

**UNIVERSITY OF HOUSTON SYSTEM**  
**Audit & Compliance Committee**  
**February 16, 2011**

---

## AGENDA

---

### UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

**DATE:** Wednesday, February 16, 2011

**TIME:** 8:30 a.m.

**PLACE:** Hilton University of Houston Hotel  
Waldorf Astoria Ballroom E, Second Floor  
4800 Calhoun  
Houston, Texas 77002

---

**Chair:** Nandita V. Berry

**Vice Chair:** Jacob M. Monty

**Members:** Welcome W. Wilson, Sr.  
Carroll Robertson Ray, Ex Officio

---

#### AUDIT AND COMPLIANCE COMMITTEE

A. Call to Order

B. Approval of Committee Meeting Minutes

- November 17, 2010, Audit and Compliance Committee Meeting

**Action:** Approval

C. Review and Approval of Audit Report and Financial Statements, AUDIT – 1  
University of Houston Charter School, FY 2010 – University of Houston

**Action:** Approval

D. Board of Regents' Internal Audit, Institutional Compliance, and Identity AUDIT – 2  
Theft Program Policies – University of Houston System

**Action:** Approval

E. Internal Audit Report – Briefing Booklet – University of Houston AUDIT – 3  
System

**Action:** Information

- F. Institutional Compliance Status Report for the Three Months Ended December 31, 2010 – University of Houston System      AUDIT – 4

**Action:**    Information

- G. External Audit Report – UH Athletics Department Independent Accountants' Report on the Application of Agreed-Upon Procedures for Year Ended August 31, 2010 – University of Houston System      AUDIT – 5

**Action:**    Information

- H. External Audit Report – UHS Public Broadcasting Basic Financial Statements and Independent Auditor's Report for FY2010 and FY2009 – University of Houston System      AUDIT – 6

**Action:**    Information

- I. External Audit Report – UHS Endowment Fund, Financial Statements and Independent Auditor's Report for FY2010 and FY2009 – University of Houston System      AUDIT – 7

**Action:**    Information

- J. UHS Annual Financial Statements/Certifications – University of Houston System      AUDIT – 8

**Action:**    Information

- K. Adjourn

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit & Compliance

**ITEM:** Review and Approval of Audit Report and Financial Statements, University of Houston Charter School, FY 2010

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

Approval is requested for the Audit Report and Financial Statements of the University of Houston Charter School for Fiscal Year 2010. Certification of the audit and financial information by the Board is required by the Texas Education Code, Title 2, Chapter 44, Section 44.008(d).

The key points of the report include the following:

- Report on Internal Control over Financial Reporting (page 1)
- Annual Financial Report (page 3)
- Letter of Transmittal (page 8)
- Financial Section (page 13)
- Management's Discussion and Analysis (page 16)
- Basic Financial Statements (page 26)
- Notes to Basic Financial Statements (page 31)
- Supplementary Information (page 40)


**SUPPORTING**

**DOCUMENTATION:** Audit Report and Financial Statements of the UH Charter School for FY 2010

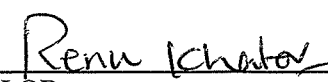
**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Don Guyton

1/28/11  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/2/11  
\_\_\_\_\_  
**DATE**





KPMG LLP  
700 Louisiana Street  
Houston, TX 77002

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing  
Standards***

The Board of Regents  
University of Houston Charter School:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School) as of and for the year ended August 31, 2010, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.



The Board of Regents  
December 7, 2010  
Page 2

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, and the Texas Education Agency, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 7, 2010



**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Annual Financial Report

August 31, 2010

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

**Annual Financial Report**

**August 31, 2010**

**Table of Contents**

	<b>Page</b>
Introductory Section:	
Certificate of Board	1
Letter of Transmittal	2
University of Houston Charter School Administrative Organization	6
Financial Section:	
Independent Auditors' Report	7
Management's Discussion and Analysis (MD&A)	9
Basic Financial Statements:	
Government wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Notes to Basic Financial Statements	23
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	29
Note to Required Supplementary Information	30
Other Supplementary Information:	
Budgetary Comparison Schedule Required by TEA:	
Child Nutrition	31

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Annual Financial Report

August 31, 2010

**Table of Contents**

	<b>Page</b>
Schedule of Expenses	32
Note to other supplementary information	33
Statistical Section:	
Financial Trends:	
General Revenues and Total Changes in Net Assets	35
Governmental Funds Fund Balances	36
Governmental Funds Revenues	36
Governmental Funds Expenditures	37
Indirect Support	37

## **INTRODUCTORY SECTION**

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

**Certificate of Board**

Pending approval from the University of Houston Board of Regents

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Letter of Transmittal

#### Introduction

Our discussion and analysis of the financial position of the University of Houston Charter School (the Charter School or UHCS) provides an overview of the activities for the fiscal years ended August 31, 2010 and 2009. The Management's Discussion and Analysis (MD&A) is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. The MD&A analysis should be read in conjunction with the transmittal letter, the basic financial statements, and the notes to the basic financial statements, which follow this section.

#### Charter School Profile

In 1996, the Texas State Board of Education (SBOE) granted a five-year charter to operate a public school to the University of Houston, one of the nineteen first generation Texas charter schools. The SBOE then granted a ten-year charter under which UHCS is currently operating. The University of Houston (UH) Board of Regents is the governing body of UHCS. The school initially enrolled students on a first-come, first-served basis. In 1999, the Texas Education Agency (TEA) lawyers required UHCS to enroll students in a lottery system since the school was oversubscribed. The Charter School serves students and families from the greater Houston area. The Charter School opened on January 27, 1997 with one kindergarten/first grade class and three employees. Today, 135 students are enrolled in six classes from kindergarten through fifth grade. Parents of 40% of the currently enrolled children are either UH employees or students. The school is housed in 14,000 square feet of the first floor of Melcher Gymnasium.

All Charter School faculty are UH employees. All teachers meet the highly qualified standards for the "No Child Left Behind" (NCLB) program. The Charter School provides English as a Second Language (ESL), Special Education, and, for qualifying students, breakfast and hot lunches are provided through the National School Lunch Program. After-school and summer tutoring are provided with Title I funds. Teacher literacy and math coaching is provided from Title II and TEA funding.

The setting of a university campus provides a rich experience and base for a school. An intellectual experience, grounds the school. The University of Houston (the University) supports the school with a physical location, including a playground, utilities, and custodial care. UHCS supports the university in research collaborations, university students development, and practice in a model educational program and programs from athletics to public relations. The school curriculum includes specific classes in art, music, and physical education. Discovery Camp is held each Friday and third, fourth, and fifth graders choose from a variety of classes: Middle Eastern Dance, Gardening, Cooking, Science Club, Sewing, Art Club, Guitar, and Archery. The school participates in the Texas Archery in the Schools Program. For the fifth year, a UHCS archery team has competed in the State Archery in the Schools event.

For the third year, the Charter School managed Camp Construct, the before- and after-school care program.

Planning Panel meetings three times a year provide opportunities for faculty and parents to make decisions and work to improve the program. Parents participate on all of the 15 school committees. Parent Surveys are collected and analyzed.

The Charter School was again assigned the TEA "Exemplary Rating" for the 2009-2010 school year, which reflects the students' performance on the Texas Assessment of Knowledge and Skills (TAKS). 100% of UHCS fourth graders passed the Writing TAKS.



## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Letter of Transmittal

90%, with TPM 97%, of all third through fifth graders met passing standards for reading. 85%, 95% with TPM, of all third through fifth graders met passing math standards. 81%, 94% with TPM, met passing science standards.

#### **Organization Philosophy**

**Vision Statement** The Charter School is a recognized model constructivist school that empowers children, parents, and faculty in the global community to fulfill their potential through autonomy, wonder, and discovery.

**Motto** Challenging children to construct knowledge and community.

The ideology of the Charter School outlines the ideals and beliefs held by their employees. The Charter School strives to strengthen the social and economic foundation of Houston by offering its youth the highest quality of elementary education.

Thirteen teachers (seven lead and six assistant) lead classes using constructivist practices with an emphasis on technology and lesson plans designed to support children's natural curiosity. Additional classes include Physical Education, Art, and Music. Teachers tailor classroom experiences to the needs and interest of each year's students. Reasoning, autonomy, and community are promoted throughout each child's day and life at the Charter School.

The management and staff of the Charter School endorse and support the Charter School's Mission Statement – to provide a student-centered curriculum that enhances the intellectual development, technological fluency, and leadership ability of students. The knowledge gained by the students will allow them to transfer into the sixth grade at other schools and will give them strategic advantages. The positive results that have been achieved have resulted in a continuing high demand for admission into the program, as reflected by a consistent number of applications for enrollment.

#### **Economic Condition and Outlook**

Through the use of effective and judicious financial budgeting and management, and the University of Houston's contribution of facilities and other indirect services, the Charter School has been able to satisfy current year expenses with available resources. As previously discussed, the Charter School has no liability obligations other than typical business associated payables, primarily payroll related. The Charter School maintains a healthy current ratio (proportion of current assets to current liabilities) of 1.98 and 4.17 for 2010 and 2009 fiscal years, respectively. An unrestricted equity ratio (percentage of assets provided by the entity) of 195%, likewise, is indicative of a solid financial position. The Total Resources per Student Ratio (Current Fund balance divided by the Total number of Fulltime students) is \$940, \$2,448, and \$2,521 for 2010, 2009, and 2008 fiscal years, respectively.

Since the financial operations of the Charter School are considered a governmental organization, the potential for unilateral dissolution by the University of Houston is one of the factors that need to be considered. The two primary financial supporters of the Charter School's operations, the Texas Education Agency and the University of Houston, have demonstrated endorsement of the Charter School's financial and management policies through their continued financial support and commitments in the prior years.

The job growth in the Houston area during the 2009-2010 fiscal years has declined slightly in relation to prior years, but there is projected growth in the energy and professional services sectors. The Charter School wants to

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Letter of Transmittal

become more proactive in blending their elementary program with their after school program and activities in this diverse community.

Management of neither the Charter School nor the University are aware of any known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the 2010 to 2011 fiscal years. Although it is not possible to predict ultimate results, management believes the Charter School's financial condition and position are strong. As a result of the strength and commitment of its faculty, students and parents, the Charter School has positioned itself well to respond to future opportunities and challenges of leadership in constructivist professional development and research.

#### **Accounting Systems and Annual Budgets**

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year, the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The General Fund budget is adopted annually on a basis consistent with the budgetary basis of accounting. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the TEA and a final budget must be prepared and adopted no later than January of the following year.

#### **Major Initiatives and Accomplishments**

The undertaking of facility renovation required major resource allocations in FY 2010. An adult restroom and classroom closet were reconfigured into two adult restrooms and the student restrooms were improved. The flooring and baseboard were removed and replaced and all walls were painted. The counters in the food serving area were replaced. The project will continue into 2011 with the entry and installation of the hand-washing sink.

Another improvement occurred in the Camp Construct program. Planning time and personnel allocation resulted in a more quality experience for the children and families.

Planned activities included art, field trips to a play, bowling and the zoo, which increased student learning. Parent services were introduced: Parent Holiday Shopping Night, Family Holiday Dinner. A real effort was made to improve the nutrition of the daily snacks.

The RSCCC student accounting system was purchased and implemented. The prior program though widely used and a major product was retired. When instituting a new system, there is a start-up financial component.

Association for Constructivist Teaching – Dr. Carolyn Black continues to serve on the Board of ACT and participated in the first international ACT conference in Monterey, Mexico.

The technological focus of the school continued with the purchase of an I Touch per class and the Developmental Reading Assessment 2.

## **UNIVERSITY OF HOUSTON CHARTER SCHOOL**

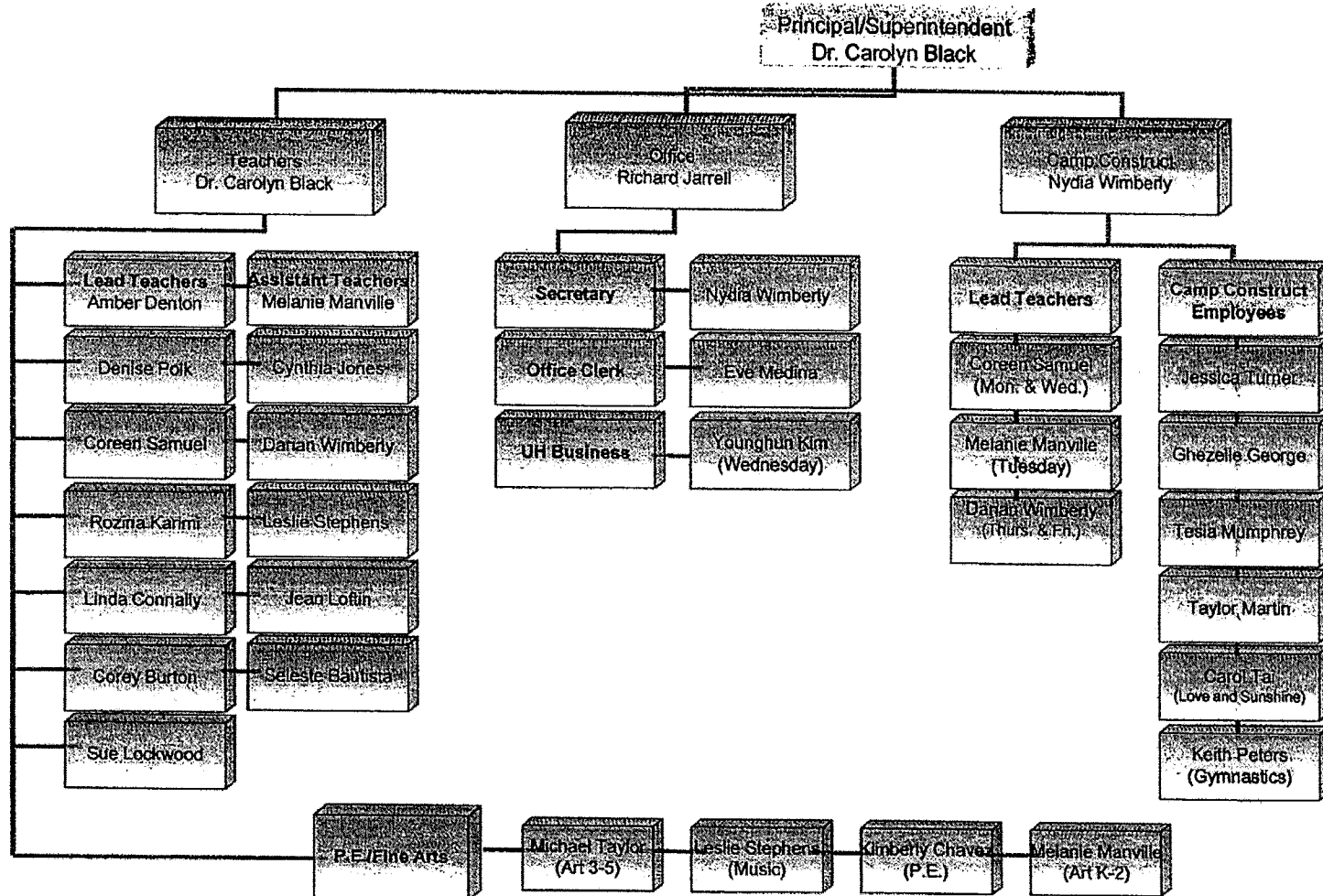
### **Letter of Transmittal**

#### **Contacting the Charter School's Financial Management**

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Executive Vice President for Administration and Finance, University of Houston, Houston, TX 77204-2016.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## University of Houston Charter School 2009-2010



## **FINANCIAL SECTION**



KPMG LLP  
700 Louisiana Street  
Houston, TX 77002

## **Independent Auditors' Report**

The Board of Regents  
University of Houston Charter School:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School), a department of the University of Houston System, as of and for the year ended August 31, 2010, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Charter School are intended to present the financial position, and the changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston System that is attributable to the transactions of the Charter School. They do not purport to, and do not, present fairly the financial position of the University of Houston System as of August 31, 2010, the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School as of August 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the required supplementary information, and accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The Introductory Section, Other Supplementary Information Section and Statistical Section are presented for purposes of additional analysis and are not required as part of the financial statements. The Budgetary Comparison Schedule required by the Texas Education Agency – Child Nutrition and Schedule of Expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

December 7, 2010

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Management's Discussion and Analysis

August 31, 2010

#### Introduction

Our discussion and analysis of the financial position of the University of Houston Charter School (the Charter School) provides an overview of the activities for the fiscal years ended August 31, 2010 and 2009. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts.

#### Overview of the Financial Statements

The Charter School herewith presents its basic financial statements for fiscal year 2010. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes generally accepted accounting principles for state and local governments. The Charter School's basic financial statements comprise three components: 1) governmentwide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The governmentwide financial statements presented are the Statement of Net Assets and the Statement of Activities. The notes to the basic financial statements provide additional information and disclosures that are essential to a complete understanding of the data provided in the government-wide and fund financial statements. The information contained in the basic financial statements of the Charter School is incorporated within the University of Houston System's Annual Financial Report.

#### Statement of Net Assets

The Statement of Net Assets reflects all the Charter School's assets and liabilities using the full accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Governmentwide financial statements use the economic resources measurement focus and the accrual basis of accounting. Net assets are equal to assets minus liabilities. Unrestricted net assets are available to the Charter School for any lawful purpose. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified. Restricted net assets represent net assets that can be utilized only in accordance with third-party-imposed restrictions.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Statement of net assets information:			
Assets:			
Current assets	\$ 256,136	431,555	(175,419)
Total assets	<u>\$ 256,136</u>	<u>431,555</u>	
Liabilities:			
Current liabilities	\$ 129,224	103,386	25,838
	<u>129,224</u>	<u>103,386</u>	
Net assets:			
Restricted for various programs	127,628	132,145	(4,517)
Unrestricted	<u>(716)</u>	<u>196,024</u>	<u>(196,740)</u>
Total net assets	<u>126,912</u>	<u>328,169</u>	
Total liabilities and net assets	<u>\$ 256,136</u>	<u>431,555</u>	



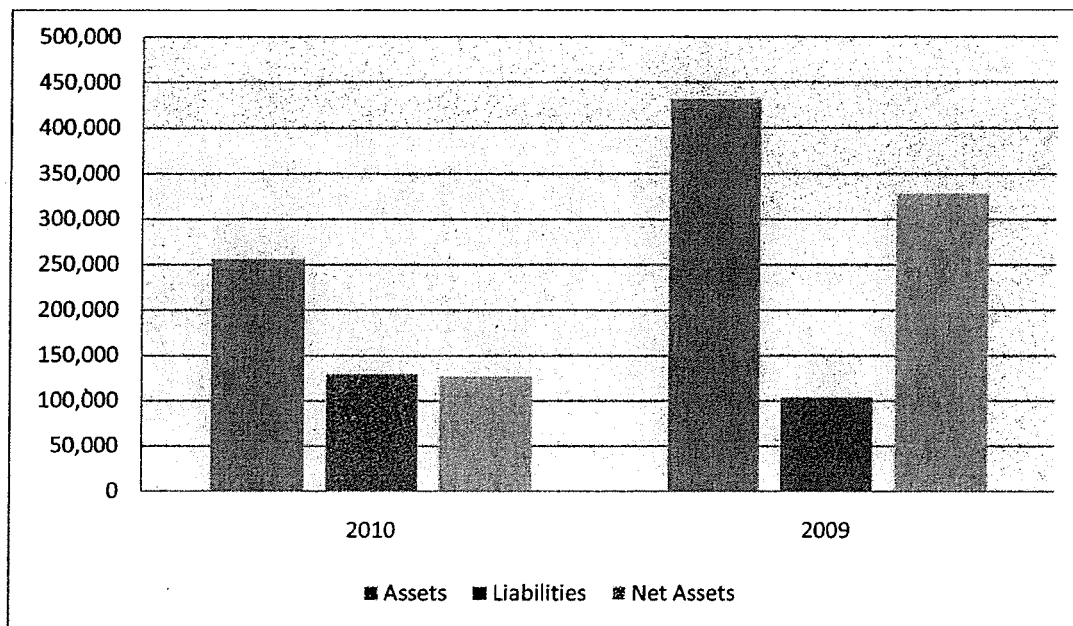
# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Management's Discussion and Analysis

August 31, 2010

### Net Assets 2010-2009

#### Statement of Net Assets Information



#### *Fiscal Year 2010 Compared to 2009*

Cash is almost 99% of the current assets held by the Charter School. Current assets decreased by \$175,419 or 41%. Liabilities increased \$25,838 or 25%. The ending net assets for restricted state and federal programs were decreased by \$4,517. Unrestricted net assets decreased by \$196,740.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Management's Discussion and Analysis

August 31, 2010

### Statement of Activities

The statement of activities identifies all of the Charter School's revenues and expenses and measures the results of the Charter School's operations during the fiscal year. All revenues and expenses are included, regardless of when cash is received or paid. Revenues are separated into those provided by external entities, which share the costs of certain programs, and those revenues provided as general revenues. Any revenues or expenses resulting from other than operations would also be displayed on this statement.

	2010	2009	Change
Statements of activities information:			
Revenues:			
Program revenues:			
Charges for services	\$ 124,496	141,359	(16,863)
Operating grants and contributions	42,426	54,451	(12,025)
General revenue	1,101,747	1,026,277	75,470
Total revenues	1,268,669	1,222,087	
Program expenses:			
Instruction	764,564	764,367	197
Instructional resources and media services	790	—	790
Curriculum/instructional staff development	17,039	17,138	(99)
School leadership	159,985	180,898	(20,913)
Guidance/counseling and evaluation	19,889	16,884	3,005
Student (pupil) transportation	610	—	610
Food services	30,491	31,243	(752)
General administration	155,750	109,161	46,589
Plant maintenance and operations	206,658	2,043	204,615
Community services	113,968	102,404	11,564
Fund raising	182	—	182
Total program expenses	1,469,926	1,224,138	
Change in net assets	(201,257)	(2,051)	
Net assets, beginning of year	328,169	330,220	
Net assets, end of year	\$ 126,912	328,169	

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Management's Discussion and Analysis

August 31, 2010

#### *Fiscal Year 2010 Compared to 2009*

The decrease in school leadership expenses was due approximately because payroll expenses for the Charter School Principal for the amount of \$13,146 were moved to the General Administration category during FY10 and some payroll expenses for the School Secretary were moved from school leadership to community services (\$14,441) as a result in changes to the roles of these professionals in FY 2010.

The increase in general administration expenses was primarily related to the following reasons:

- Purchase of the student software license during FY10 (\$11,775)
- Administrator position vacancy for three months in FY 2009 which was filled for the entire year in FY 2010 (\$24,375)

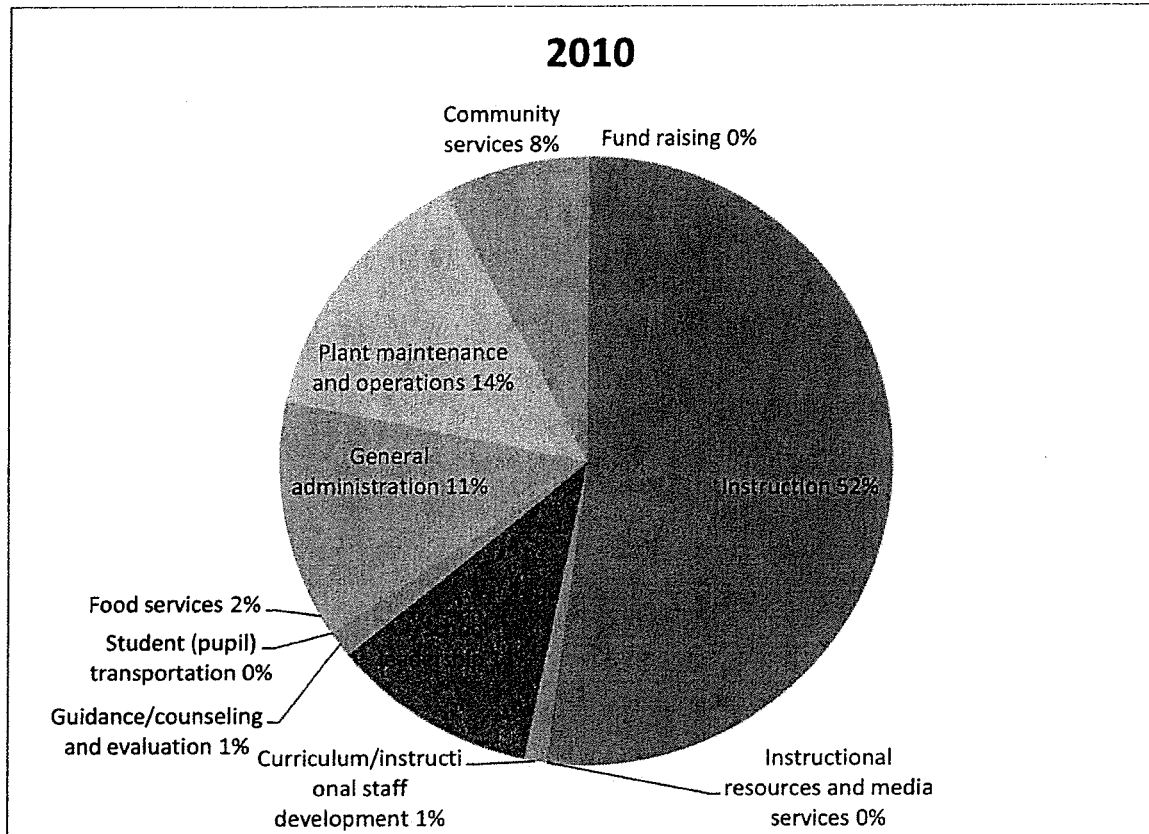
The increase on plant maintenance and operations expenses was due to the renovation and painting of the Charter School facilities during the FY10 summer season. The total cost of the overhaul operation was \$186,677. The Charter School does not hold title to the building; thus, all expenditures, including these that would have been capitalized if the Charter School held title to the building, were expensed.

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

**Management's Discussion and Analysis**

August 31, 2010

**2010 Expenses**

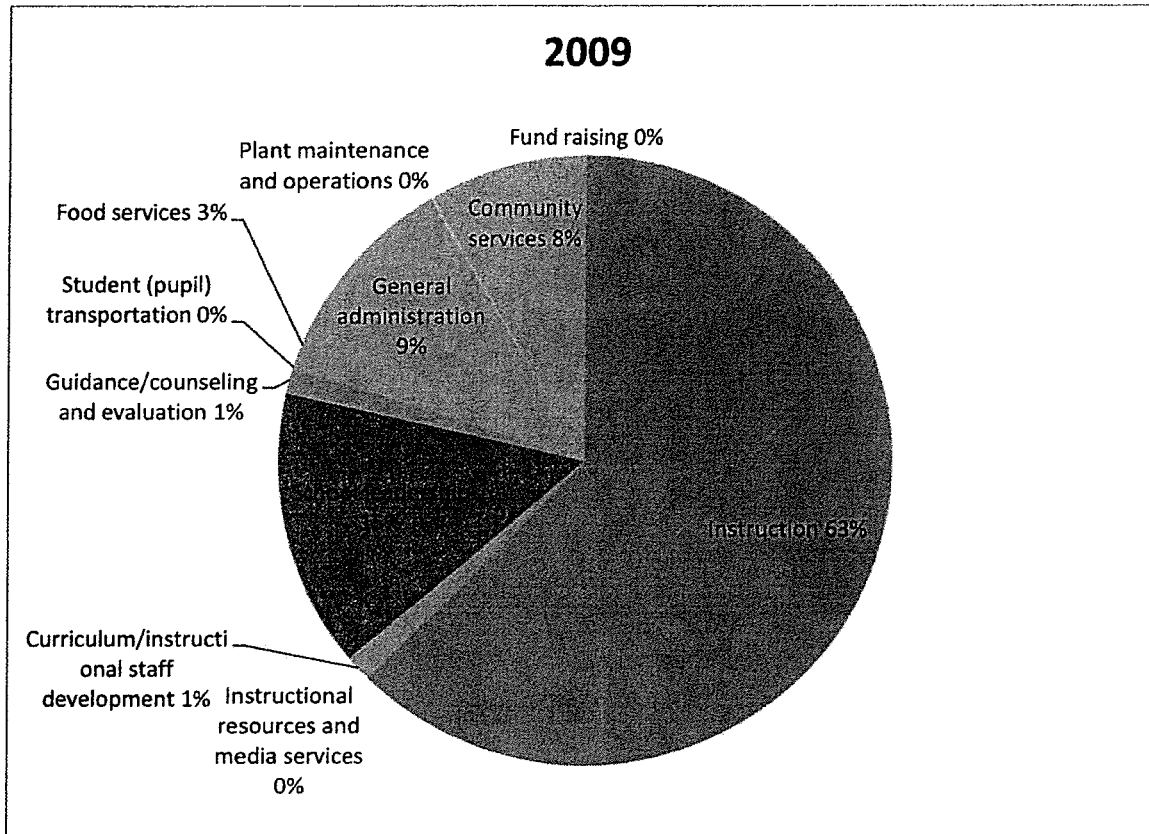


# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Management's Discussion and Analysis

August 31, 2010

### 2009 Expenses



The 2010 revenues include sources that are primarily used to provide services to the Charter School's students and are as follows:

	2010	2009	Change
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 124,496	141,359	(16,863)
Operating grants and contributions	42,426	54,451	(12,025)
Total program revenues	166,922	195,810	(28,888)
<b>General revenues</b>	1,101,747	1,026,277	75,470
Total general revenues	1,101,747	1,026,277	75,470
Total revenues	\$ 1,268,669	1,222,087	46,582

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Management's Discussion and Analysis

August 31, 2010

### *Fiscal Year 2010 Compared to 2009*

Program revenue for 2010 decreased by \$28,888 since the summer school program was not held because of the renovation of the Charter School facilities.

Nonrestricted grants and contributions, mostly comprising state charter school funding, increased by \$75,470 or 7% and are primarily the result of an increase in the Foundation State Program by \$96,523, offset by the decrease in local sources grants and contributions of \$21,053.

Program expenses are the costs necessary to provide services and to fulfill the mission of the Charter School. Program expenses are displayed in the statement using the functional method of classification and are as follows:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program expenses:			
Instruction	\$ 764,564	764,367	197
Instructional resources and media services	790	—	790
Curriculum/instructional staff development	17,039	17,138	(99)
School leadership	159,985	180,898	(20,913)
Guidance/counseling and evaluation	19,889	16,884	3,005
Student (pupil) transportation	610	—	610
Food services	30,491	31,243	(752)
General administration	155,750	109,161	46,589
Plant maintenance and operations	206,658	2,043	204,615
Community services	113,968	102,404	11,564
Fund-raising	182	—	182
Total program expenses	<u>\$ 1,469,926</u>	<u>1,224,138</u>	

The majority of the Charter School's revenue is expended for instructional purposes, which includes teacher and support personnel salaries.

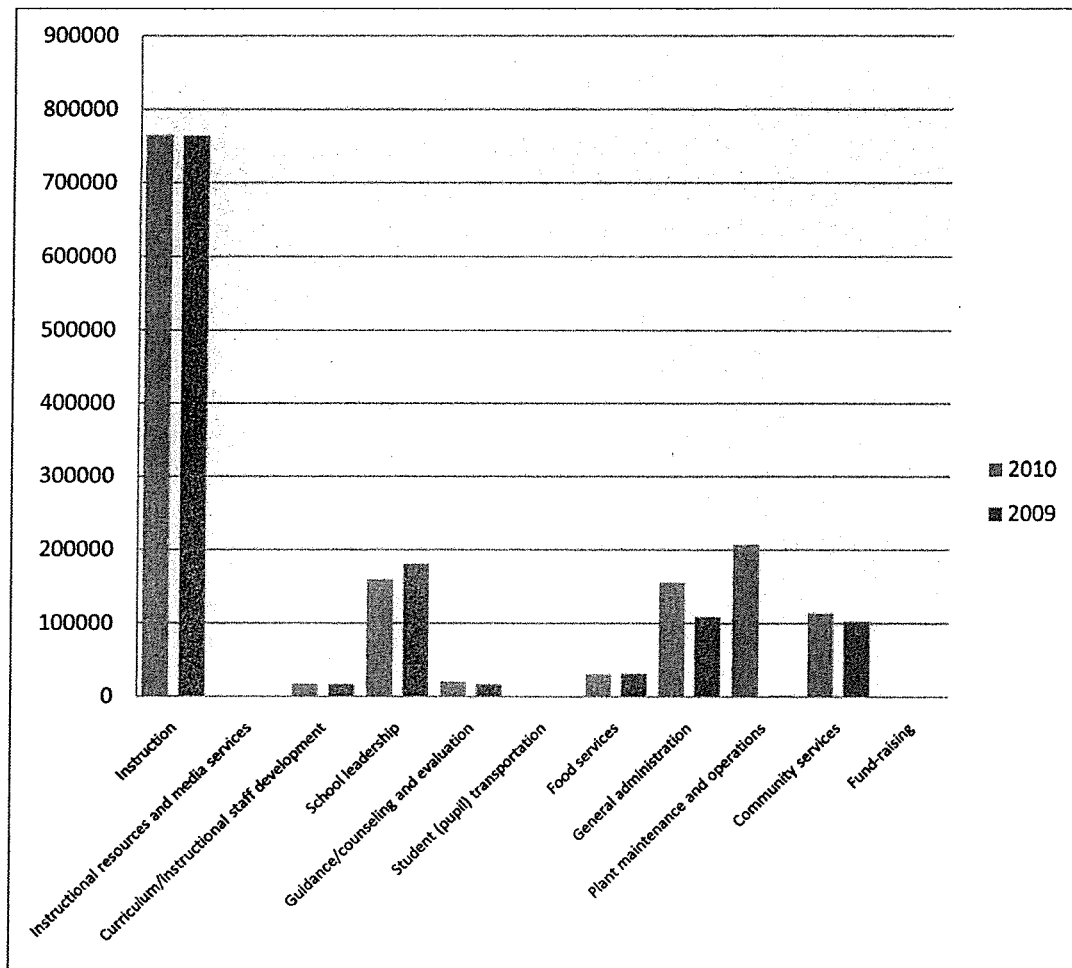
## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Management's Discussion and Analysis

August 31, 2010

#### Operating Expenses 2010-2009

##### Operating Expenses



#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives or programs. Contracts and state law require the establishment of some funds. Other funds are created by the Charter School's management to control and manage expenditures for particular purposes. The only category of funds used by the Charter School is governmental funds.

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as displaying balances of spendable resources available at the end of the fiscal year. These financial statements use the current financial resources measurement focus and the modified accrual basis of accounting.

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Management's Discussion and Analysis

August 31, 2010

Because these statements provide a detailed short-term perspective of the Charter School's general operations, they may be useful in evaluating a school's near-term financing requirements. Any differences between the broader long-term focus of the governmentwide financial statements (as reported in the statement of net assets and the statement of activities) and the fund financial statements will be displayed in a reconciliation following the end of the governmental fund financial statements.

**General Fund** – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund. The General Fund revenues were \$976,922 and \$885,416 for the years ended August 31, 2010 and 2009, respectively.

The General Fund has a budget that is approved by the Board of Regents. The General Fund received \$1,658 in additional revenue from the final budgeted amount and incurred additional expenses of \$64,665 from the final budgeted amount.

**UH Central Allocation** – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs. The UH Central Allocation was \$106,153 and \$106,153 for the years ended August 31, 2010 and 2009, respectively.

**Summer Camp/Camp Construct Programs** – The source of this revenue is from tuition payments. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs. The Summer Camp/Camp Construct revenues were \$104,435 and \$124,327 for the years ended August 31, 2010 and 2009, respectively.

### **Accounting Systems and Annual Budgets**

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year, the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.



## **UNIVERSITY OF HOUSTON CHARTER SCHOOL**

### **Management's Discussion and Analysis**

August 31, 2010

#### **Capital Assets**

As of the end of the 2010 fiscal year, the Charter School did not possess any reportable capital assets. Such assets would include property, buildings, furniture, and equipment. The University provides building space, a playground area, and parking facilities for use by the Charter School.

Title to capital assets resides with the University, which allocates custody of such assets to the Charter School for its operational needs. Therefore, such assets can be transferred to or from the Charter School at the discretion of the University. Accountability for capital assets is consistent with policies established by the State of Texas. Assets are recorded at cost and are depreciated over the estimated useful life of the asset. Useful life is established by a uniform classification system maintained by the State of Texas and is measured from the date of acquisition. The Charter School capitalizes assets when the acquisition cost exceeds certain threshold values. Funds for the acquisition of any capital assets would be provided from the Charter School's operating revenues.

Noncapital furniture and equipment, including computing equipment, are maintained by the Charter School for its operational needs. Title to these items also resides with the University, which allocates custody to the Charter School. Expenditures for these items are charged to current operating expenses as incurred as they are below the Charter School's capitalization threshold. Funds for the acquisition of such equipment are provided from the Charter School's operating revenues. Additional information regarding the capitalization of assets is in the notes to the financial statements.

#### **Debt Administration**

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions. The operating budget for the Charter School is currently structured such that annual financial obligations are satisfied through operating revenues that are received during each current fiscal year.

#### **Contacting the Charter School's Financial Management**

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Executive Vice President for Administration and Finance, University of Houston, Houston, TX 77204-2016.

## **BASIC FINANCIAL STATEMENTS**

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

Exhibit A-1

## Statement of Net Assets

August 31, 2010

<u>Data control codes</u>			
	Assets:		
1110	Cash	\$	254,497
1290	Other receivables		<u>1,639</u>
1000	Total assets		<u><u>256,136</u></u>
	Liabilities:		
2110	Accounts payable		23,290
2150	Payroll deductions and withholdings		35,294
2160	Accrued wages payable		39,991
2210	Employees' compensable leave (other accrued expenses)		<u>30,649</u>
2000	Total liabilities		129,224
	Net assets:		
3800	Restricted for various programs:		
	Summer camp construct programs		90,976
	Other nonmajor funds		36,652
3900	Unrestricted		<u>(716)</u>
3000	Total net assets	\$	<u><u>126,912</u></u>

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Exhibit B-1

Statement of Activities  
Year ended August 31, 2010

Data control codes	Functions/programs	Expenses	Program revenues		Net revenue (expense) and changes in net assets
			Operating grants and contributions	Charges for services	
	Governmental activities:				Governmental activities
11	Instruction	\$ 764,564	(30,204)	—	734,360
12	Instructional resources and media services	790	—	—	790
13	Curriculum and instructional staff development	17,039	—	—	17,039
23	School leadership	159,985	—	—	159,985
31	Guidance counseling, and evaluation services	19,889	—	—	19,889
34	Student (pupil) transportation	610	—	—	610
35	Food services	30,491	(12,222)	(20,061)	(1,792)
41	General administration	155,750	—	—	155,750
51	Plant maintenance and operation	206,658	—	—	206,658
61	Community services	113,968	—	(104,435)	9,533
81	Fund-raising	182	—	—	182
TG	Total governmental activities	\$ 1,469,926	(42,426)	(124,496)	1,303,004
	General revenues:				
GC	Grants and contribution not restricted to specific function				1,101,747
CN	Change in net assets				(201,257)
NB	Net assets, beginning of year				328,169
NE	Net assets, end of year				\$ 126,912

See accompanying notes to financial statements.

