Background

What is the purpose of the Facilities Audit Protocol?

The Texas Higher Education Coordinating Board (THECB) established the Facilities Audit Protocol to ensure the accommodation of projected enrollments via (1) efficient use of funds and (2) orderly development of physical plants, with the ultimate goal of closing existing gaps in higher education.

To that end, Institutions of Higher Education, as defined, are each required to comply with certain measures outlined in Sections 61.0572, 61.0582, 61.0583 and 61.058 of the Texas Education Code.

Institutions of Higher Education

According to the Texas Education Code, what is an Institution of Higher Education?

The Texas Education Code defines an Institution of Higher Education as any one of the following six groups:

- General Academic Teaching Institution (i.e., Public Senior College or University)
- Medical or Dental Unit
- Other Agency of Higher Education
- Public State College
- Public Junior College (not further addressed here)
- Public Technical Institute

According to the Texas Education Code, what is a General Academic Teaching Institution?

The Texas Education Code explicitly lists the following 31 General Academic Teaching Institutions:

- Angelo State University
- Lamar University
- Lamar State College – Orange (also a Public State College)
- Lamar State College – Port Arthur (also a Public State College)
- Midwestern State University
- Prairie View A&M University
- Sam Houston State University
- Stephen F. Austin State University
- Sul Ross State University
- Texas A&M University – Commerce
- Texas A&M University – Corpus Christi
- Texas A&M University – Kingsville
- Texas A&M University – Main University
According to the Texas Education Code, what is a Medical and Dental Unit?

The Texas Education Code explicitly lists the following 10 Medical and Dental Units:

- The University of Texas Medical Branch at Galveston
- The University of Texas Southwestern Medical Center at Dallas
- The University of Texas Medical School at San Antonio
- The University of Texas Dental Branch at Houston
- The University of Texas M.D. Anderson Cancer Center
- The University of Texas Graduate School of Biomedical Sciences at Houston
- The University of Texas Dental School at San Antonio
- The University of Texas Medical School at Houston
- The nursing institutions of The University of Texas System
- The University of Texas School of Public Health at Houston
According to the Texas Education Code, what is an Other Agency of Higher Education?
The Texas Education Code explicitly lists the following 16 Other Agencies of Higher Education:

- The University of Texas System, System Administration
- Texas Western University Museum
- Texas A&M University System, Administrative and General Offices
- Texas Agricultural Experiment Station
- Texas Agricultural Extension Service
- Rodent and Predatory Animal Control Service (part of the Texas Agricultural Extension Service)
- Texas Engineering Experiment Station (including the Texas Transportation Institute)
- Texas Engineering Extension Service
- Texas Forest Service
- Texas Tech University Museum
- Texas State University System, System Administration
- Sam Houston Memorial Museum
- Panhandle-Plains Historical Museum
- Cotton Research Committee of Texas
- Water Resources Institute of Texas
- Texas Veterinary Medical Diagnostic Laboratory

According to the Texas Education Code, what is a Public State College?
The Texas Education Code explicitly lists the following three Public State Colleges:

- Lamar State College – Orange (also a General Academic Teaching Institution)
- Lamar State College – Port Arthur (also a General Academic Teaching Institution)
- Lamar Institute of Technology (also a Public Technical Institute)

According to the Texas Education Code, what is a Public Technical Institute?
The Texas Education Code explicitly lists the following two Public Technical Institutes:

- Lamar Institute of Technology (also a Public State College)
- Texas State Technical College System

What is the Texas State Technical College System?
The Texas State Technical College (TSTC) System was established in 1965 to address Texas’ evolving workforce needs by providing quality technical education. Today, the TSTC System includes the following four colleges:

- TSTC Harlingen
- TSTC Marshall
According to the Texas Education Code, what are Educational and General Buildings and Facilities?

