received that exceeded their actual hurricane-related losses.

## ***Three Lamar Higher Education Institutions Overstated Revenue Losses Related to Hurricane Katrina and Hurricane Rita***

As of May 2008, Lamar University, Lamar State College – Orange, and Lamar State College – Port Arthur had overstated revenue losses from Hurricane Katrina and Hurricane Rita by \$5,723,067. These institutions attributed the majority of the revenue losses to tuition and fee losses. Table 2 presents the revenue loss amounts each higher education institution reported compared with revenue loss amounts that auditors calculated.

Table 2

Revenue Losses Attributed to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions Fiscal Year 2006 through Fiscal Year 2008 (as of May 24, 2008)						
Higher Education Institution	Amount Reimbursed to the Higher Education Institution				Revenue Loss Calculated by Auditors (Fiscal Years 2006-2008) <sup>a</sup>	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss Calculated by Auditors
	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Total		
Lamar University	\$3,785,625	\$4,018,751	\$4,165,833	\$11,970,209	\$7,359,467	\$4,610,742
Lamar State College - Port Arthur	961,613	2,158,976	897,000	4,017,589	2,739,903	1,277,686
Lamar State College - Orange	396,363	473,656	0	870,019	727,049	142,970
Lamar Institute of Technology	310,145	436,763	4,225	751,133	1,059,464	(308,331)
<b>Totals</b>	<b>\$5,453,746</b>	<b>\$7,088,146</b>	<b>\$5,067,058</b>	<b>\$17,608,950</b>	<b>\$11,885,883</b>	<b>\$5,723,067</b>

<sup>a</sup> Auditors' calculations include tuition and fee losses from fiscal year 2006 through the Spring 2008 semester. This calculation also included refunds to students, prison and workforce contract losses, and auxiliary losses incurred in the Fall 2005 semester.

Sources: Amounts reimbursed for revenue loss were obtained from USAS. All other data was based on auditors' analysis.

The Lamar higher education institutions did not use a consistent methodology for calculating revenue losses. Each institution used its own methodology, and some institutions changed their methodologies each year. All four institutions reported estimated revenue losses in fiscal year 2007 that were higher than in fiscal year 2006, the year the hurricane occurred. Lamar University also reported estimated revenue losses in fiscal years 2007 and 2008 that were higher than in fiscal year 2006. In addition, auditors encountered difficulty in determining whether revenue losses in fiscal years

2007 and 2008 were directly attributable to Hurricane Katrina and Hurricane Rita.

For fiscal year 2006, Lamar University, Lamar State College – Orange, and Lamar State College – Port Arthur all recognized revenue losses that the State Auditor’s Office reported in 2006.<sup>2</sup> Lamar Institute of Technology did not recognize the full revenue loss that the State Auditor’s Office reported in 2006, and it adjusted its revenue losses after Spring 2006 enrollment numbers were final.

Auditors recalculated revenue losses for fiscal years 2006 through 2008 using student semester credit hours and enrollment data from calendar year 2005 through fiscal years 2006-2008. Auditors excluded Fall 2005 from fiscal year 2006 because it was the semester when the hurricane occurred and was used as the base year. Auditors included all losses that occurred in the base year, which would include items such as student refunds, lost revenues from contracts, and auxiliary losses. Auditors also included any increases in tuition and fees when calculating the revenue losses for each fiscal year.

Lamar University received the same amount of General Revenue formula funding in fiscal years 2008 and 2009 that it received in fiscal years 2006 and 2007, including “hold harmless” funds totaling \$554,432 for the 2008-2009 biennium. Lamar State College - Port Arthur, Lamar State College - Orange, and Lamar Institute of Technology collectively received \$1.47 million more in formula funding for fiscal years 2008 and 2009 than they received in fiscal years 2006 and 2007.

Lamar University overstated revenue losses resulting from Hurricane Rita by \$4,610,742 for fiscal years 2006 through 2008. Lamar University reported revenue losses of \$11,970,209; however, it was unable to provide supporting documentation for the calculations it used to determine revenue losses for these years. Lamar University attempted to recalculate its 2007 and 2008 revenue losses, but its recalculation did not result in the same amounts it originally reported for those years. Lamar University did not include graduate student enrollment in its estimates for tuition and revenue losses. In addition, the methodology to recalculate these losses was different than the methodology Lamar University provided to the Legislative Budget Board. Using a methodology auditors developed, auditors calculated revenue losses of \$7,359,467 for fiscal years 2006 through 2008. Therefore, Lamar University overstated revenue losses by \$4,610,742.

Lamar State College - Port Arthur overstated revenue losses resulting from Hurricane Rita by \$1,277,686 for fiscal years 2006 through 2008. Lamar State College – Port Arthur was reimbursed \$4,017,589 for revenue losses for fiscal years 2006 through 2008. It calculated these losses using actual tuition and fees revenue

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<sup>2</sup> See *A Review of the Financial Impact of Hurricane Rita at Lamar University and Lamar Two-Year Colleges* (State Auditor’s Office Report No. 06-314, January 2006).

for each year and compared those amounts with 2005 tuition and fee revenue amounts (with adjustments for the increase in tuition and fee rates). Auditors recalculated revenue losses of \$2,739,903 for Lamar State College – Port Arthur for fiscal years 2006 through 2008. Therefore, Lamar State College – Port Arthur overstated revenue losses by \$1,277,686.

Lamar State College - Orange overstated revenue losses recognized as a result of Hurricane Rita by \$142,970 for fiscal years 2006 and 2007. For fiscal years 2006 and 2007, Lamar State College – Orange was reimbursed \$870,019 for revenue losses. Lamar State College – Orange originally calculated its revenue losses for fiscal year 2007 using actual tuition and fee revenue and estimated discounts and allowances and compared those amounts with 2005 tuition and fee revenue. However, this produced a larger loss than the institution was comfortable reporting, so it instead estimated its revenue loss as equal to one month's worth of payroll expenditures. Although this produced a more conservative estimate of revenue loss, it still exceeded actual revenue losses. Auditors recalculated revenue losses of \$727,049. Therefore, Lamar State College – Orange overstated revenue losses by \$142,970.

Lamar Institute of Technology understated its revenue losses by \$308,331 for fiscal years 2006 and 2007. Lamar Institute of Technology was reimbursed \$751,133 for revenue losses. Auditors calculated revenue losses of \$1,059,464. Therefore, Lamar Institute of Technology understated revenue losses by \$308,331. Lamar Institute of Technology did not request reimbursement for the full amount of its revenue losses because it had received reimbursement for the full amount of funds allocated to it by the Texas State University System Office from the state emergency appropriations.

## Recommendations

All Lamar higher education institutions should:

- Reimburse the State for revenue loss reimbursements received that exceeded their actual losses.
- Consult the Legislative Budget Board and Governor's Office on the appropriate amount of time revenue losses should be considered in the event of a future disaster.

## ***The Texas State University System Allocated State Emergency Appropriations to the Lamar Higher Education Institutions, But It Did Not Monitor the Institutions' Reported Expenditures and Revenue Losses***

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The Texas State University System (System) initially allocated state emergency appropriations to the Lamar higher education institutions based on (1) hurricane-related expenditures and revenue losses estimated by the State Auditor's Office in January 2006<sup>3</sup>, (2) federally required insurance premiums

for the first year of insurance on education and general buildings, and (3) federal reimbursements that the Lamar higher education institutions had received prior to appropriation of state emergency funds. The System's initial allocation of state emergency appropriations was designed to make each of the Lamar higher education institutions whole with respect to the expenditures and revenue losses associated with damages or disruptions caused by Hurricane Katrina and Hurricane Rita.

The System modified its initial funding allocation based on information provided by the Lamar higher education institutions after they obtained better estimates. The System decreased allocations of funds to Lamar University and the Lamar Institute of Technology, and it increased allocations of funds to Lamar State College - Port Arthur and the Lamar State College - Orange.

The System did not perform any reviews of the Lamar higher education institutions' supporting documentation for their reported hurricane-related expenditures and revenue losses. In addition, the System did not issue uniform, written, and detailed procedures to the Lamar higher education institutions for the purpose of calculating hurricane-related revenue losses and accounting for hurricane-related expenditures and revenue losses. As a result, the System did not ensure the accuracy or reasonableness of additional state emergency appropriations requested by the Lamar higher education institutions.

In addition, the System did not develop, or require the Lamar higher education institutions to develop, processes to obtain the approval of the Governor and the Legislative Budget Board prior to spending federal reimbursements received after the appropriation of state emergency funds. As a result, the Lamar higher education institutions spent \$8,043,009 in reimbursements from

### **House Bill 63 Requirements for the Texas State University System**

#### **SECTION 2. APPROPRIATION**

(a) In addition to other appropriated amounts that may be used for this purpose, the amount of \$34 million is appropriated out of the general revenue fund to the Texas State University System for the two-year period beginning May 24, 2006 for the purpose of paying for or reimbursing payments for costs associated with damages or disruptions caused by Hurricane Katrina or Hurricane Rita and suffered by Lamar University or its related institutions.

(b) The Texas State University System shall distribute the money appropriated by Subsection (a) of this section to Lamar University and its related institutions, allocating the money among Lamar University and its related institutions as the system considers appropriate to address the hurricane-related needs of those institutions.

#### **SECTION 3. PREVENTION OF DOUBLE RECOVERY OR DOUBLE REIMBURSEMENT**

(b) If the Texas State University System, Lamar University or one of its related institutions, or another state agency, institution, or office receives reimbursement from the federal government for expenditures made for a purpose described by Section 2 of this Act, the amounts received may not be spent without the prior approval of the Governor and the Legislative Budget Board.

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<sup>3</sup> See *A Review of the Financial Impact of Hurricane Rita at Lamar University and Lamar Two-Year Colleges*, State Auditor's Office Report No. 06-314, January 2006).

the federal government while House Bill 63 was in effect without receiving the prior approval of the Governor and the Legislative Budget Board.

## Recommendations

In the event of future disasters, the System should:

- Provide uniform, written, detailed procedures to the affected higher education institutions for calculating and accounting for expenditures and revenue losses associated with the disaster.
- Review supporting documentation for expenditure and revenue loss reports submitted by the affected higher education institutions for accuracy and reasonableness.
- Develop processes to ensure compliance with all requirements of the legislation related to the disaster.
- Provide training to affected higher education institutions on appropriate accounting practices to track disaster-related expenditures and revenues.

## *Total Funds the Lamar Higher Education Institutions Have Already Received and Expect to Receive Exceed Their Expenditures and Revenue Losses*

The amount that the Lamar higher education institutions have already received and expect to receive exceeds auditors' estimates of hurricane-related expenditures and revenue losses by \$21,106,932. Table 3 presents the Lamar higher education institutions' sources and uses of funds related to Hurricane Katrina and Hurricane Rita.

