

The University of Texas at San Antonio

# UTSA Auditing & Consulting Services

## FY21 NRUF/Restricted Expenditures Audit

Project # 2021-40

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# Executive Summary

## Conclusion

The Office of the Vice President for Research, Economic Development, and Knowledge Enterprise (VPREDKE) analysis and review of FY20 & FY21 restricted research expenses of potentially questionable account codes was sufficiently designed and executed. FY20 and FY21 salary expenses classified as restricted research met NRUF eligibility criteria.

Some gift and endowment agreements for restricted research are missing. Therefore, we did not review the allowability of FY20 and FY21 restricted research expenses funded by gifts and endowments.

## Observation Rating

Priority
High
Medium
Low
Satisfactory

## Background

[The Research Excellence Presidential Initiative](#) is a critical component of the UTSA Strategic Plan – A Vision for UTSA. UTSA's goal is to achieve National Research University Fund (NRUF) eligibility and receive subsequent funding from the State Legislature after NRUF criteria are met for a two year period: 2020 and 2021. One of the Texas Higher Education Coordinating Board (THECB) [criteria](#) for NRUF eligibility is to have \$45 million in restricted research expenditures that comply with THECB [Standards and Accounting Methods \(SAMS\)](#).

## Audit Objectives

- Validate the Office of the Vice President for Research, Economic Development, and Knowledge Enterprise (VPREDKE) review of NRUF/restricted research expenses for allowability with the THECB SAMS.
- Review NRUF/restricted research salaries expenses for allowability based on their job titles/duties with the NRUF eligibility requirements.
- Review NRUF/restricted research expenses on gift and endowment accounts for allowability with the donor agreements.

## In Scope

- The VPREDKE analysis and review of FY20 & FY21 restricted research expenses with potentially questionable account codes.
- FY20 and FY21 salary expenses classified as restricted research.
- FY20 and FY21 restricted research expenses funded by gifts and endowments.

## Not in Scope - [Additional Criteria for NRUF eligibility](#):

1. Freshman Class of High Academic Achievement
2. Institutional Recognition of Research Capabilities and Scholarly Attainment
3. High Quality Faculty
4. High Quality Graduate Education

## Observation

**High** Some restricted research donor agreements are missing.

# Audit Observation

## Some restricted research donor agreements are missing

High

### Observation

#### Condition

52 of 115 (45%) gift/endowment research cost centers tested lacked evidence of gift/donor agreements or existing documentation was difficult to identify. Additionally, 5 of 115 (4%) had agreement documentation without donor signatures.

#### Criteria

[HOP 9.23 Procedures Governing Private Gift Solicitation, Acceptance & Management](#) states a gift package should include an original copy of the gift letter or gift agreement from the donor. Included in the letter should be the purpose of the gift.

[THECB SAMS](#) states a gift provided by an external entity will qualify as restricted research if:

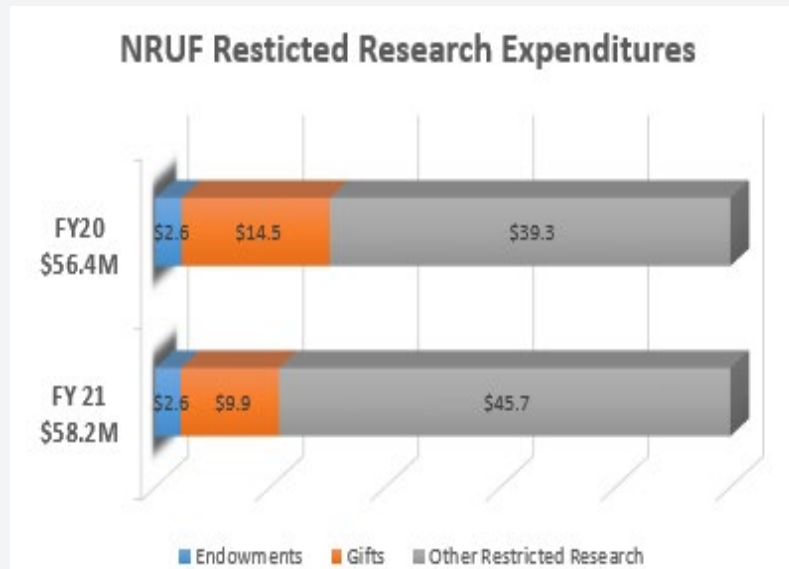
- There is documented evidence of donor's restriction for research, or
- There is separate documented evidence that the gift is restricted for research through (e.g., endowed chair, fellowship), and more than half of the funds are budgeted for Research through the accounting process.

#### Cause

In some cases, colleges/departments are not notifying the Office of Advancement Services & Operations (OAS) when new donor documentation has been obtained and in some cases OAS is not notified when new gift/endowment cost centers are set up.

### Impact

Not having a donor agreement or clear documentation could pose questions in regard to donor intent and expectations. Additionally, not having documented evidence that a gift is intended for restricted research could lead to expenditures not explicitly complying with NRUF eligibility requirements. See below for restricted research expenditures funded by gifts and endowments.



### Management Action Plan

OAS will update HOP 9.23 policies to prescribe necessary documentation and procedures for creating new gift/endowment cost centers. OAS will work with Financial Affairs to communicate new gift/endowment cost center procedures on their website. This will help ensure OAS is notified by colleges/departments and/or Accounting Services (AS) when new gift/endowment cost centers are set up.  
*Implementation Date: March 31, 2022*

Currently, Microsoft Forms/Sharepoint, the workflow solution to create new cost centers, does not allow new gift/endowment cost center approval to be routed to OAS automatically. Therefore, OAS is working with Business Information Services and AS to develop technology to automatically include e-mail notifications when new gift/endowment cost centers are created.  
*Implementation Date: December 31, 2022*

In the interim, OAS is working with AS to obtain monthly reports of new gift/endowment cost centers.  
*Implementation Date: December 31, 2021*

Through 10-22-21, OAS has located half of the agreements which were missing or not reviewed. OAS will locate the remained of the agreements missing or not reviewed.  
*Implementation Date: December 31, 2021*

#### Responsible Party:

*Diana Calloway, Assistant Director, Endowment Compliance*

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