



An Audit Report on

# **The Distribution of the National Research University Fund**

July 2018  
Report No. 18-036



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## Overall Conclusion

The **State Auditor's Office** obtained reasonable assurance that information the University of Texas at Dallas (University) reported to the Higher Education Coordinating Board (Coordinating Board) met the eligibility requirements for receiving National Research University Fund appropriations. Auditors tested **the University's compliance with the statutory** and Coordinating Board requirements as they existed during fiscal years 2016 and 2017 (see Appendix 3 for details on the requirements).

Additionally, the Coordinating Board had processes for collecting information from higher education institutions to determine whether they met the eligibility requirements to receive funds from the National Research University Fund. However, opportunities exist for the Coordinating Board to strengthen those processes by developing objective criteria to **evaluate higher education institutions' progress** in meeting the requirement regarding freshman class academic achievement.

Although the University met the eligibility requirements, auditors identified controls that the University should improve. Specifically:

- The University should strengthen its process for reviewing and approving expenditures of restricted research funds.
- The University should ensure that it maintains supporting documentation for expenditures.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.) Auditors also noted other, less significant issues at the University and the Coordinating Board and communicated them to management separately in writing.

### Background Information

Texas Education Code, Chapter 62, established the National Research University Fund (Fund) to provide eligible higher education institutions with funds to support increased research capacity.

The Higher Education Coordinating Board (Coordinating Board) establishes the criteria for eligibility to receive those funds. Each fiscal year, the Coordinating Board is required to provide certification to the Legislature and the Office of the Comptroller of Public Accounts that it has verified information regarding higher education **institutions' eligibility to receive** Fund appropriations.

Texas Education Code, Section 62.146(c), specifies that both the information higher education institutions report to the Coordinating Board and the Coordinating Board's certifications are subject to a **mandatory audit by the State Auditor's Office**.

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
1-A	The University Met the Eligibility Requirements to Receive a Distribution from the National Research University Fund	Low
1-B	The University Should Strengthen Controls Over Restricted Research Expenditures	Medium
2	The Coordinating Board Had Processes for Determining a Higher Education Institution's Eligibility to Receive Funds from the National Research University Fund	Low

<sup>a</sup> A subchapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A subchapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A subchapter is rated Low if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

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

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The University and the Coordinating Board agreed with the recommendations in this report.

## ***Audit Objectives and Scope***

The objective of this audit was to audit all or a representative sample of the restricted research funds awarded to an eligible higher education institution and **the higher education institution's expenditures of those funds to determine compliance with applicable requirements.**

The scope **included the University's** National Research University Fund eligibility, as well as Coordinating Board processes, from September 1, 2015, to August 31, 2017.

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# Detailed Results

Chapter 1

## **The University of Texas at Dallas Reported Information to the Coordinating Board That Met the Eligibility Requirements to Receive a Distribution from the National Research University Fund**

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The University of Texas at Dallas (University) reported information to the Higher Education Coordinating Board (Coordinating Board) that met the eligibility requirements for receiving funds from the National Research University Fund. Although the University met the eligibility requirements, auditors also identified controls that the University should improve.

Chapter 1-A

The University Met the Eligibility Requirements to Receive a Distribution from the National Research University Fund

Chapter 1-A  
Rating:  
Low <sup>1</sup>

To be eligible to receive funds from the National Research University Fund, higher education institutions must meet certain eligibility requirements. The eligibility requirements for receiving a distribution from the National Research University Fund include (see Appendix 3 for details on requirements):

- Designation as an emerging research university;
- Expending at least \$45 million in restricted research funds in each of the two state fiscal years preceding the state fiscal year for which the appropriation is made; and
- Satisfying at least four of the following six criteria:
  - ♦ Having endowment funds of at least \$400 million in each of the two state fiscal years preceding the state fiscal year for which the appropriation is made.
  - ♦ Awarding at least 200 doctor of philosophy degrees in each of the two academic years preceding the state fiscal year for which the appropriation is made.

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<sup>1</sup> Chapter 1-A is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

- ◆ Having an entering freshman class of high academic achievement in each of the two academic years preceding the state fiscal year for which the appropriation is made.
- ◆ Being a member of a nationally recognized research or scholarly institution (such as the Association of Research Libraries or applicable honor societies).
- ◆ Having high-quality faculty in each of the two academic years preceding the state fiscal year for which the appropriation is made.
- ◆ Offering high-quality graduate education in each of the two academic years preceding the state fiscal year for which the appropriation is made.