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

Exhibit C-1

## Balance Sheet – Governmental Funds

Year ended August 31, 2010

Data control codes		Major funds			Nonmajor funds	Total governmental funds
		General fund	UH allocation	Summer camp/camp construct		
1110	Assets:					
1240	Cash	\$ 101,573	1,005	109,191	42,728	254,497
	Other receivable	—	—	—	1,639	1,639
1000	Total assets	\$ 101,573	1,005	109,191	44,367	256,136
2110	Liabilities:					
2150	Accounts payable	\$ 5,552	—	13,357	4,381	23,290
2160	Payroll deductions and withholdings	34,228	—	1,066	—	35,294
	Accrued wages payable	37,603	—	2,388	—	39,991
2000	Total liabilities	77,383	—	16,811	4,381	98,575
3450	Fund balances:					
3490	Reserved for Child Nutrition	—	—	—	7,576	7,576
	Reserved fund balances:					
	Summer camp/camp construct	—	—	92,380	—	92,380
	Restricted for various programs	—	—	—	29,496	29,496
3600	Unreserved	24,190	1,005	—	2,914	28,109
3000	Total fund balances	24,190	1,005	92,380	39,986	157,561
4000	Total liabilities and fund balance	\$ 101,573	1,005	109,191	44,367	
	Employee compensable leave is not due and payable in the current period and therefore not reported in the funds					(30,649)
	Net assets of Charter School					\$ 126,912
2210	Employees' compensable leave (other accrued expenses)	\$ 28,824	—	1,406	419	30,649

See accompanying notes to financial statements.

## Exhibit C-2

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

Year ended August 31, 2010

Data control codes		Major funds			Nonmajor funds	Total governmental funds
		General fund	UH allocation	Summer camp/camp construct		
	Revenues:					
5700	Local and intermediate sources	\$ —	106,153	104,435	38,734	249,322
5800	State program revenues	976,922	—	—	5,180	982,102
5900	Federal program revenues	—	—	—	37,245	37,245
5000	Total revenues	976,922	106,153	104,435	81,159	1,268,669
	Expenditures:					
	Current:					
0011	Instruction	737,411	—	—	24,328	761,739
0012	Instructional resources and media services	790	—	—	—	790
0013	Curriculum and instructional staff development	17,127	—	—	1	17,128
0023	School leadership	143,503	—	—	16,482	159,985
0031	Guidance, counseling, and evaluation services	15,222	—	—	4,965	20,187
0034	Student (pupil) transportation	610	—	—	—	610
0035	Food services	270	—	—	30,351	30,621
0041	General administration	125,775	29,975	—	—	155,750
0051	Plant maintenance and operation	6,790	199,868	—	—	206,658
0061	Community services	1,055	—	112,999	—	114,054
0081	Fund raising	182	—	—	—	182
6000	Total expenditures	1,048,735	229,843	112,999	76,127	1,467,704
	Excess (deficiency) of revenues over (under) expenditures	(71,813)	(123,690)	(8,564)	5,032	(199,035)
	Net change in fund balance	(71,813)	(123,690)	(8,564)	5,032	(199,035)
	Fund balances, beginning of year	96,003	124,695	100,944	34,954	356,596
3000	Fund balances, end of year	\$ 24,190	1,005	92,380	39,986	157,561
	Net change in fund balance, per above					\$ 199,035
	Compensable absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds					2,222
	Change in net assets, per statement of activities					\$ 201,257

See accompanying notes to financial statements.

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Notes to Basic Financial Statements

August 31, 2010

**Table of Contents**

	<b>Page</b>
1. Summary of significant accounting policies	23
(a) Reporting entity	23
(b) Governmentalwide and fund financial statements	23
(c) Measurement focus, basis of accounting, and financial statement presentation	24
(d) Assets, liabilities, and net assets or equity	25
1. Cash and cash equivalents	25
2. Deposits and investments	25
3. Receivables and payables	25
4. Capital assets	25
5. Compensated absences	25
6. Long-term obligations	26
7. Net assets	26
8. Data control codes	26
9. Income taxes	26
(e) Use of estimates	26
2. Other information	26
(a) Risk management	26
1. General	26
2. Healthcare coverage and risk management	27
(b) Contingent liabilities	27
(c) Pension plan	27
(d) Related-party transactions	28

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Basic Financial Statements

August 31, 2010

**Table of Contents**

	<b>Page</b>
(e) Finance-related, legal, and contractual provisions	28



## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Notes to Basic Financial Statements

August 31, 2010

#### (1) Summary of Significant Accounting Policies

##### (a) *Reporting Entity*

The University of Houston Charter School (the Charter School) is chartered by the State Board of Education and accredited by the Texas Education Agency (TEA). The charter is held by the University of Houston System (the University). The University is accredited with the Southern Association of Colleges and Schools. Courses are developed to the Texas Essential Knowledge and Skills (TEKS) objectives and are TEKS compliant. The Charter School is a model constructivist elementary school that implements a curriculum in which children develop cognitively, socially, morally, and physically based on a sustained mental action. The Charter School provides educational curriculum to prekindergarten through the fifth grade. The Charter School's administrators and staff are degreed and certified for the positions to which they are assigned.

The Principal of the Charter School reports to management personnel of the University and the operations of the Charter School are overseen by a committee of the University's Board of Regents.

The Charter School is a department of the University. These financial statements present financial information that is attributable to the Charter School and do not purport to, and do not present fairly, the financial position of the University.

##### (b) *Governmentwide and Fund Financial Statements*

###### **Basis of Presentation**

The basic financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the TEA's Financial Accountability System Resource Guide (Resource Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Charter School follows the applicable pronouncements of GASB and pronouncements of Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements as they relate to governmental entities. Accordingly, the Charter School has presented the following sets of financial statements:

###### **Governmentwide Financial Statements**

The statement of net assets and the statement of activities include the financial activities of the government as a whole. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between program direct expenses and revenues for each function of the Charter School's governmental activities. Direct expenses are those that are associated with specific programs and/or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges for services, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are presented as general revenues.

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Notes to Basic Financial Statements

August 31, 2010

#### **Fund Financial Statements**

The fund financial statements provide information about the Charter School's funds, which are all classified as governmental funds. The fund financial statements are categorized into major and nonmajor funds. Major governmental funds are displayed in separate columns. Nonmajor governmental funds are reported in the aggregate.

The Charter School reports the following major governmental funds:

**General Fund** – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund.

**UH Central Allocation** – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs.

**Summer Camp/Camp Construct Programs** – The source of this revenue is from tuition payment. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs.

#### **(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

##### **Governmentwide Financial Statements**

Governmentwide financial statement presentation is based on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue received in cash for which eligibility requirements are not yet satisfied is reported as unearned revenue in the statement of net assets. As of August 31, 2010, the Charter School did not have any unearned revenue.

##### **Governmental Funds' Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Notes to Basic Financial Statements

August 31, 2010

Revenues received from federal, state, and local grants are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred.

**(d) Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Cash Equivalents**

For financial statement purposes, the Charter School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

The Charter School maintains all its cash with the University's Treasury (the Treasury). The University maintains accounts with financial institutions.

**2. Deposits and Investments**

The Charter School's funds are deposited with the Treasury and are not required to be maintained by the Treasury in a separate depository account with financial institutions. The Treasury maintains deposits with financial institutions in the name of the University. The Charter School reconciles the revenues and expenses in a monthly basis. The Charter School does not maintain investments of any kind, which is in compliance with the Charter School's investment policy.

**3. Receivables and Payables**

The Charter School believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided to further disaggregate those balances. All receivables are scheduled for collection within one year from year-end.

**4. Capital Assets**

Expenditures of \$5,000 or more to acquire individual assets are capitalized. Capitalized assets are recorded at cost. Donated capital assets are capitalized and recorded at their fair value when received. Capitalized assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Repairs and maintenance costs are charged to expenses when incurred. The Charter School did not have any capitalized assets as of August 31, 2010. The University provides the Charter School with building facilities, furniture, playground, and parking facilities. Title to these capital assets resides with the University.

**5. Compensated Absences**

Employees of the Charter School are entitled to paid vacation and sick days depending on length of service. Employees with more than 35 years of service can carry over 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year. Employees with less than 35 years of service can carry forward less than 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year, based on a graduated scale tied to the length of service. Accrued leave in excess of the

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Notes to Basic Financial Statements

August 31, 2010

normal maximum is converted to sick leave at the conclusion of the fiscal year. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated unused vacation. Unpaid compensable absences of \$30,649 as of August 31, 2010 have been recorded in the accompanying financial statements.

#### **6. Long-Term Obligations**

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions.

#### **7. Net Assets**

Unrestricted net assets include resources not restricted to any programs or functions, which are available to support the programs and activities of the Charter School in general. The amount available for this purpose as of August 31, 2010 was \$(716).

Restricted net assets amounted to \$127,628 and are restricted to various programs but not specific to functions as of August 31, 2010.

When the Charter School incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Charter School's policy to use restricted resources first, then unrestricted resources.

#### **8. Data Control Codes**

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

#### **9. Income Taxes**

The Charter School is a department of the University, which is a local government exempt from income taxes under Section 115(a) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

#### **(e) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures.

### **(2) Other Information**

#### **(a) Risk Management**

##### **1. General**

Approximately 77% of the Charter School's revenues for fiscal years 2010 were provided by the State of Texas.

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Notes to Basic Financial Statements

August 31, 2010

#### 2. Healthcare Coverage and Risk Management

The University provides healthcare benefits to all the Charter School's employees who meet the University's employment qualifications and requirements. Contributions are required from the Charter School's employees for coverage of their dependents and for higher level of coverage beyond standard benefits. During the year, the University deducted amounts from the Charter School's cash accounts to cover the Charter School's portion of healthcare coverage, based on an allocation determined by the state, and records a corresponding expense. Healthcare benefits costs attributable to the Charter School for fiscal years 2010, 2009, and 2008 were \$90,649, \$81,315, and \$76,359, respectively.

The Charter School is exposed to various risks of loss related to torts, injuries to employees, and natural disasters. The University of Houston System carries commercial insurance to cover losses to which the Charter School may be exposed.

#### (b) *Contingent Liabilities*

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. In addition, costs charged to federal programs are subject to audit and adjustment by the grantor agencies. The programs administered by the Charter School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, Charter School funds may be subject to refund if so determined by the TEA or the grantor agencies. In the opinion of the Charter School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the various state and federal program grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

#### (c) *Pension Plan*

All employees of the Charter School, who are not exempt from membership under the Texas Constitution and Texas Government Code, Title 8, Subtitle C, Section 822.002, participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost sharing multiple-employer defined benefit pension plan with the liability for all risks and costs for the State of Texas. All Charter School employees, except those employed for less than one-half the standard work load and who are not exempt by law, are required to participate in TRS as a condition of employment. Benefits are established by state statute and vary based on age at retirement along with number of years of state service.

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Notes to Basic Financial Statements

August 31, 2010

By statute, covered employees must contribute 6.4% of their salary to the plan and the Charter School contributes an amount equal to 6% times the aggregate annual compensation during the fiscal year. The TRS provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, TRS, which is subject to amendment by the Texas Legislature. The TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, TX 78701-2698 or by calling 800-877-0123.

The Charter School's total contribution to the TRS for the years ended August 31, 2010, 2009, and 2008 was \$49,768, \$48,003, and \$46,920, respectively. These contributions represent 100% of the required contribution.

**(d) *Related-Party Transactions***

For the fiscal year ended August 31, 2010, the University provided the Charter School with direct funding in the amount of \$106,153 in fiscal year 2010. The amount has been included in the revenues reported in the financial statements for the year.

In addition, the University provided the Charter School with management oversight and other administrative human resources support, office and classroom building facilities, transportation equipment, playground equipment, and certain other services and supplies estimated at approximately \$176,818 for fiscal year 2010.

**(e) *Finance-Related Legal and Contractual Provisions***

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, violations of finance-related legal and contractual provision, if any, should be disclosed along with actions taken to address such violations. Management of the Charter School believes that it has not violated any finance-related legal and contractual provisions for the year ended August 31, 2010.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule G-1

General Fund

Budgetary Comparison Schedule

Year ended August 31, 2010

Unaudited

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ —	—	—	—
5800	State program revenues	975,264	975,264	976,922	(1,658)
5000	Total revenues	975,264	975,264	976,922	(1,658)
	Expenditures:				
	Current:				
	Instruction and instruction-related services:				
0011	Instruction	761,500	731,970	737,411	(5,441)
0012	Instructional resources and media services	—	—	790	(790)
0013	Curriculum and instructional staff development	15,000	15,000	17,127	(2,127)
	Total instruction and instruction-related services	776,500	746,970	755,328	(8,358)
	Instructional and school leadership:				
0021	Instructional leadership	—	—	—	—
0023	School leadership	130,000	130,000	143,503	(13,503)
	Total instruction and school leadership	130,000	130,000	143,503	(13,503)
	Support services student:				
0031	Guidance, counseling, and evaluation services	12,000	12,000	15,222	(3,222)
0034	Student (pupil) transportation	—	—	610	(610)
0035	Food services	—	—	270	(270)
	Total support services student	12,000	12,000	16,102	(4,102)
	Administrative support services:				
0041	General administration	110,100	88,100	125,775	(37,675)
	Total administrative support services	110,100	88,100	125,775	(37,675)
	Support services nonstudent based:				
0051	Plant maintenance and operations	7,000	7,000	6,790	210
	Total plant maintenance	7,000	7,000	6,790	210
	Other support:				
0061	Community services	—	—	1,055	(1,055)
0081	Fund-raising	—	—	182	(182)
		—	—	1,237	(1,237)
6000	Total expenditures	1,035,600	984,070	1,048,735	(64,665)
	Excess (deficiency) of revenues over (under) expenditures	(60,336)	(8,806)	(71,813)	63,007
	Net change in fund balance	(60,336)	(8,806)	(71,813)	63,007
	Fund balances, beginning of year	(130,402)	(130,402)	96,003	(226,405)
3000	Fund balances, end of year	\$ (190,738)	(139,208)	24,190	(163,398)

See accompanying note to required supplementary information.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Unaudited



**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Note to Required Supplementary Information

Year ended August 31, 2010

Unaudited

**Budgetary Information**

Annually, a General Fund budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the Texas Education Agency and a final budget must be prepared and adopted no later than January of the following year.

## **OTHER SUPPLEMENTARY INFORMATION**

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule J-1

Child Nutrition

Budgetary Comparison Schedule

Year ended August 31, 2010

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Actual		
	Revenues:				
5700	Local and intermediate sources	\$ 24,700	24,700	20,061	4,639
5800	State program revenues	300	300	274	26
5900	Federal program revenues	11,000	11,000	11,948	(948)
5000	Total revenues	36,000	36,000	32,283	3,717
	Expenditures:				
	Current:				
0035	Food services	35,000	35,000	30,351	4,649
		35,000	35,000	30,351	4,649
	Other support:				
0099	Other intergovernmental charges	—	—	—	—
		—	—	—	—
6000	Total expenditures	35,000	35,000	30,351	4,649
	Excess (deficiency) of revenues over (under) expenditures	1,000	1,000	1,932	(932)
	Net change in fund balance	1,000	1,000	1,932	(932)
	Fund balances, beginning of year	—	—	5,513	(5,513)
3000	Fund balances, end of year	\$ 1,000	1,000	7,445	(6,445)

See accompanying note to other supplementary information.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule J-2

Schedule of Expenses

Year ended August 31, 2010

<u>Data control codes</u>			
	Expenses:		
6100	Payroll costs	\$	1,053,455
6200	Professional and contractual services		234,400
6300	Supplies and materials		126,934
6400	Other operating costs		55,137
	Total expenses	\$	<u>1,469,926</u>

See accompanying note to other supplementary information.

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Note to Other Supplementary Information

Year ended August 31, 2010

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and is not considered a part of the basic financial statements. It may, however, include information that is required by other entities such as Texas Education Agency.

## **STATISTICAL SECTION**

Unaudited

## UNIVERSITY OF HOUSTON CHARTER SCHOOL

### Statistical Section

#### Unaudited

The statistical section of the University of Houston Charter School's (the Charter School) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Charter School's overall financial health.

#### **Contents**

##### ***Financial Trends***

These schedules contain information to help the reader understand how the Charter School's financial performance has changed over time.

## **FINANCIAL TRENDS**

Unaudited



**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

General Revenues and Total Changes in Net Assets

Unaudited

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Grants and contributions:			
Charges for services	\$ 124,496	141,359	(16,863)
Operating grants and contributions	42,426	54,451	(12,025)
General revenue	<u>1,101,747</u>	<u>1,026,277</u>	<u>75,470</u>
Total grants and contributions	<u>1,268,669</u>	<u>1,222,087</u>	<u>46,582</u>
Operating expenses:			
Instruction	764,564	764,367	197
Instructional resources and media services	790	—	790
Curriculum/instructional staff development	17,039	17,138	(99)
School leadership	159,985	180,898	(20,913)
Guidance/counseling and evaluation	19,889	16,884	3,005
Student (pupil) transportation	610	—	610
Food services	30,491	31,243	(752)
General administration	155,750	109,161	46,589
Plant maintenance and operations	206,658	2,043	204,615
Community services	113,968	102,404	11,564
Fund raising	<u>182</u>	<u>—</u>	<u>182</u>
Total operating expenses	<u>1,469,926</u>	<u>1,224,138</u>	<u>245,788</u>
Change in net assets	(201,257)	(2,051)	(199,206)
Net assets, beginning of year	<u>328,169</u>	<u>330,220</u>	<u>(2,051)</u>
Net assets, end of year	\$ <u><u>126,912</u></u>	<u><u>328,169</u></u>	<u><u>—</u></u>

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

Governmental Funds Fund Balances

Last Two Fiscal Years  
(Modified Accrual Basis of Accounting)

Unaudited

		<b>Fiscal year</b>	
		<b>2010</b>	<b>2009</b>
Fund balances:			
Restricted for various programs	\$	129,452	134,920
Unrestricted		28,109	221,676
Total fund balances	\$	157,561	356,596

**Governmental Funds Revenues**

**Last Two Fiscal Years**

		<b>Fiscal year</b>	
		<b>2010</b>	<b>2009</b>
Local sources:			
UH allocation, Summer Camp and ACE Charity	\$	229,261	265,188
Miscellaneous local sources		20,061	22,049
Total local sources		249,322	287,237
State sources:			
State program revenues		982,102	889,931
Total state sources		982,102	889,931
Federal sources:			
Federal program revenues		37,245	44,919
Total federal sources		37,245	44,919
Total revenues	\$	1,268,669	1,222,087

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Governmental Funds Expenditures

Last Two Fiscal Years

Unaudited

	Fiscal year	
	2010	2009
Instruction	\$ 761,739	764,367
Instructional resources and media services	790	
Curriculum/instructional staff development	17,128	17,138
School leadership	159,985	180,898
Guidance/counseling and evaluation	20,187	16,884
Student (pupil) transportation	610	
Food services	30,621	31,243
General administration	155,750	109,161
Plant maintenance and operations	206,658	2,043
Community services	114,054	102,404
Fund raising	182	—
Total expenditures	\$ 1,467,704	1,224,138

### Indirect Support

Fiscal year ended August 31, 2010

UH – Space occupied	5,540,012.00	Sq.ft
Charter School – Space occupied	11,369.00	Sq.ft
Percentage Charter School for operation and maintenance of plant	0.002052	
UH operation and maintenance expenses	\$ 32,067,364.93	
Amount of indirect support for operation and maintenance	65,807.42	
UH operating expenses	692,616,197.38	
Charter School operating expenses	1,469,926.00	
Percentage Charter School for institutional support	0.002122	
UH institutional support	51,616,906.74	
Amount of indirect support for institutional support	109,545.57	

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit & Compliance

**ITEM:** Board of Regents' Internal Audit, Institutional Compliance, and Identity Theft Prevention Policies

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Planner, item number 3.03, requires an annual review of the Board of Regents' policies on Internal Audit and Institutional Compliance. The suggested changes to these policies are as follows:

Internal Auditing Policy:

- Chancellor may make recommendation on evaluation of Chief Audit Executive
- Audit Plan will include a summary of resources dedicated to the Internal Audit Program
- Generally accepted government auditing standards added to list of standards
- Special investigations added to discussion topics of meetings with Chief Audit Executive /Chancellor and Chair of Audit & Compliance Committee
- Related statutes, policies, and requirements added

Institutional Compliance Policy:

- References to Texas Education Code added

Identity Theft Prevention Program Policy:

- References to Federal statutes and regulations and to UHS policy added

The Board of Regents' Internal Audit, Institutional Compliance, and Identity Theft Prevention Policies can be found on the Board of Regents web page at

<http://www.uhsa.uh.edu/regents/policy/audit.html>

**SUPPORTING**

**DOCUMENTATION:** Board of Regents' Internal Audit and Institutional Compliance Policies (marked with changes)

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item

**COMPONENT:** University of Houston System

  
CHIEF AUDIT EXECUTIVE

Don Guyton

1/28/11  
DATE

  
CHANCELLOR

Renu Khator

2/2/11  
DATE

## **SECTION V—AUDIT AND COMPLIANCE**

---

### **41 AUDIT AND COMPLIANCE**

#### **41.01 Internal Auditing**

To develop a framework for the implementation of the internal audit function within the system, and to define the scope of the internal audit function as an effective management tool for use by the chancellor and the board in evaluating the system's fiscal integrity and compliance with the Texas Internal Auditing Act, Texas Government Code, Section 2102, applicable state and federal laws and with approved board policies, the board adopts the following policy:

##### **41.01.1 Philosophy**

A. A primary responsibility of the board is to ensure the legal and fiscal integrity of the system. To that end, the board directs the Department of Internal Auditing to perform those audit activities necessary to assure that the system's resources are being properly managed and accounted for and that the institution is complying with approved policies and statutory requirements.

B. Internal audits are resource tools for management and enable the system to monitor the effectiveness with which policies are followed, objectives met, and control systems function.

C. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the system's operations. It helps the system accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

D. The Department of Internal Auditing will be free of all operational and management responsibilities that would impair the ability to make independent reviews of all aspects of the system.

E. In carrying out their duties and responsibilities, members of the Department of Internal Auditing will have full, free, and unrestricted access to all system activities, records, property, and personnel. The Internal Auditing Department may also request access to the financial records of private support organizations and foundations chartered for the benefit of the University of Houston System or any part thereof.



## **SECTION V—AUDIT AND COMPLIANCE**

---

### **41 AUDIT AND COMPLIANCE**

#### **41.01 Internal Auditing**

To develop a framework for the implementation of the internal audit function within the system, and to define the scope of the internal audit function as an effective management tool for use by the chancellor and the board in evaluating the system's fiscal integrity and compliance with the Texas Internal Auditing Act, Texas Government Code, Section 2102, applicable state and federal laws and with approved board policies, the board adopts the following policy:

##### **41.01.1 Philosophy**

A. A primary responsibility of the board is to ensure the legal and fiscal integrity of the system. To that end, the board directs the Department of Internal Auditing to perform those audit activities necessary to assure that the system's resources are being properly managed and accounted for and that the institution is complying with approved policies and statutory requirements.

B. Internal audits are resource tools for management and enable the system to monitor the effectiveness with which policies are followed, objectives met, and control systems function.

C. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the system's operations. It helps the system accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

D. The Department of Internal Auditing will be free of all operational and management responsibilities that would impair the ability to make independent reviews of all aspects of the system.

E. In carrying out their duties and responsibilities, members of the Department of Internal Auditing will have full, free, and unrestricted access to all system activities, records, property, and personnel. The Internal Auditing Department may also request access to the financial records of private support organizations and foundations chartered for the benefit of the University of Houston System or any part thereof.

#### **41.01.2 Organizational Responsibility**

- A. The Chief Audit Executive will report directly to the chair of the Audit and Compliance Committee of the board, and have access to the chancellor.
- B. The board is responsible for the employment and dismissal of the Chief Audit Executive; however, the chancellor has the authority to make recommendations to the board on the employment, evaluation, and dismissal of the Chief Audit Executive.
- C. The Department of Internal Auditing will perform its duties in accordance with the Standards for the Professional Practice of Internal Auditing, ~~and~~ the Code of Professional Ethics, as established by the Institute of Internal Auditors, and generally accepted government auditing standards.

#### **41.01.3 The Internal Auditing Process**

- A. In August of each year, the Department of Internal Auditing will present to the Audit and Compliance Committee a long-range audit plan and an annual audit plan for the Board's review and approval. This plan will include a summary of the resources dedicated to the Internal Audit program in order for the board to determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.
- B. The Chief Audit Executive will meet with the chancellor on a regular basis to review audits performed, audits in progress, future audits, and special investigations.
- C. The Chief Audit Executive will meet with the chair of the Audit and Compliance Committee on a regular basis to review audits performed, audits in progress, ~~and~~ future audits, and special investigations.
- D. Internal Audit reports will be distributed to the Chancellor, members of the Board of Regents, the State Auditor, the Governor's Office of Planning and Budgeting, the Legislative Budget Board and the Sunset Advisory Commission, as required by the Texas Government Code, Section 2102.

#### **41.01.4 Objectives**

The internal audit activity evaluates and contributes to the improvement of the system's risk management, control and governance systems by addressing the following objectives:



A. **Risk Management:** Internal audit activity will assist the system by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.

B. **Control:** Internal audit activity will assist the system in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

C. **Governance:** Internal audit activity will contribute to the system's governance process by evaluating and improving the process through which (1) values and goals are established and communicated, (2) the accomplishment of goals is monitored, (3) accountability is ensured, and (4) values are preserved.

D. The internal audit activity will evaluate risk exposures and adequacy and effectiveness of controls relating to the system's governance, operations and information systems regarding the

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws, regulations, and contracts.

E. The Internal Audit Department will coordinate audit efforts with those of external CPA firms and the state auditor's office. ~~(02/10/09)~~(02/16/11)

---

### **Related Statutes, Policies, or Requirements**

Texas Government Code § 321.0136 – Investigation

Texas Government Code, Chapter 2102 – Texas Internal Auditing Act

The Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing and Code of Ethics - <http://www.theiia.org/guidance/standards-and-guidance/ippf/>.

U.S. Government Accountability Office, Government Auditing Standards (The Yellow Book) - <http://www.gao.gov/new.items/d07731g.pdf>.

System Administrative Memoranda (SAMs)

01.C.04 – Reporting/Investigating Fraudulent Acts

04.A.01 – Audits by External Auditors

04.A.02 – Audits by Internal Auditing

---



---

## 42 COMPLIANCE

### 42.01 Institutional Compliance

The Chancellor, as chief executive officer of the System, is responsible for ensuring the implementation of an institutional compliance program for the System. Accordingly, the System-wide Compliance Officer prepares an executive summary of all institutional compliance activity of the component institutions.

#### 42.01.1 System-Wide Compliance Officer

The System-wide Compliance Officer is responsible, and will be held accountable for, apprising the Chancellor and the Audit and Compliance Committee of the institutional compliance functions and activities at each of the component institutions as set out in Subparagraph B, below. The System-wide Compliance Officer provides institutional compliance assistance to the Chancellor and the Vice Chancellors in the exercise of their responsibilities.

**A. Appointment:** The System-wide Compliance Officer shall be appointed by the Chancellor. The System-wide Compliance Officer is the senior compliance official of The University of Houston System, provides assistance and advice covering all component compliance programs, and shall hold office without fixed term, subject to the pleasure of the Chancellor.

**B. Duties and Responsibilities:** The primary responsibilities of the System-wide Compliance Officer include developing an infrastructure for the effective operation of The University of Houston System Institutional Compliance Program; chairing the System-wide Compliance Officers Council; and prescribing the format for the annual risk-based compliance plan and the quarterly compliance status reports to be submitted by each component institution.

~~(02/10/09)~~ (02/16/11)

---

Texas Education Code § 51.971 – Compliance Program

---

### 42.02 Identity Theft Prevention Program

The Chancellor, as Chief Executive Officer of the System, is responsible for ensuring the implementation of an identity theft prevention program which adheres to the Federal Trade Commission's Red Flag Rule under sections 114 and 315 of the Federal Fair and Accurate Credit Transactions Act. At least annually, the System-wide compliance officer prepares an executive summary of all activities of the

Identity Theft Prevention Programs of the component institutions.

~~(12/16/08)~~ (02/16/11)

---

Federal Fair and Accurate Credit Transactions Act, Pub.L. 108-159.

Federal Trade Commission Red Flag Rule, 16 C.F.R. § 681.2.

System Administrative Memoranda (SAMs)

01.C.14 – Identity Theft

---



**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Internal Audit Report – Briefing Booklet

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Internal Audit Briefing Booklet contains an Internal Audit Activity Outline and Internal Audit Reports issued since the November 17, 2010, Audit & Compliance Committee Meeting of the Board of Regents. This booklet includes Activity Outline/Audit Plan Status and the Executive Summaries, Summary of Recommendations by Area, and Management Action Plans of the following Internal Audit Reports with risk levels ranked **High/Medium/Low**:

- AR2011-05 UH Division of Student Affairs, Departmental Reviews
  - The Division of Student affairs needs to implement a monitoring mechanism to help ensure all business functions are adequately performed, in accordance with university procedures
- AR2011-09 Follow-up Status Report
  - Identifies three high risk items that are partially implemented related to repairs, renovations, and construction in the UHS/UH Facilities Planning and Construction/Plant Operations
- AR2011-10 Football Attendance, 2010 Season
- AR2011-11 UH College of Optometry, Departmental Review
- AR2011-12 UHV Administration & Finance, Departmental Reviews
- AR2011-13 UHV Provost, Departmental Reviews
  - The UHV Office of the Provost needs to prepare and approve cost center verifications in a timely manner, in accordance with university policy
- AR2011-14 UHV Nursing, Departmental Review
- AR2011-15 UHD University College, Departmental Reviews
- AR2011-16 UHD Academic Affairs & Provost, Departmental Reviews
- AR2011-17 UHV Financial Aid, Pell Grants
- AR2011-18 UHCL Financial Aid, Pell Grants
- AR2011-19 UHD Financial Aid, Pell Grants
  - The UHD Financial Aid Office needs to determine and implement appropriate access roles in Banner Financial Aid
- AR2011-20 UH Financial Aid, Scholarships

The Internal Audit Reports included in this booklet will be filed with the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee within the next 30 days, as required by the Texas Government Code, Section 2102.0091. I shall be pleased to discuss the contents of the booklet with you at the upcoming Board of Regents meetings.

**SUPPORTING**

**DOCUMENTATION:** Internal Audit Briefing Booklet (under separate cover)

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
CHIEF AUDIT EXECUTIVE

Don Guyton

1/28/11  
DATE

  
CHANCELLOR

Renu Khator

2/2/11  
DATE



UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department

Houston, Texas 77204-0930

(713)743-8000

Fax: (713)743-8015

MEMORANDUM

TO: Board of Regents

FROM: Don F. Guyton  
Chief Audit Executive

DATE: January 28, 2011

SUBJ: Internal Audit Activity - Briefing Booklet for February 16, 2011, Audit & Compliance Committee Meeting

Attached for your information is a briefing booklet describing the activities of the Internal Auditing Department since the November 17, 2010, meeting of the Audit & Compliance Committee of the Board of Regents. This booklet includes Activity Outline/Audit Plan Status and the Executive Summaries, Summary of Recommendations by Area, and Management Action Plans of the following Internal Audit Reports with risk levels ranked **High/Medium/Low**:

- AR2011-05 UH Division of Student Affairs, Departmental Reviews
  - The Division of Student affairs needs to implement a monitoring mechanism to help ensure all business functions are adequately performed, in accordance with university procedures
- AR2011-09 Follow-up Status Report
  - Identifies three high risk items that are partially implemented related to repairs, renovations, and construction in the UHS/UH Facilities Planning and Construction/Plant Operations
- AR2011-10 Football Attendance, 2010 Season
- AR2011-11 UH College of Optometry, Departmental Review
- AR2011-12 UHV Administration & Finance, Departmental Reviews
- AR2011-13 UHV Provost, Departmental Reviews
  - The UHV Office of the Provost needs to prepare and approve cost center verifications in a timely manner, in accordance with university policy
- AR2011-14 UHV Nursing, Departmental Review
- AR2011-15 UHD University College, Departmental Reviews
- AR2011-16 UHD Academic Affairs & Provost, Departmental Reviews
- AR2011-17 UHV Financial Aid, Pell Grants
- AR2011-18 UHCL Financial Aid, Pell Grants
- AR2011-19 UHD Financial Aid, Pell Grants
  - The UHD Financial Aid Office needs to determine and implement appropriate access roles in Banner Financial Aid
- AR2011-20 UH Financial Aid, Scholarships

The Internal Audit Reports included in this booklet will be filed with the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee within the next 30 days, as required by the Texas Government Code, Section 2102.0091. I shall be pleased to discuss the contents of the booklet with you at the upcoming Board of Regents meetings.

Please let me know if you have any questions.

Attachment

University of Houston ~ UH-Clear Lake ~ UH-Downtown ~ UH-Victoria

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

BOARD OF REGENTS  
AUDIT & COMPLIANCE COMMITTEE  
MEETING

INTERNAL AUDIT BRIEFING  
MATERIALS

February 16, 2011

**University of Houston System  
Internal Auditing Department**

**Board of Regents  
Audit & Compliance Committee Meeting**

**Internal Audit Briefing Materials**

**February 16, 2011**

**INDEX**

1. Internal Audit Activity Outline / Audit Plan Status
2. Internal Audit Report Executive Summaries
3. Summary of Recommendations by Area
4. Management Action Plans
5. Internal Audit Reports

**University of Houston System  
Internal Auditing Department**

**Board of Regents  
Audit & Compliance Committee Meeting**

**ACTIVITY OUTLINE  
February 16, 2011**

1. Audit Reports Issued since November 17, 2010, Board of Regents Meeting
  - AR2011-05 UH Division of Student Affairs, Departmental Reviews
  - AR2011-09 Follow-up Status Report
  - AR2011-10 Football Attendance, 2010 Season
  - AR2011-11 UH College of Optometry, Departmental Review
  - AR2011-12 UHV Division of Administration & Finance, Departmental Reviews
  - AR2011-13 UHV Office of the Provost, Departmental Reviews
  - AR2011-14 UHV School of Nursing, Departmental Review
  - AR2011-15 UHD University College, Departmental Reviews
  - AR2011-16 UHD Office of Academic Affairs & Provost, Departmental Reviews
  - AR2011-17 UHV Financial Aid, Pell Grants
  - AR2011-18 UHCL Financial Aid, Pell Grants
  - AR2011-19 UHD Financial Aid, Pell Grants
  - AR2011-20 UH Financial Aid, Scholarships
2. Reports in Progress (*scheduled distribution date to Board of Regents*)
  - UH College of Education, Endowment Income Expenditures (*May 18, 2011*)
  - UHS Executive & Foreign Travel (*May 18, 2011*)
  - UH Research Administration (*May 18, 2011*)
3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
  - UH Endowment Income Expenditures (Athletics, NSM, Library, Optometry, Engineering) (*May 18, 2011*)
  - UHCL Office of the Provost, Departmental Reviews (*May 18, 2011*)
  - UHS / UH Chancellor / President and BOR Travel & Entertainment
  - UH Optometry, Operational Review (*May 18, 2011*)
4. Planning in Progress
  - Student Accounting & Receivables (UH, UHCL, UHD, UHV)
  - UH Endowment Income Expenditures (Non-College Specific, Provost, UHS)
  - UH Financial Reporting
  - UH Texas Learning Computation Center
  - UH Center for Advanced Materials
  - UHS Privacy Issues
5. Special Projects in Progress:
  - Assistance to External Auditors – State Auditor’s Office Annual Statewide Audit, FY 2010
  - Assistance to Management – Various Special Projects
  - IRS Bond Audit

**AUDIT PLAN STATUS, FY 2011  
AS OF JANUARY 26, 2011**

<b><u>AUDIT AREA</u></b>	<b><u>STATUS (See Note)</u></b>
<b><u>ANNUAL AUDIT ACTIVITY</u></b>	
Annual External Audits - Liaison	
Athletics - Football Attendance Audit	4
Athletics - NCAA Rules-Compliance	
Board of Regents Travel, FY 2011	2
Chancellor/President's Travel, FY 2011	2
Follow-up Reviews	2
Special Projects/Police Investigations	2
State Auditor's Office Liaison:	
Audit Assistance - General	2
Follow-up Reports	
<b><u>ALL COMPONENTS</u></b>	
Contracts & Grants Admin. (UHCL, UHD, and UHV)	
Endowments (UHS and UH):	
UH Engineering	2
UH Library	2
UH Non College Specific	1
UH Provost	1
UH System Administration	1
Financial Aid, Direct Loans (UHCL, UHD, and UHV)	
Formula Funding (all components)	
JAMP Grants (UH and UHD)	4
<b><u>RESEARCH CENTERS</u></b>	
UHCL/UH Environmental Institute of Houston	
UH Texas Inst for Measurement, Evaluation & Statistics	
UH Texas Learning & Computation Ctr.	1
<b><u>INFORMATION TECHNOLOGY</u></b>	
IT - Review and Monitor of IT Systems	
UH Desktop Computing Support, User Support	
Services, Training, Computer Store	
UH Web Support Services	
TAC 202 (UHCL, UHD, and UHV)	

<b><u>AUDIT AREA</u></b>	<b><u>STATUS (See Note)</u></b>
<b><u>DEPARTMENTAL REVIEWS</u></b>	
UH Academic Affairs/Provost Division	
UH Education	
UH Graduate School of Social Work	
UH Hotel & Restaurant Management	
UHCL Provost Office	2
UHD Academic Affairs & Provost	4
UHD University College	4
UHV Nursing	4
<b><u>CARRYFORWARD AUDITS</u></b>	
Board of Regents Travel, FY 2009	4
Chancellor/President's Travel, FY 2009	4
Endowments (UH):	
UH Education	3
UH Athletics	2
UH Natural Sciences & Mathematics	2
UH Optometry	2
Financial Aid, Pell Grants (UHCL, UHD, and UHV)	4
Financial Reporting (all components)	1
Privacy Issues (all components)	1
Student Accounting & Receivables (all components)	1
UH Athletics, Departmental Review	4
UH Center for Advanced Materials	1
UH Information Security	
UH Optometry, Departmental Review	4
UH Research, Contracts & Grants Administration	3
UH Scholarships	4
UH Student Affairs, Departmental Reviews	4
UHV Administrative & Finance, Departmental Reviews	4
UHV Provost Office, Departmental Reviews	4
UHS Executive and Foreign Travel	3

**Notes:**

- 1 Planning in progress.
- 2 Fieldwork in progress.
- 3 Reporting in progress.
- 4 Completed.



UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

**EXECUTIVE SUMMARIES**

REPORT NOS. AR2011-05 and  
AR2011-09 through AR2011-20

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**INTERNAL AUDIT REPORTS - EXECUTIVE SUMMARIES**

**Internal Audit Report – UH Division of Student Affairs, Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed 14 departmental reviews in the Division of Student Affairs. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted one matter that we considered to be a significant engagement observation: lack of financial and administrative oversight. We determined that the Division did not have a mechanism in place to help ensure that all business functions are adequately performed throughout the Division. Division management plans to review the business processes and Division and departmental responsibilities to help ensure that appropriate oversight and monitoring is in place and functioning as intended. In addition, we noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**Internal Audit Report – Follow-up Status Report**

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented October 1, 2010, to December 31, 2010, in all audit reports with open recommendations. This status report addresses 38 management actions in 20 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 11 of these management actions have been completed, 26 partially implemented and 1 not implemented.

**Internal Audit Report – Football Attendance, 2010 Season**

The Internal Auditing Department conducted a review to certify attendance for each home football game as required by 2010-11 NCAA Bylaws. The average paid attendance for the 2010 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).