Table 3

Sources and Uses of Funds Attributed to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - March 2009					
	Lamar University	Lamar State College - Port Arthur	Lamar State College - Orange	Lamar Institute of Technology	Totals
<b>Sources of Funds:</b>					
FEMA Payments Received before May 24, 2006	\$12,403,925	\$386,579	\$ 190,322	\$ 1,455	\$12,982,281
FEMA Payments Received after May 24, 2006	7,533,127	22,125	96,432	391,325	8,043,009
State Emergency Appropriations	25,031,416	5,421,273	2,024,424	1,522,887	34,000,000
Insurance Payments Received	0	22,850	0	0	22,850
<b>Future Funds:</b>					
FEMA Claims Awaiting Payment <sup>a</sup>	5,927,942	853,481	784,756	473,823	8,040,002
FEMA Estimated Future Claims	1,124,411	0	0	0	1,124,411
Insurance Claims Pending	<u>3,443,348</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,443,348</u>
<b>Total Sources</b>	<b>\$55,464,169</b>	<b>\$6,706,308</b>	<b>\$3,095,934</b>	<b>\$2,389,490</b>	<b>\$67,655,901</b>
<b>Uses of Funds:</b>					
Funds Expended	\$ 27,609,377	\$1,425,809	\$1,355,047	\$1,032,676	\$31,422,909
Less: Insurance premiums paid for auxiliary buildings from state emergency appropriations	<u>690,006</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>690,006</u>
Subtotal: Funds Expended	\$26,919,371	\$1,425,809	\$1,355,047	\$1,032,676	\$30,732,903
Revenue Losses	7,359,467	2,739,903	727,049	1,059,464	11,885,883
FEMA Administrative Fee Received by Institution	164,502	25,091	21,500	17,973	229,066
Expenditures Reimbursed with FEMA Funds Held Locally	0	368,021	86,113	472	454,606
Expenditures Not Submitted for Reimbursement before May 24, 2008	1,389,477	22,507	0	18,004	1,429,988
Expenditures Not Submitted for Reimbursement after May 24, 2008	\$1,345,451	0	0	39,806	1,385,257
Encumbrances (estimates) to Finish Repair Work	<u>431,266<sup>b</sup></u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>431,266</u>
<b>Total Uses</b>	<b>\$37,609,534</b>	<b>\$4,581,331</b>	<b>\$2,189,709</b>	<b>\$2,168,395</b>	<b>\$46,548,969</b>
<b>Excess of Sources over Uses</b>	<b>\$17,854,635</b>	<b>\$2,124,977</b>	<b>\$906,225</b>	<b>\$ 221,095</b>	<b>\$21,106,932</b>
<sup>a</sup> FEMA Claims Awaiting Payment could be lowered based on adjustments to auxiliary buildings that were covered by insurance.					
<sup>b</sup> The University estimates that it will need an additional \$431,266 to finish the building repair work.					

Sources: USAS, the higher education institutions' internal accounting systems and FEMA project worksheets, and auditors' analysis.



As Table 3 shows, the funds that the Lamar higher education institutions have already received and the funds these institutions expect to receive total \$67,655,901. Auditors' analysis determined that the Lamar higher education institutions sustained \$46,548,969 in hurricane-related expenditures and revenue losses. Therefore, the difference between potential recovered funds and actual hurricane-related expenditures and revenue losses is \$21,106,932. The Lamar higher education institutions have already received \$55,048,140 to cover expenditures and revenue losses associated with Hurricane Katrina and Hurricane Rita. The Lamar higher education institutions could potentially receive an additional \$12,607,761 to cover expenditures and revenue losses associated with Hurricane Katrina and Hurricane Rita. This includes:

- \$8,040,002 in outstanding claims that the Lamar higher education institutions have filed with FEMA but that FEMA has not yet paid. Of that amount, \$5,927,942 (73.7 percent) is for Lamar University. It is not known when these claims will be paid or the amount that the Lamar higher education institutions will receive. Lamar higher education institutions should track their outstanding claims to ensure that they continue to pursue and receive all future reimbursements due to the State.
- \$1,124,411 in future FEMA claims that Lamar University has estimated for project cost overruns. Payment for future FEMA claims is contingent on a final audit by FEMA that has not yet been scheduled. FEMA may pay only up to the amount of the insurance deductible for damages sustained to auxiliary properties that are covered by insurance, which could reduce the amount of FEMA funds that remain to be collected.
- \$3,443,348 in pending insurance claims that Lamar University has not yet received from insurer FM Global for its auxiliary buildings that were insured prior to Hurricane Rita.

## Recommendations

All Lamar higher education institutions should:

- Refund to the State any future federal reimbursements and insurance proceeds received that exceed their actual losses.
- Consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly.



**THE TEXAS STATE UNIVERSITY SYSTEM**  
Founded 1911

Thomas J. Rusk Building • 200 East 10<sup>th</sup> Street, Suite 600 • Austin, Texas 78701-2407  
(512) 463-1808 • Fax (512) 463-1816 • www.tsus.edu

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*Orange*

**Lamar State College–Port Arthur**  
*Port Arthur*

April 22, 2009

Mr. John Keel  
State Auditor's Office  
PO Box 12067  
Austin, Tx 78711-2067

Mr. Keel,

Attached are the responses of the Texas State University System to recommendations contained in the State Auditor's Office audit report entitled "*Financial Transactions Associated with Hurricane Rita and Hurricane Katrina for the Lamar Higher Education Institutions and the Texas State University System.*" Please note there are charts attached to the narrative text; these charts are an integral part of our responses.

Sincerely,

Dr. Charles R. Matthews, Chancellor  
Texas State University System



**LAMAR UNIVERSITY**

A Member of The Texas State University System

April 22, 2009

Mr. John Keel  
State Auditor's Office  
P.O. Box 12067  
Austin, TX 78711-2067

Mr. Keel:

Attached are the responses of Lamar University to recommendations contained in the State Auditor's Office audit report entitled "*Financial Transactions Associated with Hurricane Rita and Hurricane Katrina for the Lamar Higher Education Institutions and the Texas State University System.*" Please note there are charts attached to the narrative text; these charts are an integral part of our responses.

Sincerely,

James M. Simmons,  
President

Office of the President

P. O. Box 10001 Beaumont, Texas 77710 409 880-8405 Fax 409 880-8404



Lamar State College — Port Arthur

A Member of The Texas State Education System

April 22, 2009

Mr. John Keel  
State Auditor's Office  
PO Box 12067  
Austin, TX 78711-2067

Mr. Keel,

Attached are the responses of Lamar State College Port Arthur to recommendations contained in the State Auditor's Office audit report entitled "*Financial Transactions Associated with Hurricane Rita and Hurricane Katrina for the Lamar Higher Education Institutions and the Texas State University System.*" Please note there are charts attached to the narrative text; these charts are an integral part of our responses.

Sincerely,

Dr. Sam Monroe, President  
Lamar State College Port Arthur

PO Box 310 • Port Arthur, Texas 77641-0310  
Phone 409 983-4921 • 1 800 477-5872



*Office of the President*

Ph: 409/882-3314  
Fax: 409/882-3098

22 April 2009

Mr. John Keel  
State Auditor's Office  
P.O. Box 12067  
Austin, TX 78711-2067

Dear Mr. Keel:

Attached is the response of the Lamar State College-Orange to recommendations contained in the State Auditor's Office audit report entitled "*Financial Transactions Associated with Hurricane Rita and Hurricane Katrina for the Lamar Higher Education Institutions and the Texas State University System.*" Please note there are charts attached to the narrative text; these charts are an integral part of our response.

Sincerely,



J. Michael Shahan  
President

JMS/prf

LAMAR STATE COLLEGE - ORANGE

410 Front Street • Orange, Texas 77630 • Phone: 409/883-7750 • Fax: 409/882-3374

A Member of the Texas State University System  
An Equal Opportunity Institution



**LAMAR  
INSTITUTE OF  
TECHNOLOGY**

April 22, 2009

Mr. John Keel  
State Auditor's Office  
P O Box 12068  
Austin, TX 78711-2068

Dear Mr. Keel:

Attached are the responses of Lamar Institute of Technology to recommendations contained in the State Auditor's Office audit report entitled "*Financial Transactions Associated with Hurricane Rita and Hurricane Katrina for the Lamar Higher Education Institutions and the Texas State University System.*" Please note there are charts attached to the narrative text; these charts are an integral part of our responses.

Sincerely,

*Dr. Paul J. Szuch, President  
Lamar Institute of Technology*

**Office of the President**  
P. O. Box 10043 • Beaumont, Texas 77710 • (409) 880-8185 • FAX (409) 880-8219 • 1-800-950-6989  
A Member of The Texas State University System



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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#### **SUMMARY OF MANAGEMENT'S RESPONSE (PAGE ii)**

We disagree with the auditors' conclusions that as of May 24, 2008, three of the four Lamar higher education institutions had received \$10,384,310 more in state and federal emergency appropriations than needed to cover costs associated with Hurricane Katrina and Hurricane Rita. Additionally, we disagree that all four institutions overstated their revenue losses. Supporting documentation indicates that as of May 24, 2008, the Lamar institutions combined have incurred hurricane-related expenditures and revenue losses that exceed insurance proceeds and State and Federal emergency appropriations reimbursements by \$1.4 million. See Chart A.

We agree that the System Office did not provide the Lamar institutions with assumptions to use in calculating estimated revenue losses. Each of the institutions is unique in terms of mission, scope of operations, student body, curriculum offered, etc., and the campuses were better equipped, in terms of operational knowledge and staff resources, to prepare revenue loss estimates to incorporate such variables. Documentation demonstrates that while there were frequent discussions and correspondence between the System Office and the campuses (as well as between the System Office, the campuses, the Governor's Office, the Legislative Budget Board, the Comptroller's Office, the Higher Education Coordinating Board, the State Office of Risk Management, the State Auditor's Office, and FEMA), definitive guidelines that could have been utilized as a state-sanctioned "best practice" model were not available nor provided by any oversight entity at the time the revenue loss estimates were initially calculated. However, the recently issued audit report entitled "*Expenditures Related to Hurricane Ike at Texas A&M University at Galveston*" by the State Auditor's Office provides such a model, and after that report's release, System Office personnel worked with the Lamar campuses to utilize that model as a starting point to prepare revised revenue loss estimates. As a result, the campuses' revised revenue loss estimates total \$23,679,173 versus the SAO's calculation of \$11,885,883. Please refer to Chart B for a comparison of our calculations to those presented by the State Auditors' Table 2.

It will be years before all hurricane-related expenditures and revenue losses can be completely quantified. Some costs, such as the emotional toll on the institutions' students, faculty, and staff, may never be quantified. We are compelled to point out that immediately after Hurricane Rita made landfall in September 2005, the Chancellor of the Texas State University System and a representative from Governor Perry's office traveled to Beaumont to assess the damage and to provide leadership and assistance to the Lamar institutions. This was in spite of the fact that martial law was in effect (the National Guard and other armed forces were patrolling the region), with access to the region limited to mission-critical personnel; and despite the fact that telephone services, electricity, and potable water were non-existent and would not be available for weeks; and finally, despite the fact that the campuses had no emergency funding on hand and had to operate on "good faith" in procuring restoration goods and services. In the face of these



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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challenges, the fact remains that our students resumed classes three and a half weeks after landfall and December 2005 students graduated on time.

We agree with the auditors' conclusions that all expenditures tested were for valid, hurricane-related costs.

We disagree with the auditor's conclusions regarding estimated revenue losses and amounts received and expected to be received as reimbursements. Our calculations as of 4/22/09 indicate that actual and anticipated reimbursements will not exceed actual hurricane-related expenditures and revenue losses.





## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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#### DETAILED RESULTS (PAGE 1)

##### Chapter 1-A

##### Lamar University Overstated Its Expenditures Related to Hurricane Katrina and Hurricane Rita

##### Recommendations (PAGE 4):

###### **Lamar University should:**

- **Reimburse the State for expenditures reimbursements received that exceeded its actual hurricane-related losses.**
- **Determine whether the insurance premiums paid from state emergency appropriations were allowable costs and, if they were not allowable costs, reimburse the State accordingly.**

###### **Management's Response:**

**System Office:** We agree with the auditors' conclusion that all expenditures tested were directly hurricane-related. We disagree with the auditors' conclusions that the Lamar institutions had incurred \$44,663,830 in hurricane-related expenditures and revenue losses. Our calculations indicate that the Lamar institutions had incurred \$56,996,982 in hurricane-related expenditures and revenue losses. See Chart A.

