



John Keel, CPA
State Auditor

A Review of

Expenditures Related to Hurricane Ike at Texas A&M University at Galveston

March 27, 2009

Members of the Legislative Audit Committee:

Texas A&M University at Galveston (University) was closed on September 10, 2008, in preparation for Hurricane Ike, which hit the University on September 13, 2008. In addition to sustaining damage to facilities, the University also suffered revenue losses and incurred costs related to the relocation of academic and student affairs operations to Texas A&M University in College Station.

University Estimate of Losses

The University estimates that its losses from Hurricane Ike will total \$17.3 million. It expects to recover \$6.5 million from external funding sources, mainly from the Federal Emergency Management Agency (FEMA), and it has requested that the 81st Legislature appropriate \$10.8 million under House Bill 6 to help the University pay for the losses that will not be reimbursed from external funding sources.

Auditors' Estimate of Losses

Auditors estimate that the University's losses from Hurricane Ike will total \$12.4 million and that the University will recover \$6.7 million from external funding sources—resulting in a \$5.7 million potential cost to the State. (See the attachment to this letter for a detailed list of estimated costs.)

The majority of the difference between auditors' and the University's estimates of total losses is primarily due to the University including \$5.0 million in costs related to mitigation of coastal erosion and for shore side dock reinforcements. The proposed mitigation and dock reinforcement project was previously included in the University's fiscal year 2010-2011 Legislative Appropriations Request, which was prepared prior to Hurricane Ike. Auditors did not include this \$5.0 million in their total of estimated losses because the proposed mitigation and dock reinforcement project existed before the hurricane. Table 1 on the next page lists the total estimated loss from Hurricane Ike at the University.

Background Information

Hurricane Ike hit Texas A&M University at Galveston (University) on September 13, 2008.

The University reported that 1,612 of 1,772 students continued their Fall 2008 semester at the Texas A&M University campus in College Station. Classes for the relocated students began on September 24, 2008.

The University sustained hurricane damage including:

- Wind damage to four major buildings on the University's Mitchell (main) Campus.
- Damage to the Mitchell Campus sewer plant.
- Significant damage to the University's dock facilities, including the mooring of the University's training ship, *Texas Clipper*.

Table 1

Texas A&M University at Galveston's Total Estimated Losses for Recovery from Hurricane Ike						
(In millions)						
Description	Auditors' Estimated Losses	University's Estimated Losses	University's Estimated Total Potential Funding from Non-state Sources	Auditors' Estimated Total Potential Funding from Non-state Sources	University's Estimated Potential Cost to the State	Auditors' Estimated Potential Cost to the State
Hurricane-related Incurred Costs	\$ 10.5	\$ 8.9	\$6.5	\$ 6.7	\$ 2.5	\$ 3.9
Lost Revenues	1.8	3.4	0.0	0.0	3.4	1.8
Mitigation of Coastal Erosion and Dock Reinforcement	0.0	5.0	0.0	0.0	5.0	0.0
Totals	\$ 12.4	\$ 17.3	\$6.5	\$ 6.7	\$ 10.8	\$ 5.7

Sources: Data for the University's estimates was provided by the University. All other data is based on auditors' analysis.

As of February 24, 2009, the University reported that it had made \$4.4 million in hurricane-related expenditures and owed an additional \$5.7 million for hurricane-related costs. The University's hurricane-related losses include direct costs, as well as revenue losses. The University based its estimates on several sources, including:

- Initial estimate data, including an in-depth cost analysis conducted by a contractor within two weeks of Hurricane Ike's landfall.
- Actual losses, including refunds to withdrawing students.
- Bids and estimates from contractors.
- Pre-Hurricane Ike property listings.
- Auxiliary enterprise budgets.
- Formula funding calculations.

All \$4 million of \$6.8 million spent or encumbered for hurricane-related damage as of December 12, 2008, that auditors tested was supported and documented. Auditors identified no signs of fraud or abuse with respect to the University's hurricane-related expenditures. However, 32 of the 90 apartments that the University leased in College Station for displaced faculty and staff were never occupied. The University paid \$67,000 in rent for these 32 units. It is important to note that the University had to find accommodations for a large number of people within a very short time period. The University found housing for 1,165 students, faculty, and staff that relocated to College Station within two weeks of evacuating the University's campus.