The University reported to the Coordinating Board in November 2017 that it had met the eligibility requirements necessary. Auditors tested and verified the University’s compliance with the statutory and Coordinating Board requirements that were in effect during fiscal years 2016 and 2017.

Table 2 summarizes the University’s compliance with eligibility criteria for the National Research University Fund.

Table 2

Summary of the University of Texas at Dallas’s Compliance with Eligibility Criteria For the National Research University Fund		
Eligibility Criteria	Fiscal/Academic Year 2016	Fiscal/Academic Year 2017
<b>Mandatory Criteria</b>		
Designated as an Emerging Research University	Yes	Yes
Expended at Least \$45 Million in Restricted Research Expenditures	\$50,138,127 <sup>a</sup>	\$52,314,481 <sup>b</sup>
<b>Optional Criteria</b>		
Endowment Funds of at Least \$400 Million	\$436,196,714	\$482,912,581
Awarded at Least 200 Doctor of Philosophy Degrees	Not Applicable <sup>c</sup>	Not Applicable <sup>c</sup>
Freshman Class of High Academic Achievement	Average SAT Score of 1360 <sup>d</sup> Average ACT Score of 31 Commitment to Improving the Participation and Success of Underrepresented Students	Average SAT Score of 1360 <sup>d</sup> Average ACT Score of 31 Commitment to Improving the Participation and Success of Underrepresented Students
Memberships	Phi Kappa Phi	Phi Kappa Phi
High-Quality Faculty	7 National or International Distinctions Achieved by Tenured/Tenure Track Faculty <sup>e</sup>	6 National or International Distinctions Achieved by Tenured/Tenure Track Faculty <sup>e</sup>
High-Quality Graduate Education	Not Applicable <sup>f</sup>	Not Applicable <sup>f</sup>

**Summary of the University of Texas at Dallas's Compliance with Eligibility Criteria**

For the National Research University Fund

Eligibility Criteria	Fiscal/Academic Year 2016	Fiscal/Academic Year 2017
		<p><sup>a</sup> The University reported \$50,140,842 in expenditures of restricted research funds to the Coordinating Board for fiscal year 2016. However, auditors identified \$2,715 in unallowable costs during testing. See Chapter 1-B for additional details.</p> <p><sup>b</sup> The University reported \$52,370,443 in expenditures of restricted research funds to the Coordinating Board for fiscal year 2017. However, auditors identified \$55,962 in unallowable costs during testing. See Chapter 1-B for additional details.</p> <p><sup>c</sup> The University did not meet this criterion; however, it met the requirements for other eligibility criteria.</p> <p><sup>d</sup> The University met this criterion based on Title 19, Texas Administrative Code, Section 15.43(b)(3)(C)(ii) and (iii). The University reported an average SAT score of 1370 for academic year 2016 and 1380 for academic year 2017. The difference is a result of the University calculating the 75th percentile for critical reading and mathematics separately. Auditors calculated the 75th percentile based on the combined scores as reported to the Coordinating Board.</p> <p><sup>e</sup> The University met this criterion based on Title 19, Texas Administrative Code, Section 15.43(b)(3)(E)(i).</p> <p><sup>f</sup> The University did not meet this criterion; however, it met the requirements of other eligibility criteria.</p>

## The University Should Strengthen Controls Over Restricted Research Expenditures

The University had policies and procedures in place for expending restricted research funds. Those policies and procedures included reviews and approvals of transactions based on allowability. However, that review and approval was not always effective in identifying unallowable costs.

Additionally, the University should ensure that it maintains supporting documentation for expenditures it makes with restricted research funds.

Chapter 1-B  
Rating:  
Medium <sup>2</sup>

The University should strengthen its process for reviewing and approving expenditures of restricted research funds.

The University expended restricted research funds on items that were not allowed to be recorded as restricted research expenditures (see the text box for additional information). In addition to the Coordinating Board's restrictions on expenditures, the University's allowable cost policy excludes alcoholic beverages, decorative objects for private offices, fine/original art, social events, and flowers. However, auditors determined the following:

- For fiscal year 2016, 5 (7 percent) of 69 expenditure transactions tested were unallowable. Those transactions included meals, gratuities, photographs, concert tickets, alcohol, and flowers. Those 5 transactions totaled \$2,715.
- For fiscal year 2017, 9 (13 percent) of 69 expenditure transactions tested were unallowable. Those transactions included meals, an art sculpture, social events, alcohol, gratuities, flowers, and personal travel. Those 9 transactions totaled \$55,962.