**Lamar University:** Every Southeast Texan was impacted by the fury of Hurricane Rita in 2005. Virtually every physical structure was damaged and many were destroyed or rendered unusable. Three years later, the physical devastation from this storm is still evident in abandoned buildings, homes, and other structures; felled timbers; the erosion of streets and roadways, and the absence of residents.

The four weeks between the anticipated arrival of Hurricane Rita and the resumption of the fall semester were difficult. In accordance with Lamar University's disaster plan, classes were canceled on the afternoon of September 21. This governance decision allowed over 11,700 students, faculty, and staff enough time to safely evacuate in anticipation of the hurricane. City and County leaders ordered a mandatory evacuation of Southeast Texas on September 22. Hurricane Rita made landfall as a strong Category 3 storm on September 24. Again, martial law was imposed and the City of Beaumont was controlled by the National Guard. Only emergency personnel and city/industry leaders were allowed to enter.

Lamar University's campus was hit brutally hard. The storm was relentless and caused terrific damage to the campus. Scores of trees were felled and 20 major campus buildings were stripped of their roofs. Wind-driven rain penetrated 80 percent of the University buildings. The Montagne Center was left with gaping holes in its roof. The ten-foot windows protecting the Library's



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Reception Center were smashed. Cardinal Stadium literally became a lake. Estimates of the restoration of potable water and power to campus ranged from weeks to months. For the first six weeks, Beaumont residents had to boil water prior to use. The heat and humidity of September returned immediately.

After quickly assessing the damage, Lamar staff and contractors began the hard work of restoring the campus under demanding conditions. The goal was to return the students in time to complete the fall semester. Losing the fall semester would mean delays in matriculation, graduation and employment for many Lamar students. The workers, most of whom faced tremendous personal losses and challenges, worked tirelessly to achieve the goal. By September 26, approximately 500 people were at work on campus. Scores of buildings had to be dried out and restored; roofs had to be replaced; campus computer and telephone systems had to be repaired; and inordinate amounts of debris had to be removed from campus.

Despite these challenges, Lamar University was able to resume classes on October 19 (less than 1 month after the hurricane hit). With a revised schedule essential to enable commencement exercises to be held on December 22, Lamar's graduating seniors were able to move on with their lives, plans, and dreams.

The effects of Hurricane Rita lingered in the region and adversely affected the University's enrollment. Rita disrupted student's lives. Many University employees and their families dealt with severely damaged homes, a lack of power and water, and faced challenges with commerce and employment as small businesses struggled to recover. More than 600 of the 10,500 students who evacuated did not return when Lamar classes resumed. Scores relocated in other communities, enrolled in other colleges and secured employment, mirroring the pattern faced by New Orleans' universities following Katrina.

Regardless of these hardships, we agree with the auditors' conclusion that all expenditures tested were directly hurricane-related. We agree that Lamar University received \$2,112,660 in duplicate invoice reimbursements in error. However, subsequent to completion of the audit fieldwork, the University identified additional hurricane-related expenditures that have not been previously reimbursed. Management also concurs that the University received \$3,275,995 in FEMA reimbursements for expenditures it had already paid for with state emergency appropriations. The University did not deposit this portion into the State Treasury since it was received prior to HB 63 funding. However, had the University deposited that money into the Treasury at that time it would have increased the University revenue loss. The University's appropriations were once again used for operation expenditures until exhausted. An analysis of all hurricane-related expenditures is ongoing. Once the analysis is complete, Lamar University will reimburse the State for any reimbursements received that exceeded its hurricane-related expenditures and estimated revenue losses. Our calculations and supporting documentation as of 4/22/09 indicate that reimbursements have exceeded actual hurricane-related losses by \$626,999.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Management also agrees that Lamar University was unable to provide auditors with a complete and accurate account of all of its hurricane-related expenditures that fully reconciled with its internal accounting systems. Fiscal year 2008 was the first year of the implementation of a new financial system. Personnel are still learning how to utilize the new system. Turnover in personnel and evacuations due to Hurricanes Gustav, Humberto and Ike (and the resultant impact on the campus from the Hurricanes' landfall) complicated day-to-day operations. It impacted our ability to provide the same level of oversight and support as in prior reporting periods. During the audit, employees required to provide the auditors with financial information were also preparing for a Southern Association of Colleges and Schools (SACS) reaccreditation audit, as well as serving as the subject matter experts for implementing additional modules of the new system (all in addition to performing daily operational duties). Ultimately, we turned to hard-copy documentation to determine the amount of, and to support the actual hurricane-related expenditures presented in Chart A. The difference between our internal accounting system and USAS is most likely the result of hurricane costs being recorded as departmental operating expenses as items were purchased from departmental operating budgets or not coded as hurricane costs. This is a reconciling issue. We concur that a reconciliation of hurricane costs between the internal accounting system and USAS should and will be done. Lamar University reconciles FRS/Banner (the university accounting systems) to USAS cash balances and cash in local bank balances as part of the monthly accounting reconciliation processes. The person responsible for implementation is the Vice President for Finance and Operations.

We are in the process of evaluating our organizational structure and personnel resource allocations with the intent of re-organizing our reporting and review process to ensure that financial information is reported correctly and timely. We anticipate having the new structure in place by the end of the fiscal year. The person responsible for implementation is the Vice President for Finance and Operations.

Regarding the methodology the State Auditor's Office used in preparing Table 1 "*Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions, November 2005 – May 24, 2008*," management does not agree with the State Auditor's calculations for the line items "Amount of Funds Expended" and "Revenue Losses." It is our understanding that the insurance premiums paid from state emergency appropriations were allowable costs. After a review by the State Comptroller's Office, it was determined we could in fact use the emergency appropriation for all hurricane costs including auxiliary facilities. Therefore, it seemed logical that the insurance premiums for all buildings and facilities were an allowable expense from the emergency appropriation. We believe it is noteworthy that after Hurricane Rita, the Texas State University System, under Chancellor Charles Matthews' leadership, was the only university system in Texas to purchase insurance for ALL of its buildings; saving the State and Federal government untold amounts after Hurricanes



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Humberto, Gustav, and Ike struck the Texas coast. It is ironic that the cost of these premiums should be disallowed as an expense by the State Auditor's Office.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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#### **Recommendations (PAGE 4):**

##### **All Lamar higher education institutions should:**

- **Use appropriate object codes to report expenditures in USAS.**
- **Deposit federal reimbursement funds into the State Treasury in a timely manner.**

#### **Management's Response:**

**System Office:** Management concurs with recommendations to use appropriate object codes to report expenditures in USAS and to timely deposit federal reimbursement into the State Treasury. The Vice Chancellor for Finance is responsible for the immediate implementation of the recommendation.

**Lamar University:** Management concurs with recommendations to use appropriate object codes to report expenditures in USAS and to timely deposit federal reimbursement into the State Treasury. The Vice President for Finance and Operations is responsible for the immediate implementation of the recommendation.

**Lamar State College – Port Arthur:** Management concurs with recommendations to use appropriate object codes to report expenditures in USAS and to timely deposit federal reimbursement into the State Treasury. The Vice President for Business and Finance is responsible for the immediate implementation of the recommendation.

**Lamar State College – Orange:** Management concurs with recommendations to use appropriate object codes to report expenditures in USAS and to timely deposit federal reimbursement into the State Treasury. The Vice President for Finance and Operations is responsible for the immediate implementation of the recommendation.

**Lamar Institute of Technology:** Management concurs with the recommendations and will establish processes immediately to ensure the proper coding of USAS expenditure transactions and the timely deposits of federal reimbursement funds. The Vice President for Finance and Operations will be responsible for the immediate implementation of the recommendation.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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#### **Chapter 1-B (PAGE 5)**

#### **The Lamar Higher Education Institutions Did Not Obtain Required Approval from the Legislative Budget Board and Governor's Office Prior to Spending FEMA Reimbursements Received After May 24, 2006**

#### **Recommendations (PAGE 5):**

**All Lamar higher education institutions should reimburse the State for expenditure reimbursements received that exceeded their actual hurricane-related losses.**

#### **Management's Response:**

**System Office:** We acknowledge the State Auditor's Office brought to our attention that HB 63 required prior approval from the Governor and the LBB to expend the stated funds. However, we believe that our documented dialogues with the aforementioned agencies, as well as the monthly status reports submitted to the Governor's Office and the LBB, the testimony provided to various committees of the Legislature, the documentation provided to various legislative offices, and payment of the expenditures by the Comptroller's Office indicated that we had *de facto* approval to spend the funds in question. Documentation evidences that the System Office and the campuses were in contact with the LBB (as well as various legislative offices and committees, the Comptroller's Office, the Higher Education Coordinating Board, the State Office of Risk Management, and FEMA) during the repair, restoration, and reimbursement processes, and no one questioned or raised a concern as to whether we had obtained the approvals.

We agree that any institution or agency that received reimbursements in excess of their actual hurricane-related losses should reimburse the excess. However, in the case of the Lamar institutions, it is our assertion that reimbursements did NOT exceed hurricane-related losses. Our calculations as of 4/22/09, utilizing the base methodology provided by the State Auditors in its own Hurricane Ike audit report, indicate that reimbursements have not exceeded actual hurricane-related losses. See Chart A.

**Lamar University:** Management agrees that any institution or agency that received reimbursements in excess of their actual hurricane-related losses should reimburse the excess. However, subsequent to completion of the audit fieldwork, the University identified additional hurricane-related expenditures that have not been previously reimbursed. An analysis of all hurricane-related expenditures is ongoing. Once the analysis is complete, Lamar University will reimburse the State for any reimbursements received that exceeded its hurricane-related expenditures and estimated revenue losses. Our calculations and supporting documentation as of 4/22/09 indicate that reimbursements were \$45,522,900 and hurricane-related expenditures and estimated revenue losses were \$44,895,901. See Chart A.





## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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**Lamar State College Port Arthur:** LSC-PA is located along the Sabine-Neches Waterway in Port Arthur. After Hurricane Rita made landfall on September 24, 2005, the eye of the storm passed over the campus. The storm brought sustained winds of 120 mph, with gusts up to 180 mph, and it is estimated to be one of the 10 most destructive storms in U.S. history. The hurricane damaged sixteen campus buildings, uprooted trees and left behind in its wake widespread debris and contaminants. Every LSC-PA student, faculty member, and staff employee was personally and professionally impacted by the storm's ravages.

LSC-PA was a growing institution prior to Hurricane Rita. The college experienced an 8% enrollment increase during the Fall 2005 semester over the preceding Fall semester. The mandatory evacuation ordered on September 22, 2005 resulted in the displacement of 2,941 students and faculty/staff. The number of students was 2,563, a record number for the institution.

The entire local area remained under mandatory evacuation for over two weeks due to the damage, debris, and lack of municipal and medical services. Because the campus has in place a Disaster First Response Team, its members were issued special permission badges from Jefferson County prior to hurricane season to allow entry into the area while it was under mandatory evacuation. This allowed the team to return to campus immediately after the storm made landfall in order to begin clean up and prevent any further damage. During the initial period after the storm, the campus had to be self-sustaining and provide shelter and food for the team. The campus had generators and a food supply in place for this purpose. Additionally, thousands of electrical workers from around the United States were called into the area to replace and restore electrical services. The campus housed these workers along with Jefferson County emergency response teams, Federal Emergency Management Agency (FEMA) staff, and other emergency management personnel.