**Internal Audit Report – UH College of Optometry, Departmental Review**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Optometry. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-

compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

#### **Internal Audit Report – UHV Division of Administration & Finance, Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed six departmental reviews in the Division of Administration and Finance. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

#### **Internal Audit Report – UHV Office of the Provost, Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed eight departmental reviews in the Office of the Provost. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the departments reviewed were not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

#### **Internal Audit Report – UHV School of Nursing, Departmental Review**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the School of Nursing. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted no instances of non-compliance with university policies.

#### **Internal Audit Report – UHD University College, Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed five departmental reviews in the University College. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted no instances of non-compliance with university policies.

### **Internal Audit Report – UHD Office of Academic Affairs & Provost, Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed four departmental reviews in the Office of Academic Affairs and Provost. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. Although we noted no matters that we considered significant engagement observations, the University did not have procedures to help ensure that required documentation of the review and approval of continuing education fees is prepared and retained. Management agreed to implement procedures for the review and approval of continuing education fees. We also noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

### **Internal Audit Report – UHV Financial Aid, Pell Grants**

The Internal Auditing Department conducted a review of Pell Grants at the Financial Aid Office at the University of Houston – Victoria. The objectives of this review were to determine whether there are adequate policies and procedures to help ensure compliance with federal regulations and that resources are being effectively and efficiently utilized under an adequate system of internal control. In our opinion, management has adequate policies and procedures to help ensure compliance with federal regulations regarding the Pell Grant Program and that resources are being effectively and efficiently utilized under an adequate system of internal control. Although we noted no matters that we considered to be significant engagement observations, we did note an opportunity for improvement regarding the review of changes to critical data in the Student Financial Aid system. Management agreed to work with other Financial Aid Directors to develop a process to identify, log, and review changes to critical data.

### **Internal Audit Report – UHCL Financial Aid, Pell Grants**

The Internal Auditing Department conducted a review of Pell Grants at the Financial Aid Office at the University of Houston - Clear Lake. The objectives of this review were to determine whether there are adequate policies and procedures to help ensure compliance with federal regulations and that resources are being effectively and efficiently utilized under an adequate system of internal control. In our opinion, management has adequate policies and procedures to help ensure compliance with federal regulations regarding the Pell Grant Program and that resources are being effectively and efficiently utilized under an adequate system of internal control. Although we noted no matters that we considered to be significant engagement observations, we did note an opportunity for improvement regarding the review of changes to critical data in the Student Financial Aid system. Management agreed to work with other Financial Aid Directors to develop a process to identify, log, and review changes to critical data.

### **Internal Audit Report – UHD Financial Aid, Pell Grants**

The Internal Auditing Department conducted a review of Pell Grants at the Financial Aid Office at the University of Houston - Downtown. The objectives of this review were to determine whether there are adequate policies and procedures to help ensure compliance with federal regulations and that resources are being effectively and efficiently utilized under an adequate

system of internal control. In our opinion, management has adequate policies and procedures to help ensure compliance with federal regulations regarding the Pell Grant Program and that resources are being effectively and efficiently utilized under an adequate system of internal control. Although we noted no matters that we considered to be significant engagement observations, we did note certain opportunities for improvement regarding access, review of software changes, and review of changes to critical data in the Financial Aid System. Management agreed to modify employee access during the implementation of the Banner Financial Aid System, perform a review of software changes, and to work with other Financial Aid Directors to develop a process to identify, log, and review changes to critical data.

#### **Internal Audit Report – UH Financial Aid, Scholarships**

The Internal Auditing Department conducted a review of the Office of Scholarships and Financial Aid at the University of Houston. The primary objective of this review was to determine whether the University has adequate management oversight over the administration of scholarships to help ensure scholarships are being communicated to students and are awarded properly and in a timely manner. In our opinion, scholarships are being awarded in accordance with management's directives and are being communicated to students. Although, we noted no matters that we considered to be significant engagement observations, we noted that certain available scholarship funds are not being awarded to students and scholarship cost centers are not being budgeted in accordance with University guidelines. Management is in the process of developing a plan to spend down fund equity balances in certain scholarship cost centers and to budget funds that it expects to expend during the budget year.

**Internal Auditing Department**  
**Internal Audit Report Recommendations - Summarized by Area**  
**February 16, 2011**

REPORT NAME	Rpt. No.	Modify Policies and Procedures			Noncompliance with Guidelines			Efficiency of Resources	Contracts / Agreements	EDP / System Issues			Basic Internal Controls				Human Resources		
		UHS	Campus	Dept.	Fed./Other	State	UHS			Modif.	Security	Other	Reconcil.	Segreg. of Duties	Cash Handling	Safeguard Assets	Other	Job Descr.	Training
UH Division of Student Affairs, Departmental Reviews	AR2011-05			X			X		X		X	X	X	X		X		X	X
Follow-up Status Report	AR2011-09																		
Football Attendance, 2010 Season	AR2011-10																		
UH College of Optometry, Departmental Review	AR2011-11						X		X						X			X	
UHV Division of Administration & Finance, Departmental Reviews	AR2011-12						X		X					X		X		X	
UHV Office of the Provost, Departmental Reviews	AR2011-13						X						X		X	X	X		X
UHV School of Nursing, Departmental Review	AR2011-14																		
UHD University College, Departmental Reviews	AR2011-15																		
UHD Office of Academic Affairs & Provost, Departmental Reviews	AR2011-16			X			X								X		X		X
UHV Financial Aid, Pell Grants	AR2011-17												X						
UHCL Financial Aid, Pell Grants	AR2011-18												X						
UHD Financial Aid, Pell Grants	AR2011-19										X	X	X						
UH Financial Aid, Scholarships	AR2011-20						X												

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

**ACTION PLANS**

(Who is responsible for performing certain action by a specific date)

REPORT NOS. AR2011-05 and  
AR2011-09 through AR2011-20  
(If Applicable)

Note: The Internal Auditing Department will perform follow-up procedures to determine whether management's actions addressing the recommendations have been implemented by the dates indicated in the management action plan. Follow-up status reports are included in the Internal Auditing Briefing Booklets for regularly scheduled Board of Regents Audit & Compliance Committee meetings.

**University of Houston System  
Internal Auditing Department**

**UH, Division of Student Affairs - Departmental Reviews - AR2011-05  
Action Plan**

<b>Est. Compl. <u>Date</u></b>	<b>Responsibility for Action <u>Name/Title</u></b>	<b><u>Action To Be Taken</u></b>
<b>Risk Level:    <span style="color: red;">High</span>    <span style="color: blue;">Medium</span>    <span style="color: green;">Low</span></b>		
August 31, 2011	Diane Murphy Associate VP, Student Affairs Administration VPSA	Implement a monitoring mechanism to help ensure all business functions are adequately performed, in accordance with university procedures.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.



**University of Houston System  
Internal Auditing Department**

**Departmental Review  
UH, College of Optometry - AR2011-11**

<b>Action Plan</b>		
<b>Est. Compl.</b>	<b>Responsibility for Action</b>	
<b><u>Date</u></b>	<b><u>Name/Title</u></b>	<b><u>Action To Be Taken</u></b>
<div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Risk Level:</b>   <span style="color: red;">High</span>   <span style="color: blue;">Medium</span>   <span style="color: green;">Low</span> </div>		
May 31, 2011	Mary Juarez College Business Administrator	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.
December 31, 2011	Mary Juarez College Business Administrator	Work with the Division of Research to deactivate expired grant cost centers.
September 30, 2011	Mary Juarez College Business Administrator	Reduce scholarship cost center equity balances (award scholarships) to help ensure that the year-end balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System  
Internal Auditing Department**

**UHV, Office of the Provost - Departmental Reviews - AR2011-13  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
<div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Risk Level:    <span style="color: red;">High</span>    <span style="color: blue;">Medium</span>    <span style="color: green;">Low</span></b> </div>		
February 28, 2011	Veronica Baladez Senior Secretary LEAD and Student Recruitment	Prepare and approve cost center verifications in a timely manner, in accordance with university policies.
February 28, 2011	Mary Densman Senior Secretary Office of Admissions and Records	Prepare and approve cost center verifications in a timely manner, in accordance with university policies.
March 31, 2011	Kathy Sullivan Senior Secretary Library	Prepare and approve cost center verifications in a timely manner, in accordance with university policies.
March 31, 2011	Kathy Sullivan Senior Secretary Library	Review payroll registers to help ensure employee earnings and leave records are accurate, in accordance with university policies.

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**UHD, Office of the Vice president for Academic Affairs and Provost - AR2011-16  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
<b>Risk Level:    High    Medium    Low</b>		
June 30, 2011	Elaine Pearson Division Business Administrator III Office of the Vice President for Academic Affairs and Provost	Develop and implement procedures to require the formal review and approval of fees charged for new continuing education courses and for the annual review of existing courses to help ensure fees are sufficient to recover the costs of providing the course.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System  
Internal Auditing Department**

**UHV Financial Aid, Pell Grants - AR2011-17  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
---------------------------------	---	----------------------------------

<b>Risk Level:</b> <b>High</b> <b>Medium</b> <b>Low</b>
---

August 31, 2011	Carolyn Mallory Financial Aid Director Office of Financial Aid	Work with the other campus Financial Aid Directors and with Enrollment Management Production Support to develop a process to identify, log, and review changes to critical data.
-----------------	--	--

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System  
Internal Auditing Department**

**UHCL Financial Aid, Pell Grants - AR2011-18  
Action Plan**

<b>Est. Compl. <u>Date</u></b>	<b>Responsibility for Action <u>Name/Title</u></b>	<b><u>Action To Be Taken</u></b>
<b>Risk Level:    <span style="color: red;">High</span>    <span style="color: blue;">Medium</span>    <span style="color: green;">Low</span></b>		
August 31, 2011	Billy Satterfield Student Financial Aid Executive Director Financial Aid Department	Work with the other campus Financial Aid Directors and with Enrollment Management Production Support to develop a process to identify, log, and review changes to critical data.

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**UHD Financial Aid , Pell Grants - AR2011-19  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
<div> <b>Risk Level:</b> <span style="color: red; font-weight: bold;">High</span> <span style="color: blue; font-weight: bold;">Medium</span> <span style="color: green; font-weight: bold;">Low</span> </div>		
February 28, 2011	LaTasha Goudeau Director of Financial Aid Financial Aid Department	Determine and implement appropriate access roles in Banner Financial Aid to help ensure that employees' access is based on their job responsibilities.
August 31, 2011	LaTasha Goudeau Director of Financial Aid Financial Aid Department	Work with the other campus Financial Aid Directors and SunGard consultants to develop a process to identify, log, and review changes to critical data.
February 28, 2011	LaTasha Goudeau Director of Financial Aid Financial Aid Department	Implement functionality in Banner Financial Aid to automatically log users off the system after a specified time period of inactivity.
August 31, 2011	LaTasha Goudeau Director of Financial Aid Financial Aid Department	Implement procedures to review updates/changes to Banner Financial Aid software to help ensure it is working as intended.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System  
Internal Auditing Department**

**Departmental Review  
UH, Financial Aid - Scholarships - AR2011-20**

Action Plan		
Est. Compl.	Responsibility for Action	
<u>Date</u>	<u>Name/Title</u>	<u>Action To Be Taken</u>
<div style="border: 1px solid black; padding: 5px;"> <b>Risk Level:</b>    <span style="color: red;">High</span>    <span style="color: blue;">Medium</span>    <span style="color: green;">Low</span> </div>		
May 1, 2011	Izzy Anderson Director of Scholarship Services, Grants and Fund Management Office of Scholarships and Financial Aid	Develop procedures to help ensure funds within the cost centers are fully disbursed, including steps to be taken for any surplus funds.
May 1, 2011	Izzy Anderson Director of Scholarship Services, Grants and Fund Management Office of Scholarships and Financial Aid	Develop procedures for budgeting cost centers expected to be disbursed during the school term, including steps to be taken due to a shortage of funds within the scholarship and/or lack of qualified candidates.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

# UNIVERSITY OF HOUSTON SYSTEM INTERNAL AUDITING DEPARTMENT

## INTERNAL AUDIT REPORTS

AR2011-05	UH Division of Student Affairs, Departmental Reviews
AR2011-09	Follow-up Status Report
AR2011-10	Football Attendance, 2010 Season
AR2011-11	UH College of Optometry, Departmental Review
AR2011-12	UHV Division of Administration & Finance, Departmental Reviews
AR2011-13	UHV Office of the Provost, Departmental Reviews
AR2011-14	UHV School of Nursing, Departmental Review
AR2011-15	UHD University College, Departmental Reviews
AR2011-16	UHD Office of Academic Affairs & Provost, Departmental Reviews
AR2011-17	UHV Financial Aid, Pell Grants
AR2011-18	UHCL Financial Aid, Pell Grants
AR2011-19	UHD Financial Aid, Pell Grants
AR2011-20	UH Financial Aid, Scholarships

Note: These internal audit reports are submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. These internal audit reports are also submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee in order to comply with the Texas Government Code, Section 2102.0091.



# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

### UNIVERSITY OF HOUSTON

#### DIVISION OF STUDENT AFFAIRS DEPARTMENTAL REVIEWS

REPORT NO. AR2011-05

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
DIVISION OF STUDENT AFFAIRS  
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed 14 departmental reviews in the Division of Student Affairs. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted one matter that we considered to be a significant engagement observation: lack of financial and administrative oversight. We determined that the Division did not have a mechanism in place to help ensure that all business functions are adequately performed throughout the Division. Division management plans to review the business processes and Division and departmental responsibilities to help ensure that appropriate oversight and monitoring is in place and functioning as intended. In addition, we noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:

- Significant Engagement Observation
- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- Division Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
October 13, 2010

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
DIVISION OF STUDENT AFFAIRS  
SIGNIFICANT ENGAGEMENT OBSERVATION**

**Financial and Administrative Oversight**

The Division manages and administers its business, financial, and non-academic operations at the Division and Departmental levels.

MAPP 01.02.01, Business Administration, states that division business managers are charged with ensuring the adherence to university policies and procedures within their division. MAPP 1.03.01, Baseline Standards, states that in a decentralized organizational structure the division business manager has primary responsibility for management and oversight of the financial processes, while the department business managers have primary responsibility for the execution of the financial processes. The Division Business Manager is responsible for the following: 1) communicating policy and procedure changes to departments, 2) ensuring that departments have adequate support to fulfill their responsibilities, and 3) ensuring that departments have appropriate procedures in place to comply with minimum processing standards. In addition, the Division Business Administrator is ultimately responsible for the control procedures in place at each department. In order to help ensure compliance with University business processes and policies, dual reporting relationships are established by MAPP 01.02.01, such that the Division Business Administrators report to the Executive Vice President for Administration and Finance in addition to their respective Division head. MAPP 01.02.01 also requires the Executive Vice President of Administration and Finance to be involved in hiring, terminating, evaluating, and compensating Division Business Administrators. Although the Executive Vice President for Administration and Finance has not been involved with hiring, terminating, evaluating and compensating Division Business Administrators, he informed us that he would make sure that the Executive Director of Human Resources ensures that this happens in the future.

During our departmental compliance reviews, we noted that the Division does not have a mechanism in place to help ensure that all business functions are adequately performed throughout the division. We noted numerous non-compliance issues in the Division's departments. Listed below are examples of certain instances of non-compliance with the university policies we noted during the departmental reviews.

- Cost center verifications are not being reviewed and approved by department heads/cost center managers.
- Cost center managers are not listed in the University's financial system.
- Cost centers were also not being deactivated, have deficit budget balances, and have negative fund group equity balances.

- Time and effort reports were not properly completed, including being signed and dated by employees and supervisors prior to the end of the payroll period.
- Procurement and travel cards are being shared and procurement card expense reports are not being approved in a timely manner.
- Required training and disclosures are not completed in a timely manner.
- Cash receipts are not being deposited in a timely manner.
- Contracts and contract cover sheets were not approved prior to the contract effective date.
- Access to departmental information systems is not being adequately controlled.

We noted in our reviews of certain colleges that the College Business Administrators did not have mechanisms in place to help ensure that all Department Business Administrators were performing all required business administration functions. As a result, the Provost Business Administrator implemented a monthly checklist to be completed by all College Business Administrators acknowledging that specific tasks had or had not been performed. We consider this a best practice.

**Recommendation:** The Division should clearly define its oversight and monitoring responsibilities for business and administrative tasks. The primary duties of the Associate Vice President of Student Affairs Administration and the Vice Chancellor/Vice President of Student Affairs should be to help ensure that their oversight responsibilities are being fulfilled for requiring these tasks to be performed. The Division should implement a mechanism, similar to the Provost Office, to help ensure all business functions are adequately performed, in accordance with university procedures.

**Management's Response:** The Division of Student Affairs provides services to students through 22 departments and 154 cost centers, with a total budget of \$63.5 million and 323 FTE benefits-eligible staff and 800 student staff. The turn-over from one semester to the next is understandably much higher for student staff than for regular staff. While we strive for full compliance, the instances of non-compliance represent a small percentage of transactions, actions and tasks in the business areas. For example, during the period of this audit the Division had a 98.7% completion rate for benefits-eligible staff and a 95.6% completion rate for student staff for the mandatory training required. Nonetheless, we are committed to making the necessary changes to ensure we are in full compliance with university policies. The Associate Vice President for Student Affairs will review the Division's business processes and responsibilities of Division personnel at the Division and departmental levels to help ensure that appropriate oversight, including written procedures and monitoring mechanisms, is in place and functioning as intended by August 31, 2011. This will be supplemental to the current policies and procedures that are in place and that require adherence to all SAMs and MAPPs. (See Divisional policies at <http://uh.edu/dsa/divisionpolicies.php>). In order to monitor these responsibilities, we will develop a monthly checklist that will be completed by division and departmental staff to help ensure these tasks are being performed in compliance with university policies and procedures.

<b>Compliance Area</b>	<b>VPSA (CBO II)</b>	<b>UNIVERSITY CENTER (CBO I)</b>	<b>CAMPUS ACTIVITIES</b>	<b>CAMPUS RECREATION</b>	<b>CAPS</b>	<b>CHILD CARE CENTER</b>
Management Oversight	(1)	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A	✓	N/A
Policies, Procedures, Required Training, And Reporting	(1)	✓	(1)	✓	✓	(1)
Cost Center Management	(7)	(2)	N/A	N/A	N/A	✓
Payroll	(2)	(3)	(1)	(2)	✓	(1)
Human Resources	✓	✓	✓	(1)	✓	(1)
Change Funds And Cash Receipts	✓	✓	✓	✓	✓	✓
Procurement And Travel Cards	✓	(1)	(1)	✓	✓	✓
Departmental Expenses	✓	✓	✓	✓	✓	✓
Contract Administration	(1)	(1)	✓	✓	✓	✓
Property Management	✓	✓	✓	✓	✓	(1)
Departmental Computing	✓	✓	✓	✓	(1)	✓
Scholarships	✓	✓	✓	N/A	N/A	(1)
Incidental And Lab Fees	✓	(1)	N/A	✓	N/A	✓
Research	N/A	N/A	N/A	N/A	N/A	(1)

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of instances of non-compliance**
- N/A **Not Applicable**

<b>Compliance Area</b>	<b>CSWD</b>	<b>DEAN OF STUDENTS</b>	<b>HEALTH CENTER</b>	<b>ISSSO</b>	<b>LEARNING AND ASSESSMENT SERVICES</b>
Management Oversight	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	✓	N/A
Policies, Procedures, Required Training, And Reporting	(1)	✓	✓	(1)	(1)
Cost Center Management	N/A	N/A	N/A	N/A	N/A
Payroll	(1)	(1)	(1)	(1)	(1)
Human Resources	✓	(1)	✓	✓	✓
Change Funds And Cash Receipts	N/A	N/A	(1)	(4)	(2)
Procurement And Travel Cards	N/A	(1)	(1)	(1)	(1)
Departmental Expenses	✓	✓	✓	✓	✓
Contract Administration	(1)	(1)	✓	✓	(2)
Property Management	✓	✓	✓	✓	✓
Departmental Computing	✓	✓	(4)	✓	(1)
Scholarships	N/A	N/A	N/A	(2)	✓
Incidental And Lab Fees	N/A	N/A	✓	✓	N/A
Research	N/A	N/A	N/A	N/A	(1)

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of instances of non-compliance**
- N/A **Not Applicable**

<b>Compliance Area</b>	<b>RESIDENTIAL LIFE &amp; HOUSING</b>	<b>STUDENT PUBLICATIONS</b>	<b>UNIVERSITY CAREER SERVICES &amp; VETERAN'S SERVICES</b>
Management Oversight	N/A	N/A	N/A
Operational Activities	N/A	✓	N/A
Policies, Procedures, Required Training, And Reporting	(1)	(1)	✓
Cost Center Management	N/A	N/A	N/A
Payroll	(2)	(2)	(1)
Human Resources	✓	✓	(1)
Change Funds And Cash Receipts	(1)	✓	(2)
Procurement And Travel Cards	(2)	(1)	✓
Departmental Expenses	(1)	✓	✓
Contract Administration	✓	✓	(1)
Property Management	✓	✓	✓
Departmental Computing	(1)	✓	✓
Scholarships	N/A	✓	✓
Incidental And Lab Fees	N/A	✓	N/A
Research	N/A	N/A	N/A

- ✓ **Fully Complies**
- **Opportunity for Improvement**
- ( ) **Number of instances of non-compliance**
- N/A **Not Applicable**

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
VICE PRESIDENT FOR STUDENT AFFAIRS/CENTRAL BUSINESS OFFICE II  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**MANAGEMENT OVERSIGHT**

- Several instances of non-compliance were noted throughout the Division.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual training was not completed by all employees.

**COST CENTER MANAGEMENT**

- Cost center verifications are not being reviewed and approved by department heads/cost center managers.
- Cost center managers are not listed in the University's financial system for the departments under the responsibility of the CBO II.
- Cost center verifications are not always prepared timely.
- Fund group equity balances were not all positive at year-end.
- Project/grant cost centers had deficit budgetary balances.
- Inactive cost centers were not deactivated.
- Cost centers were not properly accounted for.

**PAYROLL**

- Time and effort reports were signed and dated by employees prior to the end of the payroll period.
- An employee's salary was not funded according to the actual effort.

**CONTRACT ADMINISTRATION**

- Contracts and cover sheets were not approved prior to the contract effective date.



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
UNIVERSITY CENTER / CENTRAL BUSINESS OFFICE I  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**COST CENTER MANAGEMENT**

- Cost center verifications were not approved timely by one department under the responsibility of the CBO I.
- Cost center managers are not listed in the University's financial system for the departments under the responsibility of the CBO I.

**PAYROLL**

- Time and effort reports were signed by employees prior to the end of the payroll period.
- Available leave was not always verified prior to approving leave.
- Leave use did not reconcile to leave accruals recorded in the payroll system for one employee.

**PROCUREMENT AND TRAVEL CARDS**

- Travel Request forms were not approved timely.

**CONTRACT ADMINISTRATION**

- A non-standard contract was not reviewed and approved as to form by Contract Administration before execution and was signed by an employee who did not have delegated contractual signatory authority.

**FEES**

- Fees were not expended for its intended purpose.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
CAMPUS ACTIVITIES  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Annual mandatory training was not completed by all employees.

**PAYROLL**

- Time and effort reports were signed and dated by employees prior to the end of the payroll period.

**PROCUREMENT AND TRAVEL CARDS**

- Procurement card account number was included on information uploaded in PeopleSoft.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
CAMPUS RECREATION  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- Leave forms were not completed for all leave taken.
- Time and effort reports were not signed and dated by employees and supervisors prior to the end of the payroll period.

**HUMAN RESOURCES**

- An ePAR was not prepared and submitted to Human Resources timely.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
COUNSELING AND PSYCHOLOGICAL SERVICES  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instance of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**DEPARTMENTAL COMPUTING**

- Terminated employees' access to the department's Titanium System was not removed in a timely manner.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
CHILD CARE CENTER  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Disclosure of Conflict of Interest forms were not completed for all required employees.

**PAYROLL**

- Time and effort reports are signed and dated by employees and supervisors prior the end of the payroll period.

**HUMAN RESOURCES**

- Termination clearance forms were not prepared timely.

**PROPERTY MANAGEMENT**

- An inventory tag with a unique identification number was not affixed to a computer.

**SCHOLARSHIPS**

- The Office of Scholarships of Financial Aid was not notified of financial assistance provided to students for child care tuition discounts.

**RESEARCH**

- Expenditures charged to a grant were not approved by the Office of Contracts and Grants.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
CENTER FOR STUDENTS WITH DISABILITIES  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Related Party Disclosure forms were not completed by all required employees.

**PAYROLL**

- Time and effort reports were not properly completed.

**CONTRACT ADMINISTRATION**

- Contracts were not fully executed prior to the start date.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
DEAN OF STUDENTS  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- Time and effort reports were not properly completed.

**HUMAN RESOURCES**

- A terminating PAR was not submitted timely.

**PROCUREMENT AND TRAVEL CARDS**

- Procurement and travel card expense reports are not approved by the certifying signatory by the 20th of the month.

**CONTRACT ADMINISTRATION**

- A contract that exceeded the "not to exceed" amount was not amended.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
HEALTH CENTER & PHARMACY  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- Time and effort reports were not properly completed.

**CHANGE FUNDS AND CASH RECEIPTS**

- Checks were not restrictively endorsed immediately upon receipt.

**PROCUREMENT AND TRAVEL CARDS**

- A procurement cardholder allowed another employee to use their card.

**DEPARTMENTAL COMPUTING**

- Terminated employee access to Medical and Pharmacy systems was not removed timely.
- Password controls are weak for the Medical and Pharmacy systems.
- Backup copies of data are not stored off-site for the Medical and Pharmacy systems.
- Disaster Recovery Plans have not been developed for the Medical and Pharmacy systems.



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
INTERNATIONAL STUDENT AND SCHOLAR SERVICES OFFICE  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual training was not completed by all employees.

**PAYROLL**

- Payroll suspense items are not corrected in a timely manner.

**CHANGE FUNDS AND CASH RECEIPTS**

- Checks were not restrictively endorsed immediately upon receipt.
- Cash receipts greater than \$100 were not deposited within one working day of receipt.
- Bank routing and account numbers were not removed/obliterated prior to the documents being uploaded to PeopleSoft.
- Departmental copies of deposit documentation were not destroyed/discarded after six months.

**PROCUREMENT AND TRAVEL CARDS**

- The travel card is shared with employees who are not authorized cardholders.

**SCHOLARSHIPS**

- Scholarship awards were not reconciled to amounts per the university's student administration and financial system.
- Scholarship cost centers had excessive year-end equity balances.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
LEARNING AND ASSESSMENT SERVICES  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Disclosure of Conflict of Interest forms were not completed for all required employees.

**PAYROLL**

- Time and effort reports were signed and dated by employees prior to the end of the payroll period and an employee did not date their time and effort report.

**CHANGE FUNDS AND CASH RECEIPTS**

- Cash receipts greater than \$100 were not deposited within one working day of receipt.
- Gift checks are not always placed in tamper proof bags and delivered to the Treasurer's Office by the Police.

**PROCUREMENT AND TRAVEL CARDS**

- Procurement card expense reports are not reviewed and approved by the 20th of the month.

**CONTRACT ADMINISTRATION**

- Alternative Dispute Resolution Clause forms were not signed by the vendor.
- Contracts and contract cover sheets were not approved prior to the contract effective date.

**DEPARTMENTAL COMPUTING**

- Security devices were not installed on computers in computer labs and one computer lab was not being monitored during the day, but is locked at the end of the day.

**RESEARCH**

- Expenditures charged to a grant were not approved by the Office of Contracts and Grants.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
RESIDENTIAL LIFE AND HOUSING  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual training was not completed by all employees.

**PAYROLL**

- Time and effort reports were signed and dated by employees and supervisors prior to the end of the payroll period and a supervisor did not sign and date a time and effort report timely.
- Payroll suspense items are not corrected in a timely manner.

**CHANGE FUNDS AND CASH RECEIPTS**

- Cash receipts greater than \$100 were not deposited within one working day of receipt.

**PROCUREMENT AND TRAVEL CARDS**

- Procurement card expense reports are not reviewed and approved by the 20th of the month.
- Procurement card liability accounts with balances were not timely reviewed and cleared.

**DEPARTMENTAL EXPENSES**

- Travel Request form was not completed prior to an employee's travel.

**DEPARTMENTAL COMPUTING**

- Terminated employees' access to the department's Residential Management System was not removed in a timely manner.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
STUDENT PUBLICATIONS  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual training was not completed by all employees.

**PAYROLL**

- Employees receiving commissions for ad sales were not paid through the payroll system.
- Time and effort reports were signed and dated by employees prior to the end of the payroll period.

**PROCUREMENT AND TRAVEL CARDS**

- Procurement cards were not used by the authorized cardholder.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS  
UNIVERSITY CAREER SERVICES & VETERAN'S SERVICES  
DEPARTMENTAL REVIEW  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- Time and effort reports were not properly completed.

**HUMAN RESOURCES**

- A termination clearance form was not prepared timely.

**CHANGE FUNDS AND CASH RECEIPTS**

- Checks were not made payable to the University of Houston.
- Cash receipts greater than \$100 were not deposited within one working day of receipt.

**CONTRACT ADMINISTRATION**

- A non-standard contract for \$500 was not submitted to Contract Administration for review and approval as to form.

**University of Houston System  
Internal Auditing Department**

**University of Houston  
Division of Student Affairs  
Background Information**

**The Vice Chancellor/Vice President provided the following background on the Division of Student Affairs:**

The mission of the Division of Student Affairs is to support student success: to develop great alumni, individuals who achieved their academic and personal goals at the University of Houston and had a great time doing it. This is accomplished through a comprehensive array of services, programs and organizational activities that enhance the living and learning environment in ways that foster pride in the University of Houston and facilitate the intellectual, social, civic, psychological, career and leadership development of students.

Recent accomplishments include:

- Opening and successfully operating for FY 2010 the 984-bed graduate and professional student housing project Calhoun Lofts, which currently has an occupancy of over 90%.
- Finalizing the new 1,132-bed freshman housing facility Cougar Village which opened in August 2010.
- Working with several academic colleges to establish a learning center, interest wings, and Freshmen Interest Groups (FIGs) at Cougar Village. Additionally, three new Faculty-in-Residence were appointed to serve the freshman compound, which includes Moody Towers and Cougar Village.
- The Division collaborated closely with Admissions in recruitment by ensuring a successful mandatory orientation for incoming freshmen.
- Working with Academic Affairs, Administration and Finance (A&F), Faculty Senate, Staff Council and Student Government Association in assessing needs for and the ultimate expansion of child care services at the Cameron Building, scheduled to open in October 2010.
- Working with student government to bring the UC Transformation project to the State Legislature and to the Board of Regents for approval. Currently working with A&F for development of the best project for the money.
- Learning Support Services (LSS) provides tutoring and learning counseling to both undergraduates and graduates through certified tutors and learning specialists. Over 1,000 unique clients are served each semester.

- Counseling and Psychological Services (CAPS) contributes to student success through counseling services, with 85% of clients indicating the services helped them attend to their academic learning.
- University Career Services (UCS) established a Job Shadowing Program and continues to use the internet to efficiently connect UH students with employers via JobBank. There were 3,900 individual career counseling meetings with students.
- Advise and work with hundreds of student organizations.
- Major Projects and Activities include:
  - Housing move-in for over 5,400 students
  - Homecoming
  - Cat's Back Welcome Week
  - Special orientation for international students
  - Testing services for faculty and students
  - Student Fees Advisory Committee (SFAC)
  - Frontier Fiesta, UH's oldest tradition entertained more than 20,000 visitors
  - Debate and Forensics Society hosted events that attracted thousands of students to campus
  - Health & wellness services for students and staff
  - Publications
    - *The Daily Cougar* student newspaper, 12,000 daily, 165 times a year
    - *The Houstonian* yearbook
    - *Transitions* magazine
  - Campus Recreation and Wellness Center
    - Over 50,000 member visits per month
    - 400+ outside events hosted annually
    - 1,800+ students participate in group exercise classes on a regular basis
    - 1,200+ students participate in intramural events (flag football, basketball, soccer, softball, and other dual and individual sports) annually
  - The Center for Students with DisAbilities (CSD) provided counseling and services for over 400 students
  - Veterans' Awareness Week
  - DisAbility Awareness Week
  - University Centers (UC)
    - UC and UC Satellite – provides service to over 23,000 members of the UH community per day (15,000 in the UC and 8,000 in the UC Satellite during the fall and spring semesters)
    - UC Event Services – provides planning and management of more than 8,000 bookings/events in the UC and UC Satellite annually. These events equate to over 35,000 of actual “event hours,” with an estimated attendance figure of over 320,000 annually.
    - UC Programs – plans monthly large-scale/theme-based events with an annual attendance of over 15,000 guests

- UC Games Room – annual user statistics include over 80,000 games of bowling; 22,000 hours of billiards time; 3,300 hours of table tennis time; and 195,000 games played on amusement games.
- Shasta's Cones & More – sells more than 20,000 ice cream cones and cups annually through our student-managed ice cream retail store
- UH Child Care Center – provides accredited child care services for children of parents who are UH students, faculty or staff
- Coordinated March for Babies (WalkAmerica)
- Coordinated State Employee Charitable Campaign (SECC)
- 130 Weddings hosted annually
- Hosting summer conferences in residence halls
- Student and Exchange Visitor Information System (SEVIS) compliance

### **Budget/Financial Summary:**

During Fiscal Year 2010, with a total FTE of 323, the Division of Student Affairs had an operating M&O budget of \$20.9 million. This includes the administration of 154 cost centers.

The following table presents the fund balance reconciliation for the Division for FY 2010:

Beginning Fund Balance (9/1/09)	\$ 10,250,795
Revenues	52,493,271
Expenditures	(34,914,626)
Transfers/Other	(14,052,573)
Ending Balance (8/31/10)	<u>\$ 13,776,867</u>

Of the \$13.8 million fund equity<sup>1</sup> reflected on our 8/31/10 report, a reallocation from Student Service Fees fund equity will be used for:

- |   |                  |
|---|------------------|
| 1. Salary & benefits of 4 staff members in Dean of Students Office formerly paid from Ledger 1, utilized as part of the \$1,487,696 divisional budget reduction for FY 2011 | \$365,647        |
| 2. Replacement salaries, Dean of Students, Orientation move to Academic Affairs; 2 staff, 2 students & M&O  | \$191,130        |
| 3. FY 2011 Merit and Personnel Adjustments to be reallocated  | \$167,361        |
| 4. Additional Central Administrative Charge, 2.9% to 6%, for FY'11  | <u>\$219,163</u> |

<b>Sub-Total</b>	<b>\$943,301</b>
------------------	------------------

Additional <u>Administrative Charge</u> in Other Cost Centers	\$837,034
---	-----------



<b>Sub-Total</b>	<b>\$837,034</b>
------------------	------------------

Projects<sup>2</sup> within the Division for FY 2011 will utilize fund equity as follows:

- |  |                  |
|--|------------------|
| 1. Residential Life and Housing (RLH) planned projects   | \$370,000        |
| 2. University Centers (UC) planned projects <sup>3</sup> | \$650,000        |
| 3. Campus Recreation (CR) planned projects               | <u>\$732,000</u> |

<b>Sub-Total</b>	<b>\$1,752,000</b>
------------------	--------------------

<u>Debt Service for Housing projects will utilize fund equity:</u>	<u>\$525,630</u>
--	------------------

<b>Sub-Total</b>	<b><u>\$525,630</u></b>
------------------	-------------------------

<b>TOTAL Funds Designated for FY 2011 Expenditure</b>	<b>\$4,057,965</b>
---	--------------------

In addition, we have directed that certain funds be set aside for anticipated needs, as follows:

- |   |                  |
|---|------------------|
| 1. Campus Recreation set-aside for foundation repair<br>(We are awaiting the facility assessment from Plant Operations to determine the exact amount that will be needed) | \$2,000,000      |
| 2. Health Center Upgrade to Physicians' Salaries  | \$240,000        |
| 3. Staffing for Third Party Billing Implementation (3), Start Up  | \$150,000        |
| 4. Health Center Facility Assessment  | \$75,000         |
| 5. Health Center funds set aside for new facility and/or renovation   | <u>\$600,000</u> |

<b>Sub-Total</b>	<b><u>\$3,065,000</u></b>
------------------	---------------------------

<b>TOTAL FY 2011 Expenditures and Set Asides</b>	<b>\$7,122,965</b>
--	--------------------

As an auxiliary operation, we endeavor to maintain a fund equity in each major cost center, especially those related to major physical buildings. This fund equity is to cover emergencies that may arise throughout the year; e.g., failed elevators, major mechanical failure, etc. Additionally, we try to accumulate funds annually to be used for deferred maintenance.

<b>Fund Equity for Emergencies and Deferred Maintenance</b>	<b>\$4,000,000</b>
---	--------------------

Increased enrollment for FY 2009 and FY 2010 resulted in additional revenue in all fee cost centers amounting to \$1.2 million for FY 2009 and \$1.5 million in FY 2010, since the SFAC authorized budgeted enrollment at 34,000 for FY 2009 and at 35,000 for FY 2010. This amounted to generated revenue in excess of budget of \$2,700,000.

<sup>1</sup> Includes

- \$3.5 M Student Service Fees
- \$2.6 M University Center Fees
- \$1.2 M Health Center Fee (includes \$222,489 Pharmacy Income)
- \$2.9 M Campus Recreation Fee
- \$ .9 M Residential Life and Housing
- \$1.2 M FY 2009 increased enrollment
- \$1.5 M FY 2010 increased enrollment
- \$13.8 M Fund Equity, 8/31/2010 Report

<sup>2</sup> RLH Projects include \$100,000 for Towers flooring; \$150,000 for Quadrangle exterior sealing, and \$120,000 for Quadrangle Lounge. Other projects are funded within current operating budget. UC Projects are detailed on the attachment. CR Projects include \$22,000 for the intramural field repair; \$60,000 for the field and track; \$250,000 for Fitness Equipment lease; \$300,000 for the natatorium; \$100,000 for grounds elevator.

<sup>3</sup> The HVAC system at the UC needs work as well and early estimates indicate the cost will be several million dollars. Although the Legislature, the Student Government Association and the Board of Regents all approved a \$50 single fee increase effective Fall 2010, the proposed scope of work of the UC Transformation Project requires contributions from UC fund equity.