The University plans to recoup some hurricane-related costs from three non-state sources: FEMA, insurance proceeds, and student dormitory fees. The University provided documentation that supports its estimates for insurance proceeds and student dormitory fees. However, auditors estimate that the University may receive \$223,300 more in FEMA reimbursements than the University's estimate of \$5.6 million.

We appreciate the University's cooperation during this review. If you have any questions, please contact Ralph McClendon, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachment

cc: Members of the Texas A&M University System Board of Regents
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Mr. John D. White, Vice Chairman
Dr. Richard A. Box
Mr. Morris E. Foster
Mr. Lupe Fraga
Mr. Erle Nye
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Ms. Ida Clement Steen
Mr. James P. Wilson
Mr. Anthony Cullins, Student Regent
Dr. Michael D. McKinney, Chancellor, Texas A&M University System
Dr. Elsa Murano, President, Texas A&M University
Dr. R. Bowen Loftin, Vice President and Chief Executive Officer, Texas A&M University at Galveston



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Attachment

Expenditures Related to Hurricane Ike at Texas A&M University at Galveston

Hurricane Ike hit Galveston on September 13, 2008. Texas A&M University at Galveston (University) suffered losses that included incurred costs and lost revenues. Below is a summary of the University's costs and revenue losses related to Hurricane Ike.

Cost Categories

The University estimated it incurred \$8.9 million in costs as a result of damage done by Hurricane Ike. Auditors estimated that the University's costs related to Hurricane Ike totaled \$10.5 million. Auditors included \$1.6 million in costs incurred by the University's auxiliary enterprises, which include the residence halls, book store, and dining services. The University classified the \$1.6 million as a revenue loss, rather than as a cost.

The University's hurricane-related costs fall into the following categories. Unless otherwise noted, the totals cited below are auditors' estimates.

Emergency Work-Debris Removal - \$1.3 million

These costs were for the removal of debris from the campus and silt from the University's small boat basin and dock of the University's training ship, *Texas Clipper*. The University's estimate of dredging costs was based on bids received for the work. However, University management stated that the actual cost for dredging the *Texas Clipper* dock is expected to be higher than the original estimate because the work was interrupted when the University had to find a new location for dredged silt. The University did not provide auditors with an updated estimate. Auditors' estimate of debris removal costs was based on the University's actual expenditures for debris removal, which was slightly less than the University's estimate.

It is likely that the University will be able to recover all of these costs from the Federal Emergency Management Agency (FEMA) because the disaster declaration affecting Galveston allowed public entities to be reimbursed for 100 percent of costs for clearing debris, including silt. However, the University must remove any remaining silt caused by Hurricane Ike by April 27, 2009, to claim full FEMA reimbursement.

Emergency Protective Measures Not Related to Campus Relocation - \$626,000

These costs were mainly for emergency repairs made on several University buildings. These costs included structure drying and dehumidification, temporary roofing, and generators. Additionally, the University spent \$7,800

to house University police in Galveston. The University and auditors estimated that costs in this category totaled \$626,000 based on actual expenditures and encumbrances as of January 2009. The University provided auditors with adequate documentation for the entire amount it had spent or encumbered for costs in this category as of December 9, 2008.

The University may be able to recover 100 percent of these costs from FEMA. However, the due date for incurring fully reimbursable costs in this category was October 27, 2008. If the federal government does not amend the disaster declarations, the University may be reimbursed for only 75 percent of the costs incurred after October 27, 2008.

Emergency Protective Measures Related to Campus Relocation - \$3.1 million

These costs were for the relocation of students from Galveston to College Station. Auditors identified \$2.6 million in costs related to housing students and University staff in College Station. In addition to housing 1,165 people, the University rented 32 properties for faculty and staff in College Station that were never occupied. Table 2 lists these costs.