In spite of the extraordinary conditions and circumstances, the college reopened for classes on October 17, 2005, just twenty-three days after the hurricane hit. This was possible due to the extensive clearing of debris and emergency temporary repairs of buildings that had been damaged. Without this quick response to the building damages, the costs of repairs could easily have been increased by millions of dollars due to mold and the associated degradation of facilities.

As described above, the college had dramatic enrollment growth during the Fall 2005 semester (prior to Hurricane Rita's landfall) compared to the Fall 2004 semester. However, since the hurricane, enrollment has averaged a 13% decline compared to pre-hurricane years. 379 students did not return to fall semester classes after the hurricane. Many students did not return following evacuation or could not return because of housing problems. In Port Arthur alone, more than 3,000 apartment units were damaged or destroyed by Hurricane Rita. LSC-PA does not have residence halls to house displaced students. Many students did not return following evacuation



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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or could not return because of housing problems. The college requested “hold harmless” funding in the Legislative Appropriation Request for the 2008-2009 biennium for lost student revenue and formula funding but did not receive this additional support. The college has been forced to cancel class offerings, eliminate programs, lay off faculty and staff, and reduce student services due to lack of funds available.

In addition to the decrease in enrollment, the college also had to cancel the winter mini-session because fall semester classes had to be extended into late December to make up for the three week delay caused by the hurricane.

LSC-PA is a state funded two-year institution of higher education. Consistent with statute, two-year institutions have their own Instructional and Administration Formula which is funded by General Revenue. This formula is based on student contact hours. LSC-PA is primarily funded based on student contact hours via this formula. An unexpected temporary, but major, decrease in contact hours during a base funding period would have an adverse affect on the college’s General Revenue funding for the next biennium. Contact hours are running approximately 6% behind each year since Hurricane Rita.

House Bill 63 reimbursed the college for hurricane damages and partial loss of student revenue for a specific time frame. With no reimbursement for formula funding loss and HB63 relief ending in FY 2008 for student revenue loss, LSC-PA was forced to file for financial exigency. LSC-PA decreased its budget 7.1% or \$2.1 million in FY 2009. This reduction was directly related to enrollment loss caused by hurricane damage to the local community. This includes an 11% reduction in force (approximately 28 FTE positions). These reductions in FTE and services further exacerbated the enrollment losses: mini-sessions, summer offerings, academic programs, recruitment, advertising, and other student services have been decreased or eliminated.

It is important for policy-makers to fully understand the tremendous toll and long term effect that natural disasters have on finance office and physical plant personnel. These offices experienced a reduction in force while additional duties and responsibilities were added. The college could not hire any additional personnel to assist with the massive amount of man-hours required to contend with the aftermath of the storm. The aftermath lasts long after the damages are repaired and the campus is reopened. The FEMA work papers took over 150 man hours just to file the claims. FEMA requires quarterly status reports until all damages are finalized; repairs took two years. Since the day of the hurricane, the college has spent numerous hours preparing reports to the Legislative Budget Board, as well as two separate state audits. In the fall of 2008, college staff had to spend double that amount of time working with FEMA representatives to file claims for Hurricane Ike and also had numerous meetings and work papers to complete the insurance claims. Much of this extra work could only be accomplished by personnel working unpaid overtime. Hurricane Rita occurred almost four years ago and remains a part of the daily activities of the finance and physical plant offices.





## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Management agrees that any institution or agency that received reimbursements in excess of their actual hurricane-related losses should reimburse the excess. Our calculations and supporting documentation as of 4/22/09 indicate that reimbursements were \$5,852,827 and hurricane-related expenditures and estimated revenue losses were \$7,214,814. See Chart A.

**Lamar State College-Orange:** Hurricane Rita made landfall on September 24 as a Category 3 storm. The storm took direct aim at the city of Orange and inflicted major damage on the community. The damage was more severe as time progressed than originally assessed. Each of the downtown campus buildings suffered roof damage, but it was limited primarily to missing or displaced flashing and roof vents that were damaged or destroyed. There was extensive damage to landscaping and exterior lighting fixtures. The lack of electricity for two weeks resulted in some mold and humidity damage.

The Brown Center, a conference facility on the outskirts of Orange and owned by the college, suffered moderate roof damage, extensive damage to exterior lighting, and the tragic loss of over 500 mature trees, mainly pines. Water penetration caused minor interior damage. The lack of HVAC services also created a mold and humidity problem in this facility.

The college closed on September 22 and 2,257 students, faculty, and staff evacuated the area under a mandatory evacuation order. The campus remained closed until October 13 when staff employees returned to work. Classes resumed on October 17 and the fall semester was extended through December 22. The storm had a negative impact on enrollment. As of October 31, 2005, 128 students withdrew due to storm-related problems. This only represented the number of students who contacted the campus stating their intent not to return. Many additional students never returned for the fall term and did not re-enroll in the spring term. There is no doubt the loss of student headcount enrollment had a negative impact on the FY 2006 operational budget due to the loss of anticipated local revenue.

Despite the many negativities related to the storm, the faculty and staff at LSC-O deserve recognition for their dedication and hard work in restoring campus operations. Many suffered significant personal losses to their homes and personal property. However, they were committed to the college and its student body. Campus personnel were diligent and displayed tremendous tenacity as they ensured student's physical, educational and emotional needs were met. LSC-O is fortunate to have faculty and staff committed to the college and its students and that commitment never wavered despite monumental challenges presented to them.

Management agrees that any institution or agency that received reimbursements in excess of their actual hurricane-related losses should reimburse the excess. Our calculations and supporting documentation as of 4/22/09 indicate that reimbursements were \$2,311,178 and hurricane-related expenditures and estimated revenue losses were \$2,720,909. See Chart A.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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**Lamar Institute of Technology:** The mandatory evacuation of 2,924 students, faculty, and staff on September 22, 2005 created tremendous challenges for LIT. Based on the previous 5 calendar years, Lamar Institute of Technology lost 11.1% of its student enrollment between calendar years 2005 – when Rita struck – through calendar year 2007. And these losses do not consider the student enrollment increase and the corresponding increase in funding LIT anticipated had the institution not been impacted by Hurricane Rita.

A number of actions were taken after the hurricane to hold down costs. LIT had to reduce class offerings for each term, day and evening sections, and the total number of small classes being offered. LIT had to freeze hiring for resignations and retirements. Position replacements were evaluated on a case-by-case basis. LIT had to reduce expenditures for advertising, public service programs, student service support services, advising, and support services for students with disabilities. LIT continued to defer facilities maintenance and repairs and instead, has focused on energy efficiency efforts.

Efforts were made to address hurricane-related issues. Students had fewer housing options due to rent increases and lack of available housing. The local housing market value and rent increases had a severe impact upon our students. Lamar University's increase of available dorms has assisted LIT students to some degree, and additional rental units are being approved and constructed in our area. Facility repairs have been impacted by supply/demand issues directly affecting the cost of labor and materials as well as the time needed to complete the jobs.

Had it not received the hurricane funding, LIT may not have been able to replace faculty positions due to retirement and/or resignations. In addition, LIT would have been unable to add required staff and instructional support positions in the areas of distance education, website development, tutor and mentor services, developmental education, grants and resource development, facilities, dual enrollment, advising, and off-campus programs. New program expansion and meeting additional community needs have been restricted to those completely self-supporting through workforce options. LIT does not have adequate resources to respond to workforce needs without relying, in many instances, upon 100% private support for facilities and equipment to expand training and degree options. LIT has revised course offerings and scheduled class times to better serve the students needs. Advisory committees have worked with department chairs and program directors to modify how and what is offered in our credit and non-credit program offerings. Short-term training needs have been requested by business and industry and LIT has had to respond by seeking facilities and equipment from those respective businesses and industries to meet the demands. LIT has been very active in the community with the economic development agenda to recruit businesses and labor for new and existing businesses. LIT is a member of the TEXAS ONE program. However, we do not have adequate resources to bring to the table except our personnel and existing facilities.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Management agrees that any institution or agency that received reimbursements in excess of their actual hurricane-related losses should reimburse the excess. Our calculations and supporting documentation as of 4/22/09 indicate that reimbursements were \$1,915,667 and hurricane-related expenditures were \$2,165,358. See Chart A.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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#### **Chapter 2 (PAGE 6)**

#### **Three Lamar Higher Education Institutions Overstated Revenue Losses Related to Hurricane Katrina and Hurricane Rita**

#### **Recommendations (PAGE 8):**

##### **All Lamar higher education institutions should:**

- **Reimburse the State for revenue loss reimbursements received that exceeded their actual losses.**
- **Consult the Legislative Budget Board and Governor's Office on the appropriate amount of time revenue losses should be considered in the event of a future disaster.**

#### **Management's Response:**

**System Office:** We disagree with the auditors' conclusion that as of May 2008, Lamar University, LSC-PA, LSC-O, and LIT had overstated revenue losses by \$5,723,067.

We agree that the System Office did not provide the Lamar institutions with assumptions to use in calculating estimated revenue losses. Each of the institutions is unique in terms of mission, scope of operations, student body, curriculum offered, etc., and the campuses were better equipped, in terms of operational knowledge and staff resources, to prepare revenue loss estimates to incorporate such variables. Documentation demonstrates that while there were round-the-clock discussions and correspondence between the System Office and the campuses (as well as between the System Office, the campuses, the Governor's Office, the Legislative Budget Board, the Comptroller's Office, the Higher Education Coordinating Board, the State Office of Risk Management, the State Auditor's Office, and FEMA), at the time the revenue loss estimates were initially calculated, definitive guidelines that could have been utilized as a "best practice" model for our use were not available from or provided by any oversight entities involved in these discussions. However, the recently issued audit report entitled "*Expenditures Related to Hurricane Ike at Texas A&M University at Galveston*" by the State Auditor's Office provides such a model, and after that report's release, System Office personnel worked with the Lamar campuses to utilize that model as a starting point to prepare revised revenue loss estimates. As a result, the campuses' revised revenue loss estimates total \$23,679,173 versus the SAO's calculation of \$11,885,883. Please refer to Chart B for a comparison of our calculations to those presented by the State Auditors in its Table 2.

Management agrees with the recommendation to consult with the Governor's Office and the Legislative Budget Board regarding the appropriate amount of time revenue losses should be considered in the event of a future disaster. We will ensure such consultations are documented for reference purposes. The Vice Chancellor for Finance will be responsible for implementing this recommendation.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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**Lamar University:** Management agrees that any institution or agency that received revenue loss reimbursements in excess of their actual hurricane-related losses should reimburse the excess. However, according to our calculations as of 4/22/09, utilizing as a base the methodology provided by the State Auditors in its Hurricane Ike audit report, indicate our revenue losses exceed reimbursements by \$3,941,297. See Chart B.

Management agrees with the recommendation to consult with the Governor's Office and the Legislative Budget Board regarding the appropriate amount of time revenue losses should be considered in the event of a future disaster. The Vice President for Finance and Operations is responsible for ensuring the recommendation is implemented and will work through the Vice Chancellor for Finance of the System Office in doing so. In addition, the Vice President for Finance and Operations is responsible for ensuring the recommendation is implemented upon receipt of future disaster appropriations with such provisions.