UNIVERSITY OF HOUSTON  
STUDENT AFFAIRS  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
40500-40699	Student Service Fees	\$ (15,682,352)	\$ (15,106,394)
40700-40999	Other Fees	(11,293,842)	(10,991,816)
55500-55999;56700-57999	Waivers & Expenses	277,757	338,532
41600-41899	Federal Grants & Contracts	(648,078)	(635,699)
41900-42099	Federal Pass Through Grants/Contracts	104	(29,330)
42100-42299	State Grants & Contracts	(129,747)	(127,599)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(415,997)	(404,866)
43500-43599	Endowment Income Distribution	(27,123)	(29,541)
43600-43630; 43634-43999	Sales & Services - E & G	(578,699)	(601,414)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(23,988,391)	(17,207,614)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(3,840)	(7,751)
50050-50099	Recovered Costs	(12,653)	(37,634)
Total Revenue		<u>\$ (52,502,861)</u>	<u>\$ (44,841,125)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 478,406	\$ 469,292
Total Cost of Goods Sold		<u>\$ 478,406</u>	<u>\$ 469,292</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 16,381,142	\$ 15,878,781
51000-51399	Fringe Benefits	3,420,294	3,219,925
Total Payroll		<u>\$ 19,801,437</u>	<u>\$ 19,098,706</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 13,030	\$ 153,366
52200-52399	General Services	1,254,181	1,549,776
52400-52499	Academic Service	32,667	86,842
52500-52599	Printing, Copying, & Reproduction	420,151	449,666
52600-52799	Utilities & Sanitation	4,690,990	4,301,086
52800-52999	Communication & Transportation	1,770,952	1,730,260
53000-53499	Advertising Promotion & Public	403,286	385,341
53500-53599	Rental Lease & Royalties	323,208	361,932
53600-53699	Maintenance	774	0
53700-53799	Routine Repair	509,731	491,690
53800-53849	Pass Through	28,298	0
53850-53899	Contracting Services	667,707	788,412
53900-53999	General Supplies	696,085	911,960
54000-54099	Lab Research Supplies	48,209	61,090
54100-54199	Health & Clinical Support	199,714	194,122
54200-54299	Construction Expenses	2,159	7,931
54300-54349	Facilities & Ground Support	321,797	271,437
54350-54449	Parts & Furnishing	836,997	884,066
54450-54549	Misc Supplies & Material	65,449	116,121
54550-54699	Legal Services	4,556	0
54700-54799	Financial Tax & License Cost	123,549	120,642
54800-54899	Other Recurring Expenses	1,282,296	1,570,350
54900-54999	Employee Expenses	100,251	133,288
55000-55199	Special Program & Events	343,172	361,255
55200-55299	Interscholastic Events	0	100
55300-55499	Financial Aid	182,247	6,612,427
56000-56499	Travel	259,766	236,784
56500-56599	Contracts & Grants	56,993	75,466
Total M&O		<u>\$ 14,638,216</u>	<u>\$ 21,855,411</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 9,221	\$ 181,715
Total Capital Outlay		<u>\$ 9,221</u>	<u>\$ 181,715</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 34,927,280</u>	<u>\$ 41,605,124</u>

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

# UNIVERSITY OF HOUSTON SYSTEM

## FOLLOW-UP STATUS REPORT

Actions Scheduled from October 1, 2010 to  
December 31, 2010

REPORT NO. AR2011-09

**UNIVERSITY OF HOUSTON SYSTEM  
FOLLOW-UP STATUS REPORT  
(Actions Scheduled from October 1, 2010, to December 31, 2010)**

**Board of Regents Audit Committee Meeting  
February 16, 2011**

**Table of Contents**

1. Report
2. Listing of Audit Reports Containing Management Action Plans
3. Follow-up Status Matrix

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
(Actions scheduled from October 1, 2010, to December 31, 2010)**

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented October 1, 2010, to December 31, 2010, in all audit reports with open recommendations. This status report addresses 38 management actions in 20 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 12 of these management actions have been completed, 25 partially implemented and 1 not implemented.

The main portion of this report is a follow-up status matrix which lists the report number, report title, action number, total actions in each report, estimated completion date, name/title/entity responsible for action, action to be taken and status. The status of the action items included in the matrix has been categorized as either ***Action Complete, Partially Implemented*** or ***Not Implemented***. In cases where the action item has been partially implemented or not implemented, an updated management's response with an estimated completion deadline is included in the status column, where appropriate.

The "Listing of Audit Reports Containing Management Action Plans" indicates all reports where management has addressed all actions in the action plan during the current fiscal year and all reports which are addressed in this status report. All of the management action plans for internal audit reports contain a footnote indicating that documentation of implementation of actions will be furnished to the Internal Auditing Department on the same date as the estimated completion date of the action being implemented.

---

Don F. Guyton  
Chief Audit Executive  
January 14, 2011

Attachment

**UNIVERSITY OF HOUSTON SYSTEM**  
**AUDIT REPORTS CONTAINING MANAGEMENT ACTION PLANS**  
**FOLLOW-UP STATUS**  
**FY 2011**

<u>Report Number</u>	<u>Report Date</u>	<u>REPORT TITLE</u>	<u>All Actions Complete Final Disposition Rept. No.</u>	<u>Some Actions Addressed in this Report</u>
<b><u>INTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u></b>				
AR1999-08	02/18/99	UH, Physical Plant Department, 3rd FU		X
AR 2005-25	08/03/05	Departmental Reviews		
AR2006-20	05/02/06	Departmental Reviews	AR2011-09	X
AR2008-08	11/15/07	UH Residential Life & Housing, Operational Review		
AR2008-17	04/28/08	College of Engineering, Departmental Reviews		X
AR2009-02	12/09/08	UH College of Technology - Departmental Reviews		
AR2009-12	02/10/09	UH NSM - Departmental Reviews		X
AR2009-17	04/14/09	UHD College of Sciences & Technology- Dept. Reviews	AR2011-09	X
AR2009-18	04/14/09	UH Division of Administration & Finance - Dept. Reviews		X
AR2009-20	04/14/09	UHD Information Securities Standards		
AR2009-22	08/11/09	UHS Facilities Development Project		X
AR2010-02	11/05/09	UHCL TAC 202		X
AR2010-03	11/05/09	UH TAC 202		X
AR2010-07	11/05/09	UH, CLASS - Departmental Reviews		X
AR2010-10	02/10/10	UH Foundation Review	AR2011-01	
AR2010-13	02/10/10	UHCL School of Business, Departmental Review	AR2011-09	X
AR2010-14	02/10/10	UHCL School of Science and Computer Engineering, Dept. Rev.	AR2011-09	X
AR2010-15	02/10/10	UHD College of Sciences & Technology Dept. Rev. - Follow-up		X
AR2010-17	05/12/10	UH Law Center, Departmental Reviews		X
AR2010-18	05/12/10	UH College of Architecture, Departmental Reviews		X
AR2010-21	05/12/10	UHCL School of Human Sciences & Humanities	AR2011-09	X
AR2010-25	08/11/10	UHCL Administration & Finance, Departmental Reviews	AR2011-01	
AR2010-26	08/11/10	UH Athletics, NCAA Rules-Compliance		X
AR2010-28	08/11/10	UH/UHD ARP Grants, 2007 Awards	AR2011-01	
SP2009-05	08/11/09	Job Order Contracts		X
<b><u>EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u></b>				
SAO Report #05-010	11/02/04	UH - The Protection of Confidential Information and Critical Systems		
SAO Report #10-328	03/01/10	Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2009	AR2011-09	X
CCM #0901	01/31/09	Calhoun Lofts Residence Hall Interim Construction Audit		X

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <b>High</b> <b>Medium</b> <b>Low</b>			
AR1999-08	UH, Physical Plant Department, 3rd FU	1a	4	12/31/2010	Carla Ponzio, Interim Executive Director of Payroll / HRMS	UH/UHS	Implement a campus-wide timekeeping system after the PeopleSoft system is implemented.	<b>Partially Implemented – Updated Management’s Response:</b> We plan to implement a campus-wide PeopleSoft time and labor module for non-exempt employees after the currently planned PeopleSoft upgrades have been completed. Estimated completion date: August 31, 2012.
AR2006-20	Departmental Reviews	1h	4	10/1/2010	Nancy Tuley Business Office Administrator Residential Life & Housing (CBO II)	UH	Restore deficit balances to zero or positive amounts and develop departmental procedures to help prevent spending funds that are unavailable.	<b>Action Complete</b>
AR2008-17	College of Engineering, Departmental Reviews	4f	25	12/31/2010	Betsy Roguer Department Business Administrator Civil and Environmental Engineering	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	<b>Partially Implemented – Management’s Updated Response:</b> The department has restored the deficit budgetary balances to a positive amount or zero for 13 of 26 grant cost centers. The department expects to restore the budgetary balances for the remaining 13 grant cost centers to a positive amount or zero by March 31, 2011.
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	21e	48	10/31/2010	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	<b>Partially Implemented – Updated Management’s Response:</b> The Office of Grants and Contracts (OCG) is working with the Department of Physics to clear the BBA on the expired awards. OGC’s initial focus was on the overall budget and cash issues with the awards. OGC began with the negative ones and is in the process of working its way down the list. Since the cash issues cannot be resolved as easily and as quickly as the budget issues, we will focus our attention on the budget issues (where there is over spending or under spending of the sponsor’s budgeted amount) to clear the BBA. Research Financial Services area will deal with the cash issues as part of an overall plan that is being developed to address these issues. Estimated completion date: February 28, 2011.



**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>			
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	22e	48	10/31/2010	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close expired HEAF cost centers.	<b>Partially Implemented – Updated Management’s Response:</b> The Office of Grants and Contracts (OCG) is working with the Department of Physics to clear the BBA on the expired awards. OGC’s initial focus was on the overall budget and cash issues with the awards. OGC began with the negative ones and is in the process of working its way down the list. Since the cash issues cannot be resolved as easily and as quickly as the budget issues, we will focus our attention on the budget issues (where there is over spending or under spending of the sponsor’s budgeted amount) to clear the BBA. Research Financial Services area will deal with the cash issues as part of an overall plan that is being developed to address these issues. Estimated completion date: February 28, 2011.
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	2c	20	10/15/2010	Carolyn Ivey Director Office of Sponsored Programs	UHD	Prepare a detailed report outlining each faculty member's sponsored project overpayment and work with the Office of the Vice Chancellor for Research and Intellectual Property to address the salary overpayments made from federal funds to faculty members with the sponsoring agencies to determine the appropriate actions to take regarding the allowability of these costs.	<b>Action Complete</b>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	15a	21	10/31/2010	Lisa Castro Department Business Administrator Plant Operations	UH	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<b>Partially Implemented: Updated Management’s Response:</b> The department has restored the deficit budgetary balances to a positive amount or zero for 7 of 16 project cost centers. The department expects to restore the budgetary balances for the remaining 9 project cost centers to a positive amount or zero by August 31, 2011.

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>			
AR2009-18	Departmental Reviews UH Division of Administration and Finance	16a	21	11/1/2010	Lisa Castro Department Business Administrator Plant Operations	UH	Notify the appropriate office of expired project/grant cost centers that remain in the financial system.	Action Complete
AR2009-18	Departmental Reviews UH Division of Administration and Finance	17b	21	10/1/2010	Lisa Castro Department Business Administrator Plant Operations	UH	Obtain reimbursement from a terminated employee for pay received after her termination date, in accordance with university policies.	Action Complete
AR2009-22	UHS Facilities Development Project	1b	24	12/31/2010	Melissa Rockwell Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	UHS	Modify SAM 01.B.07 to address THECB rules for construction projects and to define the roles and responsibilities for FP&C personnel and other institutional personnel to help ensure compliance with THECB rules.	Partially Implemented – Updated Management’s Response: Roles and responsibilities have been defined and posted on the project delivery website. Work with the consultant on process and guidelines continues. Estimated completion date: March 31, 2011.
AR2009-22	UHS Facilities Development Project	2b	24	12/31/2010	Melissa Rockwell Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	UHS	Develop and implement department policies and procedures for all aspects of construction project management to help ensure adequate management oversight and compliance with THECB rules.	Partially Implemented – Updated Management’s Response: Roles and responsibilities have been defined and posted on the project delivery website. Work with the consultant on process and guidelines continues. Estimated completion date: March 31, 2011.
AR2010-02	Information Security Standards	3	8	11/1/2010	John Cordary Associate Vice President for Finance	UHCL	Work with University Management to update UHCL’s Business Continuity Plan to include all business functions of the University, in accordance with TAC 202.	Partially Implemented – Management’s Updated Response: University management is in the process of developing the protocol for institutional and unit business continuity plans. Estimated completion date: August 31, 2012.
AR2010-02	Information Security Standards	4c	8	10/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Update minimum password length requirements based on industry best practices, and update Information Security Policies related to all changes in password requirements.	Action Complete
AR2010-02	Information Security Standards	5a	8	11/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Update Information Security Policies and Procedures to prohibit sending of individual’s name and restricted personal information via email unless the data is encrypted.	Action Complete

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>			
AR2010-03	Information Security Standards	5b	11	12/31/2010	Mary Dickerson Interim Executive Director, IT Security	UH	Facilitate University-wide coordination and planning related to management of college/division IT resources by developing technical guidelines and reference materials, providing training to college/division based technical support staff, and coordinating meetings of college/division information resource managers to help ensure IT resources are adequately managed at the college/division level, including compliance with TAC 202.	<b>Partially Implemented - Updated Management's Response:</b> UIT management has confirmed all appointments for the colleges. However, UIT is still in the process of working with some divisions to identify the staff responsible for management of IT resources, including compliance with TAC 202. UIT continues to facilitate meetings and provide training and resources to the appointed individuals in the colleges/divisions. Estimated completion date: March 1, 2011.
AR2010-03	Information Security Standards	6b	11	12/31/2010	Mary Dickerson Interim Executive Director, IT Security	UH	Perform and document a comprehensive security risk analysis of information resources, develop a security risk management plan, and obtain approval of the plan from the President (or her designee).	<b>Partially Implemented - Updated Management's Response:</b> A risk analysis has been conducted and documented for enterprise mission critical systems, as well as information resources for several colleges. Security risk analysis methodology and documentation for all information resources along with a management plan are in progress. The risk management plan is being incorporated into the annual security report to the President and will be included in the FY 10 report. Estimated completion date: February 1, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	4c	114	11/30/2010	Andrea Short Interim Director, Budget and Administration Dean's Office	UH	Work with the departments throughout the College to publicize all available scholarships on the College website; reduce excess equity balances in scholarship cost centers; and strengthen the scholarship procedures.	<b>Partially Implemented – Updated Management’s Response:</b> Information has only been updated on the Sociology website. The CBA will work with the College's new Communication Director to help ensure that all scholarships are publicized on the departments and college websites. Estimated completion date: March 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	39a	114	11/30/2010	Linda Garza & Elizabeth Shepard Department Business Administrators Dean's Office	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	<b>Partially Implemented – Updated Management’s Response:</b> Deficit balances still exist in fund groups 3000 and 5000 and fund group 2000 has a positive balance. All financial responsibility for the Moores School of Music (MSM) has been transferred to the CLASS Dean's Office. The Dean's Office administrative procedures have been implemented for MSM. Estimated completion date: March 31, 2011.

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>			
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	45c	114	11/30/2010	Linda Garza & Elizabeth Shepard Department Business Administrators Dean's Office	UH	Determine the amount of personal expenses that were inadvertently reimbursed to the faculty member and require the faculty member to repay the university for the personal expenses inadvertently reimbursed to him.	Action Complete
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	83a	114	11/30/2010	Lauren Neely Department Business Administrator Center for Public Policy	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	Not Implemented – Updated Management’s Response: Office of Dean is working with the Center for Public Policy to set up outstanding accounts receivable in cost centers. Estimated completion date: March 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	111a	114	11/30/2010	Norma Quinones Department Business Administrator Hispanic Studies Department	UH	Modify the fee purpose for the Language Acquisition Center fee to include expenditures that support the maintenance and operations of the Center, such as business meals and conference fees.	Partially Implemented – Updated Management’s Response: The request to modify the fee purpose for the Language Acquisition Center Fee to include expenditures such as travel and conference related costs for Director was submitted on October 18, 2010. The fees will be submitted for approval at the May 2011 Board of Regents meeting. Estimated completion date: May 31, 2011.
AR2010-13	School of Business, Departmental Review	5	6	11/15/2010	Ed Altemus Senior Business Coordinator School of Business	UHCL	Work with University Management to update UHCL's Business Continuity Plan to include all business functions of the School of Business.	Partially Implemented – Management’s Updated Response: University management is in the process of developing the protocol for institutional and unit business continuity plans. Estimated completion date: August 31, 2012. Note: No further work will be performed on this action item by Internal Audit at the unit level but at the institutional level only. See AR2010-02, Action No. 3.
AR2010-14	School of Science and Computer Engineering, Departmental Review	2	4	11/15/2010	Mike MacDonald Senior Business Coordinator School of Science and Computer Engineering	UHCL	Work with University Management to update UHCL's Business Continuity Plan to include all business functions of the School of Science and Computer Engineering.	Partially Implemented – Management’s Updated Response: University management is in the process of developing the protocol for institutional and unit business continuity plans. Estimated completion date: August 31, 2012. Note: No further work will be performed on this action item by Internal Audit at the unit level but at the institutional level only. See AR2010-02, Action No. 3.

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>			
AR2010-15	College of Sciences and Technology - Engineering Technology, Departmental Review Follow-up	1a	1	10/1/2010	Carolyn Ivey Director Office of Sponsored Programs	UHD	Develop procedures to help ensure that, on an annual basis, all academic staff members engaging in sponsored projects are certifying their knowledge of and compliance with the conflict of interest policy of the University.	<i>Partially Implemented – Updated Management’s Response:</i> The Director for the Office of Sponsored Programs (OSP) has compiled a listing of applicable academic staff members that are required to complete an annual Conflict of Interest Form (COI). The COI forms have been submitted to the academic staff members and are to be completed and returned to the Director for OSP by January 31, 2011. The Director for OSP is also working with the web master to update the OSP website to include information about the COI Form; specifically, personnel required to complete the COI form; COI form reviews and approvals; and completion and submission deadlines to the OSP. Estimated Completion date is March 31, 2011.
AR2010-17	Departmental Reviews UH Law Center	2a	13	12/31/2010	Mybao Nguyen Director of College Business Operations	UH	Implement procedures requiring department heads to review and approve cost center verifications, update the University's financial system to reflect the appropriate cost center manager, and obtain the appropriate delegated authority to review and approve cost center verifications for the Dean.	<i>Action Complete</i>
AR2010-18	Departmental Review College of Architecture	2a	7	11/30/2010	Mary Benham College Business Administrator	UH	Restore deficit budgetary balance to zero or positive amount, and implement procedures to prevent spending funds that are not available.	<i>Action Complete</i>
AR2010-18	Departmental Review College of Architecture	4a	7	11/30/2010	David Brashear Manager, Information Systems and Services	UH	Modify policies and procedures for the management of the College's information technology resources, in accordance with university policies and the Texas Administrative Code, Section 202.	<i>Action Complete</i>
AR2010-18	Departmental Review College of Architecture	5a	7	10/1/2010	David Brashear Manager, Information Systems and Services	UH	Work with the University Information Technology Department to relocate the College's file and web servers to the Computing Center and/or obtain file space on a University server to help ensure data is backed-up and stored off-site and that there are adequate environmental controls over the equipment.	<i>Partially Implemented – Management’s Updated Response:</i> The file servers have been moved to the central computing center and the web servers are in the process of being moved. Estimated completion date: February 28, 2011.

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action			Action To Be Taken	Status
					Name / Title		Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>				
AR2010-18	Departmental Review College of Architecture	6a	7	10/1/2010	David Brashear Manager, Information Systems and Services	UH	Conduct and document a security risk assessment of its information resources to identify the risks associated with its information resources and to implement controls, as appropriate, to help ensure that assets and information is safeguarded according to its value/sensitivity.	Action Complete	
AR2010-21	Departmental Review School of Human Sciences and Humanities	3	3	11/15/2010	Susanne Clark Senior Business Coordinator	UHCL	Work with University Management to update UHCL's Business Continuity Plan to include all business functions of the School of Human Sciences and Humanities	Partially Implemented – Management’s Updated Response: University management is in the process of developing the protocol for institutional and unit business continuity plans. Estimated completion date: August 31, 2012. Note: No further work will be performed on this action item by Internal Audit at the unit level but at the institutional level only. See AR2010-02, Action No. 3.	
AR2010-26	Athletics NCAA Rules- Compliance	1	5	11/30/2010	Kevin Klotz Associate Athletics Director of Compliance & Eligibility Athletics Department	UH	Ensure that recruiting records are collected and maintained for all prospective student athletes, in accordance with the Athletic Compliance policies and procedures.	Partially Implemented – Updated Management’s Response: The coaches will be educated on the responsibility of maintaining records on prospective student athletes via training and meetings. This information will be included in the Athletics manual. Estimated completion date: May 31, 2011	
AR2010-26	Athletics NCAA Rules- Compliance	2	5	11/30/2010	T.J. Meagher Associate Athletics Director for Internal Operations/Chief Financial Officer Athletics Department	UH	Update the Athletic Travel Policy to help ensure that it is in agreement with the NCAA regulations.	Partially Implemented – Updated Management’s Response: The Athletics Office Travel Policy will be updated to implement documentation procedures which will require roster, departure/return dates and times and brief educational language pertaining to permissible expenses as well as reasonable entertainment. Estimated completion date: May 31, 2011.	
AR2010-26	Athletics NCAA Rules- Compliance	3	5	11/30/2010	Kevin Klotz Associate Athletics Director of Compliance & Eligibility Athletics Department	UH	Work with the Sport Administrators to obtain all camp and clinic documentation to conduct a thorough review of the administration of the camp/clinic in order to make the Athletics Director, camp director or head coach and the camp director’s or head coach’s direct supervisor aware of any concerns related to the administration of the camp/clinic, including potential violations of NCAA legislation, in accordance with Athletic Compliance policies and procedures.	Partially Implemented – Updated Management’s Response: The new procedures will adjust the preliminary approval process to require compliance authorization to reserve facilities for camp or clinic activities. By making this an integral step within the process, coaches will have early exposure and emphasis on policies and procedures involving camp activities. Reserving facilities is the first step in officially establishing a camp or clinic. The procedures will be included in the Athletics manual. Estimated completion date: May 31, 2011.	

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: <span>High</span> <span>Medium</span> <span>Low</span>			
AR2010-26	Athletics NCAA Rules-Compliance	4	5	11/30/2010	T.J. Meagher Associate Athletics Director for Internal Operations/Chief Financial Officer Athletics Department	UH	Develop procedures to ensure that all funds received are deposited into the institution's bank accounts and all revenues and expenditures are recorded in the University's financial system, and that a reconciliation of camp/clinic records is performed to help ensure all camp/clinic revenues and expenditures are recorded in the University's financial system, in accordance with university policies.	<b>Partially Implemented – Updated Management's Response:</b> The Athletics Office is now requiring a meeting at the beginning of each camp or clinic cycle to ensure all monies are collected and deposited with the institution. The meeting would also educate coaches about the audit procedures required at the end of the camp or clinic operations including reconciling revenues and expenditures. Process would serve both University and NCAA guidelines. The new procedures will be included in the Athletics manual. Estimated completion date: May 31, 2011.
AR2010-26	Athletics NCAA Rules-Compliance	5	5	11/30/2010	Kevin Klotz Associate Athletics Director of Compliance & Eligibility Athletics Department	UH	Obtain documented prior written approval to operate all camps/clinics and on Student-Athlete Employment Approval Forms for all student-athletes that plan to work at camps/clinics, in accordance with Athletic Compliance policies and procedures.	<b>Partially Implemented – Updated Management's Response:</b> The Athletics Office is now requiring a meeting at the beginning of each camp or clinic cycle to ensure all monies are collected and deposited with the institution. The meeting would also educate coaches about the audit procedures required at the end of the camp or clinic operations including reconciling revenues and expenditures. Process would serve both University and NCAA guidelines. The new procedures will be included in the Athletics manual. Estimated completion date: May 31, 2011.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	1a	15	12/31/2010	Melissa Bellini Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	UH	Modify/develop departmental policies and procedures for construction management to address process for audits and related protocol.	<b>Partially Implemented – Updated Management's Response:</b> Audits are currently being completed on major capital projects and this policy will be modified in conjunction after all project delivery guidelines are completed in 3/31/11. JOC program policies and procedures have been fully completed but secondary policy updates will occur with the remainder of the project delivery project in March of 2011. Estimated Completion Date: March 31, 2011.
SP2009-05	Job Order Contracts	1c	4	12/31/2010	Melissa Rockwell Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	UHS	Modify SAM 03.C.03, Repair and Construction Funds, to require the AVC/AVP for Plant Operations to promulgate rules and procedures for repair and construction projects that comply with the Texas Education Code.	<b>Partially Implemented – Updated Management's Response:</b> This policy will be modified after all project delivery guidelines are completed. JOC program policies and procedures have been fully completed but secondary policy updates will occur with the remainder of the project delivery project in March 2011. Estimated completion date: March 31, 2011.
SAO Report #10-328	Federal Portion of the Statewide Single Audit	4a	8	10/1/2010	Mary Comerota, Assistant Director of IT Javaria Saeed, ERP Application Administrator 2	UH	Limit access to the generic ID only to the batch processing functionality.	<b>Action Complete</b>

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

### UNIVERSITY OF HOUSTON

### FOOTBALL ATTENDANCE 2010 SEASON

REPORT NO. AR2011-10



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
FOOTBALL ATTENDANCE, 2010 SEASON**

**BACKGROUND:**

NCAA Bylaw 20.9.7.3 Football–Attendance Requirements [FBS], states that “once every two years on a rolling basis, the institution shall average at least 15,000 in actual or paid attendance for all home football games.”

NCAA Bylaw 20.9.7.3.1.2 Paid Attendance, states that “for purposes of computing paid attendance figures, tickets must be sold for at least one-third of the highest regular established ticket price as established prior to the season, regardless of whether they are used for admission. Tickets sold at less than one-third of the highest regular established price may be counted as paid attendance only if they are used for admission.” The NCAA interpretations of this Bylaw allow students who pay athletic fees to be included in the paid attendance counts if they attend the event.

NCAA Bylaw 20.9.7.3.1.2.1 Student Attendance, states that “student attendance must be verified through one of the following methods:

- (a) Such students are issued tickets that are collected on admission to the game and retained;
- (b) Such students enter through and are counted by a turnstile (which is not used by others in attendance) that is monitored by a representative of the department of athletics who verifies in writing the accuracy of the count on a per-game basis; or
- (c) Such students enter through a gate (which is not used by others in attendance) at which a representative of the department of athletics counts them individually with a manual counter, and the representative provides a written statement verifying the accuracy of the count on a per-game basis.” (**Note:** Method (c) used by UH Athletics.)

NCAA Bylaw 20.9.7.3.1.2.1.1 Noncounted Students, states that “student-athletes and cheerleaders scheduled by the institution to be at the game and students performing services at the stadium (e.g., concessionaries, ticket takers, parking-lot attendants, ushers, groundskeepers) shall not be counted toward meeting the attendance requirements.”

NCAA Bylaw 20.9.7.3.2 Certified Audit, states that “in meeting the football-attendance requirements of the Football Bowl Subdivision, an institution must undertake an annual certified audit verifying its football attendance.”

**OBJECTIVE:**

The objective of our review was to certify attendance for each home football game as required by NCAA Bylaws.

## SCOPE OF WORK:

We reviewed the 2010-11 NCAA Bylaw 20.9.7.3, Football–Attendance Requirements, and interviewed management personnel of the Department of Athletics and worked with the contracted event personnel during the games. We also performed other audit procedures as necessary.

## RESULTS:

The table below details paid attendance (as defined by NCAA Bylaws and interpretations) at home games for the 2010 season. The table is a summary of the calculation for paid attendance certified by the Athletics Department and the Internal Auditing Department.

### 2010 Houston Cougar Football Home Game Season

<u>Date</u>	<u>Opponent</u>	<u>Paid Attendance</u>
9/4/10	Texas State	25,443
9/10/10	UTEP	25,092
9/25/10	Tulane	20,530
10/9/10	Mississippi State	22,946
11/5/10	UCF	20,517
11/13/10	Tulsa	21,091
Average Home Game Paid Attendance:		<u>22,603</u>

## CONCLUSION:

The average paid attendance for the 2010 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).

---

Don F. Guyton  
Chief Audit Executive  
November 22, 2010

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF OPTOMETRY  
DEPARTMENTAL REVIEW

REPORT NO. AR2011-11

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
COLLEGE OF OPTOMETRY  
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Optometry. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:

- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- College Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
October 25, 2010

**University of Houston System  
Internal Auditing Department**

**University of Houston  
College of Optometry  
Departmental Review**

<b>Compliance Area</b>	
Management Oversight	✓
Operational Activities	NA
Policies, Procedures, Required Training, And Reporting	✓
Cost Center Management	(2)
Payroll	✓
Human Resources	(1)
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	(1)
Departmental Expenses	(1)
Contract Administration	(1)
Property Management	✓
Departmental Computing	✓
Scholarships	(1)
Incidental And Lab Fees	✓
Research	✓

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of Instances of Non-compliance**
- N/A **Not Applicable**

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UH  
COLLEGE OF OPTOMETRY  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

**COST CENTER MANAGEMENT**

- Project/grant cost centers had deficit budgetary balances. \*
- Inactive cost centers were not deactivated. \*

**HUMAN RESOURCES**

- An ePAR was not prepared and submitted to Human Resources timely.

**PROCUREMENT AND TRAVEL CARDS**

- A Travel Card expense report was not approved by the certifying signatory by the 20th of the month.

**DEPARTMENTAL EXPENSES**

- Bank routing and account numbers were not removed/obliterated prior to the documents being uploaded to PeopleSoft.

**CONTRACT ADMINISTRATION**

- A contract and contract cover sheet were not approved prior to the contract effective date.

**SCHOLARSHIPS**

- Scholarship cost centers had excessive year-end equity balances. \*

**University of Houston System  
Internal Auditing Department**

**University of Houston  
College of Optometry  
Background Information**

**The Dean provided the following background on the College of Optometry:**

The College of Optometry (College) is comprised of four administrative units, which includes the Department of Vision Sciences, Department of Clinical Sciences, the University Eye Institute and the Graduate Program in Physiological Optics (M.S. & Ph.D.) The first three components noted make up the professional program (Doctor of Optometry-O.D.). The College also has 12-month Residency Programs (post-doctoral clinical training) in Cornea and Contact Lenses, Family Practice, Low Vision, Ocular Disease, and Pediatrics. Continuing education of practicing optometrists in Texas is also a responsibility of the College.

The College was founded in 1952 and is one of 2 Colleges of Optometry in Texas and the Southwest; it is one of 20 schools and colleges of optometry in the United States. The College has a four-year post-baccalaureate professional program that admits 100 students per year. The College generates approximately 18,000 semester credit hours per year with a student body of approximately 420 professional and graduate students.

The University Eye Institute and its affiliated clinics and services provide on-campus and community-based laboratories for the professional students and residents to diagnose and treat vision and eye problems under the direct supervision of expert clinicians. The clinics also provide a wealth of patient-related data for public health research regarding the incidence and prevalence of vision conditions and the efficacy of treatment regiments.

**Budget/Financial Summary:**

During fiscal year 2011, with a faculty of 64 FTE and staff of 108 FTE, the College administered 260 cost centers with an operating budget of \$22,056,651.

The following table presents the fund balance reconciliation for the College for FY 2010:

Beginning Fund Balance (9/1/09)	\$ 6,214,881
Revenues	14,964,170
Expenditures	(21,882,958)
Transfers/Other	7,345,688
Ending Balance (8/31/10)	<u>\$ 6,641,781</u>

UNIVERSITY OF HOUSTON  
COLLEGE OF OPTOMETRY  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
40100-40299	Student Tuition	\$ (2,713,205)	\$ 0
40300-40499	Designated Tuition	(1,315,576)	(1,096,861)
40700-40999	Other Fees	(680,056)	(486,341)
55500-55999;56700-57999	Waivers & Expenses	7,720	4,563
41600-41899	Federal Grants & Contracts	(4,678,957)	(3,832,122)
41900-42099	Federal Pass Through Grants/Contracts	(69,992)	(61,194)
42100-42299	State Grants & Contracts	(33,701)	(74,977)
42500-42699	Local Grants & Contracts	0	(7,700)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(1,652,612)	(1,841,366)
43500-43599	Endowment Income Distribution	(94,425)	(101,549)
43600-43630; 43634-43999	Sales & Services - E & G	(3,731,843)	(3,324,606)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(10)	(20)
50050-50099	Recovered Costs	(1,514)	(1,953)
Total Revenue		<u>\$ (14,964,170)</u>	<u>\$ (10,824,125)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 1,160,263	\$ 992,356
Total Cost of Goods Sold		<u>\$ 1,160,263</u>	<u>\$ 992,356</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 13,868,834	\$ 13,339,401
51000-51399	Fringe Benefits	1,549,395	479,924
Total Payroll		<u>\$ 15,418,228</u>	<u>\$ 13,819,325</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 76,508	\$ 113,083
52200-52399	General Services	89,309	53,121
52400-52499	Academic Service	60,752	45,488
52500-52599	Printing, Copying, & Reproduction	49,816	50,728
52800-52999	Communication & Transportation	192,512	185,256
53000-53499	Advertising Promotion & Public	55,506	82,809
53500-53599	Rental Lease & Royalties	82,025	115,494
53700-53799	Routine Repair	202,655	146,641
53800-53849	Pass Through	167,736	85,612
53850-53899	Contracting Services	77,564	188,222
53900-53999	General Supplies	323,487	315,399
54000-54099	Lab Research Supplies	485,503	559,031
54100-54199	Health & Clinical Support	52,370	55,757
54200-54299	Construction Expenses	1,926	2,407
54300-54349	Facilities & Ground Support	4,437	2,786
54350-54449	Parts & Furnishing	310,865	596,927
54450-54549	Misc Supplies & Material	10,820	10,475
54550-54699	Legal Services	2,280	4,580
54700-54799	Financial Tax & License Cost	82,932	74,366
54800-54899	Other Recurring Expenses	276,704	257,541
54900-54999	Employee Expenses	57,216	57,053
55000-55199	Special Program & Events	34,962	37,015
55200-55299	Interscholastic Events	0	300
55300-55499	Financial Aid	296,376	279,598
56000-56499	Travel	277,831	268,304
56500-56599	Contracts & Grants	1,395,564	1,086,964
Total M&O		<u>\$ 4,667,655</u>	<u>\$ 4,674,956</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 636,811	\$ 902,286
Total Capital Outlay		<u>\$ 636,811</u>	<u>\$ 902,286</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 21,882,958</u>	<u>\$ 20,388,922</u>



UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON VICTORIA

DIVISION OF  
ADMINISTRATION & FINANCE  
DEPARTMENTAL REVIEWS

REPORT NO. AR2011-12

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON - VICTORIA  
DIVISION OF ADMINISTRATION AND FINANCE  
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed six departmental reviews in the Division of Administration and Finance. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:

- Compliance Matrix
- Instances of Non-Compliance
- Division Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
October 20, 2010

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
Division of Administration and Finance  
Departmental Reviews**

<b>Compliance Area</b>	<b>A&amp;F &amp; Budget Office</b>	<b>Business Services</b>	<b>Facilities Services</b>	<b>Finance</b>	<b>Information Technology</b>	<b>Marketing</b>
Management Oversight	✓	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	✓	✓	(1)	✓	(1)	✓
Cost Center Management	✓	✓	✓	✓	✓	✓
Payroll	✓	(1)	✓	(1)	✓	(1)
Human Resources	✓	✓	✓	✓	✓	✓
Change Funds And Cash Receipts	N/A	✓	✓	✓	✓	(1)
Procurement And Travel Cards	✓	✓	✓	✓	✓	✓
Departmental Expenses	✓	✓	✓	✓	✓	✓
Contract Administration	(1)	(1)	✓	N/A	✓	✓
Property Management	✓	✓	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓	✓	✓
Scholarships	N/A	N/A	N/A	N/A	N/A	N/A
Incidental And Lab Fees	N/A	N/A	N/A	N/A	N/A	N/A
Research	✓	N/A	N/A	N/A	N/A	N/A

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of Instances of Non-Compliance**
- N/A **Not Applicable**

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV, DIVISION OF ADMINISTRATION AND FINANCE  
ADMINISTRATION AND FINANCE, AND BUDGET OFFICE  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**CONTRACT ADMINISTRATION**

- A contract was not signed by all parties prior to the contract effective date.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV ADMINISTRATION & FINANCE – BUSINESS SERVICES  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- Employees worked additional hours after signing and dating their time and effort reports.

**CONTRACT ADMINISTRATION**

- Contracts were not signed by all parties prior to the effective date.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV, DIVISION OF ADMINISTRATION AND FINANCE  
FACILITIES SERVICES  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, AND REPORTING**

- Required annual role-based training was not completed by all applicable employees.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV, DIVISION OF ADMINISTRATION AND FINANCE  
FINANCE  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- An employee worked additional hours after signing and dating their time and effort report.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV, DIVISION OF ADMINISTRATION AND FINANCE  
INFORMATION TECHNOLOGY  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual role-based training was not completed by all applicable employees.



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV, DIVISION OF ADMINISTRATION AND FINANCE  
MARKETING  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**PAYROLL**

- An employee worked additional hours after signing and dating their time and effort report.

**CHANGE FUNDS AND CASH RECEIPTS**

- Receipts totaling \$100 or more were not deposited within one working day after receipt.

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
Division of Administration and Finance  
Background Information**

**The Vice President provided the following background on the Division of Administration and Finance:**

The Administration and Finance Division is charged with fulfillment of the financial, operational, technological, public relations, and physical plant needs of the University. A stewardship role is found in the essential day-to-day operations. This Division is committed to providing the best possible services to the faculty, staff, and students of this institution.

As a state-supported institution of higher education, the University receives the largest portion of its operational funds from state appropriations. By being a public institution, the functions of this Division are being continuously scrutinized by outside governmental agencies. Thus, planning is a way of life in this Division. Ongoing assessments come from compliance with state laws, state audits, the state's budgetary and appropriation process, and state oversight authorities. In addition, this institution and this Division must also comply with policies, rules and regulations set forth by federal and state agencies, the UH System Board of Regents, the UH System Administration, and the President's Cabinet. UH System Internal Auditors and the user community are continually providing feedback on this Division's operations. The Vice President for Administration and Finance is appointed by the University of Houston System Board of Regents upon the recommendation of the President of the UH-Victoria campus. The Vice President reports to the President. The functional organizational chart indicates the functional breakdown of each major area.

Recent Accomplishments of the Division include:

- Developed an extensive "Destination University" plan and outlining the economical benefits of downward expansion for the community, the region, and the state.
- Developed a Business Plan to determine feasibility of providing student housing for incoming freshmen and sophomore students.
- Purchased and renovated property, 2705 E Houston Highway into Jaguar Hall (student residential housing).
- Hired additional security personnel to oversee the safety and well being of student population.
- Implemented a plan to provide better customer service to students who have IT or Blackboard issues after 6 pm.

- Implemented access cards which also serve as ID cards. Coordinated implementation with Human Resources, Business Services, and Facilities to insure smooth transition from key lock entry to card entry.
- Successfully launched the freshmen marketing campaign resulting in enrollment of 303 freshmen and sophomores which exceeded expectations.
- Negotiated an option with a local vendor to provide internet service in the event of a LEARN fiber break or interruption in service. This options provides UHV with uninterrupted service to continue working during fiber downtime.
- Continued to provide the essential tools to faculty and staff, including the most updated version of software for more efficient productivity. Also initiated measures requiring a more secure password be in use by early Spring 2010 to protect employee and university information.
- Implemented Photo ID for Higher One Card used by students.
- Implemented new procedures campus wide for accepting credit card payments as outlined to remain in PCI compliance.
- Established professional and personal growth opportunities to faculty and staff to maintain an effective and efficient working atmosphere.
- Developed process for tracking mandatory reporting.

### **Budget/Financial Summary:**

During Fiscal Year 2010, with a total FTE of 72, the Division of Administration and Finance had an operating M&O budget of \$21 million. This includes the administration of 444 cost centers.