Table 2

Costs for Housing Students and Staff in College Station Auditors' Estimates as of December 9, 2008		
Description of Cost	Number of People Housed	Cost (in thousands)
Total Rent for Students On-campus	376	\$ 422
Total Rent for Students Off-campus	729	1,767
Total Rent for Faculty and Staff	60	145
Total Rent for Vacant Faculty and Staff Housing	Not Applicable	67
Non-rental Costs ^a	Not Applicable	161
Totals	1,165	\$2,562
^a Non-rental costs include utilities, temporary lodging, and maintenance and repairs to properties occupied by students.		

Source: Texas A&M University at Galveston.

Due to the limited availability of housing after Hurricane Ike, the University paid \$152,000 to pre-rent approximately 291 apartments in Galveston to guarantee housing during the Spring 2009 term for 1,000 of its 1,610 returning students. The University also paid \$364,000 for travel costs of employees commuting to College Station.

The University reported that it plans to use FEMA funding, as well as \$423,522 in student payments for on-campus housing, to defray most of the costs in this category. According to FEMA project worksheets prepared by the University in February 2009, the University is requesting \$1.9 million in

reimbursements. However, the *FEMA Public Assistance Guide* does not specifically list these types of housing and travel costs as costs that are eligible for reimbursement. The University is requesting reimbursement because it provided services to students who otherwise would have been paid for using individual FEMA assistance funding to students. Management stated that the University required students living in University-provided housing to turn over any housing assistance funding they received from FEMA to the University. Correspondence between the University and FEMA staff indicates the University may receive these funds from FEMA.

Permanent Work-Buildings and Equipment - \$2.4 million

Actual and estimated costs in this category are for (1) repairs of general building damage, (2) roof replacement and repairs to Building 3026 (Sea Aggie Center) and Building 3009C (Mariner Hall), and (3) replacement of boats lost in the hurricane. The University is seeking FEMA funding and could receive reimbursement for 75 percent of the uninsured portion of these costs. Specifically:

- Based on information the University received from a contractor and its physical plant staff in September 2008, the University estimated that the hurricane caused \$1,431,000 in general building damage.
- The hurricane caused an estimated \$657,000 in roof damage to University facilities—\$299,000 damage at the Sea Aggie Center and \$358,000 damage at Mariner Hall—based on bids it received for repair work. The University should receive \$341,000 from its insurance carrier for the damage to Mariner Hall (total damages less a \$17,225 deductible). The University did not receive any insurance proceeds for costs to replace the Sea Aggie Center's roof because only the contents of the Sea Aggie Center were insured. However, the University should be eligible to receive reimbursement from FEMA for 75 percent of the roof-replacement cost.
- The hurricane caused an estimated \$326,000 in damage to boats on the University's Mitchell and Teichman Road campuses. The University provided auditors with a detailed inventory list that contained support for the estimated boat values and replacement costs.

Permanent Work-Utilities - \$156,000

These costs were for repairs to the University's Mitchell Campus water treatment facilities, including replacement of a pump and repairs to a laboratory and other facilities. The University replaced the pump at a cost that was slightly more than the estimated \$55,000. The University also provided detailed descriptions of the damage to the water treatment facilities. The University should be able to recover 75 percent of the costs in this category from FEMA.

The University included \$30,000 in costs for business meals, travel, and operating supplies in this category. Auditors included these costs with Commuter Employee Travel Costs in their estimate.

Permanent Work-Marine and Other Work - \$1.0 million

The actual and estimated costs in this category were for repairs to the University's docks, electrical utilities, outdoor swimming pool, and Wetlands Center building. The University spent or encumbered \$148,000 for repairs to the *Texas Clipper* dock and \$23,000 for repairs to a swimming pool as of January 2009. The University's estimated costs for completing other repairs in this category were based on the University's initial damage estimates or on an outside contractor's estimates, which were developed shortly after the hurricane. The contractor's estimates contained very detailed descriptions of the damage caused by Hurricane Ike to University facilities; however, the documentation did not contain any details regarding how the estimates had been calculated. Costs reviewed in this category should be eligible for 75 percent reimbursement from FEMA.