**Lamar State College – Port Arthur:** Management agrees that any institution or agency that received revenue loss reimbursements in excess of their actual hurricane-related losses should reimburse the excess. However, according to our calculations as of 4/22/09, utilizing as a base the methodology provided by the State Auditors in its Hurricane Ike audit report, indicate our revenue losses exceed reimbursements by \$1,371,714. See Chart B. Additionally, the State Auditor's Office refers to "prior-year and current-year discounts and allowances" that were used in the college's revenue loss calculations. The college did not use any discounts and allowances in its estimates. Additionally, regarding the auditor's commentary related to the amount of general revenue formula funding: Management did not receive the detail of the \$1.47 million more in formula funding the three two-year schools *collectively* received. If this number is accurate, it is irrelevant to assume one institution's gain in funding would benefit another institution.

Management agrees with the recommendation to consult with the Governor's Office and the Legislative Budget Board on the appropriate amount of time revenue losses should be considered in the event of a future disaster. The Vice President for Business and Finance is responsible for ensuring the recommendation is implemented and will work through the Vice Chancellor for Finance of the System Office in doing so. In addition, the Vice President for Business and Finance is responsible for ensuring the recommendation is implemented upon receipt of future disaster appropriations with such provisions.

**Lamar State College – Orange:** Management agrees that any institution or agency that received revenue loss reimbursements in excess of their actual hurricane-related losses should reimburse the excess. However, according to our calculations as of 4/22/09, utilizing as a base the methodology provided by the State Auditors in its Hurricane Ike audit report, indicate our revenue losses exceed reimbursements by \$402,995. See Chart B.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Management agrees with the recommendation to consult with the Governor's Office and the Legislative Budget Board on the appropriate amount of time revenue losses should be considered in the event of a future disaster. The Vice President for Finance and Operations is responsible for ensuring the recommendation is implemented and will work through the Vice Chancellor for Finance of the System Office in doing so. In addition, the Vice President for Finance and Operations is responsible for ensuring the recommendation is implemented upon receipt of future disaster appropriations with such provisions.

**Lamar Institute of Technology:** Management agrees that any institution or agency that received revenue loss reimbursements in excess of their actual hurricane-related losses should reimburse the excess. However, according to our calculations as of 4/22/09, utilizing as a base the methodology provided by the State Auditors in its Hurricane Ike audit report, indicate our revenue losses exceed reimbursements by \$354,217. See Chart B.

Management concurs with the recommendation to consult with the Governor's Office and the Legislative Budget Board on the appropriate amount of time revenue losses should be considered in the event of a future disaster. The Vice President for Finance and Operations is responsible for ensuring the recommendation is implemented and will work through the Vice Chancellor for Finance of the System Office in doing so. In addition, the Vice President for Finance and Operations is responsible for ensuring the recommendation is implemented upon receipt of future disaster appropriations with such provisions.





## Texas State University System

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### Chapter 3 (PAGE 9)

#### The Texas State University System Allocated State Emergency Appropriations to the Lamar Higher Education Institutions, But It Did Not Monitor the Institutions' reported Expenditures and Revenue Losses

#### Recommendations (PAGE 10):

**In the event of future disasters, the System should:**

- **Provide uniform, written, detailed procedures to the affected higher education institutions for calculating and accounting for expenditures and revenue losses associated with the disaster.**
- **Review supporting documentation for expenditure and revenue loss reports submitted by the affected higher education institutions for accuracy and reasonableness.**
- **Develop processes to ensure compliance with all requirements of the legislation related to the disaster.**
- **Provide training to affected higher education institutions on appropriate accounting practices to track disaster related expenditures and revenues.**

#### **Management's Response:**

**System Office:** The Texas State University System concurs with the need for uniform procedures for the calculation of revenue losses associated with the disaster. In that regard, the State Auditor's Office could have provided essential guidance toward its expectations had it shared the methodology it used to prepare a January 27, 2006 report (SAO 06-314) to members of the Legislative Audit Committee (*"Financial Impact of Hurricane Rita at Lamar University and Lamar Two-Year Colleges"*). However, the methodology used to prepare the estimates outlined in that report was not shared with us.

Despite four hurricane landings in the Beaumont region in the past two years, there is still no clarity on the issue. For example, in the SAO's report #09-025, the auditors estimated that Texas A&M University at Galveston lost \$1 million in operations as a result of Hurricane Ike. In that instance, the estimate allows for formula funding losses for the 2010-2011 biennium. However, in the SAO's audit report #06-314, no allowance for formula-funding losses was extended. Accordingly, we have adjusted our Hurricane Rita revenue loss estimates to include formula-funding losses we believe are consistent with the State's formula funding methodology, incorporating enrollment growth estimates based on rates experienced by the institutions prior to the onset of the storm. We also included as a source of funds "hold harmless" appropriations authorized in the 80<sup>th</sup> Legislative Session to Lamar University (\$554,432 for the biennium).

We believe that existing accounting procedures are adequate to account for expenditures associated with the disaster because this report cites a sample of "167 expenditures totaling \$3,335,653 that the Lamar higher education institutions made between November 2005 and May 2008" and that the auditor "determined that all expenditures tested were for valid, hurricane-



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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related costs.” However, we have contacted the State Comptroller’s Office regarding our need for training specific to accounting for disaster-related revenues and expenditures and for managing the variety of cash and budget flows associated with disasters.

We concur with the need to develop processes to ensure compliance with all requirements of legislation related to the disaster. We have already sought assistance from our Governmental Affairs Office for the identification of such legislation and have requested that our General Counsel identify associated reporting or procedural measures specific to the legislation. We will identify and assign authority for compliance with the procedures and will request that the Office of Audits and Analysis test for compliance with the requirements.

We concur with the need for uniform, written, and detailed procedures for the purpose of calculating hurricane-related revenue losses. We have developed a methodology for these calculations in documenting our response to this audit. We will document the methodology as acceptable to the auditor and issue detailed written procedures for use in the event of future disasters or operational disruptions.

We believe that the vast majority of oversight and management findings developed by the auditor will be resolved by the appropriate addition of staff to the office of the Texas State University System. At the time of Hurricane Rita, the System was appropriated a total of 12.6 FTEs, and that number has remained constant in the subsequent biennium. We have requested additional FTEs through the Legislative budget process. As of 4/22/09, in the midst of the 81<sup>st</sup> Legislative Session, the Senate’s version of SB 1 includes the financial appropriations essential to that level of support and governance and Article XI includes provisions for additional FTEs.





## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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#### **Chapter 4 (PAGE 11)**

#### **Total Funds the Lamar Education Institutions Have already Received and Expect to Receive Exceed Their Expenditures and Revenue Losses**

#### **Recommendations (PAGE 12)**

##### **All Lamar higher education institutions should:**

- **Refund to the State any future federal reimbursements and insurance proceeds received that exceed their actual losses.**
- **Consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly.**

##### **Management's Response:**

**System Office:** In theory, we agree that any future federal reimbursements and insurance proceeds that exceed hurricane-related expenditures and revenue losses should be refunded to the State. However, we do not believe this to be applicable for our campuses and disagree with the auditors' conclusion that the Lamar higher education institutions have already received and expect to receive reimbursements that exceed hurricane-related expenditures and revenue losses. Our calculations, as of 4/22/09, indicate that expenditures exceed reimbursements (actual and anticipated) by \$3,211,969. See Chart C.

Management concurs with the recommendation to consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly. The Vice Chancellor for Finance will be responsible for implementing this recommendation.

**Lamar University:** We disagree with the auditors' conclusion that the University has already received and expects to receive reimbursements that exceed hurricane-related expenditures and revenue losses. Our calculations, as of 4/22/09, indicate that expenditures exceed reimbursements (actual and anticipated) by \$1,110,955. See Chart C.

Management concurs with the recommendation to consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly. The Vice President for Finance and Operations will be responsible for implementing this recommendation and will work through the Vice Chancellor for Finance of the System Office in doing so.

**Lamar State College-Port Arthur:** We disagree with the auditors' conclusion that the LSC-PA has already received and expects to receive reimbursements that exceed hurricane-related expenditures and revenue losses. Our calculations, as of 4/22/09, indicate that expenditures exceed reimbursements (actual and anticipated) by \$1,377,904. See Chart C.



## Texas State University System

### Response to SAO Audit Report on Financial Transactions Associated with Hurricane Katrina and Hurricane Rita at the Lamar Higher Education Institutions and the Texas State University System

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Management concurs with the recommendation to consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly. The Vice President for Business and Finance will be responsible for implementing this recommendation and will work through the Vice Chancellor for Finance of the System Office in doing so.

**Lamar State College-Orange:** We disagree with the auditors' conclusion that LSC-O has already received and expects to receive reimbursements that exceed hurricane-related expenditures and revenue losses. Our calculations, as of 4/22/09, indicate that expenditures exceed reimbursements (actual and anticipated) by \$424,496. See Chart C.

Management concurs with the recommendation to consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly. The Vice President for Finance and Operations will be responsible for implementing this recommendation and will work through the Vice Chancellor for Finance of the System Office in doing so.

**Lamar Institute of Technology:** We disagree with the auditors' conclusion that LIT has already received and expects to receive reimbursements that exceed hurricane-related expenditures and revenue losses. Our calculations, as of 4/22/09, indicate that expenditures exceed reimbursements (actual and anticipated) by \$298,614. See Chart C.

Management concurs with the recommendation to consult with the Office of the Comptroller of Public Accounts to ensure that future expected FEMA reimbursements are reported and tracked properly. The Vice President for Finance and Operations will be responsible for implementing this recommendation and will work through the Vice Chancellor for Finance of the System Office in doing so.

Chart A  
 Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Education Institutions  
 November 2005-May 24, 2008

Lamar University			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation /records /calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 12,403,925	\$ 12,403,925	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 7,533,127	\$ 7,533,127	\$ -
State Emergency Appropriations	\$ 26,031,416	\$ 26,031,416	\$ -
Insurance Proceeds Rec'd	\$ -	\$ -	\$ -
Hold Harmless Funds, 80th Legislature	\$ -	\$ 554,432	\$ (554,432)
Total Funds Received	\$ 44,968,468	\$ 45,522,900	\$ (554,432)
<b>Funds Expended as of May 24, 2008</b>			
Funds Expended	\$ 27,609,377	\$ 27,527,954	\$ 81,423
Less: Insurance premiums paid for auxiliary bldgs	\$ 690,006	\$ -	\$ 690,006
Subtotal Funds Expended	\$ 26,919,371	\$ 27,527,954	\$ (608,583)
Revenue Losses	\$ 7,359,467	\$ 15,911,506	\$ (8,552,039)
FEMA Admin Fee rec'd by institution	\$ 135,685	\$ 73,644	\$ 62,041
Expenditures Reimbursed with FEMA funds held locally	\$ -	\$ -	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 1,389,477	\$ 1,382,797	\$ 6,680
Total Funds Expended	\$ 35,804,000	\$ 44,895,901	\$ (9,091,901)
Excess of Funds Received over Funds Expended as of May 24, 2008 (Excess of Funds Expended over Funds Received as of May 24, 2008)	\$ 9,164,468	\$ 626,999	\$ 8,537,469

Chart A  
 Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Education Institutions  
 November 2005-May 24, 2008

Lamar State College-Port Arthur			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 386,579	\$ 386,579	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 22,125	\$ 22,125	\$ -
State Emergency Appropriations	\$ 5,421,273	\$ 5,421,273	\$ -
Insurance Proceeds Rec'd	\$ 22,850	\$ 22,850	\$ -
Total Funds Received	\$ 5,852,827	\$ 5,852,827	\$ -
<b>Funds Expended as of May 24, 2008</b>			
Funds Expended	\$ 1,425,809	\$ 1,425,809	\$ -
Less: Insurance premiums paid for auxiliary bldgs	\$ -	\$ -	\$ -
Subtotal Funds Expended	\$ 1,425,809	\$ 1,425,809	\$ -
Revenue Losses	\$ 2,739,903	\$ 5,389,303	\$ (2,649,400)
FEMA Admin Fee rec'd by institution	\$ 9,174	\$ 9,174	\$ -
Expenditures Reimbursed with FEMA funds held locally	\$ 368,021	\$ 368,021	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 22,507	\$ 22,507	\$ -
Total Funds Expended	\$ 4,565,414	\$ 7,214,814	\$ (2,649,400)
Excess of Funds Received over Funds Expended as of May 24, 2008 (Excess of Funds Expended over Funds Received as of May 24, 2008)	\$ 1,287,413	\$ (1,361,987)	\$ 2,649,400

