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An Audit Report on
**The Distribution of the National
Research University Fund**

November 2021
Report No. 22-007



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Overall Conclusion

The State Auditor's Office obtained reasonable assurance that information The University of Texas at Arlington (University) reported to the Higher Education Coordinating Board (Coordinating Board) met the eligibility requirements for receiving National Research University Fund appropriations (see text box for background information). Auditors tested the University's compliance with the statutory and Coordinating Board requirements as they existed during fiscal years 2019 and 2020 (see Appendix 4 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 its eligibility determination and reporting process.

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 improve its documentation of restricted research awards.

Table 1 on the next page 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.)

Background Information

The Texas Constitution, Article 7, Section 20, established the National Research University 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 National Research University 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 Chapter/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
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

^a A chapter/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 chapter/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 chapter/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 the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(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.

Auditors communicated other, less significant issues separately in writing to University management.

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 agreed with the recommendations in this report, and the Coordinating Board concurred with the recommendations.

Audit Objectives and Scope

The objectives of this audit were 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.
- Examine any other issues considered appropriate.

The scope included the University's National Research University Fund eligibility, as well as Coordinating Board processes, from September 1, 2018, through August 31, 2020. The scope also included a review of significant internal control components related to the University's restricted research funds awarded and expenditure of those funds.

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Detailed Results

Chapter 1

The University Reported Information to the Coordinating Board That Met the Eligibility Requirements to Receive a Distribution from the National Research University Fund

The University of Texas at Arlington (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, it should strengthen its controls over restricted research expenditures.

Chapter 1-A

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

**Chapter 1-A
Rating:
Low ¹**

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:

- 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.
 - ♦ 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).

¹ The risk related to the issues discussed in Chapter 1-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(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 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 fiscal year 2021 that it had met the eligibility requirements necessary. (See Appendix 4 for more information about the requirements.) Auditors tested and verified the University’s compliance with the statutory and Coordinating Board requirements that were in effect during fiscal years 2019 and 2020.

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 Arlington’s Compliance with Eligibility Criteria for the National Research University Fund		
Eligibility Criteria	Fiscal/Academic Year 2019	Fiscal/Academic Year 2020
Mandatory Criteria		
Designated as an Emerging Research University	Yes	Yes
Expended at Least \$45 Million in Restricted Research Expenditures	\$45,937,650 ^a	\$52,066,264 ^b
Optional Criteria		
Endowment Funds of at Least \$400 Million	Not Applicable ^c	Not Applicable ^c
Awarded at Least 200 Doctor of Philosophy Degrees	203	228
Freshman Class of High Academic Achievement	58.1 percent ^d	54.2 percent ^d
Memberships ^e	Phi Kappa Phi	Phi Kappa Phi
High-quality Faculty ^f	5 National Academy Members	6 National Academy Members
High-quality Graduate Education	Not Applicable ^g	Not Applicable ^g
<p>^a The University reported \$46,008,457 in expenditures of restricted research funds to the Coordinating Board for fiscal year 2019. However, auditors identified \$70,807 in unallowable costs during testing. (See Chapter 1-B for details.)</p> <p>^b The University reported \$52,086,621 in expenditures of restricted research funds to the Coordinating Board for fiscal year 2020. However, auditors identified \$20,357 in unallowable costs during testing. (See Chapter 1-B for details.)</p> <p>^c The University did not meet this criterion; however, it met the requirements for other eligibility criteria.</p> <p>^d The University met this criterion based on Title 19, Texas Administrative Code, Section 15.43(b)(3)(C)(i), which states that “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.” The Coordinating Board reported 56 percent for academic year 2019 and 55 percent for academic year 2020. The difference is a result of the Coordinating Board not using revised data that the University submitted to it. (See Chapter 2 for details.)</p> <p>^e A university must be designated as a member of the Association of Research Libraries, have a Phi Beta Kappa chapter, or be a member of Phi Kappa Phi, based on Title 19, Texas Administrative Code, Section 15.43(b)(3)(D).</p> <p>^f The University met this criterion based on Title 19, Texas Administrative Code, Section 15.43(b)(3)(E)(i).</p> <p>^g 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

**Chapter 1-B
Rating:**
Medium ²

The University had restricted research expenditures totaling more than \$45 million in each of fiscal years 2019 and 2020, as required by the Texas Education Code and the Coordinating Board for National Research University Fund eligibility. However, certain expenditures were unallowable under Coordinating Board guidance (see the text box for a list of such expenditures).

The University had policies and procedures in place regarding restricted research expenditures, and expenditures tested were reviewed and approved. However, that review and approval was not always effective in identifying unallowable costs.