### Unallowable Restricted Research Expenditures

The Coordinating Board identifies certain types of expenditures that are not allowed to be recorded as restricted research expenditures. Those include:

- Indirect costs.
- Capital construction.
- Costs associated with entertainment or any direct benefit, including costs for shows, sports events, meals, lodging, rentals, gratuities, or personal, non-research related travel.

Source: Coordinating Board.

Although the University has a review and approval process, it occurs only at the time of the expenditure request and does not recur at the time of invoice or payment for the individual transaction. Not reviewing expenditures at the time of invoice or payment for individual transactions increases the risk that restricted research funds will be used for unallowable expenditures.

<sup>2</sup> Chapter 1-B is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.



The University should ensure that it maintains supporting documentation for expenditures.

The University did not always maintain adequate documentation for expenditures reported as restricted research, primarily because the documentation for each transaction was not always centrally maintained. Specifically:

- For fiscal year 2016, the University did not maintain a receipt for 1 (1 percent) of 69 expenditure transactions tested.
- For fiscal year 2017, the University did not maintain adequate documentation for 2 (3 percent) of 69 expenditure transactions tested. For one of those transactions, the University did not maintain an itemized receipt. For the remaining transaction, the University did not maintain adequate documentation for foreign travel, including the travel itinerary and research basis.

Not maintaining adequate documentation for restricted research expenditures increases the risk that such expenditures may not be allowed or research related.

Although the University (1) expended some restricted research funds on items that were unallowable and (2) did not have adequate documentation to support some expenditure purchases, the University expended at least \$45 million in restricted research expenditures for both fiscal year 2016 and fiscal year 2017, which meets the eligibility requirement to qualify for an appropriation from the National Research University Fund.

#### Recommendations

The University should:

- Strengthen its review and approval process to ensure that only allowable costs are charged to restricted research funds.
- Maintain adequate documentation for restricted research expenditures.

#### Management's Response

*The University of Texas at Dallas (UT Dallas) concurs with the recommendation that the University should strengthen its process for reviewing, approving, and maintaining supporting documentation of restricted research fund expenditures.*

*UT Dallas will strengthen its process for reviewing and approving expenditures of restricted research expenditures by:*

- *Changing UT Dallas' business practice to route all restricted research expenditures to the appropriate office for review and approval prior to disbursement;*
- *Requiring sufficient documentation to support the expenditure and ensuring the documentation is maintained in accordance with record retention standards;*
- *Educating faculty and associated staff administering funds restricted for research purposes of the rules governing allowable expenditures of these restricted research funds;*
- *Providing documentation on allowable expenditures to faculty and their support staff when new restricted research cost centers are established.*

*The consistent application of business processes will ensure that restricted research expenditures have sufficient supporting documentation/justification and budget, and are allowable, as specified, under applicable federal, state, university, and sponsor rules and regulations.*

<i>Division or Department Responsible for Implementation</i>	<i>Office of Research, Office of Development and Alumni Relations</i>
<i>Implementation Date:</i>	<i>March 2019</i>

## ***The Coordinating Board Had Processes for Determining a Higher Education Institution's Eligibility to Receive Funds from the National Research University Fund***

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Chapter 2  
Rating:  
Low <sup>3</sup>

The Coordinating Board had processes for collecting information from higher education institutions to determine whether they met the eligibility requirements to receive funds from the National Research University Fund. However, opportunities exist for the Coordinating Board to strengthen its process by developing objective criteria to evaluate higher education institutions' progress in meeting the criterion regarding freshman class academic achievement.

The Coordinating Board had processes for collecting information from higher education institutions to determine whether they met the eligibility requirements to receive funds from the National Research University Fund.

The Coordinating Board relied on information that higher education institutions self-reported when determining whether the higher education institutions met eligibility requirements to receive funds from the National Research University Fund. To confirm the accuracy of the information higher education institutions reported, the Coordinating Board performed certain procedures, including:

- Conducting an annual transparency meeting with higher education institutions to determine whether reported restricted research awards were appropriately classified as such.
- Confirming self-reported information from higher education institutions by comparing it to third-party information or to data reported to the Coordinating Board for other reporting purposes.
- Requiring higher education institutions to certify the accuracy of self-reported information that they provided for other reporting purposes.
- Maintaining documentation of all eligible higher education institution's submissions for the eligibility criteria.