Chart A  
 Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Education Institutions  
 November 2005-May 24, 2008

Lamar State College-Orange			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 190,322	\$ 190,322	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 96,432	\$ 96,432	\$ -
State Emergency Appropriations	\$ 2,024,424	\$ 2,024,424	\$ -
Insurance Proceeds Rec'd	\$ -	\$ -	\$ -
<b>Total Funds Received</b>	<b>\$ 2,311,178</b>	<b>\$ 2,311,178</b>	<b>\$ -</b>
<b>Funds Expended as of May 24, 2008</b>			
Funds Expended	\$ 1,355,047	\$ 1,355,047	\$ -
Less: Insurance premiums paid for auxiliary bldgs	\$ -	\$ -	\$ -
Subtotal Funds Expended	\$ 1,355,047	\$ 1,355,047	\$ -
Revenue Losses	\$ 727,049	\$ 1,273,014	\$ (545,965)
FEMA Admin Fee rec'd by institution	\$ 6,735	\$ 6,735	\$ -
Expenditures Reimbursed with FEMA funds held locally	\$ 86,113	\$ 86,113	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ -	\$ -	\$ -
<b>Total Funds Expended</b>	<b>\$ 2,174,944</b>	<b>\$ 2,720,909</b>	<b>\$ (545,965)</b>
<b>Excess of Funds Received over Funds Expended as of May 24, 2008 (Excess of Funds Expended over Funds Received as of May 24, 2008)</b>	<b>\$ 136,234</b>	<b>\$ (409,731)</b>	<b>\$ 545,965</b>

Chart A  
 Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Education Institutions  
 November 2005-May 24, 2008

Lamar Institute of Technology			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 1,455	\$ 1,455	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 391,325	\$ 391,325	\$ -
State Emergency Appropriations	\$ 1,522,887	\$ 1,522,887	\$ -
Insurance Proceeds Rec'd	\$ -	\$ -	\$ -
Total Funds Received	\$ 1,915,667	\$ 1,915,667	\$ -
<b>Funds Expended as of May 24, 2008</b>			
Funds Expended	\$ 1,032,676	\$ 1,032,676	\$ -
Less: Insurance premiums paid for auxiliary bldgs	\$ -	\$ -	\$ -
Subtotal Funds Expended	\$ 1,032,676	\$ 1,032,676	\$ -
Revenue Losses	\$ 1,059,464	\$ 1,105,350	\$ (45,886)
FEMA Admin Fee rec'd by institution	\$ 8,856	\$ 8,856	\$ -
Expenditures Reimbursed with FEMA funds held locally	\$ 472	\$ 472	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 18,004	\$ 18,004	\$ -
Total Funds Expended	\$ 2,119,472	\$ 2,165,358	\$ (45,886)
Excess of Funds Received over Funds Expended as of May 24, 2008 (Excess of Funds Expended over Funds Received as of May 24, 2008)	\$ (203,805)	\$ (249,691)	\$ 45,886

Chart A  
 Funds Received and Expended Related to Hurricane Katrina and Hurricane Rita at Lamar Education Institutions  
 November 2005-May 24, 2008

Totals			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 12,982,281	\$ 12,982,281	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 8,043,009	\$ 8,043,009	\$ -
State Emergency Appropriations	\$ 34,000,000	\$ 34,000,000	\$ -
Insurance Proceeds Rec'd	\$ 22,850	\$ 22,850	\$ -
Hold Harmless Funds, 80th Legislature	\$ -	\$ 554,432	\$ (554,432)
Total Funds Received	\$ 55,048,140	\$ 55,602,572	\$ (554,432)
<b>Funds Expended as of May 24, 2008</b>			
Funds Expended	\$ 31,422,909	\$ 31,341,486	\$ 81,423
Less: Insurance premiums paid for auxiliary bldgs	\$ 690,006	\$ -	\$ 690,006
Subtotal Funds Expended	\$ 30,732,903	\$ 31,341,486	\$ (608,583)
Revenue Losses	\$ 11,885,883	\$ 23,679,173	\$ (11,793,290)
FEMA Admin Fee rec'd by institution	\$ 160,450	\$ 98,409	\$ 62,041
Expenditures Reimbursed with FEMA funds held locally	\$ 454,606	\$ 454,606	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 1,429,988	\$ 1,423,308	\$ 6,680
Total Funds Expended	\$ 44,663,830	\$ 56,996,982	\$ (12,333,152)
Excess of Funds Received over Funds Expended as of May 24, 2008 (Excess of Funds Expended over Funds Received as of May 24, 2008)	\$ 10,384,310	\$ (1,394,410)	\$ 11,778,720

Chart B  
 Revenue Losses Attributable to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions  
 Fiscal Year 2006 through Fiscal Year 2008 (as of May 24, 2008)

Lamar University								
	FY 2006 Revenue Loss Reimbursements	FY 2007 Revenue Loss Reimbursements	FY 2008 Revenue Loss Reimbursements	Total Revenue Loss Reimbursements	Revenue Loss ESTIMATE Calculated by SAO	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Auditor	Revenue Loss ESTIMATE Calculated by Campus	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Institution
Per SAO, Table 2	\$ 3,785,625	\$ 4,018,751	\$ 4,165,833	\$ 11,970,209	\$ 7,359,467	\$ 4,610,742		
Per Institution	\$ 3,785,625	\$ 4,018,751	\$ 4,165,833	\$ 11,970,209			\$ 15,911,506	\$ (3,941,297)
Difference	\$ -	\$ -	\$ -	\$ -				
Lamar State College-Port Arthur								
	FY 2006 Revenue Loss Reimbursements	FY 2007 Revenue Loss Reimbursements	FY 2008 Revenue Loss Reimbursements	Total Revenue Loss Reimbursements	Revenue Loss ESTIMATE Calculated by SAO	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Auditor	Revenue Loss ESTIMATE Calculated by Campus	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Institution
Per SAO, Table 2	\$ 961,613	\$ 2,158,976	\$ 897,000	\$ 4,017,589	\$ 2,739,903	\$ 1,277,686		
Per Institution	\$ 961,613	\$ 2,158,976	\$ 897,000	\$ 4,017,589			\$ 5,389,303	\$ (1,371,714)
Difference	\$ -	\$ -	\$ -	\$ -				
Lamar State College-Orange								
	FY 2006 Revenue Loss Reimbursements	FY 2007 Revenue Loss Reimbursements	FY 2008 Revenue Loss Reimbursements	Total Revenue Loss Reimbursements	Revenue Loss ESTIMATE Calculated by SAO	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Auditor	Revenue Loss ESTIMATE Calculated by Campus	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Institution
Per SAO, Table 2	\$ 396,363	\$ 473,656	\$ -	\$ 870,019	\$ 727,049	\$ 142,970		
Per Institution	\$ 396,363	\$ 473,656	\$ -	\$ 870,019			\$ 1,273,014	\$ (402,995)
Difference	\$ -	\$ -	\$ -	\$ -				
Lamar Institute of Technology								
	FY 2006 Revenue Loss Reimbursements	FY 2007 Revenue Loss Reimbursements	FY 2008 Revenue Loss Reimbursements	Total Revenue Loss Reimbursements	Revenue Loss ESTIMATE Calculated by SAO	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Auditor	Revenue Loss ESTIMATE Calculated by Campus	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Institution
Per SAO, Table 2	\$ 310,145	\$ 436,763	\$ 4,225	\$ 751,133	\$ 1,059,464	\$ (308,331)		
Per Institution	\$ 310,145	\$ 436,763	\$ 4,225	\$ 751,133			\$ 1,105,350	\$ (354,217)
Difference	\$ -	\$ -	\$ -	\$ -				
Totals								
	FY 2006 Revenue Loss Reimbursements	FY 2007 Revenue Loss Reimbursements	FY 2008 Revenue Loss Reimbursements	Total Revenue Loss Reimbursements	Revenue Loss ESTIMATE Calculated by SAO	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Auditor	Revenue Loss ESTIMATE Calculated by Campus	Difference Between Amount Reimbursed to the Higher Education Institution and Revenue Loss ESTIMATE Calculated by Institution
Per SAO, Table 2	\$ 5,453,746	\$ 7,088,146	\$ 5,067,058	\$ 17,608,950	\$ 11,885,883	\$ 5,723,067		
Per Institution	\$ 5,453,746	\$ 7,088,146	\$ 5,067,058	\$ 17,608,950			\$ 23,679,173	\$ (6,070,223)
Difference	\$ -	\$ -	\$ -	\$ -				



Chart C  
Sources and Uses of Funds Attributable to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - March 2009

Lamar University			
Element	Lamar University	Dollar amount per institution's documentation/records/calculations	Difference
<b>Sources of Funds</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 12,403,925	\$ 12,403,925	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 7,533,127	\$ 7,533,127	\$ -
State Emergency Appropriations	\$ 25,031,416	\$ 25,031,416	\$ -
Insurance Proceeds Rec'd	\$ -	\$ -	\$ -
Hold Harmless Funds, 80th Legislature	\$ -	\$ 554,432	\$ (554,432)
Future Funds:			
FEMA Claims Awaiting Payment	\$ 5,927,942	\$ 5,927,942	\$ -
FEMA Estimated Future Claims	\$ 1,124,411	\$ 1,512,914	\$ (388,503)
Insurance Claims Pending	\$ 3,443,348	\$ 3,443,348	\$ -
Total Sources	\$ 55,464,169	\$ 56,407,104	\$ (942,935)
<b>Uses of Funds</b>			
Funds Expended	\$ 27,609,377	\$ 27,527,954	\$ 81,423
Less: Insurance premiums paid for auxiliary bldgs	\$ 690,006	\$ -	\$ 690,006
Subtotal Funds Expended	\$ 26,919,371	\$ 27,527,954	\$ (608,583)
Revenue Losses	\$ 7,359,467	\$ 15,911,506	\$ (8,552,039)
FEMA Admin Fee rec'd by institution	\$ 164,502	\$ 73,644	\$ 90,858
FEMA Admin Fee expected by institution	\$ -	\$ 90,774	\$ (90,774)
Expenditures Reimbursed with FEMA funds held locally	\$ -	\$ -	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 1,389,477	\$ 1,382,797	\$ 6,680
Expenditures not submitted for reimbursement after May 24, 2008	\$ 1,345,451	\$ 1,186,547	\$ 158,904
Invoice received 4/21/09	\$ -	\$ 29,367	\$ (29,367)
Encumbrances (estimates) to finish work	\$ 431,266	\$ 431,266	\$ -
Funds to be remitted to the State:	\$ -	\$ -	\$ -
FEMA Claims Awaiting Payment	\$ -	\$ 5,927,942	\$ (5,927,942)
FEMA Estimated Future Claims	\$ -	\$ 1,512,914	\$ (1,512,914)
Insurance Claims Pending	\$ -	\$ 3,443,348	\$ (3,443,348)
Total Uses	\$ 37,609,534	\$ 57,518,059	\$ (19,908,525)
Excess of Sources over Uses (Excess of Uses over Sources)	\$ 17,854,635	\$ (1,110,955)	\$ 18,965,590

