Donor Scholarships

November 2015

The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117
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Donor Scholarships Audit
Project Number: 15.006
November 30, 2015

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas  78713

Dear President Fenves,

We have completed our audit of donor scholarships. Our scope included reviewing donor scholarships and ensuring they were awarded in compliance with scholarship guidelines and donor-specified requirements during fiscal year 2014.

Based on interviews with relevant staff and testing a sample of 42 accounts, we conclude that donor scholarships awarded by the colleges/schools/units are generally in compliance with scholarship guidelines and donor-specified requirements. No recommendations were necessary.

We appreciate the cooperation and assistance of staff from the 23 colleges/schools/units throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

Michael W. Vandervort, CPA
Chief Audit Executive

cc:   Institutional Audit Committee Members
Ms. Nancy Brazzil, Deputy to the President and Chief of Staff
Dr. Judith Langlois, Executive Vice President and Provost, ad interim
Ms. Patricia Ohlendorf, Vice President for Legal Affairs
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
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EXECUTIVE SUMMARY

Conclusion
Based on our audit, it appears that donor scholarships awarded by colleges/schools/units (CSUs) are generally in compliance with scholarship guidelines and donor-specified requirements. No recommendations were necessary.

Audit Scope and Objective
The scope of this audit included donor scholarships awarded during fiscal year 2014. The audit objective was to ensure donor scholarships are awarded in compliance with scholarship guidelines and donor-specified requirements.

Background Summary
Donor scholarships originate from gifts that have been contributed by individuals or foundations to a CSU for the benefit of students. The scholarships are held in gift funds at The University of Texas at Austin that can be endowed or non-endowed.

During fiscal year 2014, there were more than 3,600 endowed and non-endowed gift accounts with the authority to award scholarships. All donor scholarships are awarded and monitored by the CSUs. Furthermore, as a result of their connection with an endowment, the Development Office reviews one-third of all Endowment Distribution and Expenditure Funds awarded each year. The Development Office’s results are reported to UT System on an annual basis.

The audit was conducted as part of our Fiscal Year 2015 Audit Plan.
BACKGROUND

Donor scholarships originate from gifts that have been contributed by individuals or foundations to a college/school/unit (CSU) for the benefit of students. The scholarships are held in gift funds at The University of Texas at Austin (UT Austin). There are three types of gift funds that are used to record gifts and related expenditures from donors that do not exhibit characteristics of sponsored projects.1 Donor scholarships can be located in two of the three types of gift funds: General Gift Funds or Endowment Distribution and Expenditure Funds (EDE).

General accounts hold unrestricted non-endowed gift funds and are used for various purposes, including scholarship awards to students. EDE accounts receive quarterly investment distributions from an endowment. In either type, the donor may stipulate broad or specific selection criteria for the award; however, according to The University of Texas System (UT System) policy on Gift Acceptance Procedures (UTS138), “U. T. will make reasonable efforts to honor preferences specified by a donor as provided in this paragraph; however, as provided by applicable law, no person shall be excluded from participation in, denied the benefits of, or be subject to discrimination under, any program or activity sponsored or conducted by the U. T. System Administration or any U. T. institution, on the basis of race, color, national origin, religion, sex, age, veteran status, or disability.”

During fiscal year 2014, there were more than 3,600 endowed and non-endowed gift accounts with the authority to award scholarships. It should be noted that the donor does not always specify award criteria. All donor scholarships are awarded and monitored by the CSUs. Furthermore, as a result of their connection with an endowment, the Development Office reviews one-third of all EDE awards each year. The Development Office’s results are reported to UT System on an annual basis.

The audit was conducted as part of our Fiscal Year 2015 Audit Plan.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit included donor scholarships awarded during fiscal year 2014. The audit objective was to ensure donor scholarships are awarded in compliance with scholarship guidelines and donor-specified requirements.