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<sup>3</sup> Chapter 2 is rated Low because the audit identified strengths that support the audited entities' ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entities' ability to effectively administer the program(s)/function(s) audited.

However, opportunities exist for the Coordinating Board to strengthen its process by developing objective criteria to evaluate higher education **institutions' progress in meeting the requirements** regarding freshman class academic achievement.

According to Title 19, Texas Administrative Code, Section 15.43(b)(3)(C), the National Research University Fund's eligibility requirements for freshman class academic achievement are:

- At least 50 percent of the first-time entering freshman class students are in the top 25 percent of their high school class; or
- The average SAT score of first-time entering freshman class students at or above the 75th percentile of SAT scores was equal to or greater than 1210, or the average ACT score of first-time entering freshman class students at or above the 75th percentile of ACT scores was equal to or greater than 26; and
- The composition of the institution's first-time entering freshman class demonstrates progress toward achieving a representative population of students of the state or the institution's region with respect to underrepresented students and shows a commitment to improving the academic performance of underrepresented students.

While the Coordinating Board can measure the first two components, it does not have objective criteria to evaluate and measure whether higher education institutions met the third component. In addition, higher education institutions were not provided criteria on how to report their progress toward achieving a representative population and commitment to improving the academic participation and success of underrepresented students.

The methods that higher education institutions use for improving the participation and success of underrepresented students could vary significantly. Without objective criteria to evaluate those methods and measure achievement of the third component, the Coordinating Board is unable to apply standards for that component across higher education institutions. In addition, higher education institutions may not have a consistent understanding of what represents a commitment to improving the participation and success of underrepresented students.

## Recommendations

### The Coordinating Board should:

- Develop and implement objective criteria to evaluate and measure higher education institutions' progress toward improving the participation and success of underrepresented students.
- Develop and implement objective criteria for higher education institutions to report progress toward improving the participation and success of underrepresented students.

### Management's Response

*THECB concurs with the recommendation that objective criteria would strengthen the process. Statute requires the standards prescribed by Coordinating Board rule to consider the educational needs of the state as articulated by the strategic plan "Closing the Gaps." This is addressed by Texas Administrative Code (TAC) 15.43(b)(3)(C)(iii), the section that would require objective criteria.*

*To implement the recommendation, Texas Education Code (TEC) 62.145, would be amended to reflect that the strategic plan "Closing the Gaps" has ended and that the educational needs should be articulated by the current strategic plan. Following that statute change the Texas Administrative Code may need to be updated to reflect the relevant educational needs as articulated in the current strategic plan. The revised measure would be defined by objective criteria, which may differ from the previous plan's articulation with regards to progress towards participation and success of underrepresented students.*

*Implementation Date: 5/1/2020*

*Responsible Person: Deputy Assistant Commissioner, Academic Quality and Research*

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

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### Objective

The objective of this audit was to audit all or a representative sample of the restricted research funds awarded to an eligible higher education institution and the higher education institution's expenditures of those funds to determine compliance with applicable requirements.

### Scope

The scope included the University of Texas at Dallas's (University) National Research University Fund eligibility, as well as Higher Education Coordinating Board (Coordinating Board) processes, from September 1, 2015, to August 31, 2017.

### Methodology

The audit methodology included reviewing Coordinating Board processes to verify the validity, accuracy, and completeness of information that higher education institutions self-reported.

Auditors also interviewed University personnel regarding the information reported for National Research University Fund eligibility; analyzed documentation related to eligibility requirements; and reviewed documentation related to restricted research awards, restricted research expenditures, faculty, and students.

### Data Reliability and Completeness

Auditors determined the reliability of data by (1) interviewing University management about the data; (2) reviewing data for validity and completeness; (3) reviewing data query language; and 4) relying on previous State Auditor's Office audit work on the University's data and data systems. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

### Sampling Methodology

Auditors selected a nonstatistical sample of restricted research expenditures primarily through random selection designed to be representative of the population. In those cases, test results may be projected to the population, but the accuracy of the projection cannot be measured. In some cases,

auditors selected additional restricted research expenditures based on risk. Those sample items generally were not representative of the population; therefore, it would not be appropriate to project those test results to the population.

Additionally, auditors selected a nonstatistical sample of restricted research awards and freshman class of high academic achievement students primarily through random selection. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors also tested the population of applicable University faculty.

