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**Committee Meeting:** 8/21/2024

**Board Meeting:** 8/22/2024  
Austin, Texas

Nolan Perez, *Chairman*  
Christina Melton Crain  
Jodie Lee Jiles  
Janiece Longoria  
Kelcy L. Warren  
Rad Weaver

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>1:15 p.m.</i> <i>Chairman Perez</i>		
1. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</b>	<b>Discussion</b>	<b>Action</b>	<b>21</b>
2. <b>U. T. System: Report on the results of the Fiscal Year 2023 U. T. Systemwide Endowment Compliance Program</b>	<b>Report/Discussion</b> <i>Dr. Safady</i>	Not on Agenda	<b>22</b>
3. <b>U. T. System Board of Regents: Report regarding compliance with <i>Texas Education Code</i> Section 51.3525</b>	<b>Report/Discussion</b> <i>Mr. Peppers</i>	Not on Agenda	<b>35</b>
4. <b>U. T. System: Discussion of Systemwide internal audit activities, including updates on the Systemwide Cancer Prevention and Research Institute of Texas (CPRIT) grants assurance work, the chief administrator travel, entertainment, and university residence maintenance expenses engagement, and the Fiscal Year 2024 Annual Audit Plan status</b>	<b>Report/Discussion</b> <i>Mr. Peppers</i>	Not on Agenda	<b>36</b>
<b>Adjourn</b>	<i>1:45 p.m.</i>		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on [Page 188](#).

2. **U. T. System: Report on the results of the Fiscal Year 2023 U. T. Systemwide Endowment Compliance Program**

Vice Chancellor Safady will report on the U. T. Systemwide Endowment Compliance Program for the fiscal year ended August 31, 2023, using a PowerPoint presentation set forth on the following pages.

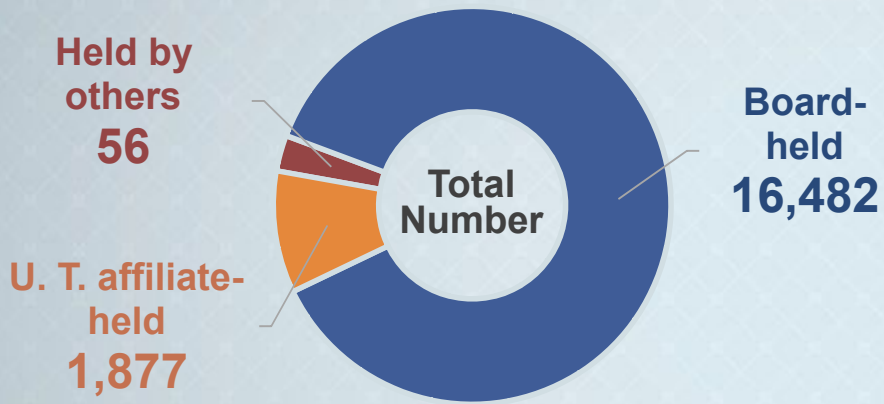
# Systemwide Endowment Compliance Report FY 2023

Dr. Randa Safady, Vice Chancellor for External Relations,  
Communications and Advancement Services

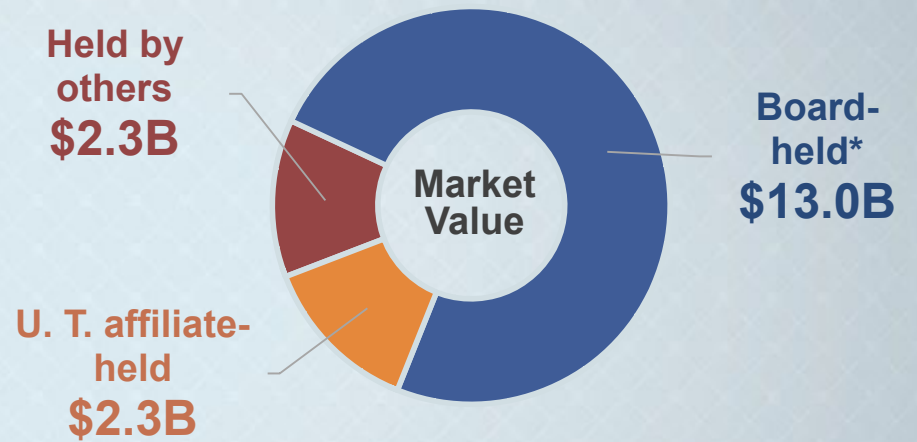
U. T. System Board of Regents Meeting  
Audit, Compliance, and Risk Management Committee  
August 2024