Auxiliary Enterprise Costs-\$1.6 million

Auditors estimated that the University incurred \$1.6 million in actual costs for its auxiliary enterprises. Even though the University closed its bookstore, food services, and residence halls, it still had to pay for salaries, utilities, and other fixed costs associated with these services. Auditors categorized these as costs related to Hurricane Ike, while the University categorized these costs as a portion of its revenue lost because of Hurricane Ike.

Other Costs-\$319,000

These costs fall into three categories: (1) costs associated with relocating the *Texas Clipper* during the hurricane, (2) costs associated with relocating university operations to College Station, and (3) other costs. The estimates for most of these costs are based on actual expenditures and encumbrances. Specifically:

- The University estimated that the costs for relocating the *Texas Clipper* and for making repairs to the ship would total \$170,000.
- The University estimated that the costs for moving its operations to College Station, including additional salary cost and student service costs, will total \$81,000. Texas A&M University at College Station has billed the University for all of these estimated costs.
- Other estimated costs totaling \$68,000 include police overtime, employee cell phone costs, on-site meals served during the disaster, and temporary counseling. As of January 2009, the University had paid for \$59,000 of these costs.

Revenue Losses

The University reported that it incurred \$3.4 million in revenue losses as a result of Hurricane Ike. These losses fall into three categories: (1) loss of revenues from withdrawing students, (2) loss of formula funding for the 2010–2011 school year, and (3) loss of net revenues from auxiliary enterprises.

Auditors estimated that the University's hurricane-related revenue losses totaled \$1.8 million. Auditors' estimates differ significantly from the University's estimates because auditors calculated the losses from auxiliary enterprises based on the University's fiscal year 2008 net revenue from these enterprises, while the University calculated these losses based on fiscal year 2008 gross revenues. None of these revenue losses is reimbursable from third parties, such as insurance or FEMA.

Lost Revenues from Withdrawing Students-\$711,000

The University refunded \$711,000 to 160 students who withdrew from classes for the Fall 2008 semester. The University estimated that 70 percent of this amount was tuition reimbursements and 30 percent was for dormitory fees, meal plan purchases, and parking fees.

Loss of Formula Funding for 2010-2011 School Year - \$1 million

The withdrawal of University students will reduce the amount of state formula funding that the University will receive for the 2010-2011 school year. The withdrawal of 160 students from Fall 2008 classes resulted in a reduction of 2,240 semester credit hours. In addition, 35 fewer students than pre-hurricane projections enrolled for Spring 2009 classes, resulting in a loss of 490 semester credit hours. The University also expects 80 fewer students than originally projected to enroll in Summer 2009 classes, resulting in a loss of 480 semester credit hours. The University provided documentation showing that the loss of these semester credit hours would cost the University \$1 million in operations support formula funding in the 2010-2011 biennium.

Loss of Revenue from Auxiliary Enterprises- \$120,000

Because of Hurricane Ike, the University did not earn expected revenues from bookstore and food service sales, residence hall fees, or parking citation fines during the Fall 2008 semester. The University estimated the lost revenues total \$2 million based on the gross revenue that these services earned during fiscal year 2008. Also, as discussed above, the University included costs for overtime, utilities, and other fixed costs in this category. Excluding these costs, auditors estimated the revenue loss from these services was \$120,000 based on the fiscal year 2008 net revenues from these auxiliary services.

Mitigation- \$5.0 million

In its request for hurricane-related state funding, the University included \$5.0 million in state funds to pay for costs related to mitigation of coastal erosion and shore side dock reinforcements, in addition to the \$12.3 million in estimated costs and lost revenues. The proposed mitigation and dock reinforcement project was previously included in the University's fiscal year 2010-2011 Legislative Appropriations Request as an exceptional item request, which was prepared prior to Hurricane Ike.

Examination of Expenditures

Auditors tested \$4.0 million of \$6.8 million that the University had spent or encumbered for hurricane-related expenditures as of December 12, 2008. All transactions tested were supported and documented. Auditors did not identify any signs of fraud or abuse with respect to the University's hurricane-related expenditures.