The following table presents the fund balance reconciliation for the Division for FY 2010:

Beginning Fund Balance (9/1/10)	\$ (7,080,279)
Revenues	38,390,618
Expenditures	(23,257,900)
Transfers/Other	9,083,222
Ending Balance (8/31/10)	<u>\$ 17,135,661</u>

UNIVERSITY OF HOUSTON - VICTORIA  
DIVISION OF ADMINISTRATION AND FINANCE  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
40100-40299	Student Tuition	\$ (5,438,315)	\$ (4,634,854)
40300-40499	Designated Tuition	(7,328,287)	(5,823,344)
40700-40999	Other Fees	318,940	(1,236,759)
55500-55999;56700-57999	Waivers & Expenses	313,678	262,364
41100-41499	State Appropriations	(20,164,607)	(20,587,227)
41600-41899	Federal Grants & Contracts	(4,829,919)	(1,213,850)
41900-42099	Federal Pass Through Grants/Contracts	38,578	48,854
42100-42299	State Grants & Contracts	(1,120)	(20,775)
42300-42499	State Pass Through - Other State Agencies	(803,668)	(683,923)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	57,173	(26,350)
43300-43499	Other Investment Income	(202,624)	(318,294)
43500-43599	Endowment Income Distribution	(214,418)	(215,166)
43600-43630; 43634-43999	Sales & Services - E & G	(130,822)	(102,325)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(858)	120,226
44429-44439; 44441-45999; 49504	Other Revenue Sources	(4,350)	(34,622)
Total Revenue		<u>\$ (38,390,618)</u>	<u>\$ (34,466,046)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 1,250
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 1,250</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 3,871,800	\$ 3,214,104
51000-51399	Fringe Benefits	3,999,782	3,594,766
Total Payroll		<u>\$ 7,871,582</u>	<u>\$ 6,808,870</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 41,185	\$ 96,702
52200-52399	General Services	124,696	137,145
52400-52499	Academic Service	(7,505)	(1,757)
52500-52599	Printing, Copying, & Reproduction	19,270	16,990
52600-52799	Utilities & Sanitation	392,732	333,744
52800-52999	Communication & Transportation	140,045	109,686
53000-53499	Advertising Promotion & Public	226,289	163,913
53500-53599	Rental Lease & Royalties	375,485	347,131
53700-53799	Routine Repair	273,682	158,210
53850-53899	Contracting Services	2,200,614	1,499,423
53900-53999	General Supplies	71,435	90,480
54000-54099	Lab Research Supplies	100	0
54100-54199	Health & Clinical Support	74	1,685
54200-54299	Construction Expenses	14,024	10,288
54300-54349	Facilities & Ground Support	89,656	72,318
54350-54449	Parts & Furnishing	573,339	456,218
54450-54549	Misc Supplies & Material	3,256	1,079
54550-54699	Legal Services	9,544	3,837
54700-54799	Financial Tax & License Cost	159,518	94,237
54800-54899	Other Recurring Expenses	10,785	45,129
54900-54999	Employee Expenses	39,871	61,153
55000-55199	Special Program & Events	14,524	9,432
55300-55499	Financial Aid	2,388,543	1,217,176
56000-56499	Travel	42,347	47,364
59000-59999	USAS Pass Through	(51,832)	(74,451)
Total M&O		<u>\$ 7,151,677</u>	<u>\$ 4,897,131</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 8,234,642	\$ 934,207
Total Capital Outlay		<u>\$ 8,234,642</u>	<u>\$ 934,207</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 23,257,900</u>	<u>\$ 12,641,458</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON VICTORIA

OFFICE OF THE PROVOST  
DEPARTMENTAL REVIEWS

REPORT NO. AR2011-13

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON - VICTORIA  
OFFICE OF THE PROVOST  
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed eight departmental reviews in the Office of the Provost. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the departments reviewed were not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:

- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- Division Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
November 8, 2010

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
Office of the Provost  
Departmental Reviews**

<b>Compliance Area</b>	<b>Provost &amp; Inst. Research</b>	<b>Academic Center</b>	<b>Financial Aid</b>	<b>Library</b>
Management Oversight	✓	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	(1)	(1)	✓	✓
Cost Center Management	✓	✓	✓	(1)
Payroll	✓	(1)	✓	(1)
Human Resources	✓	✓	✓	✓
Change Funds And Cash Receipts	(1)	✓	(1)	✓
Procurement And Travel Cards	(1)	✓	(1)	(1)
Departmental Expenses	✓	(1)	✓	✓
Contract Administration	✓	✓	N/A	✓
Property Management	(1)	✓	✓	✓
Departmental Computing	✓	✓	✓	✓
Scholarships	N/A	N/A	N/A	N/A
Incidental And Lab Fees	N/A	N/A	N/A	N/A
Research	N/A	N/A	N/A	✓

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of Instances of Non-Compliance**
- N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
Office of the Provost  
Departmental Reviews**

<b>Compliance Area</b>	<b>SBDC</b>	<b>Admissions &amp; Records</b>	<b>L.E.A.D.</b>	<b>Student Services</b>
Management Oversight	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	✓	(1)	✓	✓
Cost Center Management	✓	(1)	(1)	✓
Payroll	✓	✓	✓	✓
Human Resources	✓	✓	✓	✓
Change Funds And Cash Receipts	✓	✓	✓	(1)
Procurement And Travel Cards	✓	(1)	(1)	✓
Departmental Expenses	✓	✓	✓	✓
Contract Administration	✓	N/A	✓	✓
Property Management	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓
Scholarships	N/A	N/A	N/A	✓
Incidental And Lab Fees	N/A	N/A	N/A	N/A
Research	✓	N/A	N/A	✓

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of Instances of Non-Compliance**
- N/A **Not Applicable**



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV  
PROVOST OFFICE  
PROVOST OFFICE AND RESEARCH DEVELOPMENT  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Related Party Disclosure forms were not completed by all applicable employees.

**CHANGE FUNDS AND CASH RECEIPTS**

- Cash receipts greater than \$100 was not deposited within one working day of receipt.

**PROCUREMENT AND TRAVEL CARDS**

- Travel Request form was not completed prior to an employee's travel.

**PROPERTY MANAGEMENT**

- Request for Authority to Remove Property from Campus forms are not being renewed annually.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV  
PROVOST OFFICE  
ACADEMIC CENTER AND CAREER SERVICES  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual role-based training was not completed by all applicable employees.

**PAYROLL**

- Employees worked additional hours after signing and dating their time and effort reports.

**DEPARTMENTAL EXPENSES**

- A travel reimbursement voucher was approved more than 60 days after travel.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV  
PROVOST OFFICE  
FINANCIAL AID OFFICE  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**CHANGE FUNDS AND CASH RECEIPTS**

- Cash receipts greater than \$100 was not deposited within one working day of receipt.

**PROCUREMENT AND TRAVEL CARDS**

- Pro-Card expense reports are not signed by the cardholder, approved by the cardholder's supervisor, and uploaded into PeopleSoft by the 15<sup>th</sup> of the month.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV  
PROVOST OFFICE  
LIBRARY  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

**COST CENTER MANAGEMENT**

- Cost center verifications are not performed on a monthly basis.\*

**PAYROLL**

- Payroll registers are not being reviewed to help ensure employee earnings and leave records are accurate.\*

**PROCUREMENT AND TRAVEL CARDS**

- Pro-Card expense reports are not signed by the cardholder, the cardholder's supervisor, and are not uploaded into PeopleSoft by the 15th of the month.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV  
PROVOST OFFICE  
OFFICE OF ADMISSIONS AND RECORDS  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Required annual role-based training was not completed by all applicable employees.

**COST CENTER MANAGEMENT**

- Cost center verifications are not performed on a monthly basis.\*

**PROCUREMENT AND TRAVEL CARDS**

- A Pro-Card expense report was not approved by the cardholder supervisor and uploaded into PeopleSoft by the 15th of the month.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHV  
PROVOST OFFICE  
L.E.A.D AND STUDENT RECRUITMENT  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

**COST CENTER MANAGEMENT**

- Cost center verifications are not performed on a monthly basis.\*

**PROCUREMENT AND TRAVEL CARDS**

- A Pro-Card expense report was not signed by the cardholder, approved by the cardholder supervisor, and uploaded into PeopleSoft by the 15<sup>th</sup> of the month.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW**

**UHV**

**PROVOST OFFICE**

**STUDENT ACTIVITIES & SERVICES AND STUDENT SUCCESS & ENROLLMENT  
MANAGEMENT**

**INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**CHANGE FUNDS AND CASH RECEIPTS**

- Cash receipts are not being deposited in a timely manner.

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
Office of the Provost  
Background Information**

**The Provost provided the following background on the Office of the Provost:**

The departments within the Office of the Provost include: School of Arts & Sciences, School of Business Administration, School of Education and Human Development, School of Nursing, Institutional Research, Research Administration, Library, and Student Success and Enrollment Management.

The Office of the Provost provides oversight, guidance, and support for:

- Academic program development and delivery,
- Academic policy and its implementation,
- Instruction and research efforts of the faculty,
- Faculty development and evaluation,
- Learning support and instructional support services,
- Enrollment and student services,
- Institutional research, planning, and assessment,
- Academic administration including structure, policies, and processes, and
- Library services.

Recent Accomplishments include:

- Implemented changes to academic programs and policies, as needed to address new programs, downward expansion, and external mandates,
- Increased external grant applications by 68% and received over \$2.8 million in sponsored funding,
- Developed process for tracking faculty research and service contributions,
- Continued to support recruitment and advising efforts of schools and student services, including the development of web-based student resources, and
- Continued support of Blackboard and other instructional technologies, including AdobeConnect and Turnitin.



**Budget/Financial Summary:**

During Fiscal Year 2010, with a total FTE of 236, the Office of the Provost had an operating M&O budget of \$17.9 million. This includes the administration of 533 cost centers.

The following table presents the fund balance reconciliation for the Division for FY 2010:

Beginning Fund Balance (9/1/10)	\$ 2,057,276
Revenues	3,250,514
Expenditures	(17,982,170)
Transfers/Other	16,100,290
Ending Balance (8/31/10)	<u>\$ 3,425,910</u>

UNIVERSITY OF HOUSTON - VICTORIA  
PROVOST OFFICE  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
40700-40999	Other Fees	\$ (258,094)	\$ (212,923)
55500-55999;56700-57999	Waivers & Expenses	6,223	5,950
41100-41499	State Appropriations	(1,014,425)	(837)
41600-41899	Federal Grants & Contracts	(10,718)	(15,488)
41900-42099	Federal Pass Through Grants/Contracts	(406,236)	(353,196)
42100-42299	State Grants & Contracts	(175,191)	(98,418)
42300-42499	State Pass Through - Other State Agencies	(98,992)	(17,310)
42500-42699	Local Grants & Contracts	(23,871)	0
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(1,091,499)	(963,093)
43500-43599	Endowment Income Distribution	(33,850)	(35,807)
43600-43630; 43634-43999	Sales & Services - E & G	(129,616)	(107,745)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(14,243)	(25,726)
Total Revenue		<u>\$ (3,250,514)</u>	<u>\$ (1,824,593)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 14,621,538	\$ 13,340,733
51000-51399	Fringe Benefits	422,855	454,912
Total Payroll		<u>\$ 15,044,393</u>	<u>\$ 13,795,645</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 5,730	\$ 27,588
52200-52399	General Services	36,256	51,976
52400-52499	Academic Service	48,155	24,610
52500-52599	Printing, Copying, & Reproduction	92,650	49,720
52600-52799	Utilities & Sanitation	2,061	1,300
52800-52999	Communication & Transportation	378,763	365,228
53000-53499	Advertising Promotion & Public	235,820	145,692
53500-53599	Rental Lease & Royalties	101,433	85,863
53700-53799	Routine Repair	109,029	56,449
53850-53899	Contracting Services	49,364	111,907
53900-53999	General Supplies	320,164	247,269
54000-54099	Lab Research Supplies	1,899	7,769
54100-54199	Health & Clinical Support	59	70
54300-54349	Facilities & Ground Support	385	692
54350-54449	Parts & Furnishing	165,810	263,952
54450-54549	Misc Supplies & Material	23,214	15,538
54550-54699	Legal Services	3,841	0
54700-54799	Financial Tax & License Cost	1,564	870
54800-54899	Other Recurring Expenses	71,226	101,417
54900-54999	Employee Expenses	134,144	104,212
55000-55199	Special Program & Events	44,996	41,692
55300-55499	Financial Aid	293,100	134,678
56000-56499	Travel	500,735	479,547
56500-56599	Contracts & Grants	51,832	74,451
Total M&O		<u>\$ 2,672,232</u>	<u>\$ 2,392,491</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 265,546	\$ 293,500
Total Capital Outlay		<u>\$ 265,546</u>	<u>\$ 293,500</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 17,982,170</u>	<u>\$ 16,481,636</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON VICTORIA

SCHOOL OF NURSING  
DEPARTMENTAL REVIEW

REPORT NO. AR2011-14

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON - VICTORIA  
SCHOOL OF NURSING  
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the School of Nursing. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted no instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the School:

- Compliance Matrix
- School Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
December 20, 2010

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
School of Nursing  
Departmental Review**

<b>Compliance Area</b>	
Management Oversight	✓
Operational Activities	N/A
Policies, Procedures, Required Training, And Reporting	✓
Cost Center Management	✓
Payroll	✓
Human Resources	✓
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	✓
Departmental Expenses	✓
Contract Administration	✓
Property Management	✓
Departmental Computing	✓
Scholarships	✓
Incidental And Lab Fees	N/A
Research	✓

✓ **Fully Complies**

⊖ **Opportunity for Improvement**

( ) **Number of Instances of Non-Compliance**

N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

**University of Houston - Victoria  
School of Nursing  
Background Information**

**The Dean provided the following background on the School of Nursing:**

The School of Nursing (SON) is divided into three separate education programs: the 2<sup>nd</sup> Degree BSN, RN to BSN and MSN. Under the MSN program, there are two tracks: Education and Administration. There is also an RN to MSN Bridge program. A post master's certificate is also available in nursing education and nursing administration. Faculty resources are utilized depending upon individual program needs. SON also has a Recruitment/Advising department, Administrative/Secretarial department and Web Design/Technical Support department.

The mission of SON is to provide innovative and flexible programs for entering or advancing a career in nursing that produce respective graduates and leaders. SON is committed to serving educational needs and advancing quality of life while enhancing the economic, cultural and health of communities served. SON expands knowledge through scholarship, leadership, and life-long learning and through service that benefits multiple communities while promoting the image and growth of the profession.

**SON Program Goals:**

1. Provide accessible student-centered educational programs that blend innovative technology and face-to-face support.
2. Prepare valued nurse leaders for the community served.
3. Maintain excellence in baccalaureate and graduate nursing curricula.
4. Develop strong clinical and service liaisons and partnerships with community groups, health care agencies, alumni, and other interested individuals.
5. Advance the nursing profession through faculty scholarship and professional involvement.

#### Recent Accomplishments of the Division:

- Student enrollment increased by 85% from Spring 2010 to Spring 2011, now serving 188 students.
- SON received initial full accreditation for both undergraduate and graduate programs until 2014 from the Commission for Collegiate Nursing Education (CCNE).
- The Dean was selected from among 646 nursing schools across the United States to receive the American Association of Colleges of Nursing (AACN) Advocacy award.
- Faculty have presented research locally, nationally and internationally.
- Faculty have published papers related to their research, clinical practice and teaching.
- Faculty have received awards from the Good Samaritan Foundation, Texas Nurses' Association, Katy Chamber of Commerce.
- SON has received foundation support and program grants for scholarships, faculty funding and equipment.
- SON has expanded to the University of Houston System Sugar Land and University of Houston System Cinco Ranch campuses.
- SON has over 70 clinical affiliation agreements with local health care facilities and hospitals.
- Ninety-five (95%) percent of our graduates have joined the alumni group.

#### Budget/Financial Summary:

During Fiscal Year 2010, with a total FTE of 23, the School of Nursing had an operating M&O budget of \$1.5 million. This includes the administration of 40 cost centers.

The following table presents the fund balance reconciliation for the School for FY 2010:

Beginning Fund Balance (9/1/09)	\$ 90,043
Revenues	1,123,310
Expenditures	(1,737,268)
Transfers/Other	673,191
Ending Balance (8/31/10)	<u>\$ 149,276</u>

UNIVERSITY OF HOUSTON - VICTORIA  
SCHOOL OF NURSING  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
41100-41499	State Appropriations	\$ (550,000)	\$ 0
42300-42499	State Pass Through - Other State Agencies	(98,992)	0
42500-42699	Local Grants & Contracts	(23,871)	0
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Contracts	(450,017)	(142,665)
43600-43630; 43634-43999	Sales & Services - E & G	(430)	(1,764)
Total Revenue		<u>\$ (1,123,310)</u>	<u>\$ (144,430)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 1,185,932	\$ 969,303
51000-51399	Fringe Benefits	18,148	1,348
Total Payroll		<u>\$ 1,204,080</u>	<u>\$ 970,651</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 3,075	\$ 0
52200-52399	General Services	5,296	13,932
52400-52499	Academic Service	3,000	317
52500-52599	Printing, Copying, & Reproduction	28,059	9,664
52800-52999	Communication & Transportation	16,445	11,003
53000-53499	Advertising Promotion & Public	11,357	7,198
53500-53599	Rental Lease & Royalties	7,988	5,170
53700-53799	Routine Repair	43,551	5,714
53850-53899	Contracting Services	17,631	3,156
53900-53999	General Supplies	12,528	15,421
54000-54099	Lab Research Supplies	0	1,074
54100-54199	Health & Clinical Support	0	70
54300-54349	Facilities & Ground Support	0	40
54350-54449	Parts & Furnishing	36,844	95,707
54450-54549	Misc Supplies & Material	9,826	2,590
54700-54799	Financial Tax & License Cost	26	14
54800-54899	Other Recurring Expenses	4,676	4,218
54900-54999	Employee Expenses	15,110	10,186
55000-55199	Special Program & Events	3,776	2,984
55300-55499	Financial Aid	94,664	52,951
56000-56499	Travel	37,054	25,796
Total M&O		<u>\$ 350,904</u>	<u>\$ 267,205</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 182,284	\$ 120,490
Total Capital Outlay		<u>\$ 182,284</u>	<u>\$ 120,490</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 1,737,268</u>	<u>\$ 1,358,346</u>



UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON DOWNTOWN

UNIVERSITY COLLEGE  
DEPARTMENTAL REVIEWS

REPORT NO. AR2011-15

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON - DOWNTOWN  
UNIVERSITY COLLEGE  
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed five departmental reviews in the University College. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters we considered to be significant engagement observations. We noted no instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the College:

- Compliance Matrix
- Division Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
December 15, 2010

**University of Houston System  
Internal Auditing Department**

**University of Houston - Downtown  
University College  
Departmental Reviews**

<b>Compliance Area</b>	<b>University College</b>	<b>Upward Bound</b>	<b>Talent Search</b>	<b>Disability Services</b>	<b>Academic Advising</b>
Management Oversight	✓	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	✓	✓	✓	✓	✓
Cost Center Management	✓	✓	✓	✓	✓
Payroll	✓	✓	✓	✓	✓
Human Resources	✓	✓	✓	✓	✓
Change Funds And Cash Receipts	✓	✓	✓	N/A	N/A
Procurement And Travel Cards	✓	✓	✓	✓	✓
Departmental Expenses	✓	✓	✓	✓	✓
Contract Administration	✓	✓	✓	✓	N/A
Property Management	✓	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓	✓
Scholarships	N/A	✓	N/A	N/A	N/A
Incidental And Lab Fees	N/A	N/A	N/A	N/A	N/A
Research	✓	✓	✓	N/A	N/A

- ✓ **Fully Complies**  
 Ø **Opportunity for Improvement**  
 ( ) **Number of Instances of Non-Compliance**  
 N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

**University of Houston – Downtown  
University College  
Background Information**

**The Dean provided the following background on the University College:**

The departments within the division are as follows: Academic Advising Center, Academic Support Center, Disability Services, Talent Search, and Upward Bound.

The mission of University College is to provide incoming students and undeclared majors the information, support, and resources they need to achieve their academic objectives. Selected services include the following:

- Intrusive and aggressive advising/counseling as recommended nationally,
- Collaborations with degree-granting colleges to create a smooth transition for students from undeclared status to becoming declared majors,
- Special retention programs fostering persistence and graduation,
- Comprehensive academic support such as tutoring and specialized workshops,
- Transfer guides for local community colleges,
- Accommodations for students with disabilities, and
- Pre-collegiate programs fostering college readiness.

**Recent Accomplishments include:**

- Selected to participate in the AVID Postsecondary Project co-sponsored by the Texas Higher Education Coordinating Board (THECB) to improve student success.
- Collaborated with University of Houston on a College and Career Readiness project focused on first-generation students. Among the deliverables is the UHD website for First-Generation Students and Parents.
- Wrote a successful proposal to THECB that resulted in UHD being chosen to participate in the Coordinating Board's College Access Challenge Grant funded degree completion initiative - Success by Degree. The goal is to enable Texans with 55 or more semester-credit hours an opportunity to return to higher education to complete their degrees.
- Partnered with Student Affairs to develop plan for infusing freshman orientation with increased retention-based academic elements and student-centered leadership.

- Enhanced the existing mentoring and freshman summer success programs, thus enhancing the first-year experience for entering students and promoting persistence.
- Coordinated and hosted the 6<sup>th</sup> annual GEAR UP/UHD symposium for secondary school teachers, including a cohort of student leaders.
- Expanded the outreach to local secondary schools through being awarded a community engagement grant that supported on-site visits, a field trip to the Houston Health Museum, and presentations on college readiness.
- Collaborated with the Department of English and the Department of Mathematical Sciences to reconfigure the Academic Support Center and to accommodate increased lab-based instruction.

### **Budget/Financial Summary:**

During Fiscal Year 2010, with a total FTE of 38, the University College had an operating M&O budget of \$2.4 million. This includes the administration of 21 cost centers.

The following table presents the fund balance reconciliation for the College for FY 2010:

Beginning Fund Balance (9/1/09)	\$ 247,675
Revenues	1,753,255
Expenditures	(2,262,634)
Transfers/Other	644,323
Ending Balance (8/31/10)	<u>\$ 382,619</u>

UNIVERSITY OF HOUSTON - DOWNTOWN  
UNIVERSITY COLLEGE  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
40700-40999	Other Fees	\$ (798,659)	\$ (1,047)
41600-41899	Federal Grants & Contracts	(897,334)	(842,330)
42300-42499	State Pass Through - Other State Agencies	(19,592)	0
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(21,415)	(61,459)
43500-43599	Endowment Income Distribution	(16,255)	(17,370)
Total Revenue		<u>\$ (1,753,255)</u>	<u>\$ (922,206)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 1,542,501	\$ 1,590,502
51000-51399	Fringe Benefits	223,321	118,504
Total Payroll		<u>\$ 1,765,822</u>	<u>\$ 1,709,006</u>
<u>M &amp; O</u>			
52200-52399	General Services	\$ (5,836)	\$ 8,780
52400-52499	Academic Service	1,950	850
52500-52599	Printing, Copying, & Reproduction	5,657	3,341
52800-52999	Communication & Transportation	20,983	39,000
53000-53499	Advertising Promotion & Public	3,441	5,669
53500-53599	Rental Lease & Royalties	17,054	15,570
53700-53799	Routine Repair	801	0
53850-53899	Contracting Services	81,793	43,744
53900-53999	General Supplies	47,376	32,152
54200-54299	Construction Expenses	0	2,584
54350-54449	Parts & Furnishing	16,962	29,264
54450-54549	Misc Supplies & Material	1,368	1,322
54800-54899	Other Recurring Expenses	38,737	16,603
54900-54999	Employee Expenses	28,721	14,127
55000-55199	Special Program & Events	54,860	86,005
55300-55499	Financial Aid	25,939	21,417
56000-56499	Travel	97,329	59,439
56500-56599	Contracts & Grants	59,676	46,291
Total M&O		<u>\$ 496,812</u>	<u>\$ 426,156</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 0	\$ 0
Total Capital Outlay		<u>\$ 0</u>	<u>\$ 0</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 2,262,634</u>	<u>\$ 2,135,162</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON DOWNTOWN

OFFICE OF  
ACADEMIC AFFAIRS & PROVOST  
DEPARTMENTAL REVIEWS

REPORT NO. AR2011-16

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON - DOWNTOWN  
OFFICE OF ACADEMIC AFFAIRS AND PROVOST  
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed four departmental reviews in the Office of Academic Affairs and Provost. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. Although we noted no matters that we considered significant engagement observations, the University did not have procedures to help ensure that required documentation of the review and approval of continuing education fees is prepared and retained. Management agreed to implement procedures for the review and approval of continuing education fees. We also noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:

- Engagement Observation
- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- Division Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
January 13, 2011



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON - DOWNTOWN  
OFFICE OF AND PROVOST  
ENGAGEMENT OBSERVATION**

**Continuing Education Fees**

Currently, there is an informal process for establishing continuing education fees, including a review and approval by Academic Affairs. Although the University has developed a Continuing Education policy (PS 05.A.19, Continuing Education Fees) relating to the approval of continuing education fees, it has not implemented procedures to help ensure that the required documentation of the review and approval of the fees is prepared and retained in accordance with the policy. We understand that Academic Affairs plans to require an annual break-even analysis for each continuing education course to help ensure the fee charged is set in an amount that is sufficient to recover the costs of providing the course, in accordance with Texas Education Code, Section 54.545.

**Recommendation:** Academic Affairs should develop and implement procedures to require the formal review and approval of fees charged for new continuing education courses and for the annual review of existing courses to help ensure fees are sufficient to recover the costs of providing the course.

**Management's Response:** Academic Affairs will develop and implement procedures to require the formal review and approval of fees charged for new continuing education courses and for the annual review of existing courses to help ensure fees are sufficient to recover the costs of providing the course by June 30, 2011.

**University of Houston System  
Internal Auditing Department**

**University of Houston - Downtown  
Office of Academic Affairs and Provost  
Departmental Reviews**

<b>Compliance Area</b>	<b>VPAA &amp; Provost</b>	<b>Library</b>	<b>ELI</b>	<b>ABTC</b>
Management Oversight	(1)	N/A	N/A	N/A
Operational Activities	N/A	N/A	✓	✓
Policies, Procedures, Required Training, And Reporting	✓	✓	(1)	✓
Cost Center Management	✓	✓	✓	✓
Payroll	✓	✓	✓	✓
Human Resources	(1)	(1)	✓	N/A
Change Funds And Cash Receipts	✓	(1)	✓	(1)
Procurement And Travel Cards	(1)	(1)	✓	(1)
Departmental Expenses	✓	✓	✓	✓
Contract Administration	✓	✓	✓	✓
Property Management	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓
Scholarships	N/A	N/A	N/A	N/A
Incidental And Lab Fees	N/A	N/A	N/A	N/A
Research	N/A	N/A	N/A	N/A

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- ( ) **Number of Instances of Non-Compliance**
- N/A **Not Applicable**

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHD PROVOST OFFICE  
OFFICE OF THE VICE PRESIDENT FOR ACADEMIC AFFAIRS & PROVOST  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

**MANAGEMENT OVERSIGHT**

- Continuing education fees were not being properly reviewed and approved. \*

**HUMAN RESOURCES**

- A termination clearance form was not prepared timely.

**PROCUREMENT CARDS**

- A Procurement Card expense report was not signed by the cardholder.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHD PROVOST OFFICE  
LIBRARY  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**HUMAN RESOURCES**

- A termination clearance form was not prepared for two employees.

**CHANGE FUNDS AND CASH RECEIPTS**

- The Daily Cash Report was not completed for one deposit.

**PROCUREMENT AND TRAVEL CARDS**

- A cardholder allowed other employees to use her procurement card.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHD PROVOST  
ENGLISH LANGUAGE INSTITUTE  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING**

- Annual mandatory training was not completed by all employees.

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**DEPARTMENTAL REVIEW  
UHD PROVOST OFFICE  
APPLIED BUSINESS & TECHNOLOGY CENTER  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**CHANGE FUNDS AND CASH RECEIPTS**

- Cash receipts greater than \$100 were not deposited within one working day of receipt.

**PROCUREMENT CARDS**

- A Procurement Card expense report was not signed by the cardholder.

**University of Houston System  
Internal Auditing Department**

**University of Houston - Downtown  
Office of Academic Affairs and Provost  
Background Information**

**The Interim Vice President for Academic Affairs and Provost provided the following background on the Office of Academic Affairs and Provost:**

The colleges and departments within the division include: College of Business, College of Public Service, College of Sciences and Technology, College of Humanities and Social Sciences, University College, Institutional Effectiveness, Institutional Research and Planning, Sponsored Programs, Library, Distance Education, Service Learning and Community Engagement, Applied Business Technology Center and English Language Institute.

The Academic Affairs office provides oversight, guidance, and support for:

- High impact learning and student engagement,
- Academic programs and curriculum development,
- Academic standards in the colleges of the University,
- Academic policies and procedures,
- Faculty development and evaluation,
- Promotion and Tenure,
- Instruction and research collaborative efforts of the faculty,
- Internal and external faculty research initiatives,
- Learning support and instructional delivery support to faculty,
- Institutional research, planning, and assessment,
- International education,
- Library services, and
- Academic administration policies, procedures and compliance.

Recent Accomplishments include:

- Implemented programs to develop strong undergraduate degrees with a culture of high-impact learning and experiences through learning communities, undergraduate

- research, peer mentoring, first-year experience programs, service learning, internships, work teams, and capstone courses.
- Set graduation record of the largest commencement ceremony.
  - Set graduation record of the largest Criminal Justice Training Center commencement ceremony.
  - Established the first Winter semester with record number enrollment.
  - Revised university's mission statement and established goals.
  - Received the Star Awards from the Texas Higher Education Coordinating Board for a collaborative, teacher-education degree program that provides students with a seamless transition from the community college to the university while working with school district partners.
  - Re-affirmed and re-signed joint admission and reverse transfer programs with community colleges throughout Houston so that students will earn full credit at UHD.
  - Expanded and redesigned the Library facility.
  - Recognized nationally as a Top 100 university in producing minority baccalaureate students and ranked 33rd in the country in awarding baccalaureate degrees to Hispanics and 47th for awarding baccalaureate degrees to African Americans.
  - Established collaborative agreement with Lone Star College Systems at University Park in the delivery of off-campus instruction.
  - Received a five-year, \$450,000 federal grant designed to increase underrepresented students in science, technology, engineering and mathematics who enter programs in the nuclear science.
  - Maintained compliance with UH-Systems, Texas Higher Education Coordinating Board, SACS, and other accreditation agencies.

### **Budget/Financial Summary:**

During Fiscal Year 2010, with a total FTE of 32, the Office of the Vice President for Academic Affairs and Provost had an operating M&O budget of \$4.45 million. This includes the administration of 47 cost centers.

The following table presents the fund balance reconciliation for the Division for FY 2010:

Beginning Fund Balance (9/1/09)	\$ 3,220,199
Revenues	4,589,938
Expenditures	(8,222,943)
Transfers/Other	4,056,409
Ending Balance (8/31/10)	<u>\$ 3,643,603</u>



UNIVERSITY OF HOUSTON - DOWNTOWN  
OFFICE OF ACADEMIC AFFAIRS AND PROVOST  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenue</u>			
40700-40999	Other Fees	\$ (2,986,965)	\$ (2,941,699)
41100-41499	State Appropriations	(56,984)	(86,925)
41600-41899	Federal Grants & Contracts	(10,572)	(2,698)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(206,621)	(257,705)
43600-43630; 43634-43999	Sales & Services - E & G	(1,328,861)	(1,359,949)
50050-50099	Recovered Costs	65	0
Total Revenue		<u>\$ (4,589,938)</u>	<u>\$ (4,648,976)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 3,871,593	\$ 3,536,767
51000-51399	Fringe Benefits	589,545	583,453
Total Payroll		<u>\$ 4,461,138</u>	<u>\$ 4,120,220</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 5,385	\$ 8,950
52200-52399	General Services	16,663	9,163
52400-52499	Academic Service	6,604	2,803
52500-52599	Printing, Copying, & Reproduction	38,066	33,006
52600-52799	Utilities & Sanitation	93	0
52800-52999	Communication & Transportation	107,372	101,508
53000-53499	Advertising Promotion & Public	37,346	17,671
53500-53599	Rental Lease & Royalties	43,170	34,904
53700-53799	Routine Repair	6,172	23,728
53800-53849	Pass Through	0	100
53850-53899	Contracting Services	588,860	526,921
53900-53999	General Supplies	138,642	106,402
54000-54099	Lab Research Supplies	1,193	0
54100-54199	Health & Clinical Support	5,600	0
54200-54299	Construction Expenses	632	10,770
54350-54449	Parts & Furnishing	72,426	91,270
54450-54549	Misc Supplies & Material	712	894
54700-54799	Financial Tax & License Cost	816	9,034
54800-54899	Other Recurring Expenses	204,130	218,211
54900-54999	Employee Expenses	87,270	58,680
55000-55199	Special Program & Events	89,746	87,228
55300-55499	Financial Aid	93,945	42,643
56000-56499	Travel	154,215	249,520
Total M&O		<u>\$ 1,699,057</u>	<u>\$ 1,633,406</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 2,062,748	\$ 1,891,205
Total Capital Outlay		<u>\$ 2,062,748</u>	<u>\$ 1,891,205</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 8,222,943</u>	<u>\$ 7,644,830</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON VICTORIA

FINANCIAL AID  
PELL GRANTS

REPORT NO. AR2011-17

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON – VICTORIA  
FINANCIAL AID – PELL GRANTS**

**BACKGROUND:**

The Internal Auditing Department performed a review of the Pell Grant Program, a Federal Title IV financial aid program, for compliance with the general requirements of all such programs (Title 34, Code of Federal Regulations, Part 668 – Student Assistance General Provisions, Subparts A and B) and the specific requirements of the Pell Grant Program (Title 34, Code of Federal Regulations, Part 690 – Federal Pell Grant Program, Subparts A and B).

The table below lists total amount of Pell Grants awarded at the University of Houston-Victoria for the last five fiscal years.

<b><u>Fiscal Year</u></b>	<b><u>Pell Grants</u></b>
2010	2,936,052
2009	1,599,942
2008	1,345,869
2007	1,194,686
2006	1,324,831

**OBJECTIVES:**

The objectives of our review were as follows:

1. Determine whether UHV was in compliance with Title IV financial aid regulations for the Pell Grant Program.
2. Determine whether management is effectively and efficiently utilizing financial aid resources under an adequate system of internal control.

**SCOPE OF WORK:**

We interviewed Student Financial Aid (SFA) personnel, reviewed written policies and procedures, and performed audit procedures as necessary for Pell Grants awarded during the Fall 2008 and Spring 2009 semesters.

## CONCLUSION:

In our opinion, management has adequate policies and procedures to help ensure compliance with federal regulations regarding the Pell Grant Program and that resources are being effectively and efficiently utilized under an adequate system of internal control. Although we noted no matters that we considered to be significant engagement observations, we did note an opportunity for improvement regarding the review of changes to critical data in the Student Financial Aid system. Management agreed to work with other Financial Aid Directors to develop a process to identify, log, and review changes to critical data.

The compliance matrix below lists the areas tested and whether the departmental complies with federal regulations and university policies, and whether there are opportunities for improvement.

COMPLIANCE MATRIX	
COMPLIANCE AREA	NUMBER OF ACTION ITEMS
Management Oversight	✓
Eligibility	✓
Awarding	✓
Disbursements	✓
Reporting / Reconciliation	✓
Return of Title IV Funds	✓
Information Technology	Θ

- ✓ No Action Items Noted  
Θ Opportunity for Improvement  
( ) Number of Action Items Required to Address Non-Compliance

---

Don F. Guyton  
Chief Audit Executive  
January 5, 2011

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

### UNIVERSITY OF HOUSTON CLEAR LAKE

#### FINANCIAL AID PELL GRANTS

REPORT NO. AR2011-18

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON – CLEAR LAKE  
FINANCIAL AID – PELL GRANTS**

**BACKGROUND:**

The Internal Auditing Department performed a review of the Pell Grant Program, a Federal Title IV financial aid program, for compliance with the general requirements of all such programs (Title 34, Code of Federal Regulations, Part 668 – Student Assistance General Provisions, Subparts A and B) and the specific requirements of the Pell Grant Program (Title 34, Code of Federal Regulations, Part 690 – Federal Pell Grant Program, Subparts A and B).

The table below lists total amount of Pell Grants awarded at the University of Houston-Clear Lake for the last five fiscal years.

<b><u>Fiscal Year</u></b>	<b><u>Pell Grants</u></b>
2010	5,724,130
2009	3,613,283
2008	3,268,117
2007	2,977,060
2006	3,139,316

**OBJECTIVES:**

The objectives of our review were as follows:

1. Determine whether UHCL was in compliance with Title IV financial aid regulations for the Pell Grant Program.
2. Determine whether management is effectively and efficiently utilizing financial aid resources under an adequate system of internal control.

**SCOPE OF WORK:**

We interviewed Student Financial Aid (SFA) personnel, reviewed written policies and procedures, and performed audit procedures as necessary for Pell Grants awarded during the Fall 2008 and Spring 2009 semesters.

## CONCLUSION:

In our opinion, management has adequate policies and procedures to help ensure compliance with federal regulations regarding the Pell Grant Program and that resources are being effectively and efficiently utilized under an adequate system of internal control. Although we noted no matters that we considered to be significant engagement observations, we did note an opportunity for improvement regarding the review of changes to critical data in the Student Financial Aid system. Management agreed to work with other Financial Aid Directors to develop a process to identify, log, and review changes to critical data.

The compliance matrix below lists the areas tested and whether the departmental complies with federal regulations and university policies, and whether there are opportunities for improvement.

COMPLIANCE MATRIX	
COMPLIANCE AREA	NUMBER OF ACTION ITEMS
Management Oversight	✓
Eligibility	✓
Awarding	✓
Disbursements	✓
Reporting / Reconciliation	✓
Return of Title IV Funds	✓
Information Technology	Θ

- ✓ No Action Items Noted  
Θ Opportunity for Improvement  
( ) Number of Action Items Required to Address Non-Compliance

---

Don F. Guyton  
Chief Audit Executive  
January 5, 2011

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON DOWNTOWN

FINANCIAL AID  
PELL GRANTS

REPORT NO. AR2011-19



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON – DOWNTOWN  
FINANCIAL AID – PELL GRANTS**

**BACKGROUND:**

The Internal Auditing Department performed a review of the Pell Grant Program, a Federal Title IV financial aid program, for compliance with the general requirements of all such programs (Title 34, Code of Federal Regulations, Part 668 – Student Assistance General Provisions, Subparts A and B) and the specific requirements of the Pell Grant Program (Title 34, Code of Federal Regulations, Part 690 – Federal Pell Grant Program, Subparts A and B).

The table below lists total amount of Pell Grants awarded at the University of Houston-Downtown for the last five fiscal years.

<b><u>Fiscal Year</u></b>	<b><u>Pell Grants</u></b>
2010	22,805,691
2009	14,767,738
2008	12,524,136
2007	11,414,459
2006	11,155,280

**OBJECTIVES:**

The objectives of our review were as follows:

1. Determine whether UHD was in compliance with Title IV financial aid regulations for the Pell Grant Program.
2. Determine whether management is effectively and efficiently utilizing financial aid resources under an adequate system of internal control.

**SCOPE OF WORK:**

We interviewed Student Financial Aid (SFA) personnel, reviewed written policies and procedures, and performed audit procedures as necessary for Pell Grants awarded during the Fall 2008 and Spring 2009 semesters.

## CONCLUSION:

In our opinion, management has adequate policies and procedures to help ensure compliance with federal regulations regarding the Pell Grant Program and that resources are being effectively and efficiently utilized under an adequate system of internal control. Although we noted no matters that we considered to be significant engagement observations, we did note certain opportunities for improvement regarding access, review of software changes, and review of changes to critical data in the Financial Aid System. Management agreed to modify employee access during the implementation of the Banner Financial Aid System, perform a review of software changes, and to work with other Financial Aid Directors to develop a process to identify, log, and review changes to critical data.

The compliance matrix below lists the areas tested and whether the departmental complies with federal regulations and university policies, and whether there are opportunities for improvement.