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

Auditors tested a representative random sample of 60 non-payroll related expenditures designated as restricted research for both fiscal years and determined that:

- For fiscal year 2019, 3 (5 percent) non-payroll related expenditures tested were unallowable. Those 3 expenditures totaled \$1,401.
- For fiscal year 2020, 1 (2 percent) non-payroll related expenditure tested was unallowable. That expenditure totaled \$3,984.

Auditors also selected for testing a sample of non-payroll related expenditures based on risk and determined that:

- Of 42 expenditures tested for fiscal year 2019, 5 (12 percent) expenditures totaling \$69,406 were unallowable.
- Of the 55 expenditures tested for fiscal year 2020, 6 (11 percent) expenditures totaling \$16,373 were unallowable.

Additionally, auditors selected and tested a sample of 25 payroll-related expenditures for each of fiscal year 2019 and fiscal year 2020 and determined that those expenditures were allowable.

The University should improve its documentation of restricted research awards.

The University was unable to provide documentation to support that it had reported all restricted research awards to the Coordinating Board as required by the

Unallowable Restricted Research Expenditures

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

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

Coordinating Board's Standards and Accounting Methods for Reporting Restricted Research Expenditures.

The Coordinating Board maintains a list of restricted research awards for which universities can report expenditures to qualify for a distribution from the National Research University Fund. However:

- For fiscal year 2019, auditors identified 13 awards, of 853 awards tested, that were not included on the Coordinating Board's list of restricted research awards. Those 13 awards had expenditures totaling \$79,048.
- For fiscal year 2020, auditors identified 27 awards, of 946 awards tested, that were not included on the Coordinating Board's list of restricted research awards. Those 27 awards had expenditures totaling \$475,321.

Although the University reported the unallowable expenditures listed above and could not verify that all awards were included on the Coordinating Board's list of restricted research awards, it still had at least \$45 million in restricted research expenditures for both fiscal year 2019 and fiscal year 2020.

Recommendations

The University should:

- Strengthen its review and approval processes to ensure that only allowable costs are charged to restricted research funds.
- Maintain adequate documentation to support that awards are on the Coordinating Board's list of approved restricted research awards.

Management's Response

- 1. Strengthen its review and approval processes to ensure that only allowable costs are charged to restricted research funds.**

Management Response

UTA agrees with the SAO findings and recommendation for improvement. UTA will continue to strengthen controls to identify unallowable costs to the THECB SAM requirements. Controls will include periodic monitoring to identify and review entertainment related charges on restricted research cost centers.

Responsible Party: Director of Grant and Contract Services

- 2. Maintain adequate documentation to support that awards are on the Coordinating Board's list of approved restricted research awards.**

Management Response

UTA agrees with the SAO findings and recommendation for improvement. UTA will strengthen controls ensuring any qualified expenditures in a FY are included within the THECB transparency meeting review of that FY or in the subsequent year. A new approach for completing the THECB transparency based on cost centers with any FY expenditures in the FY will be implemented.

Responsible Party: Director of Grant and Contract Services

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

**Chapter 2
Rating:
Low ³**

The Coordinating Board had processes for collecting and analyzing 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 it to improve its processes for determining eligibility.

The Coordinating Board did not always ensure that its National Research University Fund eligibility analysis used the most current data that the University submitted.

For fiscal years 2019 and 2020, the University sent to the Coordinating Board multiple sets of student data used to calculate the Freshman Class of High Academic Achievement portion of the eligibility report. Specifically, the data was used to determine whether at least 50 percent of the first-time entering freshman class students at the University were in the top 25 percent of their high school class. When preparing the report, the Coordinating Board did not use the most recently submitted set of student data, resulting in the University reporting incorrectly calculated percentages. Specifically:

- For fiscal year 2019, the Coordinating Board based its eligibility report on the conclusion that 56 percent of the freshman class were in the top 25 percent of their high school class, versus 58 percent based on the University's most recently reported data at the time.
- For fiscal year 2020, the Coordinating Board based its eligibility report on the conclusion that 55 percent of the freshman class were in the top 25 percent of their high school class, versus 54 percent based on the University's most recently reported data at the time.

While the discrepancies did not prevent the Coordinating Board from correctly determining that the University was eligible for the distribution of the National Research University Fund, the discrepancies did result in the Coordinating Board presenting incorrect information in the eligibility report.

³ The risk related to the issues discussed in Chapter 2 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(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.

Recommendation

In its annual analysis and report on institutional eligibility for National Research University Fund distributions, the Coordinating Board should incorporate the most current information that higher education institutions submit to it.

Management's Response

THECB concurs with the recommendation to incorporate the most current information that higher education institutions submit to it.