# FY 2023 Total U. T. Systemwide Endowments



18,415 total endowments held by Board and external entities

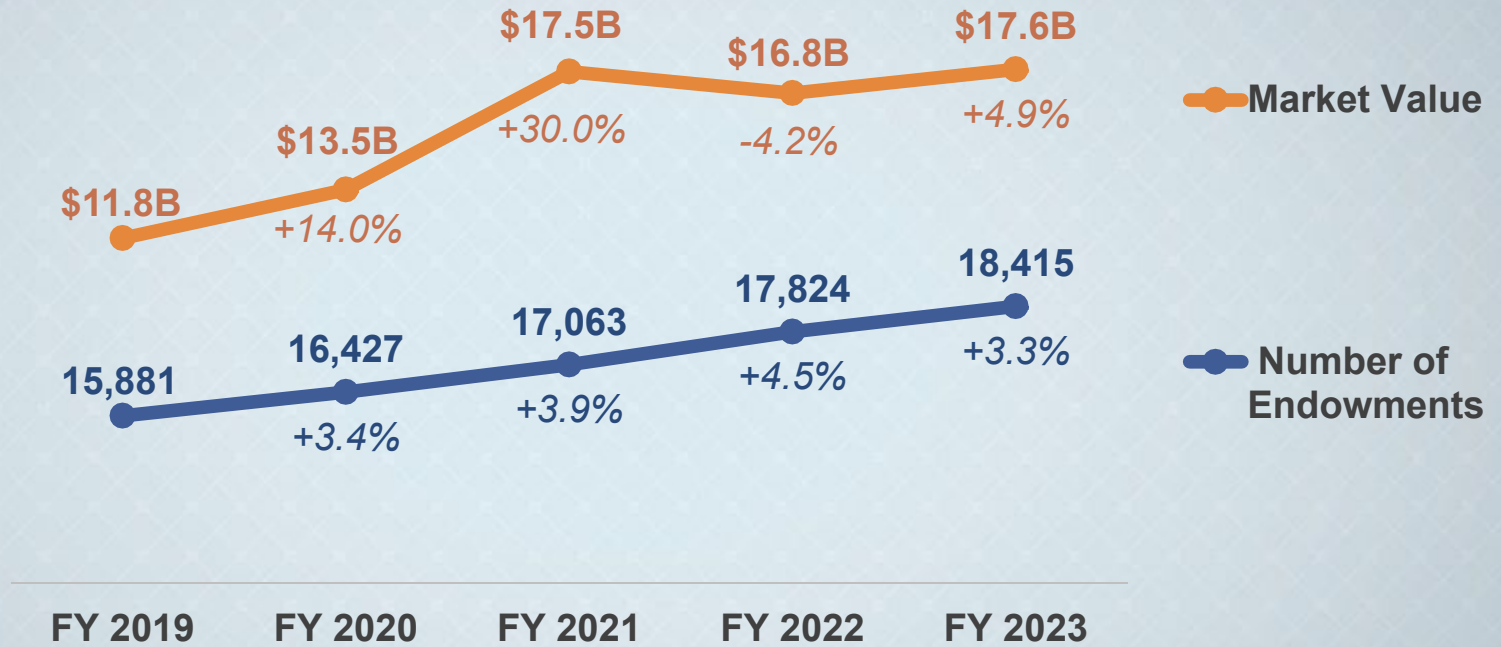


\$17.6B in total market value

\*Accounts for 61.9% of the Long Term Fund (LTF)