COMPLIANCE MATRIX	
COMPLIANCE AREA	NUMBER OF ACTION ITEMS
Management Oversight	✓
Eligibility	✓
Awarding	✓
Disbursements	✓
Reporting / Reconciliation	✓
Return of Title IV Funds	✓
Information Technology	Θ

- ✓ No Action Items Noted
- Θ Opportunity for Improvement
- ( ) Number of Action Items Required to Address Non-Compliance

---

Don F. Guyton  
Chief Audit Executive  
January 5, 2011

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

### UNIVERSITY OF HOUSTON

#### FINANCIAL AID SCHOLARSHIPS

REPORT NO. AR2011-20

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
FINANCIAL AID – SCHOLARSHIPS**

**BACKGROUND:**

Certain aspects of the student financial aid programs at all campuses are scheduled for audit coverage in the annual internal audit plan, which is approved by the Board of Regents. For fiscal year 2010, we reviewed scholarships (gifts and endowments) for cost centers which are administered by the Office of Scholarships and Financial Aid. Each year we also audit expenditures of scholarship funds for cost centers which are administered by Colleges as part of the departmental review process.

The National Association of College and University Business Officers (NACUBO) define scholarships as expenses from restricted or unrestricted funds in the form of grants to students, resulting from selection by the institution or from an entitlement program. Scholarships include trainee stipends, prizes, awards, tuition and fee waivers, and grants-in-aid.

Scholarships are funded from several different sources of funds, including state, internally designated, auxiliary, gift, endowment, grant, and federal. These sources of funds may allow for expenditures other than scholarships. In addition, some of the funds have specific scholarship award criteria and/or restrictions. Noted below are scholarship expenditures by fund group made during FY 2010.

<u>Fund Groups</u>	<u>FY 2010 Expenditures</u>
Educational & General Funds (State)	\$ 1,417,537
Designated Funds (Internally Designated)	31,649,683
Auxiliary Funds	1,959,374
Scholarship & Fellowship Funds (Gifts & Endowments)	9,330,820
Contract & Grant Funds (Includes Federal Title IV Funds)	68,161,400
Total Scholarships	<u>\$112,518,814</u>

**OBJECTIVES:**

The objectives of our review were as follows:

1. Determine whether scholarship funds are awarded in accordance with management and accounting requirements.
2. Determine whether all available scholarship funds are communicated to all students and prospective students.

3. Determine whether management oversight and monitoring of scholarship administration are adequate.
4. Determine whether scholarships are awarded in a timely manner to accommodate packaging with other financial aid.

### **SCOPE OF WORK:**

We interviewed personnel of the Office of Scholarships and Financial Aid (OSFA), reviewed written policies and procedures, scholarship data in the financial system, and performed other audit procedures on scholarships funded by gifts and endowments in cost centers administered by the OSFA.

### **CONCLUSION:**

In our opinion, scholarships are being awarded in accordance with management's directives and are being communicated to students. Although, we noted no matters that we considered to be significant engagement observations, we noted that certain available scholarship funds are not being awarded to students and scholarship cost centers are not being budgeted in accordance with University guidelines. Management is in the process of developing a plan to spend down fund equity balances in certain scholarship cost centers and to budget funds that it expects to expend during the budget year.

---

Don F. Guyton  
Director, Internal Auditing  
January 12, 2011

## APPENDIX A

### OPPORTUNITIES FOR IMPROVEMENT

#### Available Funds

We determined that there was \$1,185,051 of institutional funds (gifts and endowments) available for scholarships in cost centers administered by the Office of Scholarships and Financial Aid (OSFA) as of August 31, 2010. We were informed that these funds were not awarded due to lack of qualified applicants, funding limitations, and the lack of staff to monitor all cost centers. With respect to these cost centers that were established with the purpose of awarding scholarships, we noted the following for fiscal year 2010:

- Scholarship expenditures, totaling \$527,217 were awarded from 53 cost centers. The fund equity balances for these 53 cost centers as of August 31, 2010 totaled \$836,621. In addition, 4 of the 53 cost centers had equity balances in excess of \$100,000 totaling \$522,073.
- Scholarships were not awarded from 9 cost centers that had fund equity balances in excess of \$10,000. The fund equity balances for these cost centers as of August 31, 2010 totaled \$188,708. One of the 9 cost centers had a fund equity balance of \$39,750.
- Scholarships were not awarded from 68 cost centers that had positive fund equity balances less than \$10,000. The fund equity balances for these cost centers totaled \$178,780 as of August 31, 2010.
- Six cost centers contained deficit fund equity balances totaling (\$19,057) as of August 31, 2010.

**Recommendation:** The OSFA should review scholarship cost center fund equity balances and develop a plan to spend down excessive fund equity balances and fund deficit fund equity balances.

**Management's Response:** The Scholarship staff will develop procedures for ensuring available funds within the cost centers are fully disbursed. Procedures will also include steps to be taken for any surplus funds after disbursement.

#### Budget Process

For FY 2010, the OSFA budgeted \$1,153,368 in institutional funds for scholarships. This was comprised of \$357,237 from projected revenue and \$796,131 from remaining fund balance at the end of FY 2009. During the budget process, the OSFA planned expenditures for some, but not all, of the scholarship cost centers. According to the OSFA, it had no strategy for spending the funds for scholarships for some of the cost centers and the fund balance was just

brought forward. The University Budget Guidelines state that year-end budget balances available in non-state cost centers are not brought forward at the beginning of the fiscal year and to budget funds that will be relied upon to fund operations.

**Recommendation:** The OSFA should evaluate each scholarship cost center during the budget process and only budget funds that are expected to be expended during the budget year.

**Management's Response:** The Scholarship staff will develop procedures for budgeting cost centers expected to be disbursed during the school term. Procedures will also include steps to be taken due to a shortage of funds within the scholarship and/or lack of candidates qualified for the scholarship.

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** Institutional Compliance Status Report for the Three Months Ended  
December 31, 2010

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Institutional Compliance Status Report summarizes the information provided by each institution for their respective compliance functions.

- Summary of Activities: risk assessment, audits, meetings, risk mitigation, and hot-line reports (page 1)
- University of Houston System: summary of October 14, 2010, meeting of Institutional Compliance Officers; Annual Financial Reports; Red Flag Email Notifications; Mandatory Training (pages 1-2)
- University of Houston: compliance activities of Finance Department, Research, Department of Public Safety, Energy Management, Environmental Health and Safety, and University Information Technology (pages 2-4)
- University of Houston Clear Lake: summary of compliance meeting held on December 15, 2010 (pages 4-5)
- University of Houston Downtown: summary of compliance meeting held on December 15, 2010, and Information Technology Compliance Report for BOR (pages 5 -6)
- University of Houston Victoria: Summary of compliance meeting held on October 27, 2010 (pages 6-7)

**SUPPORTING**

**DOCUMENTATION:** Institutional Compliance Status Report

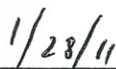
**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

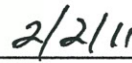
  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE**

Don Guyton

  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR**

Renu Khator

  
\_\_\_\_\_  
**DATE**



**UNIVERSITY OF HOUSTON SYSTEM  
INSTITUTIONAL COMPLIANCE STATUS REPORT  
For the three months ended December 31, 2010**

Institutional compliance activities at each university during the three months ended December 31, 2010, are as follows:

<u>Activity</u>	<u>UH/UHS</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
Risk Assessments Completed	0	0	0	0
Risk Assessments Updated	4	0	0	0
Compliance Audits Conducted	23	0	0	2
Compliance Committee Meetings Held	1	1	1	1
Risk Mitigation Implemented:				
Specific Control Activities (pol. & proc.)	10	0	0	24
New Training Program / Activities	33	0	3	19
Hot-line Reports:				
Number Received during last 3 months	15	1	2	1 <sup>(1)</sup>
Reports Resolved during last 3 months	14	1	1	0
Unresolved Reports as of Dec. 31, 2010	7	0	2	1

(1) Non-Hotline

**UHS:**

- A system-wide meeting of the Institutional Compliance officers was held on October 14, 2010, to discuss institutional compliance activities. Included on the meeting agenda were the following:
  - Open points from previous meeting
  - Description of reports to be presented to the Audit and Compliance Committee on November 17, 2010
  - Update from Don Guyton on home web pages RE: Public Information Act and non-compliance/fraud reporting
  - Update from Don Guyton on Identity Theft Resource In-Common Identity Assurance Review
  - Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
  - Presentation by Mike Glisson
    - Department Fraud Risk Survey
    - Institutional Fraud Risk Survey
    - Certification Letter for Financial Statements
  - Presentation by Sandy Coltharp – Update on HR Hot Topics
  - Presentation by Rosemary Grimmet – Update on Research Hot Topics

- In November and December 2010, the president, chief financial officer, and chief accounting officer of each UHS component signed the annual financial certification letter for their component indicating that FY2010 Annual Financial Reports are true and correct to the best of their knowledge, and that they are not aware of any fraudulent activity, error, or omission that would cause the reports to be materially misstated. These letters will be presented as an information item at the February 2011 Board of Regents Meeting.
- Red Flag Email Notifications
  - UH Information Technology Security received six (6) inquiries about the automated email notices sent to employees and students who changed their email or home address between October 1, 2010 and December 31, 2010. Three (3) of the inquiries were from UH and three (3) from UHCL. UIT Security's investigation indicated that all of the changes were made by authorized individuals.
- The deadline for the Mandatory Training has been extended until January 31, 2011, so the statistics for completion of mandatory training will be included in the next quarterly Institutional Compliance Status Report.

#### **UH:**

- Finance
  - In October 2010, UH administrators completed their sixth annual Department Fraud Risk Survey, in which they answered 97 questions about the application of internal controls in their department during FY2010 that can help to prevent or detect fraud. "No" answers indicate that an internal control was not fully implemented during FY2010, and required an explanation. All surveys were signed by the department administrator and unit head, and sent to the Controller for review.
  - On November 17, 2010, the Controller gave a presentation about the UH System Internal Control Environment to the Audit and Compliance Committee. The presentation described the process of creating a control environment, performing risk assessments, developing control activities, and the importance of effective information, communication, and monitoring. Use of the MySafeCampus hotline to report suspected fraud and non-compliance was also discussed.
- Research
  - The Division of Research conducted a half day workshop for faculty on October 8, 2010. Information on how to locate funding, submit proposals, requirements for accepting awards, compliance with federal regulations, internal grants and dealing with intellectual property were discussed.
  - The Division of Research hosted a half day Research Administrator Certification training class for UH business staff on October 12, 2010 entitled "The Academic Research Environment."
  - The Division of Research hosted a half day Research Administrator Certification training class on November 9, 2010 entitled "Overview – Sponsored Programs."
- Department of Public Safety
  - Police – UHDPS completed its federally mandated reporting requirements under the Clery Act by publishing its annual security report and reporting the required crime statistics to the US Department of Education.

- Emergency Management – The University of Houston Emergency Management Team ensures that the University of Houston is in full compliance with federal and state law. Certain identified employees are required to complete various levels of National Incident Management System (NIMS) / Incident Command System (ICS) training, and the Emergency Management Team reviewed and tracked the training as needed.
- Environmental Health and Safety
  - Training
    - General Laboratory Safety (2 Times)
    - Hazard Communication
    - Biological Safety
    - Bloodborne Pathogens
    - N95 Respirator Fit-test (12 Times)
    - Radioactive Material Safety
    - X-ray Safety
    - Radiation Survey and Wipes
    - Online Asbestos Awareness
    - Online Environmental Compliance
    - Online Indoor Quality and Mold
    - Online Annual X-ray Safety Refresher
    - Online Annual Laser Safety Refresher
    - Online Radioactive Material Safety Refresher
    - Online Bloodborne Pathogens Refresher
  - New Programs/Activities
    - Hired an asbestos specialist to improve campus-wide regulatory compliance with asbestos regulations
    - Developed program for non-laboratory occupational safety. The program consists of audits and creation of job-specific safety guidelines.
  - Compliance Audits
    - Comprehensive Laboratory Safety Audits  
Biological, Chemical, General, Laser, Radioactive Material & X-ray Safety
    - Regulatory Reports/Actions  
Executive Summary for 2011 – 2015 Pollution Prevention (P2) Plan submitted to Texas Commission on Environmental Quality
- University Information Technology (UIT)
  - Sensitive Data Protection
    - Identity Finder Deployment – Work has continued with campus departments on deployment and remediation of sensitive data.
    - Copier data review – In cooperation with Mike Glisson, work has continued regarding identification and remediation of data on leased copiers. Focus is currently on the 61 copiers campus-wide with leases expiring in 2011.
    - Sensitive document destruction – In cooperation with Mike Glisson and Emily Messa, a campus shredding program with Austin Task was identified and work is being done to educate campus departments regarding appropriate methods for sensitive document destruction.

- College/Division Technology Reviews – UIT has completed comprehensive technology reviews for the College of Pharmacy and College of Education, which include security risk assessments. Comprehensive assessments are currently planned for HRM and Optometry, and are being identified for other areas.
- Copyright infringement notices (DMCA) – UIT Security is in the final implementation stages of the Red Lambda Integrity software. This software is designed to address the escalating DMCA notices UH has received in the last 6 months. The software is expected to be fully operational by February 1, 2011.
- National Cyber-Security Awareness Month (October 2010) – UIT hosted several awareness activities during November in partnership with other UH/UHS departments. In addition to promoting safe computing practices, these awareness events addressed compliance requirements in several different areas.
- Computer Security Awareness Training for Students (CSATS) – CSATS was formally launched for all enrolled students in October 2010. To date, over 2500 students have successfully completed the on-line training. UIT is working with the Dean of Students and other campus departments to identify enforcement strategies.

#### **UHCL:**

- A UHCL Compliance Committee meeting was held on Wednesday, December 15, 2010 at 10:30 a.m. in Bayou 2317 conference room during which:
  - A quorum existed so the meeting was brought to order.
  - The minutes of the July 15, 2010 and September 16, 2010 meetings were read and approved without corrections.
  - Executive summary FY2010 Fraud report was brought to the committee as an informational item.
  - Identity Theft Prevention Program FY 2010 summary was brought to the committee as an informational item.
  - Based on goals for FY 2011, the committee decided on potential Risk Assessment assignments brainstorming such as:
    - TAC 202 Compliance Review
    - Business Continuity
    - Sponsored Programs
    - Financial Aid
    - P-card
    - Cash Handling
    - Sexual Harassment
    - New Hire process paperwork
    - Payroll
    - Property Handling
    - Study / Travel Abroad
    - Other Audits / Statutory violations
  - Based on goals for FY 2011, the committee decided on the following Risk Assessment assignments for FY 2011 as:
    - Laboratory audits
    - Property Handling
    - Administration and Finance audit items

- Based on goals for FY 2011, the committee decided to promote MySafeCampus by drafting an email to all employees for the next meeting.
- Based on goals for FY 2011, the committee decided to promote the Compliance Manual website by drafting a notice of the website with the same email as the MySafeCampus email above.

#### **UHD:**

- The UHD Quarterly Compliance Committee Meeting was held on December 15, 2010. Items on the agenda included:
  - Reviewed actual performance versus FY11 goals reported to the BOR
  - Reviewed progress-to-date on Risk Identification Valuation Summary
  - Subject Matter Experts gave reports on identified institutional risk areas
  - Open discussion on how we move forward as a committee. Key discussion points:
    - Reporting document is too rigid. Need to restructure so that it conforms better to business practices.
    - General lack of knowledge of UHD's compliance and ethics program/website outside of the committee.
    - Excellent information is available on the Compliance and Ethics website, but it needs more visibility/promotion.
  - UHS mandatory training now requires an Acknowledgement Form for material substantially the same as the UHD Employee Compliance and Ethics Guide, so the Acknowledgement Form for the UHD Guide has been dropped.
- Guest speaker Gordon Massey (AIG Whistleblower) gave a presentation on "Confronting Fraud at AIG" on December 1, 2010, which was open to UHS employees and was attended by UHS, UH, and UHCL employees.
- Information Technology Compliance Report for BOR – October through December 2010
  - TAC 202 Security and Compliance Activities
    - Completed and submitted monthly security reports required by DIR
  - Audit Report 2009-20 Activities
    - Action Item 3b, Work with university leadership to update UHD's Business Continuity Plan to include all business functions of the University.

#### STATUS

UHD's University-wide business continuity plans were signed by UHD President, Dr. William Flores, on April 15, 2010, but a subsequent review by UH System Audit resulted in a request for UHD to prepare a Business Impact Analysis, Security Risk Assessment, and Recovery Strategy, as well as develop an implementation, testing, and maintenance program at the university level. The estimated completion date for these additional activities related to UHD's Business Continuity Plan is August 31, 2011.

- Action Item 5a, Develop password standards based on industry best practices and update policies and procedures accordingly.

#### STATUS

Completed August 30, 2010

- Annual Risk Assessment

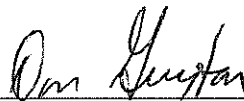
- The annual IT Risk Assessment, which includes assessments for 38 systems, was completed in October, 2010. The Risk Management Plan to address priority risks was completed in December 2010.
- Other
  - HB 2504:
    - UHD IT participated in compliance activities associated with HB 2504, including development, training, and implementation of online syllabus, curriculum vitae, and departmental budget posting. Search and display tools were also included as well as an informational web page about HB 2504 on the university website – completed August, 2010.
    - Additional HB 2504 compliance activities, including updates to UHD's cost of attendance information and links to the financial aid calculator provided by the Texas Higher Education Coordinating Board were provided on the university's website. The university also prepared and submitted the annual state required report on HB 2504 compliance. – completed December, 2010.
  - Higher Education Opportunity Act of 2008:
    - As part of the processes defined within *UHD's Institutional Plan for Addressing Illegal File Sharing and Copyright Infringement*, information was sent via e-mail to students attending the Fall 2010 semester at UHD about illegal file sharing and copyright violations as well as relevant UHD and UHS policies and procedures. – Completed December 2010.

#### UHV:

- The Quarterly campus Compliance Committee Meeting was held October 27, 2010. Minutes of the meeting can be seen online at <http://www.uhv.edu/Compliance/meetings.aspx>  
Notable activities for the quarter included:
  - Policy C-13, Staff Performance Appraisals, was updated.
  - UHS Internal Auditing performed a departmental audit of the School of Nursing in December 2010. The final report for this audit has not yet been finalized.
  - The State Office of Risk Management conducted an on-site consultation at UHV on December 2<sup>nd</sup> and 3<sup>rd</sup> under authority of Texas Labor Code, Title V, Subtitle A, Chapter 412 for the purpose of assisting agencies in developing and implementing a comprehensive risk management program. There were two recommendations. Unrelated to the SORM survey but part of the same visit, Loss Control Engineer Stephen Gresson, representing the state's property insurance broker, conducted an assessment of general condition, maintenance and potential risks in University Center, West and the VC/UHV Library. A written report, including recommendations and required actions will be forthcoming.
  - Monthly Incident Reports continue to be posted online. Incidents for September, October, and November can be seen at [http://www.uhv.edu/business/safety/manual/Incident\\_Log/Incidlog.aspx](http://www.uhv.edu/business/safety/manual/Incident_Log/Incidlog.aspx). December incidents will be posted by mid-January.
  - An on-site meeting was held in November with UHS Risk Mgr and the UH insurance broker to discuss insurance coverage available to UHV, including an overview of Student Medical Professional Liability Insurance coverage.

- The Satisfactory Academic Progress Policy was updated by Financial Aid to be in compliance with new legislation becoming active July 1, 2011.
- Financial Aid disseminated required Consumer Information Notice to all enrolled students, as required under the Higher Education Act and the Family Education Rights and Privacy Act. Consumer information is posted on the Financial Aid website at [www.uhv.edu/ofa](http://www.uhv.edu/ofa) (2010-2011 Consumer Information Chart)
- Facilities Services finalized a designated area for nursing mothers, meeting the requirements of the Patient Protection and Affordable Care Act (PPACA) – P.L. 111-148, signed into law March 23, 2010, amending Section 7 of the Fair Labor Standards Act. The area is located in Room 130, West.
- Blackboard faculty and staff logins have been converted by the IT department to use a UHV account for authentication, as was done previously for student accounts.
- Student Services and Enrollment Management created a new Student Incident Protocol that will be implemented in the spring, 2011.
- The University Counseling Center established institutional procedures that meet state and national compliance standards.
- The Annual Departmental Fraud Risk Survey was conducted during the quarter. All departments participated in the survey, which also serves as a refresher on proper departmental operating procedures.
- The UHV Connect online store became fully PCI compliant in December with the approval of an agreement between Blue Pay and UHV, which was approved by UHS Legal, for the handling of credit card transactions through UHV Connect directly through the Blue Pay credit processing center.

This summary is taken from a more comprehensive campus report of compliance activities. To see the full report, see: [www.uhv.edu/Compliance/manual/reports.aspx](http://www.uhv.edu/Compliance/manual/reports.aspx), scroll to *UHV Campus Reports*; open *Quarterly Report, Period Ending December 31, 2010*.




---

Don F. Guyton  
System-wide Compliance Officer  
January 24, 2011

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit & Compliance

**ITEM:** External Audit Report – UH Athletics Department Independent Accountants' Report on the Application of Agreed-Upon Procedures for Year ended August 31, 2010

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise.

The key points from the report include the following:

- Synopsis (page 1)
- Letter from KPMG to the President of the University of Houston and Management of the Intercollegiate Athletics Department of the University of Houston (page 3)
- Statement of Revenues and Expenses (page 4)
- Notes to Statement of Revenues and Expenses (page 5)

**SUPPORTING**

**DOCUMENTATION:** External Audit Report – UH Athletics Department Independent Accountants' Report on the Application of Agreed-Upon Procedures for Year ended August 31, 2010

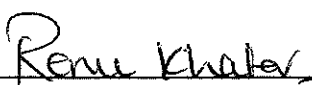
**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Don Guyton

1/28/11  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/2/11  
\_\_\_\_\_  
**DATE**



University of Houston

Application of Agreed-Upon Procedures on  
Athletic Revenues and Expenses  
Year Ended August 31, 2010

(Excerpts)

The NCAA Bylaws require all expenses and revenues for or on behalf of an institution's intercollegiate athletics program to be subject to annual agreed-upon procedures conducted for the institution by a qualified independent accountant. The attached excerpts of the Statement of Revenues and Expenses of the UH Intercollegiate Athletics Department (with Independent Accountant's report on the Application of Agreed-Upon Procedures) for the year ended August 31, 2010, include the Independent Accountant's Report and Statement of Revenues and Expenses with applicable footnotes. Exhibit A, Results of Agreed-Upon Procedures Performed on the Statement of Revenues and Expenses of the Athletics Department (Results), lists the detailed procedures performed and the results and findings (22 pages). The Results explain the tests performed and contain explanations of significant variations from the prior year amounts and other information the independent accountant deemed relevant. The entire report, including Exhibit A can be viewed on the web site of the UHS Internal Auditing Department at [http://www.uh.edu/audit/Documents/External\\_Reports/UH\\_Athletics\\_FY2010\\_Agreed\\_Upon\\_Procedures\\_Report.pdf](http://www.uh.edu/audit/Documents/External_Reports/UH_Athletics_FY2010_Agreed_Upon_Procedures_Report.pdf)



**UNIVERSITY OF HOUSTON**

**Statements of Revenues and Expenses of the Intercollegiate  
Athletics Department**

**Year ended August 31, 2010**

**(With Independent Accountants' Report on the Application of  
Agreed-Upon Procedures Thereon)**



KPMG LLP  
700 Louisiana Street  
Houston, TX 77002

**Independent Accountants' Report  
on the Application of Agreed-Upon Procedures**

The President of the University of Houston and  
Management of the Intercollegiate Athletics  
Department of the University of Houston:

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by you and management, solely to assist the University of Houston (the University) in evaluating whether the accompanying Statements of Revenues and Expenses (the Statement) of the Intercollegiate Athletics Department of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended August 31, 2010. The University's management is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 14, 2011

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

**UNIVERSITY OF HOUSTON**  
Statement of Revenues and Expenses of the Intercollegiate Athletics Department  
Year ended August 31, 2010  
(Unaudited)

	<b>Football</b>	<b>Men's basketball</b>	<b>Women's basketball</b>	<b>Other sports</b>	<b>Non-Program specific</b>	<b>Grand total</b>
<b>Revenues:</b>						
Contributions	\$ 284,574	34,010	25,100	651,447	2,177,702	3,172,833
Direct institutional support	1,732,470	1,205,562	1,110,386	3,794,325	4,849,052	12,691,795
Endowment and investment income	33,017	6,324	—	158,716	10,327	208,384
Guarantees	625,000	60,000	3,500	29,000	—	717,500
NCAA/conference distributions	1,606,472	1,068,977	5,000	5,391	923,703	3,609,543
Program sales, concessions, novelty sales, and parking	295,910	20,691	2,217	50,878	806,265	1,175,961
Royalties, licensing, advertisements and sponsorships	—	—	—	22,500	1,180,143	1,202,643
Student fees	—	—	—	—	4,728,620	4,728,620
Ticket sales	2,682,807	302,769	12,351	360,486	105,681	3,464,094
Other	10,672	(223)	(696)	6,743	2,046,613	2,063,109
<b>Total operating revenues</b>	<b>7,270,922</b>	<b>2,698,110</b>	<b>1,157,858</b>	<b>5,079,486</b>	<b>16,828,106</b>	<b>33,034,482</b>
<b>Expenses:</b>						
Athletics student aid	1,005,913	138,687	117,301	840,946	2,129,897	4,232,744
Direct facilities, maintenance and rental	—	—	—	—	5,223,626	5,223,626
Equipment, uniforms and supplies	229,913	57,662	28,761	304,983	232,533	853,852
Fund raising, marketing and promotion	86,788	552	—	61,016	387,523	535,879
Game expenses	661,962	261,042	96,695	359,967	142,072	1,521,738
Guarantees	525,000	230,000	2,500	34,233	—	791,733
Medical expenses and medical insurance	—	—	450	3,362	687,249	691,061
Memberships and dues	1,080	250	700	2,609	316,683	321,322
Recruiting	120,587	80,456	48,706	179,328	10,608	439,685
Coaching salaries, benefits, and bonuses paid by the institution	2,618,216	991,078	409,686	1,748,246	382,632	6,149,858
Support staff/administrative salaries, benefits, and bonuses paid by the institution	332,193	273,538	104,991	110,949	4,602,554	5,424,225
Severance payments	30,901	81,787	38,993	78,501	48,020	278,202
Team travel	901,928	365,907	178,190	867,319	26,899	2,340,243
Other operating expenses	756,441	217,151	130,885	488,027	2,637,810	4,230,314
<b>Total operating expenses</b>	<b>7,270,922</b>	<b>2,698,110</b>	<b>1,157,858</b>	<b>5,079,486</b>	<b>16,828,106</b>	<b>33,034,482</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ —</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

See accompanying independent accountants' report on applying of agreed-upon procedures.

**UNIVERSITY OF HOUSTON**  
Intercollegiate Athletic Department  
Notes to Statement of Revenues and Expenditures  
Year ended August 31, 2010

**(1) Organization and Basis for Presentation**

The University of Houston Intercollegiate Athletic Department (Athletic Department) is a department of the University of Houston (University) and therefore is under the control of the Board of Regents of the University, which administers intercollegiate athletic programs.

The Statement of Revenues and Expenditures has been prepared in conformance with accounting principles generally accepted in the United States of America, and by using the basic accounting and revenue recognition principles set forth in the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide entitled "State and Local Governments" and in the National Association of College and University Business Officers (NACUBO) publication entitled "College and University Business Administration."

**(2) Significant Accounting Policies**

Buildings, facilities, and equipment represent capital assets acquired primarily for the operation of the Athletic Department. Title to capital assets utilized by the Athletic Department rests with the State of Texas in the name of the University and, therefore, such assets can be transferred to or from the Athletic Department at the discretion of the University. The threshold for capitalization of equipment is \$5,000 and over. Capital assets are stated at cost at the date of acquisition, or fair value at the date of donation. Depreciation is recorded on a straight line basis over the useful lives of the assets. Useful lives are established by a uniform classification system maintained by the State of Texas and are measured from the date of acquisition.

**(3) Contributions**

Monetary contributions have been made by various individuals to the Athletic Department. Contributions during the year ended August 31, 2010 totaled \$3,172,832, and have been recorded in the statement of revenues and expenses as contributions. There were no individual contributions of money that constituted 10% or more of all contributions received.

**(4) Revenue Bonds**

The Athletic Department transferred \$1,802,454 to the University as principal and interest payments in relation to Consolidated Revenue Refunding Bonds, Series 2002-B (the revenue bonds) during the year ended August 31, 2010. These payments included interest expense of \$647,456. The payments have been recorded in the statements of revenues and expenses as direct facilities, maintenance and rental.

**UNIVERSITY OF HOUSTON**  
Intercollegiate Athletic Department  
Notes to Statements of Revenues and Expenditures  
Year ended August 31, 2010

Future debt service payments for the revenue bonds are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
2011	\$ 1,215,000	585,244	1,800,244
2012	1,285,000	519,619	1,804,619
2013	1,345,000	450,581	1,795,581
2014	1,420,000	378,000	1,798,000
2015	1,500,000	301,350	1,801,350
Thereafter	4,990,000	401,888	5,391,888
Total	\$ <u>11,755,000</u>	<u>2,636,682</u>	<u>14,391,682</u>

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit and Compliance

**ITEM:** External Audit Report – UHS Public Broadcasting Basic Financial Statements and Independent Auditor's Report for FY 2010 and 2009

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise.

The Public Broadcasting Act of 1967, as amended, requires each public telecommunications entity that receives funds from the Corporation for Public Broadcasting to undergo an audit by independent certified public accountants on a biennium basis. Furthermore, CPB requires submission of its online Annual Financial Report with attached financial statements for each station.

Per "CPB Application of Principles of Accounting and Financial Reporting To Public Broadcasting Entities", audited statements must include current year and prior year comparatives; additionally, required are stand-alone financial statements submitted to CPB, even if that broadcasting entity reports to a parent organization such as UH. Also, UH requires the submission of an annual audited statement for the Association for Community Broadcasting. Due to the above requirements and the presentation of KUHF, KUHT and ACB as one consolidated audited financial statement, it is necessary for the independent audit firm to perform audit procedures on all three entities on an annual basis.


**SUPPORTING**

**DOCUMENTATION:** External Audit Report (under separate cover)

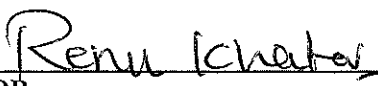
**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Don Guyton

1/28/11  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/2/11  
\_\_\_\_\_  
**DATE**

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit & Compliance

**ITEM:** External Audit Report – UHS Endowment Fund, Financial Statements and Independent Auditor's Report for FY 2010 and 2009

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise.

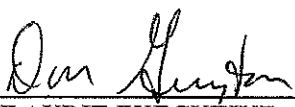
**SUPPORTING**

**DOCUMENTATION:** External Audit Report – UHS Endowment Fund, Financial Statements and Independent Auditor's Report for FY 2010 and 2009


**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information (under separate cover)

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Don Guyton

1/28/11  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/2/11  
\_\_\_\_\_  
**DATE**





**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Basic Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Assets	11
Statements of Revenues, Expenses, and Changes in Net Assets	12
Statements of Cash Flows	13
Notes to Basic Financial Statements	14
Other Supplementary Information:	
Schedule of Noncurrent Investments	31
Schedule of Changes in Net Assets by Endowment	50



KPMG LLP  
811 Main Street  
Houston, TX 77002

## **Independent Auditors' Report**

The Board of Regents  
University of Houston System:

We have audited the accompanying financial statements of the business-type activities of the University of Houston System (the System) Endowment Fund (Endowment Fund) as of August 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Endowment Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Endowment Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Endowment Fund are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities of the University of Houston System that is attributable to the transactions of the Endowment Fund. They do not purport to, and do not, present fairly the financial position of the University of Houston System as of August 31, 2010 and 2009, the changes in its financial position, or its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Endowment Fund as of August 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Endowment Fund's financial statements. The supplementary information included in those schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

February 8, 2011

## **Introduction**

The following Management's Discussion and Analysis (MD&A) provides an overview of the activities and the financial position of the fund for the fiscal year ended August 31, 2010 as compared to fiscal year ended August 31, 2009 with summary comparisons for the year ended August 31, 2008. This MD&A offers a summary of significant current year activities of the University of Houston System Endowment Fund (Endowment Fund), resulting changes in net assets, and currently known economic conditions and facts. This analysis should be read in conjunction with the Endowment Fund's basic financial statements and the notes to the financial statements. Responsibility of the financial statements, related note disclosures, and MD&A rests with the Endowment Funds' management.

During the 2002 fiscal year, the State of Texas adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The University of Houston System (the System UH System) is a governmental entity of the State of Texas. The Endowment Fund is a fund group of the System's reporting entity.

During fiscal year 2010, the Endowment Management Committee of the UH System Board of Regents (Board of Regents) continued to review existing objectives, risks, asset allocation, and manager structure within the endowment portfolio. The Endowment Fund Statement of Investment Objectives and Policies, among other things, establishes financial objectives for the endowment and an asset allocation with targets and ranges and categorizes each asset class as either a risk reducer or a driver of return.

## **Endowment Fund Structure**

Gifts to the UH System are placed in the Endowment Fund for investment and oversight purposes. The Board of Regents strives to maintain a plan to preserve and augment the value of the endowment. The Board of Regents works to preserve the broad objective of investing endowment assets so as to preserve both their real value and the long-range purchasing power of endowment income. The Endowment Management Committee of the Board of Regents is responsible for reviewing and approving investment managers and monitoring investment performance and allocations of funds to asset classes to ensure appropriate diversification of investment risks for the Endowment Fund, as well as making recommendations to the Board of Regents for any changes to the investment policy.

The Endowment Fund is a pooled investment fund consisting of approximately 1,320 individual endowments benefiting the four UH System universities. The investment pool functions similarly to a mutual fund, with each endowment account owning units that represent a claim on the Endowment Fund's net assets. By pooling the investments, the UH System achieves increased diversification of investment risks and more effective management of endowment assets.

## Management of the Fund

The Endowment Fund retains thirty-two independent investment managers who pursue different portfolio management strategies to maximize the total return through a variety of capital market cycles. Investment manager diversification of the Endowment Fund's assets is as follows:

	2010	2009	2008
Domestic large cap equities:			
State Street Global Advisors	9%	—%	—%
Mayo Capital	3	—	—
Institutional Capital	3	—	—
Columbia Management	3	—	—
Cougar Investment Fund	< 1	< 1	< 1
Fayez Sarofim	—	3	3
Robeco Boston Partners	—	5	5
Dodge & Cox	—	4	5
Smith Group	—	4	5
Wellington	—	3	3
Subtotal – domestic large cap equities	18	19	22
Domestic small cap equities:			
Luther King Capital Management	2	2	2
Hoover Investment Management	—	2	2
Subtotal – domestic small cap equities	2	4	4
International equities:			
William Blair	10	10	11
Silchester	10	—	—
Aberdeen	1	—	—
Alliance Bernstein	—	10	12
Subtotal – international equities	21	20	23
Absolute return:			
Davidson Kempner	2	3	2
Whipcorwill	1	2	2
Crestline	3	5	2
Mason Capital	1	—	—
OZ Overseas	2	—	—
Subtotal – absolute return	9	10	6

	2010	2009	2008
Hedged equity:			
Barlow Partners	8%	8%	7%
York Institutional Partners	4	3	3
Federal Street	—	—	2
Scout Capital	1	—	—
Coatue	1	—	—
Subtotal – hedged equity	14	11	12
Inflation hedge:			
Morgan Stanley	1	1	1
Colchester	—	—	1
Moncrief Willingham	1	1	1
Wellington DIH	3	4	5
Absolute Plus	1	1	1
Salient Trust	1	1	1
Sustainable Woodlands Fund	1	1	1
Berwind Property Group	1	1	1
Newlin Realty Partners	1	1	1
Other – real estate holdings	1	1	1
Subtotal – inflation hedge	11	12	14
Domestic fixed income:			
Wells Capital	—	—	8
Smith Graham	6	6	8
Mondrian	5	5	—
Laddered U.S. Treasuries	5	5	—
Subtotal – domestic fixed income	16	16	16
Alternatives:			
HarbourVest Partners	< 1	< 1	< 1
Trident	—	< 1	< 1
Commonfund Capital	1	< 1	< 1
EnCap Energy	2	1	< 1
Fisher Lynch Capital	< 1	< 1	< 1
Subtotal – alternatives	3	1	1
Cash and equivalents	6	7	2
Total	100%	100%	100%

### Investment Manager Allocation

Investment managers are given discretion to manage the assets in each portfolio to best achieve investment objectives within the policies and requirements established by the Board of Regents. The objectives and comparative benchmarks are used to evaluate manager performance. The Endowment Management Committee reviews performance and adjusts allocation to investment managers and asset classes in response to current or future anticipated market conditions. Monthly and comprehensive quarterly performance reports are distributed to the Endowment Management Committee.

### Endowment Payout Policy

The Endowment Management Committee is responsible for reviewing the income payout rate of the Endowment Fund, which is a balance between current income needs and long-term investment objectives. The endowment will maintain a payout rate of approximately 4% to 5%, with any change to this range to be approved by the Board of Regents. The endowment income payout for the year ended August 31, 2010 was 4% of the average year-end market value for the three prior fiscal years. If an endowment has been in existence for less than three years, the average is based on the number of years in existence. This trailing three-year method is used to smooth large year-over-year changes in market value, thereby allowing the UH System's colleges and departments to more reasonably predict future distributions of endowment income intended to benefit their area.

In the three fiscal years 2008 through 2010, endowment payouts to the beneficiary accounts, excluding distributed income returned to principal, in total and by the System's components were as follows:

	2010	2009	2008
University of Houston	\$ 6,879,742	6,568,038	14,992,422
UH – Clear Lake	226,755	127,623	598,277
UH – Downtown	523,613	513,029	831,970
UH – Victoria	280,304	285,650	422,003
System-wide endowments	4,098,724	4,252,881	8,121,804
Total	\$ 12,009,138	11,747,221	24,966,476

### Overview of the Financial Statements

The financial statements for the fiscal year ended August 31, 2010 are presented comparatively to financial statements issued for the fiscal year ended August 31, 2009. The financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes generally accepted accounting principles for state and local governments. The three primary financial statements presented are (1) the Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets, and (3) the Statement of Cash Flows. The information contained in the financial statements of the Endowment Fund is incorporated within the System's Combined Annual Financial Report.

The financial operations of the System, and therefore inclusively the Endowment Fund, are considered a business-type (or proprietary fund) activity. The operating activities of the System are financed by tuition and fees, state appropriations, contracts and grants, and auxiliary enterprise revenue. The Endowment Fund is an internally managed pooled fund and its beneficiaries are internal to the System. The Statement of Net Assets reports resources held and administered by the System, as described in the previous sections of this discussion and analysis. These resources are customarily characterized by the existence of a written agreement that affects the degree of management involvement, the programs supported by income earned by the resources, and the length of time that the resources are held by the System.

### Statement of Net Assets

The Statement of Net Assets reflects the Endowment Fund's assets and liabilities using the economic resources measurement focus and accrual basis of accounting, and represents the financial position as of the conclusion of the fiscal year. Net assets are equal to assets minus liabilities. Unrestricted net assets are available to the System for any lawful purpose. Unrestricted net assets often have constraints imposed by management, but such constraints can be removed or modified. Restricted net assets represent net assets that can be utilized only in accordance with third-party-imposed restrictions. On August 31, 2010, the fund's assets totaled \$465.2 million, and liabilities totaled \$23.0 million, resulting in net assets of approximately \$442.3 million.