Thirty-two of 90 apartments that the University leased in College Station for displaced faculty and staff were never occupied. However, it is important to note the speed with which the University had to secure housing for 1,165 students, faculty, and staff.

Revenue from Non-state Sources

The University plans to recoup portions of its costs from three potential non-state sources. Specifically:

- FEMA.
- Insurance proceeds.
- Student dormitory fees.

The University provided supporting documentation for the entire amount of its estimated insurance proceeds and student dormitory fee revenue. However, auditors estimated that the University may receive \$223,300 more in FEMA reimbursements than the University's estimate of \$5.6 million. Table 3 on the next page lists the reasons for the differences in the University's and auditors' estimates of potential FEMA reimbursements.

Table 3

University's and Auditors' Estimates of Potential FEMA Reimbursements (In thousands)				
Line Item	University's Estimated Reimbursement	Auditors' Estimated Reimbursement	Difference ^a	Auditors' Comments
Debris Removal	\$ 880	\$880	\$ 0	
Emergency Work - Emergency Protective Measures Not Related to Campus Relocation	626	626	0	
Emergency Work - Emergency Protective Measures Related to Campus Relocation	1,611	1,884	273	The University based its estimate on a 75 percent reimbursement from FEMA for total housing contract costs. However, the University is seeking 100 percent reimbursement for a portion of these funds and 75 percent reimbursement for the remaining funds, which auditors took into account. Auditors also deducted the amount that the University spent on apartments that were never occupied from the amount eligible for FEMA reimbursement.
Permanent Work - Buildings and Equipment	1,460	1,455	(4)	The University estimated that FEMA would reimburse it for 100 percent of the insurance deductible. Auditors estimated that FEMA would reimburse the University for only 75 percent of the deductible.
Permanent Work - Utilities	109	117	7	The University made an error in calculating its FEMA reimbursement.
Permanent Work - Marine and Other	766	766	0	
Other Costs - <i>Texas Clipper</i> Relocation Costs	58	15	(43)	The University made an error in calculating its FEMA reimbursement.
Other Costs	44	34	(10)	The University included in its estimate some costs that do not appear to fit FEMA reimbursement criteria.
Totals	\$5,553	\$5,777	\$223	
^a Estimates may not sum to the total difference due to rounding.				

Source: Analysis by auditors based on *Public Assistance Guide*, FEMA 322, June 2007.

Estimated Costs for Texas A&M University at Galveston's Recovery from Hurricane Ike

Table 4 lists the estimated costs for the University's recovery from Hurricane Ike as of January 25, 2009. FEMA reimbursement, total non-state funding sources, and potential cost to the State and University are based on auditors' estimated costs.

Table 4

Total Estimated Losses for Recovery from Hurricane Ike at Texas A&M University at Galveston (In thousands)								
Description	Auditors' Estimated Losses	University's Estimated Losses as of March 6, 2009	Expenditures as of February 24, 2009	Payables as of February 24, 2009	Possible Funding Sources		Auditors' Estimated Total Non-state Funding Sources	Auditors' Estimated Potential Cost to the State
					Auditors' Estimated FEMA Funding	Auditors' Estimated Other Sources		
Costs								
Emergency Work - Debris Removal								
Debris Removal	\$ 334	\$ 334	\$167	\$167	\$ 334	\$0	\$ 334	\$0
Silt Removal	962	962	494	416	546	0	546	416
Subtotal	\$1,296	\$1,296	\$661	\$583	\$880	\$0	\$880	\$416
Emergency Work - Emergency Protective Measures Not Related to Campus Relocation								
Emergency Repairs	\$618	\$618	\$304	\$14	\$ 618	\$0	\$ 618	\$0
Galveston Housing - Police	8	8	0	0	8	0	8	0
Subtotal	\$626	\$626	\$304	\$14	\$ 626	\$0	\$ 626	\$0
Emergency Work - Emergency Protective Measures Related to Campus Relocation								
Housing Contracts	\$2,562	\$2,562	\$0	\$2,562	\$1,770	\$424	\$2,194	\$368
Commuter Employee Travel Costs	364	334	356	0	0	0	0	364
Housing Secured for Spring	152	152	152	0	114	0	114	38
Subtotal	\$3,077	\$3,048	\$507	\$2,562	\$1,884	\$424	\$2,308	\$770
Permanent Work - Buildings and Equipment								
General Building Damage	\$1,431	\$ 1,431	\$ 350	\$ 541	\$ 1,074	\$ 0	\$1,074	\$ 358
Roof Replacement	657	657	0	657	237	341	578	79
Boat Loss	326	326	8	318	145	133	278	48
Subtotal	\$2,415	\$2,415	\$ 358	\$1,516	\$ 1,455	\$474	\$1,929	\$ 485