The Texas Education Code defines Educational and General Buildings and Facilities as buildings and facilities essential to or commonly associated with teaching, research or the preservation of knowledge. Educational and General Buildings and Facilities do not include Auxiliary Enterprise Buildings and Facilities, such as dormitories, cafeterias, student union buildings, stadiums and alumni centers.

Applicable Texas Education Code Sections

What are the requirements of Section 61.0572 of the Texas Education Code?

Section 61.0572 – Construction Funds and Development of Physical Plants contains the following requirements for all Institutions of Higher Education (except as otherwise noted):

- Adhere to THECB space utilization formulas in all Educational and General Buildings and Facilities.
- Adhere to THECB methods for assuring maximum daily/yearly use of Educational and General Buildings and Facilities, including maximum scheduling of day and night classes and maximum summer school enrollment.
- Adhere to THECB selective admission standards during times of capacity enrollment.
- Develop long-range campus master plans for campus development (excluding Public Junior Colleges).
- Obtain THECB endorsement of proposed real property purchases (excluding Public Junior Colleges).
- Adhere to THECB standards, rules and regulations related to the application for approval of (1) new construction and (2) major repair and rehabilitation of all buildings and facilities (regardless of proposed use).
- Ensure that standards and specifications for (1) new construction and (2) repair and rehabilitation of all buildings (regardless of proposed use) are in accordance with Article 9102 (Texas Architectural Barriers Act).
- Develop space standards for new construction and other capital improvement projects that address the differences in space requirements for teaching, research and public service activities (General Academic Teaching Institutions and Medical and Dental Units only).
- Obtain THECB approval of all real property acquired by gift or lease-purchase (only if the institution requests to place the property on its Educational and General Buildings and Facilities inventory and the value of the property at the time of the request is more than $300,000).
- Obtain THECB approval (in terms of cost, efficiency and space-use standards) of all real property acquisitions financed by certain bond issuances.
What are the requirements of Section 61.0582 of the Texas Education Code?

Section 61.0582 – Campus Master Plan, Deferred Maintenance requires that the following items be addressed in the campus master plans to be submitted by all Institutions of Higher Education (except Public Junior Colleges):

- An assessment of the institution’s deferred maintenance needs, including regular and preventive maintenance needs
- A plan to address the institution’s deferred maintenance needs
- The amount the institution plans to designate each year for repairs, rehabilitation and deferred maintenance projects
- The funding source(s) for (1) any new construction project that costs more than $300,000 and (2) any repair and rehabilitation project that costs more than $600,000 (changes in project funding sources must be reported to the THECB before the project begins)
- A description of the use(s) of any dedicated funding

What are the requirements of Section 61.0583 of the Texas Education Code?

Section 61.0583 – Audit of Facilities stipulates that the THECB shall periodically conduct a comprehensive audit of all Educational and General Buildings and Facilities on the campuses of General Academic Teaching Institutions and the TSTC System to verify the accuracy of the institution’s facilities inventory. Specifically, the THECB will focus on the following as part of its audits:

- Verify the accuracy of the square footage reported in each institution’s budget request.
- Confirm that all construction projects have received prior approval by the THECB if required by Section 61.058 – New Construction and Repair and Rehabilitation Projects.
- Confirm that approved projects are completed as specified in the THECB request for approval.

Note that the draft Facilities Audit Protocol distributed on May 14, 2008 by Deborah Perez at the THECB states that all Institutions of Higher Education (not just General Academic Teaching Institutions and the TSTC System) are subject to audit. Audits will be conducted on a five-year cycle.

What are the requirements of Section 61.058 of the Texas Education Code?

Section 61.058 – New Construction and Repair and Rehabilitation Projects mandates that the THECB shall approve/disapprove (1) all new institutional construction and (2) all institutional repair and rehabilitation financed from any source. Specific factors to be considered by the THECB as part of its review include:

- The purpose for which the new or remodeled buildings are to be used to ensure conformity with space utilization standards (for new construction up to $1 million, or repair and rehabilitation up to $2 million)
- Cost factors and the financial implications of the project to the state (for new construction above $1 million, or repair and rehabilitation above $2 million)
Educational and General Facilities Audits

What types of audits of Educational and General Buildings and Facilities are periodically conducted? What is the purpose of these audits?