The net assets of the Endowment Fund as contributed by the System's components as of August 31, 2010, compared to the corresponding values as of August 31, 2009 and August 31, 2008, were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
University of Houston	\$ 299,615,214	246,109,640	290,300,030
UH – Clear Lake	16,671,351	10,142,436	12,060,799
UH – Downtown	19,547,191	13,675,601	16,160,710
UH – Victoria	8,765,256	6,746,435	8,421,742
System-wide endowments	<u>97,683,043</u>	<u>138,016,146</u>	<u>171,323,000</u>
Total	<u>\$ 442,282,055</u>	<u>414,690,258</u>	<u>498,266,281</u>

*Variance Analysis – Changes in the Statement of Net Assets – 2010 and 2009*

	<u>2010</u>	<u>2009</u>	<u>Change 2010 – 2009</u>
Total assets	\$ 465,233,423	438,216,968	27,016,455
Total liabilities	22,951,368	23,526,710	(575,342)
Restricted nonexpendable endowments	\$ 309,966,671	288,127,685	21,838,986
Restricted expendable endowments	38,285,461	38,141,386	144,075
Unrestricted endowments	<u>94,029,923</u>	<u>88,421,187</u>	<u>5,608,736</u>
Net assets	<u>\$ 442,282,055</u>	<u>414,690,258</u>	<u>27,591,797</u>

- **Total Assets:** The \$27 million increase in fiscal year 2010 is attributable to new donations to the Endowment Fund and an increase in the fair value of investments resulting from the stock market increase, which began in the middle of fiscal year 2009 and continued into fiscal year 2010.
- **Total Liabilities:** The majority of the \$575 thousand decrease in liabilities is attributable to a decrease in the total amount of securities purchased and pending settlement at fiscal year-end 2010. A \$7.5 million payable was recorded at August 31, 2010 to recognize the future commitment to pay for pending securities purchases, compared to an \$8.0 million payable at August 31, 2009.
- **Restricted Nonexpendable Endowments:** The \$21.8 million increase in restricted nonexpendable endowments is primarily attributable to an increase in the fair value of the endowments resulting from an increase in the stock market in fiscal year 2010.
- **Unrestricted Endowments:** The \$5.6 million increase in unrestricted endowments is primarily attributable to the increase in the fair value of the endowments resulting from an increase in the stock market in fiscal year 2010.

***Variance Analysis-Changes in the Statement of Net Assets – 2009 and 2008***

	<b>2009</b>	<b>2008</b>	<b>Change 2009-2008</b>
Total assets	\$ 438,216,968	542,276,438	(104,059,470)
Total liabilities	23,526,710	44,010,157	(20,483,447)
Restricted for nonexpendable endowments	288,127,685	352,127,953	(64,000,268)
Restricted expendable endowments	38,141,386	38,358,923	(217,537)
Unrestricted	88,421,187	107,779,405	(19,358,218)
Net assets	<u>\$ 414,690,258</u>	<u>498,266,281</u>	<u>(83,576,023)</u>

- **Total Assets:** The \$104 million decrease in fiscal year 2009 was primarily attributable to the net decrease in the fair value of investments caused by the decline in the stock market which began in the latter part of fiscal year 2008 and continued into the first half of fiscal year 2009.
- **Total Liabilities:** The majority of the \$20.5 million decrease in liabilities was attributable to two factors. First, the amounts payable to the System's components for the income distribution and institutional advancement fee were decreased by \$15.6 million in fiscal year 2009 compared to fiscal year 2008 as a result of the prohibition against the distribution of income or assessment of the institutional advancement fee on any endowment that has a net loss from inception to date. Second, the total amount of securities purchased and pending settlement at fiscal year-end 2009 decreased \$4.1 million. An \$8 million payable was recorded at August 31, 2009 to recognize the future commitment to pay for these pending securities purchases, compared to a \$12.1 million payable at August 31, 2008.
- **Restricted Nonexpendable Endowments:** The \$64 million decrease in restricted nonexpendable endowments is primarily attributable to the decrease in the fair value of the endowments resulting from a decrease in the stock market during fiscal year 2009.
- **Restricted Expendable Endowments:** Restricted expendable endowments were little changed in FY2009 as this category of net assets received a \$7 million contribution at the end of the fiscal year 2009, which offset most of the decrease in this category of endowment net assets that was caused by a decrease in the stock market during fiscal year 2009.
- **Unrestricted Endowments:** The \$19.4 million decrease in unrestricted endowments is primarily attributable to the decrease in the fair value of the endowments resulting from a decrease in the stock market during fiscal year 2009.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets contains information about the additions to, the deductions from, and the resulting net increase or decrease in the fair value of the net assets for the fiscal year. During fiscal year 2010, the Endowment Fund received \$10.2 million of gifts and other receipts, and interest and investment income of \$4.7 million, and experienced a \$28.2 million net increase in the fair value of investments. The Endowment Fund's total deductions for fiscal year 2010 were \$15.5 million, including \$12.0 million earmarked for distribution to the beneficiary endowment accounts under the planned payout policy and \$3.5 million for gift acquisition and fundraising efforts. As a result of these activities, the Endowment Fund realized an increase in net assets of \$27.6 million.

***Variance Analysis for Statement of Revenues, Expenses, and Changes in Net Assets – 2010 and 2009***

	<u>2010</u>	<u>2009</u>	<u>Change 2010 – 2009</u>
Contributions to endowments	\$ 10,153,417	16,506,838	(6,353,421)
Net appreciation (depreciation) (realized and unrealized)	28,249,697	(86,889,653)	115,139,350
Other nonoperating revenues (expenses)	(15,504,895)	(15,549,373)	44,478
Transfers-in (out)	33,207	24,039	9,168
Interest and investment income	4,660,371	2,332,126	2,328,245
Increase (decrease) in net assets	<u>\$ 27,591,797</u>	<u>(83,576,023)</u>	<u>111,167,820</u>

- Contributions to endowments decreased \$6.4 million in 2010 as compared to 2009. Philanthropy decreased as the economy was going through a recession and many donors were still trying to recover from the decline in the value of their portfolios caused by a significant decline in the stock market that began in the latter part of fiscal year 2008 and continued through early half of fiscal year 2009.
- Changes in investment activities included a \$28.2 million net appreciation in the fair value of investments in fiscal year 2010 compared to \$(86.9) million net depreciation in fiscal year 2009. This net change fiscal year-over-year is the result of the stock market increase, which began in the middle of fiscal year 2009 and continued into fiscal year 2010. Interest and investment income increased by \$2.3 million as compared to 2009 with much of this increase coming from our partnership investments. Fund deductions were little changed from 2009 to 2010. The Endowment Fund continued the prohibition against the distribution of income or assessment of the institutional advancement fee on any endowment that has a net loss from inception to date. The institutional advancement fee was approved by the Board of Regents to offset costs associated with gift acquisition and fund-raising efforts at the System components. Administrative costs of \$2.1 million were slightly less than fiscal year 2009 as we replaced various managers within the domestic equity allocation in fiscal year 2010 including the use of passive management, which has a lower cost of management compared to active management. The domestic equity manager allocation was split equally between active and passive management at the end of fiscal year 2010 compared to all active management in this asset class in fiscal year 2009.

***Variance Analysis for Statement of Revenues, Expenses, and Changes in Net Assets – 2009 and 2008***

	<u>2009</u>	<u>2008</u>	<u>Change 2009-2008</u>
Contributions to endowments	\$ 16,506,838	69,502,852	(52,996,014)
Net appreciation (depreciation) (realized and unrealized)	(86,889,653)	(44,661,910)	(42,227,743)
Other nonoperating revenues (expenses)	(15,549,373)	(32,054,009)	16,504,636
Transfers-in/(out)	24,039	111,519	(87,480)
Interest and investment income	2,332,126	11,345,871	(9,013,745)
(Decrease) increase in net assets	<u>\$ (83,576,023)</u>	<u>4,244,323</u>	<u>(87,820,346)</u>

- Contributions to endowments decreased \$53 million in 2009 as compared to 2008. Philanthropy decreased as the economy was going through a recession. The recession caused a significant decline in the stock market that began in the latter part of fiscal year 2008 and continued through more than half of fiscal year 2009.
- Changes in investment activities included a decrease in interest and investment income of \$9 million as compared to 2008 as interest rates declined and yields on high quality fixed income securities declined. Fund deductions decreased \$16.5 million due primarily to a \$13.2 million decrease in income distributed to the beneficiary accounts and a \$2.1 million decrease in the institutional advancement fee assessment. These decreases were the result of the prohibition against the distribution of income or assessment of the institutional advancement fee on any endowment that had a net loss from inception to date. The institutional advancement fee was approved by the Board of Regents to offset costs associated with gift acquisition and fundraising efforts at the System components. Administrative costs of \$2.3 million were slightly less than fiscal year 2008 as the Endowment Fund increased its cash position, which has a lower cost of management compared to management costs for other asset classes.

### **Statement of Cash Flows**

The Statement of Cash Flows explains the change during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The Statement of Cash Flows should be read in conjunction with related disclosures and information in the other financial statements.

### **Capital Assets**

The Endowment Fund does not hold any capitalized assets, such as buildings or furniture and equipment. The Endowment Fund invests in financial instruments, which constitute most of the Endowment Fund's assets. Although the Endowment Fund is generally not prohibited from acquiring tangible physical assets to be held as investments for their appreciation qualities, such assets are typically not acquired or held by the Endowment Fund. Presently, the Endowment Fund holds certain parcels of land, which were received as gifts and are being held for their appreciative value.

### **Debt Administration**

The Endowment Fund does not issue long-term debt. The Endowment Fund is not currently engaged in any long-term financing transactions. The operation and administration of the Endowment Fund is currently structured such that its annual financial obligations and expenses are satisfied through earnings and other fund additions.

### **Economic Outlook**

The U.S. and the world experienced a significant downturn in their financial environments and economies beginning in mid calendar year 2008. The recessionary situation was characterized by a contraction of credit, high unemployment, falling prices in housing, rising foreclosures, and deflated valuations for equities and other investment instruments. While the most recent recession has technically ended, uncertainty remains as to when the economy will begin to experience greater expansion than currently exists and when the continued high unemployment will subside. Uncertainty also persists as to future tax and interest rate policy in the United States. Although valuations for equities and other investment instruments have rebounded from their depressed levels of mid calendar year 2008 to March 2009, there continues to be increased volatility in valuations for equities and other investment instruments.

Any questions related to the MD&A or financial statements should be directed to University of Houston, Office of the Treasurer, P.O. Box 988, Houston, TX 77001-0988.

## **THE BASIC FINANCIAL STATEMENTS**

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Statements of Net Assets

August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets:		
Cash equivalents	\$ 40,062,390	42,424,648
Interest and dividends receivable	363,347	419,226
Receivables for investments sold	314,753	418,004
Other receivables	10,000	—
Short-term investments	<u>6,403,925</u>	<u>5,345,748</u>
Total current assets	<u>47,154,415</u>	<u>48,607,626</u>
Noncurrent assets:		
Investments	<u>418,079,008</u>	<u>389,609,342</u>
Total noncurrent assets	<u>418,079,008</u>	<u>389,609,342</u>
Total assets	<u>465,233,423</u>	<u>438,216,968</u>
Liabilities:		
Current liabilities:		
Payable for investments purchased	7,479,680	8,001,376
Due to other components	<u>15,471,688</u>	<u>15,525,334</u>
Total current liabilities	<u>22,951,368</u>	<u>23,526,710</u>
Net assets:		
Restricted nonexpendable endowments	309,966,671	288,127,685
Restricted expendable endowments	38,285,461	38,141,386
Unrestricted	<u>94,029,923</u>	<u>88,421,187</u>
Total net assets	<u>\$ 442,282,055</u>	<u>414,690,258</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ —	—
Operating expenses	—	—
Operating income (loss)	—	—
Nonoperating revenues (expenses):		
Interest and investment income	4,660,371	2,332,126
Net change in fair value of investments	28,249,697	(86,889,653)
Other nonoperating revenue (expense)	(15,504,895)	(15,549,373)
Total nonoperating revenues (expenses)	17,405,173	(100,106,900)
Contributions to endowment	10,153,417	16,506,838
Transfers-in	33,207	24,039
Transfers-out	—	—
Increase (decrease) in net assets	27,591,797	(83,576,023)
Net assets, beginning of year	414,690,258	498,266,281
Net assets, end of year	\$ <u>442,282,055</u>	<u>414,690,258</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Statements of Cash Flows

Years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net cash provided by operating activities	\$ —	—
Cash flows from noncapital and related financing activities:		
Capital contributions	10,153,417	16,506,838
Other receipts	33,207	24,039
Transfers to other funds	<u>(53,646)</u>	<u>(16,417,156)</u>
Net cash provided by noncapital and related financing activities	<u>10,132,978</u>	<u>113,721</u>
Cash flows from capital and related financing activities:		
	<u>—</u>	<u>—</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	260,090,538	281,196,918
Payments to purchase investments	(275,180,202)	(271,859,190)
Interest and dividends received on investments	4,716,250	2,831,885
Payments for asset management and stewardship	<u>(2,121,822)</u>	<u>(2,264,736)</u>
Net cash (used in) provided by investing activities	<u>(12,495,236)</u>	<u>9,904,877</u>
(Decrease) increase in cash and cash equivalents	(2,362,258)	10,018,598
Cash and cash equivalents – beginning of year	<u>42,424,648</u>	<u>32,406,050</u>
Cash and cash equivalents – end of year	<u>\$ 40,062,390</u>	<u>42,424,648</u>

See accompanying notes to basic financial statements.



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(1) Reporting Entity**

The University of Houston System (the System) is an agency of the State of Texas, established by the State of Texas to provide undergraduate and graduate university instruction, scholarly research, and public service in the Houston, Texas area. The System is the State of Texas' only metropolitan higher education system, encompassing four universities and two multi-institution teaching centers. The University of Houston System Endowment Fund (the Endowment Fund) is a fund group of the System reporting entity, with the earliest endowment having been established in 1950. The accompanying financial statements present only the Endowment Fund of the System as of August 31, 2010 and 2009, the changes in its financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Endowment Fund is a fund group that accounts for all of the System's endowment assets pooled together to ensure better management and uniform accountability for those assets. The Endowment Fund provides financial support for the System's students and the System's research endeavors. The Endowment Fund presently comprises approximately 1,320 restricted and unrestricted endowment funds located in the System's four universities and two multi-institution teaching centers. Restricted endowment funds are funds with respect to which a donor or other outside entity has stipulated that the principal be maintained inviolate and in perpetuity, and that only the income from the investments is available for expenditure. Unrestricted endowment funds consist of funds for which the donor did not impose any restriction as to their use, as well as funds that are designated by the System's Board of Regents, rather than the donor, to function as endowment funds. The principal of these funds may be expended at the discretion of the System's Board of Regents.

**(2) Summary of Significant Accounting Policies**

**(a) General**

All financial accounting records of the Endowment Fund are maintained by the System's Office of the Associate Vice Chancellor for Finance in accordance with accounting principles generally accepted in the United States of America for colleges and universities.

**(b) Reporting Guidelines**

The System applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Endowment Fund has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The Endowment Fund is reported as a single-purpose business-type activity entity.

**(c) Basis of Accounting**

The financial statements of the Endowment Fund have been prepared using the economic resources measurement focus and accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they are incurred.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(d) Cash and Cash Equivalents**

The Endowment Fund believes the carrying value of cash and temporary investments approximates fair value. The Endowment Fund considers investments purchased with a maturity of three months or less from the purchase date to be cash equivalents.

**(e) Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value. Fair value is based on published closing market prices on the last trading day of the fiscal year. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. Investments in which a public market does not exist are based on the Endowment Fund's ownership interest in the net asset value of each fund as reported by the fund managers. When fund managers do not provide the net asset value of each fund at fiscal year-end, the fair value is estimated by the System using the most recent statement and adding contributions and subtracting the distributions during the intervening period. In accordance with GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, land and other real estate held as investments are recorded at fair value. Chapter 163 of the Texas Property Code (also cited as the Uniform Prudent Management of Institutional Funds Act) grants the System the authority to spend net appreciation.

Because of inherent uncertainties of valuations, management's and fund managers' estimates of fair value may differ from the values that would have been used had a ready market existed.

Investments received as gifts are initially recorded at estimated fair value based on appraised values or broker closing prices for stocks at the date of the gift.

Short-term investments comprise U.S. government obligations and corporate obligations with a maturity date of less than one year as of the statement of net assets date.

**(f) New Accounting Pronouncement**

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The accounting and financial reporting guidance contained within the statement is intended to provide clarity and enhance the usefulness and comparability of derivative instrument information when governmental entities choose to use derivative instruments to manage specific financial risks or to make investments. The standard provides a comprehensive framework in the measurement, recognition, and disclosure of derivative instrument type transactions. The requirements of GASB No. 53 are effective for financial statement for periods beginning after June 15, 2009, but an early application is permitted. The Endowment Fund has implemented GASB No. 53 for fiscal year 2010. The implementation did not have a material impact on the Endowment Fund's financial statements.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(g) Net Assets**

The Endowment Fund's net assets are classified as follows:

*Restricted for nonexpendable endowments:* Net assets for restricted nonexpendable endowment funds are maintained permanently by the System following the externally imposed stipulations.

*Restricted for expendable endowments:* Net assets for restricted expendable endowment funds are those that may be expended for either a stated purpose or for a general purpose subject to externally imposed stipulations.

*Unrestricted:* Net assets for unrestricted endowment funds are donated by third parties or created internally by the System and represent resources that are available to the System.

When both restricted and unrestricted resources are available for use, it is the Endowment Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

**(h) Revenue Recognition**

Contributions to the Endowment Fund and transfers-in from other funds such as distribution payouts returned by beneficiaries for reinvestment are recognized as additions to the Endowment Fund's assets. Dividend income is recorded as income on the date the stock traded ex-dividend. Interest is recognized on fixed income investments on the accrual basis.

The net change in fair value of investments represents both realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gain or loss is computed as the difference between the cost of marketable securities sold and the sale price. The cost of marketable securities sold is determined on specific identification of investments sold. Realized gain is recorded as of the trade date regardless of when the transaction is settled. Unrealized gains or losses are calculated based on the changes in investment fair value between the beginning and end of the fiscal year for investments held since the beginning of the year, or as the difference between the fair value at end of year and the purchase cost for investments purchased during the year. Unrealized gains (losses) are determined and recorded as of the fiscal year-end.

The Endowment Fund does not currently earn operating revenues or incur operating expenses.

**(i) Distribution Payout**

Effective September 1, 1995, the System's Board of Regents adopted an endowment payout policy whereby the payout rate is based on a percentage of the fiscal year end net assets averaged over rolling three-year periods. For the fiscal years 2010 and 2009, the payout rate was 4% applied to the endowments' average net asset balances for the preceding three fiscal years. If an endowment was in existence for less than three years, the average was based on the number of years the endowment was in existence. Effective May 1, 2009, no endowment receives a pro rata income distribution from current fiscal year contributions. If an endowment were in existence less than three years, the

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

average is based on the number of years in existence. The Endowment Fund did not make a payout from any endowment that had a net loss from inception to date. The payout is calculated and recorded at the end of each fiscal year. Actual endowment return earned in excess of distributions is reinvested. For years actual endowment return is less than the distribution payout, the shortfall is covered by realized returns from prior years.

**(j) *Institutional Advancement Assessment***

The System's Board of Regents has adopted a policy whereby an assessment is made against the earnings of various endowment funds to offset expenses associated with gift acquisition and fund-raising at the System's component universities and multi-institution teaching centers. The policy allows for 1.5% to be assessed on the average of the preceding three years' net asset balances of all endowments except those exempt on the basis of donor-imposed restrictions or recommended by University Advancement, a division of the System, which is responsible for fund-raising, internal and external communications, and marketing. The assessment is made at the end of each fiscal year to make funds available for the System's institutional advancement activities in the following fiscal year. The total amount assessed for the years ended August 31, 2010 and 2009 was \$3,495,757 and \$3,802,152, respectively, which is reflected as a reduction to investment returns.

**(k) *Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(3) *Authorized Investments***

The System's Board of Regents is charged with the fiduciary responsibility for preserving and augmenting the value of the Endowment Fund. The System retains the services of a custodial financial institution under a master trust custodian agreement, as well as the services of independent investment managers each of whom plays a part in meeting the System's goals over a variety of capital market cycles. The System's Board of Regents has adopted a written investment policy, including investment manager guidelines for each of the separately invested accounts of the Endowment Fund, regarding the investment of endowment assets as defined in the System's Investment Policies (Policies). The primary long-term financial objective for the Endowment Fund is to preserve the real (inflation adjusted) purchasing power of endowment assets when measured over rolling periods of at least five years. The medium-term objective is to outperform each of the capital markets in which the endowment assets are invested, measured over rolling periods of three to five years or complete market cycles, with emphasis on whichever measure is longer.

**(4) *Derivatives***

Derivatives are investment products that may be a security or contract that derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The Endowment Fund did not directly invest in derivatives and held no direct derivative instruments at August 31, 2010 or August 31, 2009.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(5) Cash and Investments**

**(a) Composition of Cash and Cash Equivalents**

Cash and cash equivalents consist of money market funds and securities maturing within three months totaling \$40,062,390 and \$42,424,648 at August 31, 2010 and 2009, respectively. The money market funds are invested in commercial paper, certificates of deposit, repurchase agreements, corporate notes, time deposits, and similar short-term investments considered generally acceptable and prudent for money market funds.

Cash and cash equivalents included in the statements of net assets consist of the items reported below:

	<u>2010</u>	<u>2009</u>
Money market premier shares	\$ 11,415,848	8,320,553
Prime short-term investment funds	26,906,745	32,309,307
Securities maturing within three months	<u>1,739,797</u>	<u>1,794,788</u>
Total cash and cash equivalents	<u>\$ 40,062,390</u>	<u>42,424,648</u>

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(b) Reconciliation of Cash and Investments to Statements of Net Assets**

Total cash and investments at August 31, 2010 and 2009 are as follows:

Type of security	Market value August 31, 2010	Market value August 31, 2009
Money market premier shares	\$ 11,415,848	8,320,553
Prime short-term investment funds	26,906,745	32,309,307
Cash equivalents – securities due within 3 months	1,739,797	1,794,788
Global fixed income	22,701,139	20,958,604
U.S. government obligations	22,794,248	20,471,961
U.S. government agencies	12,085,153	12,345,798
U.S. fixed income (nongovernment/agency)	12,089,168	10,946,782
U.S. equities	85,432,273	102,427,998
Global equities ex-U.S.	95,377,421	86,216,196
Hedged equity funds	69,125,070	46,418,145
Inflation hedge funds (including REITs)	44,127,934	43,533,757
Absolute return funds	43,962,380	40,680,935
Private equity/venture capital partnerships	12,749,855	6,916,622
Real estate	4,038,292	4,038,292
Total investments	464,545,323	437,379,738
Less:		
Cash equivalents	(40,062,390)	(42,424,648)
Short-term investments	(6,403,925)	(5,345,748)
Total noncurrent investments	\$ 418,079,008	389,609,342

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(c) Investment Maturities**

As of August 31, 2010, the Endowment Fund had the following investments and weighted average maturities:

Investment type	2010		2009	
	Fair value	Weighted average maturity (years)	Fair value	Weighted average maturity (years)
U.S. government obligations	\$ 22,794,248	4	\$ 20,471,961	3
U.S. government agencies	12,085,153	20	12,345,798	23
U.S. fixed income (nongovernment/agency) (including short-term investments)	12,089,168	14	10,946,782	11
Equity, mutual funds, and other investments	<u>371,110,439</u>	Untenured	<u>345,844,801</u>	Untenured
Total investments at fair value	<u>\$ 418,079,008</u>		<u>\$ 389,609,342</u>	
Weighted average maturity of tenured portfolio (in years)		11		10

**(d) Asset Selection and Allocation**

The Endowment Fund's Statement of Investment Objectives and Policies governs the overall allocation of endowment funds to asset classes and considerations of limits to investment risk exposures. Allocation of funds to asset classes is based on expected returns, risk levels, desired risk diversification, interaction of various asset classes, and income generation and capital appreciation potentials of each asset class. The market value of investments in each asset class is maintained within an approved range of ratios to the market value of the Endowment Fund's total investments, except for minor deviations due to fluctuations in market value. The Endowment Management Committee monitors asset allocation targets and limits and may authorize the reallocation of funds among investment managers.

The Endowment Fund currently invests in a broad array of asset classes in order to diversify the portfolio's risk. Readily marketable securities, such as domestic or international common stocks, domestic bonds, and cash equivalents comprise 62% of the overall investment portfolio (portfolio) at the end of fiscal year 2010. Marketable alternative investments (i.e., inflation hedges, absolute return and hedged equity) represent 35% of the portfolio, and nonmarketable alternative investments (i.e., venture capital and private equity) constitute 3% of the portfolio on a funded basis. The Endowment Fund's overall investment risk is diversified by asset class and within each class by strategy, economic sector, geography, industry, market capitalization, manager, and with regard to

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

nonmarketable alternatives, by vintage year as well. Such diversification is aimed at limiting the risks specifically associated with any single strategy, economic sector, geographic area, industry, or manager.

**(e) Investment-Related Risks**

*Custodial Credit Risk* – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the Endowment Fund will not be able to recover its deposits. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Endowment Fund will not be able to recover the value of its investment or collateral securities that may be in the possession of another party. Securities owned by the endowment but held in custody by the endowment custodian may be lent to other parties through a contract between the System and the custodian pursuant to a written agreement approved by the Board of Regents. As of August 31, 2010 and 2009, the System did not have a securities lending agreement with its custodian. Managers may not enter into securities lending agreements without the consent of the Board of Regents. The System recognizes, however, that, for those investments placed in commingled vehicles, the Board cannot dictate whether or not the manager will engage in securities lending. Therefore, System and its investment consultant make every effort either to avoid commingled investments, or to otherwise limit investment to those managers who will not engage in securities lending. The limited partnerships of marketable and nonmarketable alternative investments are excluded from this limitation. At August 31, 2010 and 2009, Endowment Fund's total investments at fair value under a master trust custodian agreement with a third-party financial institution was approximately \$138,245,933 and \$115,184,030, respectively. The third-party custodian operates its business world-wide and, at August 31, 2010 and 2009, held risk insurance contracts with various local and foreign insurance organizations providing coverage for loss due to theft, fraud, and damage to securities while in the custodian's custody; loss of securities while in transit; property damage; and, loss due to business interruption, acts of terrorism, officer negligence, and general liability. The insurance coverage limits ranged from \$1,000,000 to \$500,000,000. The coverage did not protect against market risks and fluctuations associated with market investments.

At August 31, 2010 and 2009, Endowment Fund's investments at fair value not covered by the master trust custodian agreement were approximately \$319,507,811 and 315,031,562, respectively. These investments, excluding real estate valued at \$4,038,292 at August 31, 2010 and 2009, were under various custodian agreements between the investment managers and the investment funds or limited partnerships in which the Endowment Fund is invested. The investments are subject to custodial risks associated with those independent investment managers, and to market risks and fluctuations associated with market investments. The System controls these risks through its credit and concentration risk policies as described in the credit risk and concentration of credit risk paragraph below.

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. The System's investment policy, by way of the investment manager guidelines, requires the weighted average duration of the portfolio should remain in a range of a minimum of 90% and a maximum of 110% of the BC Aggregate Bond Index



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

for active fixed income managers. The System's investment policy is driven primarily by the goal to preserve the long-term real (inflation adjusted) purchasing power of endowment assets while achieving short-term maximum earnings. In order to balance these two primary goals, the Board of Regents is closely involved in managing the exposure to declines in investment fair value and earnings.

*Credit Risk and Concentration of Credit Risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. In accordance with the System's investment policy and manager guidelines, investments in securities within the fixed income allocation of the portfolio must have an average portfolio credit quality of "AA" or better. Securities should be readily marketable and liquid. The use of options, futures, and other derivatives (excepting mortgage-backed securities) is prohibited within the domestic fixed income allocation without prior approval by the Endowment Management Committee. The use of leverage is prohibited. The investment manager guidelines limit the amount each active manager may invest in any one issuer. Other than U.S. government securities (including agency securities), no security may be purchased so that it will constitute more than 5% of the market value of the portfolio; however, obligations issued or guaranteed by the full faith and credit of the U.S. government may be held without limitation. The System's endowment funds also include an allocation to alternative investments, which, by their nature, include higher levels of risk, including credit and concentration of credit risk, with the expectation of higher returns relative to traditional equities and fixed income securities. The investment policy does not specify limits as to credit quality or concentration for alternatives as these investments may include highly concentrated positions and may include investing in companies that are either privately held or in financial distress.

The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments as of August 31, 2010 are as follows:

<u>Issuer</u>	<u>Coupon rate</u>	<u>Maturity date</u>	<u>S&amp;P risk rating</u>	<u>Fair value</u>	<u>Concentration of credit exposure</u>
Aep Texas Central Transit A A2	4.98%	07/01/2015	AAA	\$ 233,298	0.05%
American Express Co	7.25	05/20/2014	BBB+	139,571	0.03
American Express Cr 08-1 Cl A	VAR RT	08/15/2013	AAA	380,551	0.08
Axa Sa US\$Sub Nt	8.60	12/15/2030	BBB+	190,676	0.04
Banc of America Commercial 5 A4	5.41	09/10/2016	AAA	158,780	0.03
Banc One Corp Debs	8.00	04/29/2027	A	262,250	0.06
Bank of America Corp	5.63	07/01/2020	A	103,022	0.02
Bear Stearns Commercial Pw12 A4	VAR RT	09/11/2038	AAA	319,473	0.07
Bear Stearns Commercial Pw13 A4	5.54	09/11/2041	AAA	383,005	0.08
Bear Stearns Commercial Top6 A2	6.46	10/15/2036	AAA	198,623	0.04

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

Issuer	Coupon rate	Maturity date	S&P risk rating	Fair value	Concentration of credit exposure
Bear Stearns Commercial T28 A4 CA Inc	5.74%	09/11/2042	AAA	\$ 400,580	0.09%
Centerpoint Energy Transit A A2	5.38	12/01/2019	BBB	218,158	0.05
Chait 2009-A3 A3	4.97	08/01/2014	AAA	234,655	0.05
Citigroup Inc	5.00	06/17/2013	AAA	344,950	0.07
Cliffs Natural Resources	5.00	09/15/2014	A-	267,153	0.06
Commit To Pur Fnma Sf Mtg	5.90	03/15/2020	BBB-	43,718	0.01
Commit To Pur Fnma Sf Mtg	5.00	09/01/2040	AGN	1,311,422	0.28
Commit To Pur Fnma Sf Mtg	5.00	09/01/2025	AGN	37,220	0.01
Commit To Pur Fnma Sf Mtg	5.50	09/01/2040	AGN	1,603,830	0.35
Commit To Pur Fnma Sf Mtg	6.50	09/01/2040	AGN	468,094	0.10
Commit To Pur Fnma Sf Mtg	5.50	09/01/2025	AGN	478,655	0.10
Commit To Pur Fnma Sf Mtg	6.00	09/01/2040	AGN	1,598,692	0.34
Commit To Pur Gnma I Sf Mtg	5.50	09/15/2040	AGN	616,848	0.13
Commit To Pur Gnma Sf Mtg	5.00	09/15/2040	AGN	687,699	0.15
Commit To Pur Gnma Sf Mtg	6.00	09/15/2040	AGN	282,994	0.06
Cvs Caremark Corp	3.25	05/18/2015	BBB+	208,520	0.04
DirecTV Holdings/Fing	3.13	02/15/2016	BBB-	259,145	0.06
Discovery Communications	3.70	06/01/2015	BBB-	231,433	0.05
Dow Chemical Co	5.90	02/15/2015	BBB-	254,658	0.05
Federal Home Ln Mtg Corp	5.13	04/18/2011	AAA	154,547	0.03
Federal Home Ln Mtg Corp	5.13	11/17/2017	AAA	237,562	0.05
Federal Home Ln Mtg Corp	2.50	01/07/2014	AAA	314,277	0.07
Federal Natl Mtg Assn	7.25	05/15/2030	AAA	309,028	0.07
Federal Natl Mtg Assn	5.00	02/13/2017	AAA	410,267	0.09
Federal Natl Mtg Assn Disc	—	02/22/2011	AAA	1,617,354	0.35
FHLMC Pool #G1-1630	3.50	06/01/2019	AGN	136,866	0.03
FHLMC Pool #G1-8024	4.00	09/01/2019	AGN	192,155	0.04
FNMA Pool #0254663	5.00	02/01/2013	AGN	102,968	0.02
FNMA Pool #0254801	6.00	07/01/2023	AGN	67,876	0.01
FNMA Pool #0254972	6.00	10/01/2023	AGN	33,995	0.01
FNMA Pool #0255319	5.00	08/01/2019	AGN	207,873	0.04
FNMA Pool #0725866	4.50	09/01/2034	AGN	392,267	0.08
FNMA Pool #0729175	VAR RT	06/01/2034	AGN	82,504	0.02
FNMA Pool #0809800	5.50	03/01/2035	AGN	432,495	0.09
FNMA Gtd Remic P/T	4.49	11/25/2012	AGN	225,429	0.05
FNMA Gtd Remic P/T 04-36 Eb	4.00	03/25/2018	AGN	63,025	0.01
Franklin Resources Inc	3.13	05/20/2015	AA-	241,684	0.05
GE Capital Commercial Mo C1 A4	VAR RT	03/10/2044	AAA	497,902	0.11
GE Capital Credit Card Mas 2 A	3.69	07/15/2015	AAA	157,274	0.03
General Elec Cap Corp	5.50	01/08/2020	AA+	175,102	0.04
General Electric Capital Corp	5.88	01/14/2038	AA+	226,213	0.05
GNMA Pool #0511631	9.00	08/15/2030	Exempt from disclosure	14,253	—
GNMA Pool #0591705	7.50	10/15/2032	Exempt from disclosure	1,973	—
GNMA Pool #0781384	11.00	09/15/2015	Exempt from disclosure	2,986	—
Goldman Sachs Group Inc	6.00	06/15/2020	A	107,722	0.02

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

Issuer	Coupon rate	Maturity date	S&P risk rating	Fair value	Concentration of credit exposure
Goldman Sachs Group Inc	3.70%	08/01/2015	A	\$ 121,481	0.03%
Home Depot Inc Sr Nt	5.25	12/16/2013	BBB+	255,581	0.06
Ingersoll-Rand Global Hldg Co	6.00	08/15/2013	BBB+	256,947	0.06
Intl Paper Co	7.50	08/15/2021	BBB	250,320	0.05
Jefferies Group Inc	6.88	04/15/2021	BBB	191,165	0.04
KLA-Tencor Corp Sr Nt	6.90	05/01/2018	BBB	241,853	0.05
Kraft Foods Inc	6.50	02/09/2040	BBB-	403,325	0.09
Merrill Lynch & Co Inc Medium	6.88	04/25/2018	A	121,056	0.03
Merrill Lynch/Countrywide 9 A4	5.70	09/12/2049	A+	280,363	0.06
Metlife Inc	4.75	02/08/2021	A-	209,122	0.05
Morgan Stanley	5.63	09/23/2019	A	254,415	0.05
Morgan Stanley Capital Hq8 A4	VAR RT	03/12/2044	AAA	293,819	0.06
Morgan Stanley Capital T13 A4	4.66	09/13/2045	AAA	103,993	0.02
Nasdaq Omx Group	4.00	01/15/2015	BBB	248,642	0.05
Omnicare Inc	3.25	12/15/2035	B+	208,125	0.04
Omnicom Group Inc	4.45	08/15/2020	BBB+	246,007	0.05
PG&E Energy Recovery Fund 2 A2	5.03	03/25/2014	AAA	123,214	0.03
Private Expt Fdg Corp Ser U	4.95	11/15/2015	AA+	173,532	0.04
Prudential Financial Inc	5.38	06/21/2020	A	280,020	0.06
Republic Services Inc	5.25	11/15/2021	BBB	266,650	0.06
Rio Tinto Finance Usa Ltd	5.88	07/15/2013	BBB+	256,018	0.06
Southern Copper Corp	6.75	04/16/2040	BBB-	281,029	0.06
TD Ameritrade Holding Co	4.15	12/01/2014	BBB+	253,116	0.05
Time Warner Inc	3.15	07/15/2015	BBB	61,661	0.01
U.S. Treas Strip Int Pmt	—	11/15/2027	Exempt from disclosure	198,169	0.04
U.S. Treasury Bond	5.38	02/15/2031	Exempt from disclosure	478,778	0.10
U.S. Treasury Bond	4.38	02/15/2038	Exempt from disclosure	347,157	0.07
U.S. Treasury Note	4.25	01/15/2011	Exempt from disclosure	2,314,109	0.50
U.S. Treasury Note	4.88	07/31/2011	Exempt from disclosure	2,317,916	0.50
U.S. Treasury Note	4.63	07/31/2012	Exempt from disclosure	2,376,264	0.51
U.S. Treasury Note	2.88	01/31/2013	Exempt from disclosure	2,456,874	0.53
U.S. Treasury Note	3.38	07/31/2013	Exempt from disclosure	2,418,558	0.52
U.S. Treasury Note	1.75	01/31/2014	Exempt from disclosure	3,499,963	0.75
U.S. Treasury Note	1.13	01/15/2012	Exempt from disclosure	2,459,740	0.53
U.S. Treasury Note	2.63	07/31/2014	Exempt from disclosure	2,549,064	0.55
U.S. Treasury Note	3.63	02/15/2020	Exempt from disclosure	803,402	0.17

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

Issuer	Coupon rate	Maturity date	S&P risk rating	Fair value	Concentration of credit exposure
U.S. Treas-Cpi Inflat	1.63%	01/15/2015	Exempt from disclosure	\$ 574,256	0.12%
Waste Mgmt Inc Del Sr Nt	6.38	11/15/2012	BBB	109,975	0.02
Wells Fargo & Company	3.75	10/01/2014	AA-	126,473	0.03
Xerox Corporation	5.63	12/15/2019	BBB-	233,153	0.05

The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments as of August 31, 2009 are as follows:

Issuer	Coupon rate	Maturity date	S&P risk rating	Fair value	Concentration of credit exposure
AEP Tex Cent Trans 06-A Cl A2	4.98%	07/01/2013	AAA	\$ 159,599	0.04%
American Express Co	7.25	05/20/2014	BBB+	132,059	0.03
American Express Cr 08-1 Cl A (1)	0.72	08/15/2013	AAA	378,864	0.09
Ameriprise Financial Inc	7.30	06/28/2019	A	154,392	0.04
AT & T Inc Global Nt	4.95	01/15/2013	A	256,541	0.06
AT & T Wireless Svcs Inc Sr Nt	8.75	03/01/2031	A	225,949	0.05
Axa SA US\$Sub Nt	8.60	12/15/2030	A-	250,000	0.06
Banc One Corp Debs	8.00	04/29/2027	A	235,574	0.05
Bank of America Corp	7.62	06/01/2019	A	220,202	0.05
Bear Stearns Coml 01-Top4 A3	5.61	11/15/2033	AAA	284,911	0.07
Bear Stearns Cos Inc Sr Nt	6.40	10/02/2017	A+	206,180	0.05
BP Capital Markets Plc	1.55	08/11/2011	AA	160,288	0.04
Burlington Nothn Santa Fe Corp	5.75	03/15/2018	BBB	117,961	0.03
Centerpoint Energy Tran Aa2	4.97	08/01/2014	AAA	365,674	0.08
Chait 2009-A3 A3	2.40	06/17/2013	AAA	344,311	0.08
Cisco Sys Inc Sr Nt	4.95	02/15/2019	A+	250,488	0.06
Citigroup Inc Global Nt	5.30	10/17/2012	A	202,040	0.05
Clorox Co Sr Nt	5.95	10/15/2017	BBB+	249,200	0.06
Commit To Pur FNMA Sf Mtg	5.00	09/01/2039	AGN	1,267,419	0.29
Commit To Pur FNMA Sf Mtg	5.00	09/01/2024	AGN	448,142	0.10
Commit To Pur FNMA Sf Mtg	5.50	09/01/2039	AGN	2,331,706	0.54
Commit To Pur FNMA Sf Mtg	6.50	09/01/2039	AGN	459,833	0.11
Commit To Pur FNMA Sf Mtg	5.50	09/01/2024	AGN	862,796	0.20
Commit To Pur FNMA Sf Mtg	6.00	09/01/2039	AGN	1,562,502	0.36
Commit To Pur GNMA Sf Mtg	5.00	09/15/2039	AGN	159,504	0.04
Commit To Pur GNMA Sf Mtg	5.50	09/15/2039	AGN	240,207	0.06
Commit To Pur GNMA Sf Mtg	6.00	09/15/2039	AGN	274,056	0.06
Commonwealth Edison Co 1St Mtg	5.80	03/15/2018	A-	139,945	0.03
Conocophillips Cda Fdg Co I Nt	5.62	10/15/2016	A	232,864	0.05
Credit Suisse Fb Usa Inc Sr Nt	6.12	11/15/2011	A+	236,394	0.05
CVS Caremark Corp Sr Nt	6.60	03/15/2019	BBB+	181,168	0.04
Dow Chemical Co	4.85	08/15/2012	BBB-	61,276	0.01
Dow Chemical Company	7.60	05/15/2014	BBB-	183,568	0.04