Total Estimated Losses for Recovery from Hurricane Ike at Texas A&M University at Galveston
(In thousands)

Description	Auditors' Estimated Losses	University's Estimated Losses as of March 6, 2009	Expenditures as of February 24, 2009	Payables as of February 24, 2009	Possible Funding Sources		Auditors' Estimated Total Non-state Funding Sources	Auditors' Estimated Potential Cost to the State
					Auditors' Estimated FEMA Funding	Auditors' Estimated Other Sources		
Permanent Work - Utilities								
Utilities	156	185	56	100	117	0	117	39
Subtotal	\$ 156	\$ 185	\$ 56	\$ 100	\$ 117	\$ 0	\$ 117	\$ 39
Permanent Work - Marine and Other								
Dock/Boat Basin Repairs	\$598	\$ 598	\$64	\$384	\$449	\$0	\$449	\$150
Building and Utility Repairs	423	423	0	400	318	0	318	106
Subtotal	\$1,022	\$1,022	\$ 64	\$ 784	\$ 766	\$ 0	\$ 766	\$ 255
Auxiliary Enterprise Costs ^a								
Dining Service	\$ 809	\$ 0	\$ 809	\$ 0	\$ 0	\$ 0	\$ 0	\$ 809
Residence Halls	457	0	457	0	0	0	0	457
Bookstores	355	0	355	0	0	0	0	355
Subtotal	\$1,621	\$ 0	\$1,621	\$ 0	\$ 0	\$ 0	\$ 0	\$1,621
Other Costs								
Texas Clipper Ship Relocation Costs	\$ 170	\$ 170	\$ 75	\$ 95	\$ 15	\$ 0	\$ 15	\$ 155
Costs Associated with Relocating to Texas A&M University	81	81	4	77	0	0	0	81
Other Expenses	68	68	59	9	34	0	34	33
Subtotal	\$ 319	\$ 319	\$ 138	\$ 181	\$ 49	\$ 0	\$ 49	\$ 270
Total Costs	\$10,530	\$8,909	\$ 3,709	\$5,740	\$5,777	\$898	\$6,674	\$3,855
Lost Revenues								
Lost Revenues from Withdrawing Students								
Tuition/Fees of Withdrawing Students	\$498	\$498	\$498	\$ 0	\$ 0	\$ 0	\$ 0	\$ 498
Dorm, Meal Plans, and Parking Refunds	213	213	213	0	0	0	0	213
Subtotal	\$711	\$711	\$711	\$ 0	\$ 0	\$ 0	\$ 0	\$ 711
Loss of Formula Funding for 2010 - 2011								
Operations Support	1,000	1,000	0	0	0	0	0	1,000

Total Estimated Losses for Recovery from Hurricane Ike at Texas A&M University at Galveston
(In thousands)

Description	Auditors' Estimated Losses	University's Estimated Losses as of March 6, 2009	Expenditures as of February 24, 2009	Payables as of February 24, 2009	Possible Funding Sources		Auditors' Estimated Total Non-state Funding Sources	Auditors' Estimated Potential Cost to the State
					Auditors' Estimated FEMA Funding	Auditors' Estimated Other Sources		
Subtotal	\$ 1,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,000
Loss of Revenue from Auxiliary Enterprises								
Food Services	\$ 50	\$ 809	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50
Bookstore	25	355	0	0	0	0	0	25
Residence Halls	25	457	0	0	0	0	0	25
Parking Citations	20	20	0	0	0	0	0	20
Subtotal	\$ 120	\$ 1,641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120
Total Lost Revenues	\$ 1,831	\$ 3,352	\$ 711	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,831
Mitigation								
Mitigation of Coastal Erosion and Dock Reinforcement ^b	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0
Total Losses Related to Hurricane Ike^c	\$12,361	\$17,261	\$4,420	\$5,740	\$5,777	\$898	\$6,674	\$5,687

^a Auditors' estimates are based on the University's estimates for these expenditures. The University included these expenditures as its estimated Lost Revenues from Auxiliary Enterprises.