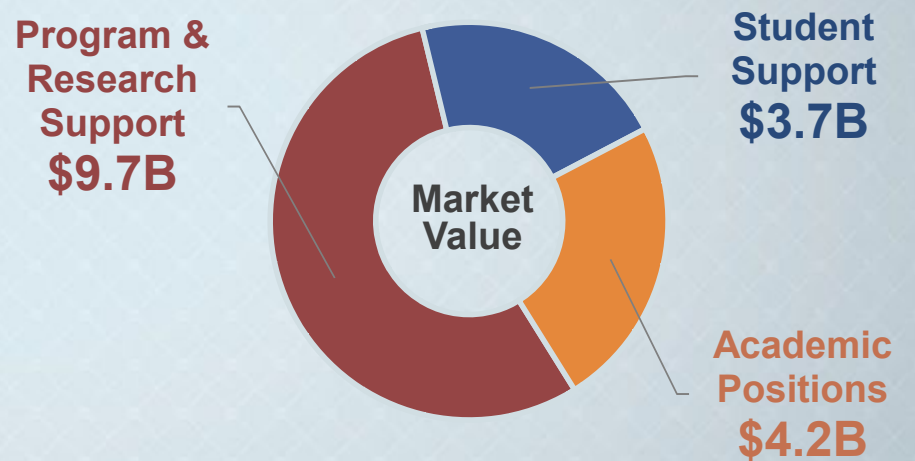
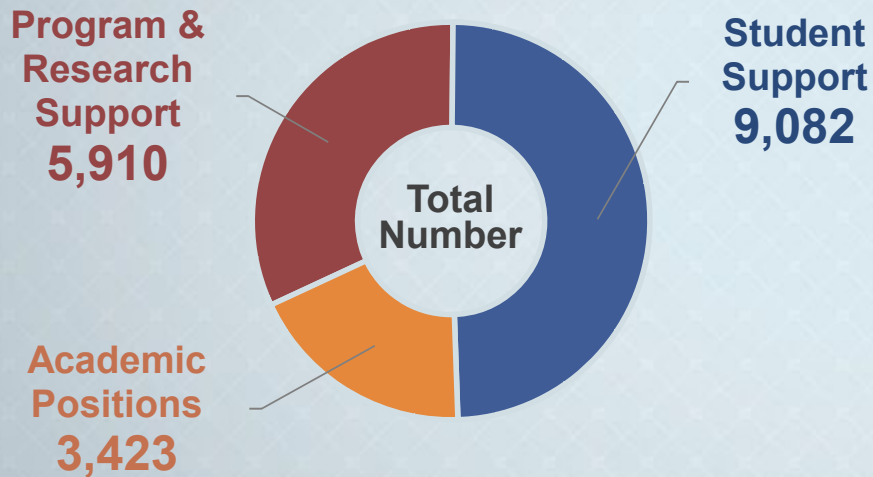


# Total Endowments: Five-Year Trends



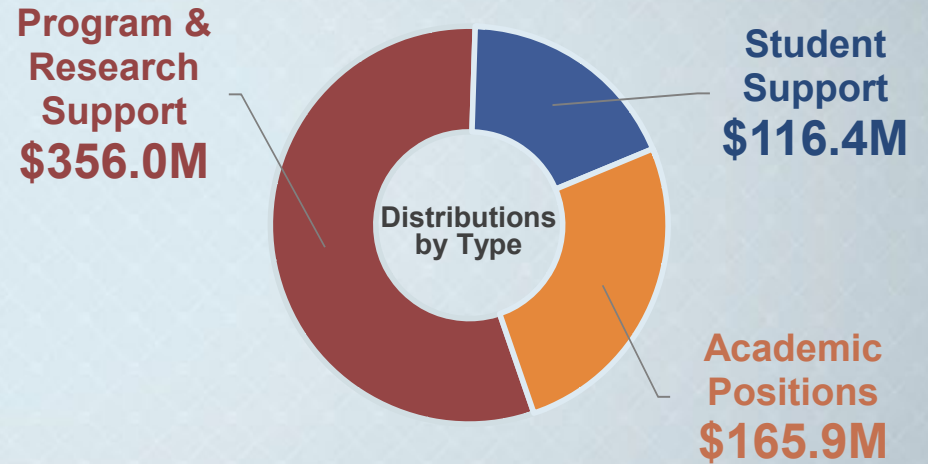
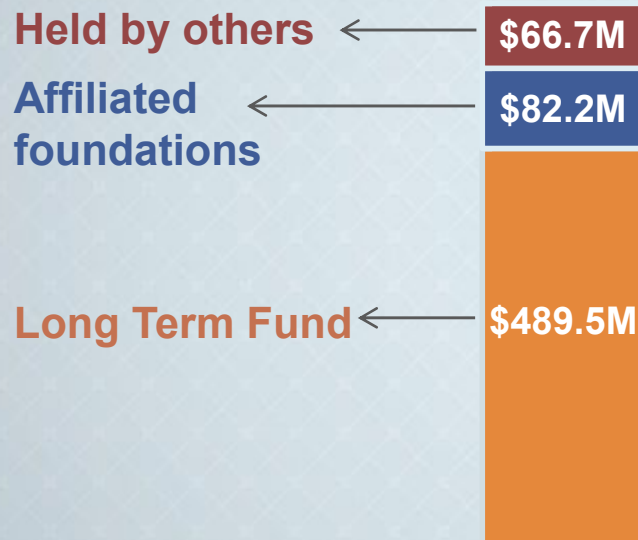
# Total Endowments by Type

Endowments typically fall into three categories: Student Support, Academic Positions, and Program/Research Support.



# Total Endowments: FY 2023 Distributions

A total of \$638.3M\* was distributed from endowments.