To implement the recommendation, THECB staff will annually verify information compiled the previous year, for criteria that require two consecutive years of data. Collection instruments will use a control requirement for each criterion, which documents the date of the data collected, with the requirement that all data be collected again/verified in each fiscal year.

Implementation Date: 1/1/2022

Responsible Person: Assistant Commissioner, Academic and Health Affairs

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were 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.
- Examine any other issues considered appropriate.

Scope

The scope of this audit covered The University of Texas at Arlington's (University) National Research University Fund eligibility, as well as Higher Education Coordinating Board (Coordinating Board) processes, from September 1, 2018, to August 31, 2020. The scope also included a review of significant internal control components related to the University's restricted research funds awarded and expenditure of those funds (see Appendix 3 for more information about internal control components).

Methodology

The audit methodology included interviewing University personnel regarding the information reported for National Research University Fund eligibility; analyzing documentation related to eligibility requirements; and reviewing documentation related to restricted research awards and restricted research expenditures.

Auditors also reviewed Coordinating Board processes to verify the validity, accuracy, and completeness of information that higher education institutions self-reported.

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; and (3) relying on previous State Auditor's Office audit work on the University's 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. The population of restricted research expenditures consisted of the following:

- Payroll related transactions:
 - ♦ For fiscal year 2019, auditors selected a sample of 25 transactions out of a population of 37,029 transactions.
 - ♦ For fiscal year 2020, auditors selected a sample of 25 transactions out of a population of 46,137 transactions.
- Non-payroll related transactions:
 - ♦ For fiscal year 2019, auditors selected a sample of 60 transactions out of a population of 15,789 transactions.
 - ♦ For fiscal year 2020, auditors selected a sample of 60 transactions out of a population of 15,188 transactions.

For non-payroll related transactions, auditors selected additional restricted research expenditures based on risk. Out of the populations referenced above, auditors selected an additional 42 fiscal year 2019 transactions and 55 fiscal year 2020 transactions. Those sample items generally were not representative of the population; therefore, it would not be appropriate to project those test results to the population.

Auditors selected a nonstatistical sample of restricted research awards and selected additional restricted research awards based on risk. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population. These items were selected for testing to ensure that the University had sufficiently documented its determination that the awards met the definition of restricted research according to the Coordinating Board's rules and definitions.

Auditors selected a nonstatistical sample for freshman class of high academic achievement students through random selection. For fiscal year 2019, auditors selected a sample of 25 students from a population of 1,926 students. For fiscal year 2020, auditors selected a sample of 25 students from a population of 1,900 students. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Additionally, auditors selected a nonstatistical sample of Doctor of Philosophy degrees awarded through random selection. For fiscal year 2019, auditors selected a sample of 25 degrees awarded from a population of 203 degrees awarded. For fiscal year 2020, auditors selected a sample of 25 degrees awarded from a population of

228 degrees awarded. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- University and Coordinating Board policies, procedures, and documentation related to the National Research University Fund.
- The University's restricted research expenditures for fiscal years 2019 and 2020.
- University data and documentation to support compliance with certain eligibility criteria.

Procedures and tests conducted included the following:

- Interviewed management and key personnel at the University and the Coordinating Board.
- Tested samples of restricted research expenditures at the University for fiscal years 2019 and 2020.
- 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.
- Tested selected general controls over the University's accounting system.

Criteria used included the following:

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

Project Information

Audit fieldwork was conducted from May 2021 through August 2021. 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. Those standards also require independence in both fact and appearance. During the audit, legislative funding was vetoed. This condition could be seen as potentially affecting our independence in reporting results related to this agency. However, we proceeded with this audit as set forth by the annual state audit plan, operated under the Legislative Audit Committee. We believe this condition did not affect our audit conclusions.

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

- Robert Pagenkopf, MBA, CFE (Project Manager)
- Shaun Alvis, J.D. (Assistant Project Manager)
- Benjamin Hikida, MAcy, CFE
- Susana Preciado
- Jeremy Wong
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Michael A. Simon, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgment 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)/function(s) audited <u>or</u> 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 <u>moderately affect</u> the audited entity's ability to effectively administer the 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 <u>substantially affect</u> 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 <u>critically affect</u> 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.

Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. The U.S. Government Accountability Office's *Government Auditing Standards* require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for 5 integrated components and 17 principles of internal control, which are listed in Table 4.

Table 4

Internal Control Components and Principles		
Component	Component Description	Principles
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.	<ul style="list-style-type: none"> ▪ The organization demonstrates a commitment to integrity and ethical values. ▪ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. ▪ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. ▪ The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. ▪ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.	<ul style="list-style-type: none"> ▪ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. ▪ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. ▪ The organization considers the potential for fraud in assessing risks to the achievement of objectives. ▪ The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.	<ul style="list-style-type: none"> ▪ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. ▪ The organization selects and develops general control activities over technology to support the achievement of objectives. ▪ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Internal Control Components and Principles		
Component	Component Description	Principles
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.	<ul style="list-style-type: none"> ▪ The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. ▪ The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. ▪ The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.	<ul style="list-style-type: none"> ▪ The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. ▪ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.

