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SAO: Reports:

State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008

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April 2009

Report Number 09-555

Overall Conclusion

The basic financial statements included in the Comprehensive Annual Financial Report (CAFR) for the State of Texas accurately present the financial position and activities of the State for the fiscal year ended August 31, 2008. These financial statements provide a comprehensive picture of how the State used its resources during the year, as well as the State's remaining assets and obligations at the end of the year.

The State successfully contends with significant complexities in preparing its basic financial statements. Compiling financial information and ensuring its accuracy for more than 200 state agencies and higher education institutions is a major undertaking. The financial statements convey the use of nearly \$97.2 billion. Although auditors identified some weaknesses in the process, overall the State published materially accurate financial statements.

Auditing financial statements is not limited to reviewing the accuracy of the numbers in those statements. Conducting this audit also requires the State Auditor's Office to audit the underlying systems and processes that agencies and higher education institutions use to record their financial activities. Through that effort, auditors identified specific weaknesses that four agencies and three higher education institutions should correct to ensure the accuracy of their financial information.

The State Auditor's Office also audited the State's Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2008, which is prepared by the Office of the Comptroller of

Public Accounts (Comptroller's Office) using SEFA data from all state agencies and higher education institutions that made federal expenditures during the fiscal year. The State Auditor's Office and KMPG LLP audited the processes for preparing SEFA information at 15 agencies and 20 higher education institutions. Auditors identified errors caused by inadequate review of SEFA information at 22 agencies and higher education institutions. These errors are discussed in Chapter 1-H of this report.

The State Auditor's Office conducts this audit so that the State can comply with legislation and federal grant requirements to obtain an opinion regarding the material accuracy of its basic financial statements and a report on internal controls related to those statements. The results of this audit are used primarily by companies that review the State's fiscal integrity to rate state-issued bonds and by federal agencies that award grants.

The State Auditor's Office's opinion regarding the State's basic financial statements is published in the State of Texas Comprehensive Annual Financial Report for the Year Ended August 31, 2008, which is available on the [Comptroller of Public Accounts' Web site](#).

The State Auditor's Office and KPMG, LLP performed the [federal portion of the 2008 statewide single audit](#). The federal portion included a review of compliance and controls over the State's federal awards and an audit of the Schedule of Expenditures of Federal Awards. The reports from the federal portion and the financial portion are submitted to the federal government to fulfill Single Audit reporting requirements.

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