Chart C  
Sources and Uses of Funds Attributable to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - March 2009

Lamar State College-Port Arthur			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 386,579	\$ 386,579	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 22,125	\$ 22,125	\$ -
State Emergency Appropriations	\$ 5,421,273	\$ 5,421,273	\$ -
Insurance Proceeds Rec'd	\$ 22,850	\$ 22,850	\$ -
<b>Future Funds:</b>			
FEMA Claims Awaiting Payment	\$ 853,481	\$ 853,481	\$ -
FEMA Estimated Future Claims	\$ -	\$ -	\$ -
Insurance Claims Pending	\$ -	\$ -	\$ -
Total Sources	\$ 6,706,308	\$ 6,706,308	\$ -
<b>Uses of Funds</b>			
Funds Expended	\$ 1,425,809	\$ 1,425,809	\$ -
Less: Insurance premiums paid for auxiliary bldgs	\$ -	\$ -	\$ -
Subtotal Funds Expended	\$ 1,425,809	\$ 1,425,809	\$ -
Revenue Losses	\$ 2,739,903	\$ 5,389,303	\$ (2,649,400)
FEMA Admin Fee rec'd by institution	\$ 25,091	\$ 9,174	\$ 15,917
FEMA Admin Fee expected by institution	\$ -	\$ 15,917	\$ (15,917)
Expenditures Reimbursed with FEMA funds held locally	\$ 368,021	\$ 368,021	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 22,507	\$ 22,507	\$ -
Expenditures not submitted for reimbursement after May 24, 2008	\$ -	\$ -	\$ -
Encumbrances (estimates) to finish work	\$ -	\$ -	\$ -
Funds to be remitted to the State:	\$ -	\$ -	\$ -
FEMA Claims Awaiting Payment	\$ -	\$ 853,481	\$ (853,481)
FEMA Estimated Future Claims	\$ -	\$ -	\$ -
Insurance Claims Pending	\$ -	\$ -	\$ -
Total Uses	\$ 4,581,331	\$ 8,084,212	\$ (3,502,881)
Excess of Sources over Uses (Excess of Uses over Sources)	\$ 2,124,977	\$ (1,377,904)	\$ 3,502,881

Chart C  
Sources and Uses of Funds Attributable to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - March 2009

Lamar State College-Orange			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 190,322	\$ 190,322	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 96,432	\$ 96,432	\$ -
State Emergency Appropriations	\$ 2,024,424	\$ 2,024,424	\$ -
Insurance Proceeds Rec'd	\$ -	\$ -	\$ -
<b>Future Funds:</b>			
FEMA Claims Awaiting Payment	\$ 784,756	\$ 784,756	\$ -
FEMA Estimated Future Claims	\$ -	\$ -	\$ -
Insurance Claims Pending	\$ -	\$ -	\$ -
<b>Total Sources</b>	<b>\$ 3,095,934</b>	<b>\$ 3,095,934</b>	<b>\$ -</b>
<b>Uses of Funds</b>			
Funds Expended	\$ 1,355,047	\$ 1,355,047	\$ -
Less: Insurance premiums paid for auxiliary bldgs	\$ -	\$ -	\$ -
Subtotal Funds Expended	\$ 1,355,047	\$ 1,355,047	\$ -
Revenue Losses	\$ 727,049	\$ 1,273,014	\$ (545,965)
FEMA Admin Fee rec'd by institution	\$ 21,500	\$ 6,735	\$ 14,765
FEMA Admin Fee expected by institution	\$ -	\$ 14,765	\$ (14,765)
Expenditures Reimbursed with FEMA funds held locally	\$ 86,113	\$ 86,113	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ -	\$ -	\$ -
Expenditures not submitted for reimbursement after May 24, 2008	\$ -	\$ -	\$ -
Encumbrances (estimates) to finish work	\$ -	\$ -	\$ -
Funds to be remitted to the State:	\$ -	\$ -	\$ -
FEMA Claims Awaiting Payment	\$ -	\$ 784,756	\$ (784,756)
FEMA Estimated Future Claims	\$ -	\$ -	\$ -
Insurance Claims Pending	\$ -	\$ -	\$ -
<b>Total Uses</b>	<b>\$ 2,189,709</b>	<b>\$ 3,520,430</b>	<b>\$ (1,330,721)</b>
<b>Excess of Sources over Uses (Excess of Uses over Sources)</b>	<b>\$ 906,225</b>	<b>\$ (424,496)</b>	<b>\$ 1,330,721</b>

Chart C  
Sources and Uses of Funds Attributable to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - March 2009

Lamar Institute of Technology			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 1,455	\$ 1,455	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 391,325	\$ 391,325	\$ -
State Emergency Appropriations	\$ 1,522,887	\$ 1,522,887	\$ -
Insurance Proceeds Rec'd	\$ -	\$ -	\$ -
<b>Future Funds:</b>			
FEMA Claims Awaiting Payment	\$ 473,823	\$ 473,823	\$ -
FEMA Estimated Future Claims	\$ -	\$ -	\$ -
Insurance Claims Pending	\$ -	\$ -	\$ -
<b>Total Sources</b>	<b>\$ 2,389,490</b>	<b>\$ 2,389,490</b>	<b>\$ -</b>
<b>Uses of Funds</b>			
Funds Expended	\$ 1,032,676	\$ 1,032,676	\$ -
Less: Insurance premiums paid for auxiliary bldgs	\$ -	\$ -	\$ -
<b>Subtotal Funds Expended</b>	<b>\$ 1,032,676</b>	<b>\$ 1,032,676</b>	<b>\$ -</b>
Revenue Losses	\$ 1,059,464	\$ 1,105,350	\$ (45,886)
FEMA Admin Fee rec'd by institution	\$ 17,973	\$ 8,856	\$ 9,117
FEMA Admin Fee expected by institution	\$ -	\$ 9,117	\$ (9,117)
Expenditures Reimbursed with FEMA funds held locally	\$ 472	\$ 472	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 18,004	\$ 18,004	\$ -
Expenditures not submitted for reimbursement after May 24, 2008	\$ 39,806	\$ 39,806	\$ -
Encumbrances (estimates) to finish work	\$ -	\$ -	\$ -
Funds to be remitted to the State:	\$ -	\$ -	\$ -
FEMA Claims Awaiting Payment	\$ -	\$ 473,823	\$ (473,823)
FEMA Estimated Future Claims	\$ -	\$ -	\$ -
Insurance Claims Pending	\$ -	\$ -	\$ -
<b>Total Uses</b>	<b>\$ 2,168,395</b>	<b>\$ 2,688,104</b>	<b>\$ (519,709)</b>
<b>Excess of Sources over Uses (Excess of Uses over Sources)</b>	<b>\$ 221,095</b>	<b>\$ (298,614)</b>	<b>\$ 519,709</b>

Chart C  
Sources and Uses of Funds Attributable to Hurricane Katrina and Hurricane Rita at Lamar Higher Education Institutions November 2005 - March 2009

Totals			
Element	Dollar amount in table (per SAO)	Dollar amount per institution's documentation/records/calculations	Difference
<b>Funds Received as of May 24, 2008</b>			
FEMA Payments Rec'd before May 24, 2006	\$ 12,982,281	\$ 12,982,281	\$ -
FEMA Payments Rec'd after May 24, 2006	\$ 8,043,009	\$ 8,043,009	\$ -
State Emergency Appropriations	\$ 34,000,000	\$ 34,000,000	\$ -
Insurance Proceeds Rec'd	\$ 22,850	\$ 22,850	\$ -
Hold Harmless Funds, 80th Legislature	\$ -	\$ 554,432	\$ (554,432)
Future Funds:			
FEMA Claims Awaiting Payment	\$ 8,040,002	\$ 8,040,002	\$ -
FEMA Estimated Future Claims	\$ 1,124,411	\$ 1,512,914	\$ (388,503)
Insurance Claims Pending	\$ 3,443,348	\$ 3,443,348	\$ -
Total Sources	\$ 67,655,901	\$ 68,598,836	\$ (942,935)
<b>Uses of Funds</b>			
Funds Expended	\$ 31,422,909	\$ 31,341,486	\$ 81,423
Less: Insurance premiums paid for auxiliary bldgs	\$ 690,006	\$ -	\$ 690,006
Subtotal Funds Expended	\$ 30,732,903	\$ 31,341,486	\$ (608,583)
Revenue Losses	\$ 11,865,883	\$ 23,679,173	\$ (11,793,290)
FEMA Admin Fee rec'd by institution	\$ 229,066	\$ 98,409	\$ 130,657
FEMA Admin Fee expected by institution	\$ -	\$ 130,573	\$ (130,573)
Expenditures Reimbursed with FEMA funds held locally	\$ 454,606	\$ 454,606	\$ -
Expenditures Made but Not Submitted for Reimbursement before May 24, 2008	\$ 1,429,988	\$ 1,423,308	\$ 6,680
Expenditures not submitted for reimbursement after May 24, 2008	\$ 1,385,257	\$ 1,226,353	\$ 158,904
Invoice received 4/21/09	\$ -	\$ 29,367	\$ (29,367)
Encumbrances (estimates) to finish work	\$ 431,266	\$ 431,266	\$ -
Funds to be remitted to the State:			
FEMA Claims Awaiting Payment	\$ -	\$ 8,040,002	\$ (8,040,002)
FEMA Estimated Future Claims	\$ -	\$ 1,512,914	\$ (1,512,914)
Insurance Claims Pending	\$ -	\$ 3,443,348	\$ (3,443,348)
Total Uses	\$ 46,548,969	\$ 71,810,805	\$ (25,261,836)
Excess of Sources over Uses (Excess of Uses over Sources)	\$ 21,106,932	\$ (3,211,969)	\$ 24,318,901

# Appendices

Appendix 1

## *Objectives, Scope, and Methodology*

---

### Objectives

The objectives of this audit were to determine:

- How the Lamar higher education institutions calculated and supported expenditure and revenue losses attributable to Hurricane Katrina and Hurricane Rita.
- How the Texas State University System (System) approved and allocated emergency funds.

### Scope

The scope of this audit included an analysis of state emergency appropriations and Federal Emergency Management Agency (FEMA) funds awarded to Lamar higher education institutions for September 23, 2005, through May 24, 2008. Additional hurricane-related expenditures through March 2009 were provided by the institutions and were not audited by the State Auditor's Office.

### Methodology

The audit methodology included conducting interviews, researching federal and state laws, reviewing method of funding distributions, reviewing hurricane expenditures and revenue losses, and analyzing Uniform Statewide Accounting System (USAS) transactions.

Information collected and reviewed included the following:

- House Bill 63 (79th Legislature, 3rd Called Session) funding allocation methodology.
- Hurricane expenditure data from the higher education institutions' accounting systems.
- Chart of accounts and list of Hurricane Rita accounts.
- The higher education institutions' expenditure analysis.
- USAS transactions.

- Invoices, purchase orders, and other supporting documentation for expenditures.
- Accounts payable policies and procedures.
- Revenue loss methodologies and calculations.
- Enrollment data and tuition and fee rates.
- FEMA project worksheets.
- FEMA payments.
- Deposits to the State Treasury.