National Research University Fund Eligibility Requirements

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 prior to fall 2017, consisting of the Critical Reading (CR) and Mathematics (M) Components, or equal to or greater than 1280 starting with fall 2017, consisting of the Evidence-Based Reading and Writing (ERW) and Mathematics (M) Components, 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) There must be five or more recognitions of national or international distinction of tenured/tenure-track faculty through membership in one of the National Academies (including National Academy of Sciences, National Academy of Engineering, and National Academy of Medicine), the American Academy of Arts and Sciences, or through receiving a Nobel Prize; 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 Fellows

(II) American Council of Learned Societies Fellows

(III) American Law Institute Members

(IV) Beckman Young Investigators

(V) Burroughs Wellcome Fund Career Award Winners

(VI) Cottrell Scholars

- (VII) Getty Scholars in Residence
- (VIII) Guggenheim Fellows
- (IX) Howard Hughes Medical Institute Investigators
- (X) Lasker Medical Research Award Winners
- (XI) MacArthur Foundation Fellows
- (XII) Andrew W. Mellon Foundation Distinguished Achievement Award Winners
- (XIII) National Endowment for the Humanities Fellows
- (XIV) National Humanities Center Fellows
- (XV) National Institutes of Health MERIT (R37) Winners
- (XVI) National Medal of Science Winners
- (XVII) National Medal of Technology and Innovation Winners
- (XVIII) National Science Foundation CAREER Award Winners (excluding those who are also PECASE winners)
- (XIX) Newberry Library Long-term Fellows
- (XX) Pew Scholars in Biomedicine
- (XXI) Pulitzer Prize Winners
- (XXII) Presidential Early Career Awards for Scientists and Engineers (PECASE) Winners
- (XXIII) Robert Wood Johnson Health Policy Fellows
- (XXIV) Searle Scholars
- (XXV) Sloan Research Fellows
- (XXVI) Fellows of the Woodrow Wilson Center

(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



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

August 11, 2021

Dr. Teik C. Lim, Interim President
The University of Texas at Arlington
701 S. Nedderman Drive
Arlington, TX 76019

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

Dear Dr. Lim:

The State Auditor's Office has reviewed the report that the Higher Education Coordinating Board (Coordinating Board) submitted in March 2021 indicating that the University of Texas at Arlington (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, number of doctor of philosophy degrees awarded, 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 2019 and 2020.

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. 21-323

Dr. Teik C. Lim, Interim President
The University of Texas at Arlington
August 11, 2021
Page 2

cc: Members of The University of Texas System Board of Regents
Mr. Kevin P. Eltife, Chairman
Ms. Janiece Longoria, Vice Chairman
Mr. James C. "Rad" Weaver, Vice Chairman
Ms. Christina Melton Crain
Mr. R. Steven Hicks
Mr. Jodie Lee Jiles
Dr. Nolan Perez
Mr. Stuart W. Stedman
Mr. Kelcy L. Warren
Ms. Thuy Dan "Mimi" Nguyen, Student Regent
Mr. James B. Milliken, Chancellor, The University of Texas System
Mr. J. Michael Peppers, Chief Audit Executive, The University of Texas System
Dr. Pranesh B. Aswath, Interim Provost and Vice President for Academic Affairs, The
University of Texas at Arlington
Ms. Kelly Davis, Chief Financial Officer and Vice President, The University of Texas at
Arlington
Dr. James Grover, Interim Vice President for Research, The University of Texas at
Arlington
Mr. Shelby Boseman, Chief Legal Officer, The University of Texas at Arlington
Mr. David Price, Chief Audit Executive, The University of Texas at Arlington

Related State Auditor's Office Reports

Table 5

Related State Auditor's Office Reports		
Number	Report Name	Release Date
18-036	<i>An Audit Report on the Distribution of the National Research University Fund (For The University of Texas at Dallas)</i>	July 2018
12-038	<i>An Audit Report on the Distribution of the National Research University Fund (For Texas Tech University and University of Houston)</i>	June 2012

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dade Phelan, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Greg Bonnen, House Appropriations Committee
The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

The University of Texas System

Members of the University of Texas System Board of Regents

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Ms. Janiece Longoria, Vice Chairman
Mr. James C. "Rad" Weaver, Vice Chairman
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Mr. James B. Milliken, Chancellor

The University of Texas at Arlington

Dr. Teik C. Lim, Interim President

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Members of the Higher Education Coordinating Board

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