To achieve the objective, the Office of Internal Audits:
- Interviewed relevant staff and collected information from administrators of the scholarship accounts;
- Analyzed relevant donor criteria and UT Austin policies; and
- Reviewed scholarship awardees and financials.

2 UTS138 Section 9.3(b) - [http://utsystem.edu/board-of-regents/policy-library/policies/uts138-gift-acceptance-procedures](http://utsystem.edu/board-of-regents/policy-library/policies/uts138-gift-acceptance-procedures)
This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

## AUDIT RESULTS

Based on our audit procedures, the following 42 accounts were selected for testing using random sampling:

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>WOMACK ENOWED PRESIDENTIAL SCHOLARSHIP (EPS)</td>
<td>Fine Arts</td>
</tr>
<tr>
<td>WALOTHER ENOWED SCHOLARSHIP – Dept. of French and Italian</td>
<td></td>
</tr>
<tr>
<td>DOTY SOCIETY – Fine Arts</td>
<td></td>
</tr>
<tr>
<td>RHODES EPS IN THEATRE – Fine Arts</td>
<td></td>
</tr>
<tr>
<td>COUPER EPS GRADUATE-PIANO - Fine Arts</td>
<td></td>
</tr>
<tr>
<td>FAIRCHILD EPS IN MUSIC - Fine Arts</td>
<td></td>
</tr>
<tr>
<td>CALHOUN ENOWED SCHOLARSHIP – Computer Science</td>
<td></td>
</tr>
<tr>
<td>PSY -VARIOUS DONORS-VARIOUS PURPOSES – Psychology</td>
<td></td>
</tr>
<tr>
<td>SOCIETY OF IRANIAN AMERICAN WOMEN – International Office</td>
<td></td>
</tr>
<tr>
<td>ENVIRONMENTAL SCIENCE DEGREE PROGRAM – Geological Sciences</td>
<td></td>
</tr>
<tr>
<td>COOPER ENOWED AIR FORCE ROTC EXC – Air Force</td>
<td></td>
</tr>
<tr>
<td>ART HISTORY ANNUAL GIVING: VAR DON – Art History</td>
<td></td>
</tr>
<tr>
<td>FAITH FDN-JR FELLOW SCHOLARSHIP PROGRAM – Liberal Arts</td>
<td></td>
</tr>
<tr>
<td>HOWARD MILLER EXCELLENCE ENOWEMENT – Religious Studies</td>
<td></td>
</tr>
<tr>
<td>ARMSTRONG MUSIC LEADERSHIP ENOWEMENT – School of Music</td>
<td></td>
</tr>
<tr>
<td>HUDSON ENOWED SCHOLARSHIP – School of Music</td>
<td></td>
</tr>
<tr>
<td>HENO-EPPRIGHT DEVELOPMENT FUND – School of Human Ecology</td>
<td></td>
</tr>
<tr>
<td>PROTHIRO CENTENNIAL SCHOLARSHIP FUND – School of Business</td>
<td></td>
</tr>
<tr>
<td>THORINGTON EPS IN BUSINESS - School of Business</td>
<td></td>
</tr>
<tr>
<td>STEAD, JR. ENOWED SCHOLARSHIP - School of Business</td>
<td></td>
</tr>
<tr>
<td>HUNSAKER SCHOLARSHIP – Law School</td>
<td></td>
</tr>
</tbody>
</table>
Internal Audits tested the scholarships awarded in the above accounts to:

- Confirm that awardees met the conditions and selection criteria of the donor, if applicable;
- Reconcile account balances and amounts awarded and disbursed;
- Compare results from the Development Office to ensure consistency with results from Internal Audits;
- Inquire about departmental conflict of interest policies, if applicable; and
- Determine whether specialized training was required for administrators.

Of the 23 CSUs responsible for the scholarships above, all appear to be administering scholarships according to donor’s requirements and scholarship guidelines.

**CONCLUSION**

Based on our audit, it appears that the donor scholarships awarded by CSUs are generally in compliance with scholarship guidelines and donor-specified requirements. No recommendations were necessary.