Information collected and reviewed included the following:

- Coordinating Board and University policies, procedures, and documentation related to the National Research University Fund.
- The University's restricted research expenditures for fiscal years 2016 and 2017.
- University documentation to support compliance with certain eligibility criteria.

Procedures and tests conducted included the following:

- Interviewed management and key personnel at the Coordinating Board and the University.
- Tested samples of restricted research expenditures at the University for fiscal years 2016 and 2017.
- Reviewed documentation and performed tests on other National Research University Fund eligibility criteria that the Coordinating Board reported the University had met.
- Evaluated the University's controls over classifying restricted research awards and expenditures.

Criteria used included the following:

- Texas Education Code, Chapter 62.
- Title 19, Texas Administrative Code, Chapters 13 and 15.
- Coordinating Board's *Standards and Accounting Methods for Reporting Restricted Research Expenditures for the Research Development Fund*.

- University policies and procedures.

#### Project Information

Audit fieldwork was conducted from March 2018 through May 2018. 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:

- Jennifer Brantley, MS, CPA (Project Manager)
- Jerod Heine, MBA (Assistant Project Manager)
- Kirstin Adamcik, MBA
- Shaun Alvis, J.D.
- Keith Overton-Hadnot, MBA
- Dana Musgrave, MBA (Quality Control Reviewer)
- Michael A. Simon, CGAP (Audit Manager)



## Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 3 provides a description of the issue ratings presented in this report.

Table 3

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

## ***National Research University Fund Eligibility Requirements***

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The Texas Education Code, Section 62.146, requires the Higher Education Coordinating Board (Coordinating Board) to certify verified information related to criteria used in determining higher education institutions' eligibility to receive funds from the National Research University Fund (Fund). In addition, both the information that higher education institutions submit to the Coordinating Board to establish Fund eligibility and the Coordinating Board's certification or verification of that information are subject to a mandatory audit by the State Auditor in accordance with Texas Government Code, Chapter 321.

The following excerpts from Title 19, Texas Administrative Code, Section 15.43, outline the eligibility criteria:

(a) The eligibility criteria for a general academic teaching institution to receive distributions from the Fund include: having an entering freshman class of high academic achievement; receiving recognition of research capabilities and scholarly attainment of the institution; having a high-quality faculty; and demonstrating commitment to high-quality graduate education.

(b) A general academic teaching institution is eligible to receive an initial distribution from the Fund appropriated for each state fiscal year if:

(1) the institution is designated as an emerging research university under the coordinating board's accountability system;

(2) in each of the two state fiscal years preceding the state fiscal year for which the appropriation is made, the institution expended at least \$45 million in restricted research funds; and

(3) the institution satisfies at least four of the following six criteria:

(A) the value of the institution's endowment funds is at least \$400 million in each of the two state fiscal years preceding the state fiscal year for which the appropriation is made;

(B) the institution awarded at least 200 doctor of philosophy degrees during each of the two academic years preceding the state fiscal year for which the appropriation is made;

(C) in each of the two academic years preceding the state fiscal year for which the appropriation is made, the entering freshman class of

the institution demonstrated high academic achievement as reflected in the following criteria:

(i) At least 50 percent of the first-time entering freshman class students at the institution are in the top 25 percent of their high school class; or

(ii) The average SAT score of first-time entering freshman class students at or above the 75th percentile of SAT scores was equal to or greater than 1210 (consisting of the Critical Reading and Mathematics Sections) or the average ACT score of first-time entering freshman class students at or above the 75th percentile of ACT scores was equal to or greater than 26; and

(iii) The composition of the institution's first-time entering freshman class demonstrates progress toward reflecting the population of the state or the institution's region with respect to underrepresented students and shows a commitment to improving the academic performance of underrepresented students. One way in which this could be accomplished is by active participation in one of the Federal TRIO Programs, such as having one or more McNair Scholars in a particular cohort.

(D) the institution is designated as a member of the Association of Research Libraries, has a Phi Beta Kappa chapter, or is a member of Phi Kappa Phi;

(E) in each of the two academic years preceding the state fiscal year for which the appropriation is made, the faculty of the institution was of high quality as reflected in the following:

(i) The cumulative number of national or international distinctions tenured/tenure-track faculty achieved through recognition as a member of one of the National Academies (including National Academy of Science, National Academy of Engineering, Academy of Arts and Sciences, and Institute of Medicine) or are Nobel Prize recipients is equal to or greater than 5 for each year; or

(ii) The annual number of awards of national and international distinction received by tenured/tenure-track faculty during a given academic year in any of the following categories is equal to or greater than 7 for each year.

