



**OFFICE OF THE STATE AUDITOR**

TWO COMMODORE PLAZA  
206 EAST NINTH STREET, SUITE 1900  
AUSTIN, TEXAS 78701

LAWRENCE F. ALWIN, CPA  
State Auditor

August 26, 1998

RE: A Report on University  
Formula Funding Reporting

Members of the Legislative Audit Committee:

Based on this review of the accuracy of higher education formula funding data, the Legislative Budget Board does not need to adjust the 1998-1999 biennial formula-funded appropriations for the State's 35 universities. While approximately \$2.9 million in errors were identified (\$2.5 million overfunded and \$0.4 million underfunded), no individual university's errors exceeded the allowable 2 percent error rate. The errors noted were either reported by the universities themselves or identified by the State Auditor's Office.

Adjustments for individual universities are recommended only when the amount of the errors exceeds the 2 percent allowable error rate as stated in the General Appropriations Act of the 75<sup>th</sup> Legislature, Article III, Rider 20. The allowable error rate for all universities totals approximately \$45 million.

Thirty-one of the 35 universities self-reported on the accuracy of their funding data. Twenty universities self-reported funding corrections totaling almost \$2.9 million, and 11 universities reported no corrections needed. The universities are commended for self-reporting instances of noncompliance. These universities are taking the initiative to ensure the accuracy of reported data.

Seven universities were reviewed for compliance with formula funding laws, rules, and regulations. Two universities had errors totaling \$61,768 (\$8,649 overfunded and \$53,119 underfunded). Based on our review, except for those errors already noted, nothing came to our attention that caused us to believe that the formula funding data at the seven universities are not presented accurately and in accordance with the General Appropriations Act or Texas Education Code.

The primary objective of the engagement was to review the accuracy of the semester-credit-hour variable used in calculating the 1998-1999 formula funding appropriations. The semester-credit-hour variable impacts approximately 72.8 percent of the universities' 1998-1999 appropriations.

Attachment 1 provides detailed formula funding data for each of the 35 universities and other information. Attachment 2 provides information on our scope and methodology.

Should you have additional questions, please contact Cathy Smock, CPA, Audit Manager, at 479-4700.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

mn/attachment

cc: Dr. Don Brown, Commissioner of Higher Education  
Chancellors and Presidents of the 35 Universities

SAO Report No. 98-069

## Attachment 1 Detailed Formula Funding Data

	Total 1998-1999 Appropriations Funded by Formula	1998-1999 Appropriations Funded by Semester Credit Hours*	2% Allowable Error Rate	Findings	Self-Reported Corrections
The University of Texas at Arlington	\$ 147,956,656	\$ 121,936,772	\$ 2,438,735	Not tested	Did not Report
The University of Texas at Austin	472,917,941	366,627,136	7,332,543	Not tested	\$ 934,163
The University of Texas at Dallas	82,524,254	69,321,886	1,386,438	Not tested	75,997
The University of Texas at El Paso	93,526,154	70,296,026	1,405,921	Not tested	0
The University of Texas - Pan American	68,319,781	51,447,447	1,028,949	\$ 0	81,265
The University of Texas at Brownsville	14,374,000	10,363,503	207,270	Not tested	0
The University of Texas of the Permian Basin	13,721,181	9,050,662	181,013	Not tested	0
The University of Texas at San Antonio	92,188,649	71,839,598	1,436,792	0	10,738
The University of Texas at Tyler	25,283,604	19,117,622	382,352	Not tested	0
Texas A&M University	372,998,240	294,207,259	5,884,145	Not tested	140,810
Texas A&M University at Galveston	10,652,379	6,421,002	128,420	Not tested	7,259
Prairie View A&M University	44,131,542	33,293,597	665,872	8,649	84,990
Tarleton State University	39,465,115	30,148,076	602,962	0	0
Texas A&M University - Corpus Christi	36,781,321	28,697,580	573,952	Not tested	24,334
Texas A&M University - Kingsville	40,080,899	30,822,004	616,440	Not tested	38,563
Texas A&M International University	17,237,054	11,873,194	237,464	Not tested	Did not Report
West Texas A&M University	38,652,169	30,201,649	604,033	Not tested	1,182
Texas A&M University - Commerce	50,298,858	39,962,466	799,249	Not tested	0
Texas A&M University - Texarkana	7,583,147	4,853,144	97,063	Not tested	29,052
University of Houston	240,539,284	194,274,565	3,885,491	0	653,876
University of Houston - Clear Lake	44,266,257	37,358,203	747,164	Not tested	0
University of Houston - Downtown	31,642,848	22,543,349	450,867	Not tested	0
University of Houston - Victoria	10,144,408	6,962,545	139,251	Not tested	0
Lamar University - Beaumont	50,448,781	38,810,791	776,216	53,119	14,447
Midwestern State University	31,632,796	24,488,292	489,766	Not tested	295
University of North Texas	175,008,170	139,240,214	2,784,804	Not tested	0
Stephen F. Austin State University	73,250,517	57,666,298	1,153,326	Not tested	18,236
Texas Southern University	56,506,430	42,733,570	854,671	Not tested	Did not Report
Texas Tech University	192,382,405	152,241,366	3,044,827	Not tested	Did not Report
Texas Woman's University	86,635,461	72,842,547	1,456,851	0	114,393
Angelo State University	35,536,964	27,869,449	557,389	Not tested	121,672
Sam Houston State University	72,004,347	56,126,252	1,122,525	Not tested	4,269
Southwest Texas State University	123,478,730	95,941,876	1,918,838	Not tested	484,334
Sul Ross State University	17,764,156	12,380,565	247,611	Not tested	6,393
Sul Ross State University - Rio Grande College	5,265,699	3,530,253	70,605	Not tested	0
<b>Total</b>	<b>\$2,915,200,197</b>	<b>\$2,285,490,758</b>	<b>\$45,709,815</b>	<b>\$61,768</b>	<b>\$2,846,269</b>
<b>Total Audit Findings and Self Reported Corrections</b>					<b><u>\$2,908,037</u></b>

\* Semester Credit Hours impact approximately 72.8% of the total formula funding appropriations.

## Attachment 2

### Scope and Methodology

The engagement methodology primarily included reviewing self-reported corrections provided by the universities and testing the accuracy of the semester credit hours used in calculating appropriations. Our test work, performed at seven institutions, concentrated on the verification of reported semester credit hour compliance with the General Appropriations Act and Texas Education Code. Specific verification included tests of student enrollment, student classification, class size, TASP, and tuition payments. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the accuracy of higher education formula funding data. Accordingly, we do not express such an opinion.

It was determined that it would not be cost effective to perform test work at all universities this biennium. Riders in the General Appropriations Act allow institutions an error rate of up to 2 percent. In prior years, only two universities had a sampling error rate exceeding 2 percent. This, coupled with the universities' internal reviews, indicates that there is low risk of additional material error in the reported semester credit hours. We will reevaluate the risk each biennium to determine the level of test work to perform.