\* Distributions do not include amounts that were reinvested



# Purpose of Endowment Compliance Program

- U. T. System Board of Regents' Rule 60102:

*"...Administration and management of the endowments are the joint responsibility of the U. T. System and each institution."*

- To **honor donor intent** by the appropriate use of gift funds, confirmed by timely reporting
- To **utilize endowment resources** most effectively
- To **standardize management** of endowments
- To **ensure awareness** of compliance issues across U. T. institutions
- To **encourage philanthropy** through donor trust

# Annual Report: Primary Risks and Activities Monitored

Annual review of between 20% to 100% of all endowments, depending on how many endowments a university holds, with a focus on reducing risk factors and ensuring other essential activities.

## Primary risks monitored, focused on reducing:

- Excessive accumulation of distributions
- Incorrect spending of distributions
- Non-spending of distributions
- Fully funded academic positions unfilled for 24+ months
- Unawarded scholarships/fellowships

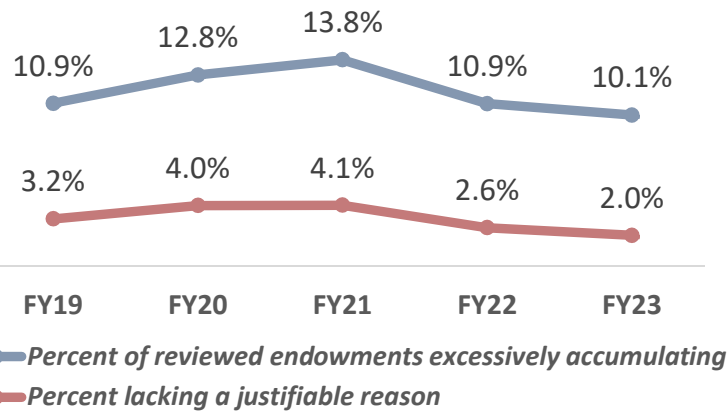
## Ensuring essential activities:

- Donor reporting
- Meetings of an internal endowment compliance committee
- Training of institution staff

Each institution submits its assessment to the U. T. System Administration annually, including responses to significant findings or negative trends.

# Risks Monitored: Summary of Findings FY 2023

## Excessively Accumulating Endowments

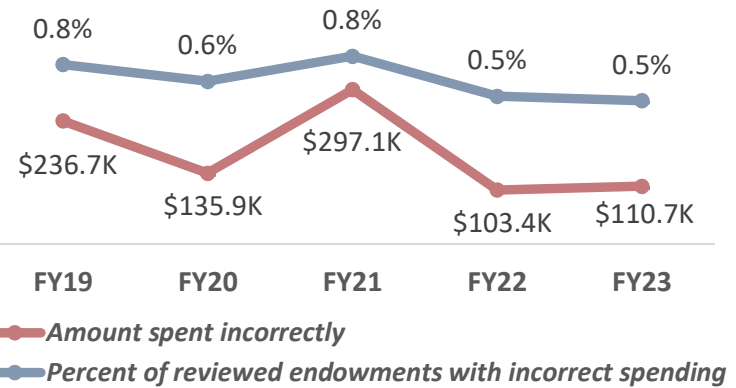


# Endowments reviewed:	8,571
# Excessively accumulating, lacking a justifiable reason:	175 (2.0%)*
Total accumulated balance:	\$13.5M