Procedures and tests conducted included the following:

- Conducted interviews with the Legislative Budget Board, the System, and personnel at each Lamar higher education institution.
- Reviewed supporting documentation for selected expenditures.
- Verified each higher education institution's method of calculating revenue losses and compared estimated revenue losses to recalculated actual amounts.
- Determined how the System approved and allocated emergency appropriations.
- Performed analysis of data from USAS.
- Compared the higher education institutions' expenditure analysis to amounts recorded in USAS.
- Analyzed the higher education institutions' detailed reimbursement information.
- Reviewed building insurance premiums and outstanding insurance settlements.

Criteria used included the following:

- House Bill 63 (79th Legislature, 3rd Called Session), which became effective on May 24, 2006, and expired on May 24, 2008.
- FEMA initial disaster declaration and subsequent amendments authorizing FEMA reimbursements for public assistance.
- Code of Federal Domestic Assistance 97.036 *FEMA Public Assistance Guide*.
- FEMA Agency Policy Guide.

- General Appropriations Act (80th Legislature).
- Article 7, Texas Constitution.
- USAS appropriation rules.
- Higher education institution policies and procedures.

### **Project Information**

Audit fieldwork was conducted from February 2009 through March 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Stacey Williams, CGAP (Project Manager)
- Tony White, CFE (Assistant Project Manager)
- Michelle DeFrance, CPA
- Rachel Goldman
- Cindy Haley, CPA
- Jenay Oliphant
- Lisa M. Thompson
- Michael Yokie, CISA (Information Systems Audit Team)
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Ralph McClendon, CCP, CISA, CISSP (Audit Manager)



# Lamar University Journal Vouchers Associated with Duplicate Reimbursements

Lamar University received \$2,112,660 in reimbursements from state emergency appropriations to pay invoices that it had already paid using state emergency appropriations. Of that amount, Lamar University:

- Received \$535,542 through the \$535,855.14 line item on the journal voucher presented below (not all of the amount of that line item was associated with duplicate reimbursement).
- Received \$1,576,123 through the \$1,716,271.67 line item on the journal voucher presented on the next page (not all of the amount of that line item was associated with duplicate reimbursement).
- Received the remaining \$995 through another journal voucher that is not presented in this appendix.

STATE OF TEXAS #380

**JOURNAL VOUCHER**

1. Archive Reference Number		2. Agency Number 734		3. Agency Name LAMAR UNIVERSITY - BEAUMONT				4. Current document number (voucher #) 97346056	
5. Effective date 05-17-2007		6. Doc date 05-17-2007		7. Doc agency 734		8. Doc amount 1,071,710.28		9. Date J/0/0/0/0/0/0/06	

S. Agency	SPX	REF DOC	SPX	TC	INDEX	PCA	AY	COB	AOBJ	AMOUNT	
734	001			247		20920	06	7346		535,855.14	
R		APPR	FUND	AFUND	INCLUSO SUBFUND	CSLA	ASLA	PAYEE IDENTIFICATION	GRANT NUMBER	GRANT YEAR/PHASE	PROJECT NUMBER
		20920	0001		1100				37347347348001		
PROJECT PHASE		CONTRACT NUMBER		MULTIPURPOSE CODE		AGENCY USE					

S. Agency	SPX	REF DOC	SPX	TC	INDEX	PCA	AY	COB	AOBJ	AMOUNT	
734	002			904		20920	06	7346		535,855.14	
R		APPR	FUND	AFUND	INCLUSO SUBFUND	CSLA	ASLA	PAYEE IDENTIFICATION	GRANT NUMBER	GRANT YEAR/PHASE	PROJECT NUMBER
		20920	0001		1100			37347347348001			
PROJECT PHASE		CONTRACT NUMBER		MULTIPURPOSE CODE		AGENCY USE					

10. Legal Cites  
H. B. 1, 79TH leg. r.s. artIII

11. Description  
reimbursement of expenditure for RITA damages

12. Contact Name  
JAMES BRADY

13. Approved  
*[Signature]*

14. Entered by  
D. TINS

JANUICE DATE 05-17-2007  
SERVICE DATE 05-17-2007

3/17/07

STATE OF TEXAS

JOURNAL VOUCHER

PAGE 3 OF 3

PAGE 05/31

PAYROLL

4098888513 02/25/2009 1:41:06

1. Agency Reference Number		2. Agency Number 734		3. Agency Name LAMAR UNIVERSITY - BEAUMONT		4. Current document number						
5. Effective date 08/22/2007		6. Dec date 08/22/2007		7. Doc agency 734		8. Document						
9. Agency 734	10. SFY 009	11. REF DOC	12. STX	13. TO	14. BSK	15. PFM 20920	16. ST 06	17. DSA 7334	18. AGR	19. AGR SE	20. PAY AMT 3,432,543.34	21. PROJ ID 80101010110
22. AGR 20920	23. PNC 0001	24. AFSD	25. BSKD BSKLNM 1100	26. COLA	27. ASLA	28. PAYE IDENTIFICATION 37347347348001	29. GRANT NUMBER	30. STATE FUNDING	31. PROJECT NUMBER	32. PROJECT LENGTH	33. PAY AMT 7,540.28	
34. Agency 734	35. SFY 010	36. REF DOC	37. STX	38. TO	39. BSK	40. PFM 20920	41. ST 06	42. DSA 7291	43. AGR	44. AGR SE	45. PAY AMT 1,340.44	
46. AGR 20920	47. PNC 0001	48. AFSD	49. BSKD BSKLNM 1100	50. COLA	51. ASLA	52. PAYE IDENTIFICATION 37347347348001	53. GRANT NUMBER	54. STATE FUNDING	55. PROJECT NUMBER	56. PROJECT LENGTH	57. PAY AMT	
58. Agency 734	59. SFY 011	60. REF DOC	61. STX	62. TO	63. BSK	64. PFM 20920	65. ST 06	66. DSA 7462	67. AGR	68. AGR SE	69. PAY AMT 5,862.50	
70. AGR 20920	71. PNC 0001	72. AFSD	73. BSKD BSKLNM 1100	74. COLA	75. ASLA	76. PAYE IDENTIFICATION 37347347348001	77. GRANT NUMBER	78. STATE FUNDING	79. PROJECT NUMBER	80. PROJECT LENGTH	81. PAY AMT	
82. Agency 734	83. SFY 012	84. REF DOC	85. STX	86. TO	87. BSK	88. PFM 20920	89. ST 06	90. DSA	91. AGR	92. AGR SE	93. PAY AMT 1,716,271.67	
94. AGR 20920	95. PNC 0001	96. AFSD	97. BSKD BSKLNM 1100	98. COLA	99. ASLA	100. PAYE IDENTIFICATION 37347347348001	101. GRANT NUMBER	102. STATE FUNDING	103. PROJECT NUMBER	104. PROJECT LENGTH	105. PAY AMT	

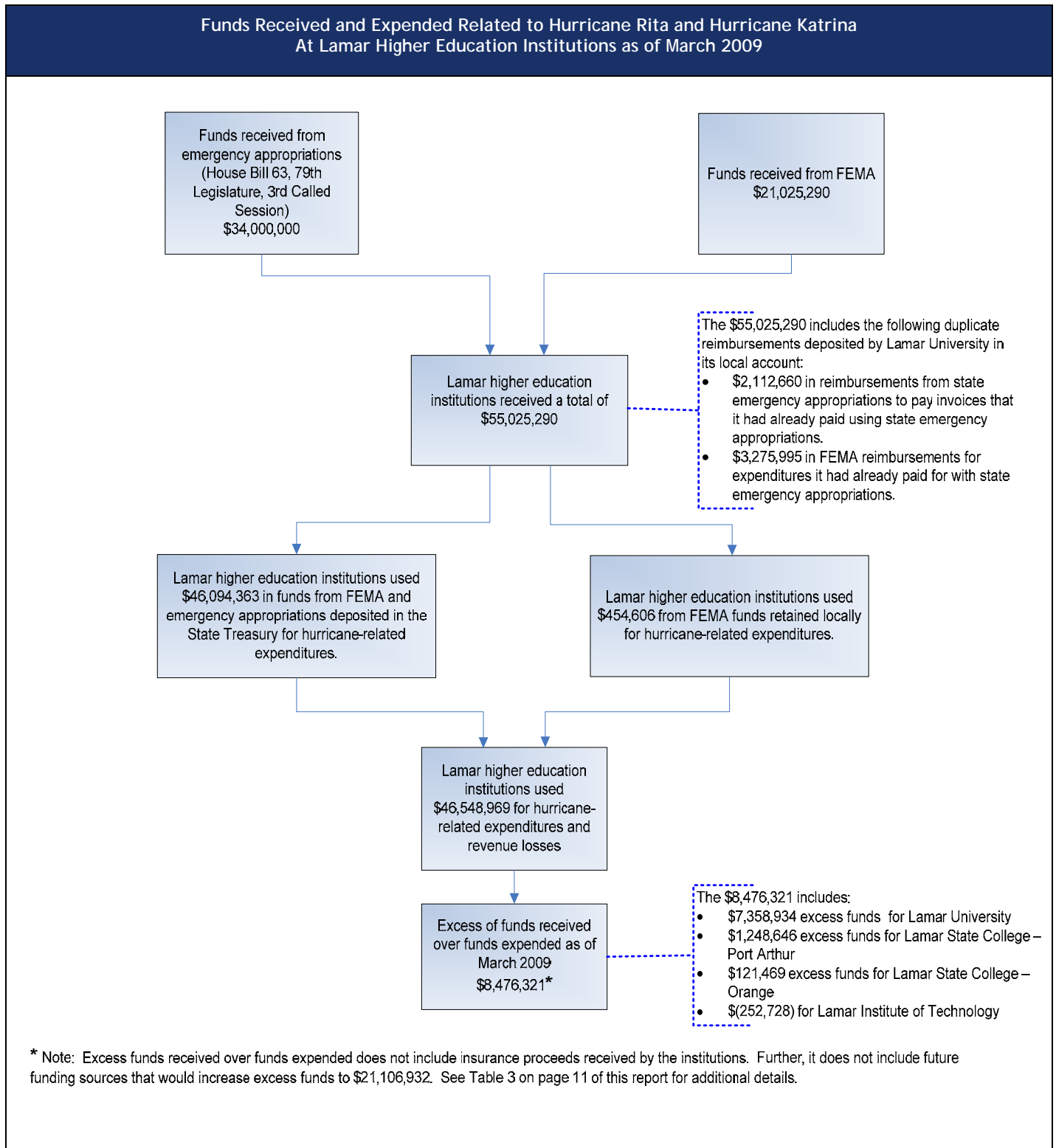
10. Legal Office

11. Description: JOURNAL ENTRY REQUIRED: YES NO *Nancy Bergeron*  
 Reimbursement for Rita expenses FY06

12. Contact Name: *Nancy Bergeron* Phone (area code & number): 4091 560-8010  
 13. Approved: *[Signature]* Date: *8/24/07*  
 14. Entered by: *Titus*

## Hurricane-related Funds Received and Expended at Lamar Higher Education Institutions as of March 2009

Figure 1



***Related State Auditor's Office Reports***

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Recent SAO Work		
Number	Product Name	Release Date
09-023	An Audit Report on the Texas State University System Foundation, Inc. and Transactions Involving the Texan Hall Dormitory at Angelo State University	March 2009
06-314	A Review of the Financial Impact of Hurricane Rita at Lamar University and Lamar Two-Year Colleges	January 2006

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The Honorable Joe Straus III, Speaker of the House, Joint Chair  
The Honorable Steve Ogden, Senate Finance Committee  
The Honorable Thomas “Tommy” Williams, Member, Texas Senate  
The Honorable Jim Pitts, House Appropriations Committee  
The Honorable Rene Oliveira, House Ways and Means Committee

### **Office of the Governor**

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### **Lamar Institute of Technology**

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