^b The University included a \$5 million line item for mitigation of coastal erosion and shore side dock reinforcements as an expense in its handout for the Senate Finance Committee meeting on February 3, 2009. Auditors have not presented this line item as a cost because it was an exceptional item request in the University's 2010-2011 Legislative Appropriation Request, which was prepared prior to Hurricane Ike.

^c The subtotals do not always sum precisely due to rounding.

Sources: Data for the University's estimates; expenditures as of February 24, 2009; payables as of February 24, 2009; and other sources was provided by the University. All other data is based on auditors' analysis.

Objectives, Scope, and Methodology

The objectives of this review were to:

- Examine the University's hurricane-related expenditures to determine whether the expenditures were supported and documented.
- Examine the University's hurricane-related impact and costs to determine whether they were developed using reasonable methodologies.
- Determine whether there are any indications of fraud, waste, or abuse with respect to the University's hurricane-related expenditures.
- Identify which cost estimates were subject to reimbursement by the Federal Emergency Management Agency (FEMA) and other non-state funding sources.

The scope for the review of expenditures was from September 13, 2008, to December 9, 2008. Auditors examined the methodology the University used to calculate estimated damages as January 25, 2009.

The methodology included collecting information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with University management and staff.

Information collected and reviewed included the following:

- The University's estimated hurricane-related expenditures, including estimated FEMA reimbursements.
- *Preliminary Damage Assessment, Hurricane Ike, Texas A&M University Galveston*, prepared by Texas A&M University physical plant staff and the University's contractor, September 16-18, 2008.
- The University's Legislative Appropriations Request to the 81st Legislature.
- The University's accounting system reports and supporting documentation.
- Listings of leased property and housing assignments.
- The University's campus emergency short-term and long-term recovery and business continuity plans.
- Initial damage estimates developed by the University's FEMA consultant.
- The University's insurance policies.

- The University's FEMA project worksheets.

Procedures and tests conducted included:

- Touring all University campuses on December 8, 2008, and observing damage to the University and repairs completed as of that date.
- Testing Hurricane Ike-related expenditures and encumbrances, including travel vouchers and housing expenditures, to determine whether those expenditures were supported and documented. Auditors also looked for indications of waste, fraud, or abuse.
- Verifying that a sample of people to whom the University provided housing were enrolled at the University during the Fall 2008 semester.
- Evaluating the reasonableness of the methodologies that the University used to develop revenue loss and expenditure estimates related to Hurricane Ike.
- Evaluating the University's actual and estimated expenditures for eligibility for FEMA reimbursement.
- Examining the University's insurance policies to determine potential recovery amounts.

Criteria used included:

- *Texas Disaster Recovery Manual*, Division of Emergency Management, Office of the Governor, March 24, 2006.
- FEMA disaster declarations FEMA-3294-EM and FEMA-1791-DR and their amendments.
- *Public Assistance Guide*, FEMA 322, June 2007.
- Governor Perry's Emergency Disaster Proclamation and its amendments.

Project Information

Fieldwork for this review was conducted from December 2008 through January 2009. This project was a review; therefore, the information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to help ensure accuracy.

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

- Gregory Scott Adams, CPA, MPA, CGFM (Project Manager)
- Jennifer Wiederhold, CGAP (Assistant Project Manager)

- Benjamin Carter
- Anca Pinchas, MSC, MAcy, CPA
- Sherry Sewell, CGAP
- Adam Wright
- Leslie P. Ashton, CPA (Quality Control Reviewer)
- Ralph McClendon, CCP, CISA, CISSP (Audit Manager)