- (I) American Academy of Nursing Member
- (II) American Council of Learned Societies (ACLS) Fellows
- (III) American Law Institute
- (IV) Beckman Young Investigators
- (V) Burroughs Wellcome Fund Career Awards
- (VI) Cottrell Scholars
- (VII) Getty Scholars in Residence
- (VIII) Guggenheim Fellows
- (IX) Howard Hughes Medical Institute Investigators
- (X) Lasker Medical Research Awards
- (XI) MacArthur Foundation Fellows
- (XII) Andrew W. Mellon Foundation Distinguished Achievement Awards
- (XIII) National Endowment for the Humanities (NEH) Fellows
- (XIV) National Humanities Center Fellows
- (XV) National Institutes of Health (NIH) MERIT
- (XVI) National Medal of Science and National Medal of Technology winners
- (XVII) NSF CAREER Award winners (excluding those who are also PECASE winners)
- (XVIII) Newberry Library Long-term Fellows
- (XIX) Pew Scholars in Biomedicine
- (XX) Pulitzer Prize Winners
- (XXI) Winners of the Presidential Early Career Awards for Scientists and Engineers (PECASE)
- (XXII) Robert Wood Johnson Policy Fellows
- (XXIII) Searle Scholars
- (XXIV) Sloan Research Fellows
- (XXV) Woodrow Wilson Fellows

(iii) In lieu of meeting either clause (i) or (ii) of this subparagraph, an institution may request that a comprehensive review of the faculty in five of the institution's Doctoral degree programs be conducted by external consultants selected by Coordinating Board staff in consultation with the institution and said review must demonstrate that the faculty are comparable to and competitive with faculty in similar programs at public institutions in the Association of American Universities. Costs for the review shall be borne by the institution. This review is only available if the institution has already met or, as determined by Coordinating Board staff, is on track to meet three of the other eligibility criteria listed in subparagraphs (A) - (D) of this paragraph;

(F) in each of the two academic years preceding the state fiscal year for which the appropriation is made, the institution has demonstrated a commitment to high-quality graduate education as reflected in the following:

(i) The number of Graduate-level programs at the institution is equal to or greater than 50;

(ii) The Master's Graduation Rate at the institution is 56 percent or higher and the Doctoral Graduation Rate is 58 percent or higher; and

(iii) The institution must demonstrate that the overall commitment to five Doctoral degree programs, including the financial support for Doctoral degree students, is competitive with that of comparable high-quality programs at public institutions in the Association of American Universities. The five Doctoral degree programs selected for this review must be those selected in subparagraph (E)(iii) of this paragraph or, if subparagraph (E)(iii) of this paragraph is not chosen by the institution, then any five Doctoral degree programs at the institution. Costs for the review shall be borne by the institution.

## Eligibility Determination Letter



May 22, 2018

Dr. Richard C. Benson, President  
The University of Texas at Dallas  
800 W. Campbell Road  
Richardson, Texas 75080-3021

Subject: The University of Texas at Dallas' Eligibility for the  
National Research University Fund

Dear Dr. Benson:

The State Auditor's Office has reviewed the report that the Higher Education Coordinating Board (Coordinating Board) submitted in February 2018 indicating that the University of Texas at Dallas (University) had met the eligibility requirements for distribution of funds from the National Research University Fund. In accordance with Texas Education Code, Section 62.146(c), the State Auditor's Office conducted the required audit of information that the University submitted to the Coordinating Board for the purposes of establishing eligibility.

The State Auditor's Office obtained reasonable assurance, through sampling, that the University met the criteria established in the Texas Education Code and by the Coordinating Board for expenditures for restricted research, endowment funds, freshman class of high academic achievement, institutional recognition of research capabilities and scholarly attainment, and high-quality faculty. Therefore, the State Auditor's Office concluded that the University is eligible to receive funds from the National Research University Fund. The determination that the University met the eligibility requirements applies to those requirements as they existed during fiscal years 2016 and 2017.

If you have any questions, please contact Michael Simon, Audit Manager, or me at (512) 936-9500. We appreciate the University's assistance during this audit.

Sincerely,

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

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SAO Report No. 18-320

Dr. Richard C. Benson, President  
The University of Texas at Dallas  
May 22, 2018  
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