There are three types of Institutional Facilities Inventory Audits: Peer Review Team (PRT) Audits, Self-Audits and Remediation Audits. Facilities Development Project Audits also are conducted. The overall purpose of these audits is to assess, verify and improve the process by which Texas Institutions of Higher Education report the use of campus facilities and project funding.

What is the PRT Audit approach and methodology?

Each Institution of Higher Education participating in the PRT program will nominate one or more qualified individuals for the PRT pool maintained by the THECB. For each audit, the THECB will select from the pool for the PRT, which will be composed of three to five members. PRT Audits must be completed within the quarter in which they are scheduled by the THECB, and the audit report must be received by the THECB within 30 days.

The THECB will generate a random sample of at least 30 Educational and General Buildings and Facilities rooms from the auditee’s certified inventory listing on file with the THECB. The THECB also will generate a random sample of five rooms from the auditee’s roster of classrooms and class laboratories (three room-type 110 rooms and two room-type 210 rooms). The PRT will verify the following for accuracy:

- Sampled rooms are identified by a unique alphabetic or numeric code.
- Function codes accurately reflect actual use.
- Prorated use accurately reflects the actual time used for each function.
- Square footage is accurate and verifiable.
- Inventory control systems (e.g., formal processes, top-down and bottom-up reporting mechanisms, timely reflection of renovations, conversions and other changes, and checks to ensure internal and external data congruence) are in place and in use.

What are Self-Audits?

Institutions of Higher Education may contract with a recognized firm with substantial experience in auditing Educational and General Buildings and Facilities to conduct regularly scheduled Self-Audits. The institution presents to the Office of Resource Planning a copy of the formal audit report and the documented processes that demonstrate the accuracy of the underlying data related to the various audit objectives specified above.

What are Remediation Audits?

Remediation Audits are audits conducted by the THECB Internal Audit Office, not by a PRT or an external firm.
What are Facilities Development Project Audits?

For Facilities Development Project Audits, also called Project Applications and Approvals Audits, the sampling methodology is the same as that described above for PRT Audits. Also included in the sample are any real property acquisitions over the preceding five years (or since the last Facilities Development Project Audit). The primary objectives of the audit are to ensure that projects and real property acquisitions were submitted to the THECB and have received all required approvals and that any projects completed over the audit timeframe were within the parameters specified in the project application approved by the THECB.

Approvals are required for:

- New construction projects costing $1 million or more
- Repair and renovation projects costing $2 million or more
- Acquisitions of real property
- Gifts/donations of improved real property

Re-approvals are required if:

- Total project cost exceeds cost estimates by more than 10 percent
- Gross square footage is changed by more than 10 percent
- The project has not been contracted within 18 months from its final THECB approval date
- Any funding source is changed
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We focus on the key operational and financial risk areas, as well as issues and reporting responsibilities facing boards, audit committees, senior executives and operational leaders. Working closely with clients, we assess their operational and financial processes and controls infrastructure to ensure:

- Contractual obligations are appropriately fulfilled.
- The performance measures are adequate and effective for controlling operational and financial costs, as well as ensuring quality, schedule and safety standards.
- Processes are conducted in adherence with established policies and procedures.
- Adequate anti-fraud measures are in place to reduce the risk of fraud, waste or abuse.

Other services include:

- Construction audits to help detect and recover costs
- Construction process and internal controls reviews to help identify gaps in processes that detect and prevent cost and schedule overruns
- Construction process re-engineering to help improve processes that detect and prevent cost and schedule overruns
- Project risk advisory to help proactively identify risks that lead to cost and schedule overruns
- Construction dispute assistance to help recover costs after a project is complete and in dispute

For additional information about the issues reviewed in this white paper or our services, please contact:

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