\*Endowments identified and being addressed by institutions

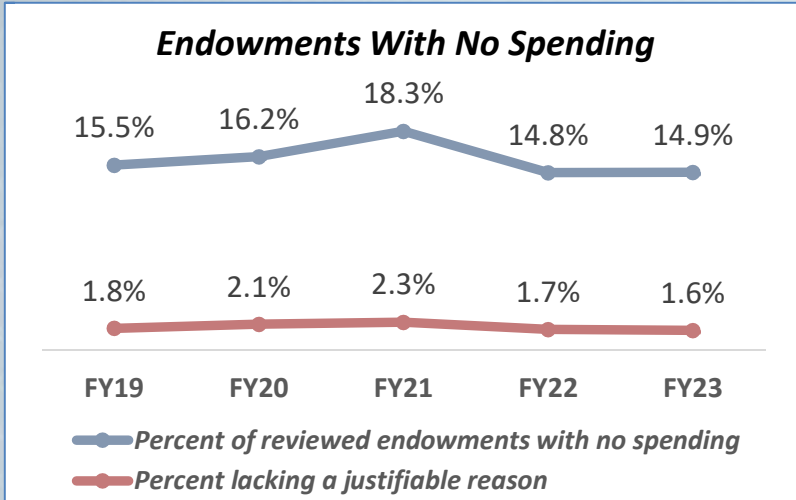


## Endowments with Incorrect Spending



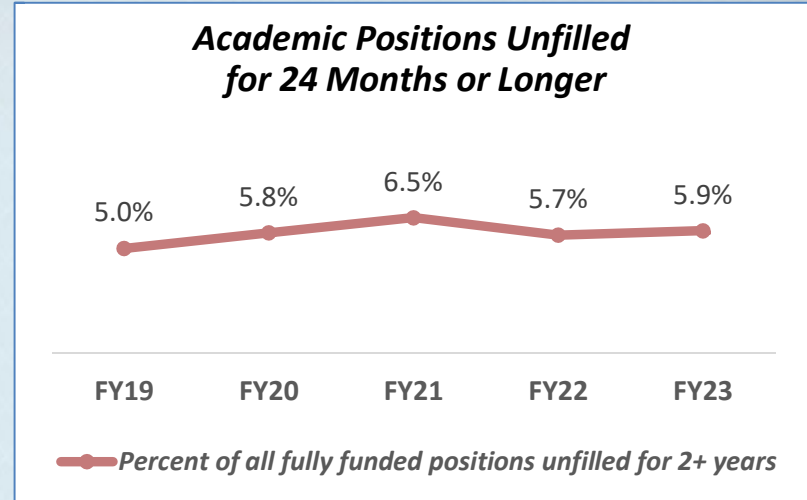
# Endowments reviewed:	8,278
# Endowments identified with incorrect spending:	43 (0.5%)*
Total amount spent incorrectly and subsequently corrected:	\$110.7K

# Risks Monitored: Summary of Findings FY 2023 (cont.)



# Endowments reviewed:	8,571
# Endowments not spent, lacking a justifiable reason:	138 (1.6%)*

\*Endowments identified and being addressed by institutions



Total # fully funded academic positions:	3,198
# Positions unfilled for 2+ years:	188 (5.9%)*



# Risks Monitored: Summary of Findings FY 2023 (cont.)

## Unawarded Student Support Endowments



**Awarded: 7,312**

**Not awarded: 749**

<i>Fiscal Year</i>	<i>% Not Awarded</i>
2020	12.3%
2021	12.3%
2022	10.9%
2023	9.3%

# Other Activities Addressed in FY 2023

## Donor Reporting:

- 99.8% of known endowment donors or honorees received an annual report detailing the use of the endowment's distributions and a comprehensive financial statement

## Institutional Endowment Compliance Committee:

- Each U. T. institution has an internal committee charged with overseeing endowment compliance from an institutional perspective
- The committees include representation from the offices of development, compliance and/or audit, business, financial aid, and various academic and health departments

## Staff Training:

- U. T. institution staff members with endowment administration responsibilities at any level are expected to receive training on endowment administration and compliance at least every two years

# Looking Ahead

- Enhancements to annual endowment compliance activities:
  - Increase in required minimum number of endowments reviewed annually, reflecting an increase of endowments Systemwide
  - Review of all original gift agreements by U. T. institutions to ensure full alignment with donor intent
  - U. T. System Advancement Academy conference, December 2024

3. **U. T. System Board of Regents: Report regarding compliance with *Texas Education Code* Section 51.3525**

Chief Audit Executive Peppers will report on the *Texas Education Code* Section 51.3525 compliance audits conducted across the U. T. System.



4. **U. T. System: Discussion of Systemwide internal audit activities, including updates on the Systemwide Cancer Prevention and Research Institute of Texas (CPRIT) grants assurance work, the chief administrator travel, entertainment, and university residence maintenance expenses engagement, and the Fiscal Year 2024 Annual Audit Plan status**

**REPORT**

Chief Audit Executive Peppers will report on the assurance work performed of Cancer Prevention and Research Institute of Texas (CPRIT) grant activity at U. T. institutions conducted by external providers and on the engagement of chief administrator travel, entertainment, and university residence maintenance expenses conducted by internal audit. Additionally, Mr. Peppers will provide an update on the Fiscal Year 2024 Annual Audit Plan status as of May 31, 2024. A summary of the assurance work for CPRIT and chief administrator expenses, as well as details on the plan status, including Priority Observations, were provided to the Audit, Compliance, and Risk Management Committee members prior to the meeting.

**BACKGROUND INFORMATION**

Deloitte & Touche LLP was engaged to conduct audits of FY 2023 CPRIT grant activity for seven U. T. institutions. Five other U. T. institutions engaged Weaver & Tidwell to perform agreed upon procedures of FY 2023 CPRIT grant activity.