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

Issuer	Coupon rate	Maturity date	S&P risk rating	Fair value	Concentration of credit exposure
Federal Home Ln Mtg Corp Ref	5.12%	11/17/2017	AGN	\$ 549,775	0.13%
Federal Home Ln Mtg Corp Ref	3.75	03/27/2019	AGN	247,865	0.06
Federal Home Ln Mtg Corp Refer	2.50	01/07/2014	AGN	100,167	0.02
Federal Natl Mtg Assn Debs	7.25	05/15/2030	AGN	281,217	0.07
Federal Natl Mtg Assn Debs	5.00	02/13/2017	AGN	164,649	0.04
FHLMC Pool #G1-1630	3.50	06/01/2019	AGN	111,947	0.03
FHLMC Pool #G1-8024	4.00	09/01/2019	AGN	234,141	0.05
FNMA Pool #0254663	5.00	02/01/2013	AGN	181,300	0.04
FNMA Pool #0254801	6.00	07/01/2023	AGN	75,068	0.02
FNMA Pool #0254972	6.00	10/01/2023	AGN	42,380	0.01
FNMA Pool #0255319	5.00	08/01/2019	AGN	275,264	0.06
FNMA Pool #0725866	4.50	09/01/2034	AGN	327,384	0.08
FNMA Pool #0729175	2.93	06/01/2034	AGN	93,709	0.02
FNMA Pool #0809800	5.50	03/01/2035	AGN	512,917	0.12
FNMA Gtd Remic P/T	4.49	11/25/2012	AGN	218,755	0.05
FNMA Gtd Remic P/T 04-36 Eb	4.00	03/25/2018	AGN	89,994	0.02
FNMA Gtd Remic P/T 05-51 Kc	4.50	01/25/2025	AGN	72,170	0.02
GE Cap Cr Card Mstr 06-1 Cl A	5.08	09/15/2012	AAA	344,217	0.08
GE Coml Mtg Corp 2006-1 Cl A4	5.51	03/10/2044	AAA	436,063	0.10
Gemnt 2009-2 A	3.69	07/15/2015	AAA	151,206	0.04
General Elec Cap Corp #Tr00806	5.87	01/14/2038	AA+	133,155	0.03
General Mls Inc Nt	5.25	08/15/2013	BBB+	217,378	0.05
GNMA Pool #0511631	9.00	08/15/2030	Exempt from disclosure	14,187	—
GNMA Pool #0591705	7.50	10/15/2032	Exempt from disclosure	2,708	—
GNMA Pool #0781384	11.00	09/15/2015	Exempt from disclosure	5,578	—
GNMA Gtd Remic P/T 2002-48 Oc	6.00	09/16/2030	AGN	714,456	0.17
Goldman Sachs Group Inc Mtn	7.50	02/15/2019	A	149,972	0.03
Ingersoll-Rand Global Hldg Co	6.00	08/15/2013	BBB+	244,272	0.06
Intl Paper Co	7.50	08/15/2021	BBB	121,595	0.03
JP Morgan Chase Coml 04-C2 A3	5.40	05/15/2041	AAA	172,386	0.04
Kla-Tencor Corp Sr Nt	6.90	05/01/2018	BBB	153,411	0.04
Koninklijke Philips Electrs N	4.62	03/11/2013	A-	248,148	0.06
LB Ubs Coml Mtg 2005-C7 Cl A1	4.99	11/15/2030	AAA	104,323	0.02
LB Ubs Coml Mtg Tr 03-C5 A-3	4.25	07/15/2027	AAA	397,202	0.09
Merrill Lynch & Co Inc Medium	6.87	04/25/2018	A	40,843	0.01
Metlife Inc	6.75	06/01/2016	A-	153,145	0.04
Morgan Stanley	6.00	05/13/2014	A	106,039	0.02
Morgan Stanley Cap 04-Top13 A4	4.66	09/13/2045	AAA	95,490	0.02
Morgan Stanley Cap I 06-Hq8 A4	5.55	03/12/2044	AAA	243,824	0.06
News America Inc	5.65	08/15/2020	BBB+	164,608	0.04
PG&E Energy Recovery 05-2 A2	5.03	03/25/2014	AAA	194,830	0.05
Private Expt Fdg Corp Ser U	4.95	11/15/2015	AA+	163,618	0.04
Prudential Finl Inc Mtn 00029	5.15	01/15/2013	A	120,913	0.03
Rio Tinto Fin Usa Ltd Gtd Nt	5.87	07/15/2013	BBB+	244,364	0.06
Time Warner Cable Inc Nt	7.50	04/01/2014	BBB	80,343	0.02

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

<u>Issuer</u>	<u>Coupon rate</u>	<u>Maturity date</u>	<u>S&amp;P risk rating</u>	<u>Fair value</u>	<u>Concentration of credit exposure</u>
U.S. Treas Strip Int Pmt	—%	11/15/2027	Exempt from disclosure	\$ 341,058	0.08%
U.S. Treasury Bond	4.37	02/15/2038	Exempt from disclosure	268,247	0.06
U.S. Treasury Note	4.25	01/15/2011	Exempt from disclosure	2,392,723	0.56
U.S. Treasury Note	4.87	07/31/2011	Exempt from disclosure	2,392,309	0.56
U.S. Treasury Note	4.62	07/31/2012	Exempt from disclosure	2,401,784	0.56
U.S. Treasury Note	2.12	01/31/2010	Exempt from disclosure	2,469,808	0.57
U.S. Treasury Note	2.87	01/31/2013	Exempt from disclosure	2,420,186	0.56
U.S. Treasury Note	2.75	07/31/2010	Exempt from disclosure	2,451,936	0.57
U.S. Treasury Note	3.37	07/31/2013	Exempt from disclosure	2,367,586	0.55
U.S. Treasury Note	1.12	01/15/2012	Exempt from disclosure	2,430,240	0.56
U.S. Treas-Cpi Inflat	1.62	01/15/2015	Exempt from disclosure	536,085	0.12
USAA Auto Owner Tr 05-3 Cl A4	4.63	05/15/2012	AAA	228,322	0.05
Valero Energy Corp Nt	6.62	06/15/2037	BBB	95,612	0.02
Verizon Communications Inc Nt	6.40	02/15/2038	A	227,012	0.05
Viacom Inc	4.37	09/15/2014	BBB	120,186	0.03
Virginia Elec & Pwr Co Sr Nt	5.95	09/15/2017	A-	109,817	0.03
Wellpoint Inc Nt	6.00	02/15/2014	A-	171,173	0.04
Wells Fargo & Co New Sr Nt	5.25	10/23/2012	AA-	127,495	0.03
Xerox Corp Sr Nt	5.50	05/15/2012	BBB	156,374	0.04

- (1) The American Express Cr 08-1 C1 A is a variable rate security whose coupon rate resets monthly. So, the rate understandably stands out compared to other securities whose rate is locked in longer-term and therefore is much higher.

At August 31, 2010 and 2009, the Endowment Fund held no unrated fixed income marketable securities.

**(f) Alternative Investments**

Investments reported at fair value of approximately \$239,537,837 and \$219,076,796, as of August 31, 2010 and 2009, respectively, are not publicly traded, and have been estimated by management and fund managers in the absence of readily available market values. These funds are invested with external investment managers, generally in commingled funds, limited liability partnerships or corporations in which the System has an interest, who invest, for example, in hedge funds, real estate, natural resources, private equity, managed futures, and distressed opportunities.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

These investments are domestic and international in nature and some of the investments may not be realized for a period of several years after the investments are made. Risks associated with these investments include liquidity risk, market risk, event risk, foreign exchange risk, interest rate risk, and investment manager risk. More specifically, the risks include the following:

*Nonregulation Risk* – Historically, these funds have not been required to register with the Securities and Exchange Commission (SEC) and therefore have not been subject to regulatory control. With the passage of the Dodd-Frank Act of 2010, almost all alternative investment managers will be required to register with the SEC under the Investment Advisers Act of 1940. As of the August 31, 2010, the Endowment Fund has no specific policy statement with respect to nonregulation risk. The policy does contain limitations on the percentage that can be allocated to alternative investments.

*Managerial Risk* – Fund managers for nonpublicly traded investments may fail to produce the intended returns and are not subject to oversight. However, the fund managers are subject to oversight by the Endowment Fund. The Endowment Fund has no specific policy statement with respect to managerial risk for alternative investments. However, the Endowment Fund diversifies across managers to mitigate systematic and organizational risk without creating overdiversification. The Endowment Fund further attempts to mitigate managerial risk by emphasizing the qualitative evolution of managers, discouraging the use of significant leverage, emphasizing managers with a demonstrated skill in generating returns.

*Liquidity Risk* – Many of the endowment's investment funds impose restrictions on redemptions or require multi-year lock-up periods that restrict investors from redeeming their shares or may impose penalties to redeem. The Endowment Fund has no specific policy statement with respect to liquidity risk. The policy does contain limitations on the percentage that can be allocated to alternative investments.

*Limited Transparency* – As unregistered investment vehicles, these funds are not required to disclose the holdings in their portfolios to investors. This risk will be mitigated somewhat by the Dodd-Frank Act of 2010 and the increased transparency provided by the requirement to file Form ADV with the SEC. The Endowment Fund has no specific policy statement with respect to transparency risk.

*Investment Strategy Risk* – Alternative investments often employ sophisticated and more risky investment strategies, as compared to traditional investments, and one or more may use leverage, which could result in volatile returns. To mitigate this risk, emphasis is placed on those managers who have extensive experience in employing these strategies, a demonstrated ability to consistently employ them effectively, and an established track record of superior performance. The Endowment Fund has no specific policy statement with respect to investment strategy risk. The policy does contain limitations on the percentage that can be allocated to alternative investments.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

*Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Endowment Fund’s non-U.S. dollar investments. Investment managers may hedge some, all, or none of their foreign currency risk. The Endowment Fund has no specific policy statement with respect to foreign currency risk. Other than the following currencies, non-U.S. dollar-denominated international equity and fixed income investments were unhedged as of August 31, 2010 and 2009:

		<b>Market value (1)</b>	
		<b>2010</b>	<b>2009</b>
Currency:			
Euro	\$	—	620,485
Pound Sterling		1,089,655	1,283,469
Swiss Franc		1,397,040	—
Total	\$	<u>2,486,695</u>	<u>1,903,954</u>

(1) These figures represent the Endowment Fund’s proportional value of any hedges.

**(6) Due to Other Components**

Due to other components at August 31, 2010 and 2009 consists of the following:

	<b>2010</b>	<b>2009</b>
Payable to System components under the income payout policy	\$ 12,009,138	11,747,221
Payable to System components for institutional advancement	3,495,757	3,802,152
Receivable from to System components based on endowment agreements	(33,207)	(24,039)
Total due to other components	<u>\$ 15,471,688</u>	<u>15,525,334</u>

**(7) Related-Party Transactions**

In addition to the transfers-in described in the revenue recognition policy in note 2, and distributions to other components described in note 6, the Endowment Fund received in-kind contributions from the System in the form of personnel costs, office facilities, equipment, and supplies in the fiscal years ended August 31, 2010 and 2009. The total estimated value of these in-kind contributions received from the System was approximately \$502,959 and \$487,754 for the fiscal years 2010 and 2009, respectively.



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Notes to Basic Financial Statements

August 31, 2010 and 2009

**(8) Administrative Costs and Institutional Advancement Fees**

The Endowment Fund pays custodial fees and expenses to the financial institution that acts as the custodian of the portion of the Endowment Fund's assets managed under a master trust custodian agreement. The fees are based on the number of accounts, market value of the securities, and transaction activities in accordance with the master trust custodian agreement.

Additionally, the Endowment Fund incurs asset management fees from the independent investment managers of the Endowment Fund. The fees are generally assessed on a quarterly basis on a percentage of the market value of investments held by each investment manager.

The Endowment Fund incurs other expenses related to its operations primarily consisting of professional service fees and expenses. The total fees and expenses incurred by the Endowment Fund for the fiscal years ended August 31, 2010 and 2009 were \$2,121,822 and \$2,264,736, respectively.

**(9) Income Taxes**

The System, of which the Fund is a division of, is a university established as an agency of the State of Texas prior to 1969, and is qualified as a governmental entity not generally subject to federal income tax by reason of being a state or political subdivision thereof, or an integral part of a state or political subdivision thereof or an entity whose income is excluded from gross income for federal income tax purposes under section 115 of the Internal Revenue Code of 1986 (IRC). However, as a state college or university, the System is subject to unrelated business income pursuant to IRC section 511(a)(2)(B). No material unrelated business income tax was incurred for the years ended August 31, 2010 and 2009. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**(10) Subsequent Events (Unaudited)**

In the months subsequent to the fiscal year year-end, the U.S. and world financial markets, as measured by the global stock markets, have continued to advance. These and other economic events have had an effect on the value of investments held by the Endowment Fund. Interim valuation information is not available for all investments through the date of this report. However, for the Endowment Fund, investment appreciation subsequent to year-end and through December 31, 2010 was approximately \$68,271,933. As of that date, the Endowment Fund's total net assets were approximately \$510,553,988.

## **OTHER SUPPLEMENTARY INFORMATION**

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
<b>U.S. government obligations:</b>					
U.S. Treasury Bond	365,000.000	5.38%	02/15/2031	\$ 409,526	478,778
U.S. Treasury Bond	300,000.000	4.38	02/15/2038	297,424	347,157
U.S. Treas-Cpi Inflat	542,231.500	1.63	01/15/2015	544,570	574,256
U.S. Treasury Note	2,280,000.000	4.25	01/15/2011	2,311,482	2,314,109
U.S. Treasury Note	2,225,000.000	4.88	07/31/2011	2,307,264	2,317,916
U.S. Treasury Note	2,200,000.000	4.63	07/31/2012	2,347,064	2,376,264
U.S. Treasury Note	2,325,000.000	2.88	01/31/2013	2,426,303	2,456,874
U.S. Treasury Note	2,242,000.000	3.38	07/31/2013	2,332,910	2,418,558
U.S. Treasury Note	3,397,000.000	1.75	01/31/2014	3,383,389	3,499,963
U.S. Treasury Note	2,435,000.000	1.13	01/15/2012	2,435,820	2,459,740
U.S. Treasury Note	2,400,000.000	2.63	07/31/2014	2,509,177	2,549,064
U.S. Treasury Note	730,000.000	3.63	02/15/2020	732,428	803,402
U.S. Treas Strip Int Pmt	360,000.000	—	11/15/2027	172,559	198,167
Total U.S. government obligations				22,209,916	22,794,248
<b>U.S. government agency issues:</b>					
Commit To Pur Fnma Sf Mtg	1,235,000.000	5.00	09/01/2040	1,312,959	1,311,422
Commit To Pur Gnma Sf Mtg	640,000.000	5.00	09/15/2040	686,970	687,699
Commit To Pur Gnma I Sf Mtg	570,000.000	5.50	09/15/2040	618,027	616,848
Commit To Pur Gnma Sf Mtg	260,000.000	6.00	09/15/2040	284,213	282,994
Commit To Pur Fnma Sf Mtg	35,000.000	5.00	09/01/2025	37,341	37,220
Commit To Pur Fnma Sf Mtg	1,500,000.000	5.50	09/01/2040	1,612,727	1,603,830
Commit To Pur Fnma Sf Mtg	430,000.000	6.50	09/01/2040	470,984	468,094
Commit To Pur Fnma Sf Mtg	445,000.000	5.50	09/01/2025	479,939	478,655
Commit To Pur Fnma Sf Mtg	1,485,000.000	6.00	09/01/2040	1,612,398	1,598,692
FHLMC Pool #G1-8024	180,412.230	4.00	09/01/2019	177,739	192,155
FHLMC Pool #G1-1630	133,579.900	3.50	06/01/2019	128,796	136,866
Federal Natl Mtg Assn	210,000.000	7.25	05/15/2030	263,415	309,028
Federal Natl Mtg Assn Disc	1,620,000.000	—	02/22/2011	1,617,354	1,617,354
Federal Natl Mtg Assn	350,000.000	5.00	02/13/2017	378,920	410,267
Federal Home Ln Mtg Corp	150,000.000	5.13	04/18/2011	154,050	154,547
Federal Home Ln Mtg Corp	200,000.000	5.13	11/17/2017	214,163	237,562
Federal Home Ln Mtg Corp	300,000.000	2.50	01/07/2014	300,782	314,277
FNMA Pool #0254663	97,173.100	5.00	02/01/2013	96,610	102,968
FNMA Pool #0254801	61,822.140	6.00	07/01/2023	62,105	67,876
FNMA Pool #0254972	30,962.710	6.00	10/01/2023	31,105	33,995
FNMA Pool #0255319	194,083.350	5.00	08/01/2019	192,442	207,873
FNMA Gtd Remic P/T	210,000.000	4.49	11/25/2012	210,283	225,429
FNMA Gtd Remic P/T 04-36 Eb	60,989.020	4.00	03/25/2018	61,359	63,025
FNMA Pool #0725866	370,209.810	4.50	09/01/2034	363,071	392,267
FNMA Pool #0729175	78,772.820	VAR RT	06/01/2034	78,795	82,504
FNMA Pool #0809800	401,931.840	5.50	03/01/2035	406,609	432,495
GNMA Pool #0591705	1,718.620	7.50	10/15/2032	1,811	1,973
GNMA Pool #0511631	12,048.720	9.00	08/15/2030	12,664	14,253
GNMA Pool #0781384	2,893.900	11.00	09/15/2015	3,089	2,985
Total U.S. government agency issues				11,870,720	12,085,153
<b>Fixed income (nongovernment/agency):</b>					
Aep Texas Central Transit A A2	219,926.760	4.98	07/01/2015	224,645	233,298
American Express Co	120,000.000	7.25	05/20/2014	119,859	139,571
American Express Cr 08-1 Cl A	380,000.000	VAR RT	08/15/2013	380,000	380,551
Axa Sa US\$Sub Nt	165,000.000	8.60	12/15/2030	202,030	190,676
Banc One Corp Debs	205,000.000	8.00	04/29/2027	233,659	262,250
Banc of America Commercial 5 A4	150,000.000	5.41	09/10/2016	138,244	158,780
Bank of America Corp	100,000.000	5.63	07/01/2020	99,649	103,022
Bear Stearns Commercial Top6 A2	187,910.100	6.46	10/15/2036	197,963	198,623
Bear Stearns Commercial Pw12 A4	290,000.000	VAR RT	09/11/2038	301,826	319,473
Bear Stearns Commercial Pw13 A4	350,000.000	5.54	09/11/2041	358,662	383,005
Bear Stearns Commercial T28 A4	365,000.000	5.74	09/11/2042	362,083	400,580
Cvs Caremark Corp	200,000.000	3.25	05/18/2015	199,884	208,520
Ca Inc	200,000.000	5.38	12/01/2019	198,457	218,158
Centerpoint Energy Transit A A2	225,058.530	4.97	08/01/2014	225,018	234,655
Chait 2009-A3 A3	340,000.000	2.40	06/17/2013	339,852	344,950
Citigroup Inc	260,000.000	5.00	09/15/2014	246,667	267,153
Cliffs Natural Resources	40,000.000	5.90	03/15/2020	39,781	43,718
Direc Tv Holdings/Fing	260,000.000	3.13	02/15/2016	259,832	259,145

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Discovery Communications	220,000.000	3.70%	06/01/2015	\$ 219,797	231,433
Dow Chemical Co	230,000.000	5.90	02/15/2015	234,361	254,658
Franklin Resources Inc	230,000.000	3.13	05/20/2015	230,323	241,684
GE Capital Credit Card Mas 2 A	150,000.000	3.69	07/15/2015	149,981	157,274
GE Capital Commercial Mo C1 A4	455,000.000	VAR RT	03/10/2044	451,524	497,902
General Electric Capital Corp	220,000.000	5.88	01/14/2038	212,795	226,213
General Elec Cap Corp	160,000.000	5.50	01/08/2020	159,634	175,102
Goldman Sachs Group Inc	100,000.000	6.00	06/15/2020	100,139	107,722
Goldman Sachs Group Inc	120,000.000	3.70	08/01/2015	120,078	121,481
Home Depot Inc Sr Nt	230,000.000	5.25	12/16/2013	243,132	255,581
Ingersoll-Rand Global Hldg Co	230,000.000	6.00	08/15/2013	229,942	256,947
Intl Paper Co	210,000.000	7.50	08/15/2021	215,935	250,320
Jefferies Group Inc	180,000.000	6.88	04/15/2021	178,235	191,165
Kla-Tencor Corp Sr Nt	210,000.000	6.90	05/01/2018	214,766	241,853
Kraft Foods Inc	340,000.000	6.50	02/09/2040	336,784	403,325
Merrill Lynch & Co Inc Medium	110,000.000	6.88	04/25/2018	115,386	121,056
Metlife Inc	200,000.000	4.75	02/08/2021	202,077	209,122
Merrill Lynch/Countrywide 9 A4	270,000.000	5.70	09/12/2049	264,656	280,363
Morgan Stanley Capital T13 A4	100,000.000	4.66	09/13/2045	97,473	103,993
Morgan Stanley Capital Hq8 A4	270,000.000	VAR RT	03/12/2044	246,810	293,819
Morgan Stanley	250,000.000	5.63	09/23/2019	248,411	254,415
Nasdaq Omx Group	240,000.000	4.00	01/15/2015	239,545	248,642
Omnicom Group Inc	240,000.000	4.45	08/15/2020	240,431	246,007
PG&E Energy Recovery Fund 2 A2	119,046.880	5.03	03/25/2014	119,041	123,214
Private Expt Fdg Corp Ser U	150,000.000	4.95	11/15/2015	159,399	173,532
Prudential Financial Inc	260,000.000	5.38	06/21/2020	259,751	280,020
Republic Services Inc	240,000.000	5.25	11/15/2021	240,864	266,650
Rio Tinto Finance Usa Ltd	230,000.000	5.88	07/15/2013	229,510	256,018
Southern Copper Corp	260,000.000	6.75	04/16/2040	260,326	281,029
Td Ameritrade Holding Co	240,000.000	4.15	12/01/2014	240,762	253,116
Time Warner Inc	60,000.000	3.15	07/15/2015	59,931	61,661
Waste Mgmt Inc Del Sr Nt	100,000.000	6.38	11/15/2012	106,409	109,975
Wells Fargo & Company	120,000.000	3.75	10/01/2014	120,349	126,473
Xerox Corporation	210,000.000	5.63	12/15/2019	215,443	233,153
Omnicare Inc	250,000.000	3.25	12/15/2035	204,375	208,122
Total fixed income (nongovernment/agency)				11,296,486	12,089,168
Global fixed income: Mondrian Global Fixed Income				21,315,746	22,701,139
Total global fixed income				21,315,746	22,701,139
Equity securities:					
3M Co	2,600.000			222,820	204,230
3Par Inc	11,250.000			114,966	361,350
A Schulman Inc	5,450.000			105,332	99,027
Aaron'S Inc	300.000			6,912	4,887
Abbott Laboratories	11,600.000			591,214	572,344
Abercrombie & Fitch Co	300.000			14,346	10,380
Accenture Plc Ireland Shs Cl A	8,850.000			368,377	323,910
Ace Limited Shs	1,200.000			63,856	64,164
Activision Blizzard Inc	1,900.000			22,325	20,283
Actuant Corp	5,450.000			109,438	108,019
Administaff Inc	6,850.000			164,360	148,097
Adobe Systems Inc	1,900.000			66,348	52,630
Advance Auto Parts Inc	300.000			13,491	16,341
Advanced Micro Devices Inc	2,100.000			20,538	11,781
Aecom Technology Corp	400.000			11,989	9,000
Aeropostale Inc	300.000			9,276	6,390
Aes Corp/The	2,500.000			30,675	25,600
Aetna Inc	1,500.000			46,620	40,080
Affiliated Managers Group Inc	162.000			13,576	10,402
Aflac Inc	9,250.000			505,382	437,063
Agco Corp	300.000			11,396	9,915
Agilent Technologies Inc	1,300.000			46,969	35,061
AGL Resources Inc	300.000			11,627	11,010
Agnico-Eagle Mines Ltd	2,500.000			156,121	162,425

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Air Products & Chemicals Inc	770.000			\$ 59,036	57,003
Airgas Inc	300.000			19,100	19,740
AK Steel Holding Corp	400.000			7,556	5,096
Akamai Technologies Inc	13,620.000			543,502	627,473
Albemarle Corp	300.000			13,146	12,027
Alberto-Culver Co	300.000			8,523	9,315
Alcoa Inc	3,600.000			49,397	36,785
Alcon Inc Com Shs	250.000			37,863	40,550
Alere Inc	300.000			11,460	8,391
Alexander & Baldwin Inc	200.000			7,195	6,768
Alexandria Real Estate Equity	161.000			11,359	11,169
Alexion Pharmaceuticals Inc	300.000			16,755	16,941
Alleghany Corp	20.000			6,040	5,953
Allegheny Energy Inc	600.000			13,191	13,530
Allegheny Technologies Inc	358.000			11,810	14,578
Allergan Inc/United States	7,890.000			505,008	484,604
Alliance Data Systems Corp	200.000			13,644	11,238
Alliant Energy Corp	400.000			14,136	14,008
Alliant Techsystems Inc	100.000			8,105	6,590
Allied World Assurance Company	200.000			9,029	10,074
Allscripts Healthcare Solution	500.000			9,545	8,330
Allstate Corp/The	2,000.000			69,780	55,200
Alpha Natural Resources Inc	400.000			20,388	14,852
Altera Corp	1,100.000			28,754	27,115
Altria Group Inc	7,500.000			30,541	167,400
Amazon.Com Inc	6,680.000			921,020	833,864
AMB Property Corp	600.000			16,443	14,274
Amdocs Ltd Com	700.000			21,693	18,361
Ameren Corp	900.000			24,233	25,263
American Eagle Outfitters Inc	600.000			10,794	7,584
American Electric Power Co Inc	1,700.000			57,722	60,197
American Express Co	3,800.000			107,730	151,506
American Financial Group Inc/O	300.000			8,940	8,631
American International Group I	400.000			16,360	13,572
American Medical Systems Holdi	5,750.000			98,893	104,823
American National Insurance Co	25.000			2,795	1,914
American Tower Corp	1,500.000			63,032	70,290
American Water Works Co Inc	600.000			12,802	13,548
Americredit Corp	300.000			7,790	7,260
Ameriprise Financial Inc	900.000			43,471	39,222
Amerisourcebergen Corp	1,000.000			30,361	27,280
Ametek Inc	400.000			17,168	17,196
Amgen Inc	3,460.000			200,106	176,598
Amphenol Corp	600.000			28,053	24,432
AMR Corp	1,200.000			9,342	7,344
Amylin Pharmaceuticals Inc	500.000			10,433	10,270
Anadarko Petroleum Corp	1,800.000			130,644	82,782
Analog Devices Inc	1,100.000			34,621	30,668
Annaly Capital Management Inc	2,200.000			32,679	38,236
Ansys Inc	2,000.000			55,975	77,560
AOL Inc	400.000			11,672	8,888
Aon Corp	8,400.000			368,729	304,416
Apache Corp	1,340.000			143,542	120,399
Apartment Investment & Management	400.000			8,214	8,176
Apollo Group Inc	500.000			32,870	21,245
Apple Inc	5,630.000			1,109,458	1,368,653
Applied Materials Inc	4,900.000			70,707	50,813
Aptargroup Inc	246.000			10,557	10,246
Aqua America Inc	500.000			9,213	9,940
Arch Capital Group Ltd Shs	200.000			15,232	15,960
Arch Coal Inc	600.000			16,404	13,497
Archer-Daniels-Midland Co	17,333.000			498,613	534,030
Ares Capital Corp	700.000			9,095	10,451
Armstrong World Industries Inc	100.000			4,298	3,930
Arris Group Inc	5,350.000			63,789	43,763
Arrow Electronics Inc	400.000			12,460	9,152
Art Technology Group Inc	22,985.000			92,142	79,758

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Arthur J Gallagher & Co	400.000			\$ 10,309	9,940
Ashland Inc	300.000			11,276	13,938
Aspen Insurance Holdings	300.000			8,619	8,520
Associated Banc-Corp	600.000			9,378	7,230
Assurant Inc	400.000			13,982	14,624
Assured Guaranty Ltd Shs	700.000			9,592	10,829
Astec Industries Inc	3,400.000			101,325	87,380
AT&T Inc	61,388.000			1,608,578	1,659,318
Atheros Communications Inc	300.000			8,959	7,383
Atlas Energy Inc	300.000			8,926	8,151
Atmel Corp	1,700.000			9,767	9,865
Atmos Energy Corp	300.000			8,825	8,490
Atwood Oceanics Inc	2,800.000			90,986	70,308
Autodesk Inc	800.000			25,960	22,184
Autoliv Inc	300.000			16,895	16,242
Automatic Data Processing Inc	1,800.000			73,950	69,498
Autonation Inc	300.000			6,231	6,768
Autozone Inc	100.000			18,100	20,978
Avago Technologies Ltd Shs	400.000			8,617	8,060
Avalonbay Communities Inc	300.000			28,757	31,566
Avery Dennison Corp	400.000			15,243	13,008
Avnet Inc	600.000			19,337	13,740
Avon Products Inc	1,600.000			53,768	46,560
Avx Corp	200.000			2,964	2,478
Axis Capital Hldgs Ltd Shs	500.000			15,503	15,440
Babcock & Wilcox Co	400.000			9,398	8,960
Baidu Inc/China	5,820.000			419,018	456,463
Baker Hughes Inc	1,540.000			78,813	57,873
Baldor Electric Co	3,850.000			136,709	135,058
Ball Corp	300.000			16,241	16,824
Bally Technologies Inc	200.000			7,179	6,290
Bancorpsouth Inc	300.000			6,888	3,825
Bank of America Corp	46,200.000			673,664	575,652
Bank of Hawaii Corp	200.000			10,584	8,932
Bank of New York Mellon Corp/T	4,400.000			141,753	106,744
Barrick Gold Corp	7,500.000			301,156	350,700
Baxter International Inc	2,200.000			128,839	93,610
BB&T Corp	9,850.000			301,121	217,882
BE Aerospace Inc	400.000			11,693	10,780
Beckman Coulter Inc	254.000			15,549	11,593
Becton Dickinson And Co	845.000			58,132	57,621
Bed Bath & Beyond Inc	955.000			44,369	34,351
Bemis Co Inc	400.000			12,430	11,548
Berkshire Hathaway Inc	6,240.000			511,140	491,587
Best Buy Co Inc	1,251.000			57,731	39,269
Big Lots Inc	300.000			11,774	9,378
Biogen Idec Inc	900.000			47,449	48,420
Biomarin Pharmaceutical Inc	400.000			9,158	8,116
Bio-Rad Laboratories Inc	71.000			7,775	5,860
BJ's Restaurants Inc	4,550.000			84,804	108,927
BJ's Wholesale Club Inc	200.000			7,328	8,392
Blackrock Inc	119.000			23,312	16,892
BMC Software Inc	700.000			28,798	25,235
Boeing Co/The	2,747.000			203,106	167,924
Bok Financial Corp	100.000			5,436	4,444
Borgwarner Inc	400.000			15,866	17,460
Boston Properties Inc	500.000			38,970	40,700
Boston Scientific Corp	5,600.000			40,488	29,064
Boyd Gaming Corp	10,025.000			94,927	69,574
Brandywine Realty Trust	500.000			6,515	5,495
BRE Properties Inc	200.000			7,936	8,176
Brigham Exploration Co	7,750.000			120,185	118,730
Brinker International Inc	400.000			8,160	6,300
Bristol-Myers Squibb Co	6,200.000			155,620	161,696
Broadcom Corp	1,800.000			63,414	53,928
Broadridge Financial Solutions	500.000			11,403	10,675
Brocade Communications Systems	16,850.000			93,649	84,587

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Brookdale Senior Living Inc	200.000			\$ 4,157	2,680
Brown & Brown Inc	400.000			7,789	7,616
Brown-Forman Corp	400.000			23,634	24,516
Brunswick Corp/De	6,175.000			86,789	78,484
Bucyrus International Inc	300.000			20,649	17,247
Buffalo Wild Wings Inc	600.000			24,872	25,020
Bunge Limited Com	3,000.000			154,848	159,000
Burger King Holdings Inc	400.000			8,588	6,580
CA Inc	1,500.000			34,197	26,982
Cablevision Systems Corp	900.000			23,378	22,581
Cabot Corp	200.000			6,316	5,686
Cabot Oil & Gas Corp	400.000			15,592	11,136
Cadence Design Systems Inc	1,000.000			7,178	6,790
Calgon Carbon Corp	6,850.000			112,278	85,488
Callaway Golf Co	7,400.000			68,132	46,250
Calpine Corp	1,200.000			15,294	15,264
Camden Property Trust	200.000			9,096	9,152
Cameron International Corp	900.000			40,932	33,102
Campbell Soup Co	700.000			25,162	26,082
Capital One Financial Corp	1,652.000			73,553	62,561
Capitalsource Inc	900.000			5,504	4,545
Capitol Federal Financial	100.000			3,819	2,566
Carbo Ceramics Inc	1,100.000			83,617	83,303
Cardinal Health Inc	1,300.000			46,252	38,948
Career Education Corp	300.000			10,710	5,259
Carefusion Corp	700.000			19,649	15,106
Carlisle Cos Inc	200.000			7,923	5,610
Carmax Inc	800.000			20,000	15,944
Carnival Corp	1,600.000			64,368	49,888
Carpenter Technology Corp	4,800.000			133,078	148,848
Cash America International Inc	3,700.000			134,099	113,331
Caterpillar Inc	6,050.000			417,316	394,218
CB Richard Ellis Group Inc	1,000.000			17,110	16,420
CBS Corp	2,500.000			39,831	34,550
Celanese Corp	600.000			19,902	16,020
Celgene Corp	13,770.000			788,522	708,742
Centerpoint Energy Inc	1,500.000			21,633	22,185
Central European Distribution	200.000			7,737	4,576
Central European Media Ent-A	100.000			3,600	2,128
Centurylink Inc	1,100.000			39,820	39,776
Cephalon Inc	300.000			19,649	16,983
Cerner Corp	251.000			22,469	18,285
CF Industries Holdings Inc	258.000			22,271	23,865
CH Robinson Worldwide Inc	600.000			36,006	38,994
Charles River Laboratories Int	200.000			8,091	5,650
Charles Schwab Corp/The	3,500.000			68,215	44,660
Chesapeake Energy Corp	2,300.000			54,464	47,564
Chevron Corp	7,270.000			298,603	538,562
Chicago Bridge & Iron Co Nv	400.000			8,225	8,712
Chico'S Fas Inc	700.000			10,948	5,782
Chimera Investment Corp	3,200.000			12,798	12,576
Chipotle Mexican Grill Inc	119.000			15,379	17,949
Choice Hotels International In	100.000			3,813	3,288
Chubb Corp	1,200.000			62,808	66,156
Church & Dwight Co Inc	257.000			17,540	15,736
Ciena Corp	300.000			5,325	3,747
Cigna Corp	1,000.000			34,000	32,220
Cimarex Energy Co	300.000			19,221	19,626
Cincinnati Financial Corp	500.000			14,873	13,335
Cinemark Holdings Inc	5,950.000			101,737	86,930
Cintas Corp	500.000			14,168	12,745
Circor International Inc	3,700.000			116,001	103,045
Cisco Systems Inc	55,250.000			1,434,400	1,104,171
Cit Group Inc	700.000			24,852	25,676
Citigroup Inc	76,300.000			370,724	282,997
Citrix Systems Inc	700.000			34,890	40,558
City National Corp/Ca	165.000			9,560	7,993

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Clarcor Inc	3,350.000			\$ 115,139	112,694
Clear Channel Outdoor Holdings	200.000			2,613	2,010
Clearwire Corp	500.000			3,432	3,210
Cliffs Natural Resources Inc	500.000			34,441	30,595
Clorox Co	500.000			27,827	32,410
CME Group Inc	2,210.000			722,617	548,434
CMS Energy Corp	800.000			12,627	14,000
CNA Financial Corp	100.000			2,813	2,602
CNH Global Nv	100.000			2,816	2,815
Coach Inc	1,100.000			47,345	39,424
Cobalt International Energy In	300.000			3,989	2,448
Coca-Cola Co/The	16,750.000			577,500	936,040
Coca-Cola Enterprises Inc	1,100.000			30,910	31,306
Cognizant Technology Solutions	10,250.000			520,062	590,451
Colgate-Palmolive Co	1,770.000			149,919	130,697
Comcast Corp	15,100.000			267,982	258,135
Comerica Inc	600.000			26,041	20,646
Commerce Bancshares Inc/Kansas	300.000			12,087	10,719
Commercial Metals Co	400.000			6,190	5,208
Commonwealth Reit	250.000			7,860	6,030
Commscope Inc	300.000			9,450	5,625
Community Health Systems Inc	300.000			12,248	7,821
Compass Minerals International	100.000			7,871	7,175
Compellent Technologies Inc	8,850.000			121,346	135,140
Computer Sciences Corp	560.000			30,965	22,294
Compuware Corp	800.000			6,948	5,736
Comstock Resources Inc	200.000			6,799	4,354
Conagra Foods Inc	6,600.000			161,417	142,494
Conceptus Inc	5,000.000			93,370	69,075
Concho Resources Inc/Midland T	300.000			16,140	17,526
Conocophillips	19,850.000			1,194,330	1,040,736
Consol Energy Inc	800.000			34,676	25,760
Consolidated Edison Inc	1,000.000			45,165	47,530
Constellation Brands Inc	700.000			12,789	11,662
Constellation Energy Group Inc	700.000			26,237	20,531
Continental Airlines Inc	500.000			10,733	11,170
Continental Resources Inc/Ok	100.000			4,507	4,052
Convergys Corp	400.000			5,344	4,052
Con-Way Inc	200.000			7,640	5,242
Cooper Cos Inc/The	200.000			7,803	8,068
Cooper Industries Plc	600.000			28,016	25,254
Copa Holdings S A Cl A	100.000			5,758	4,878
Copart Inc	2,050.000			57,010	67,753
Core Laboratories N V	1,560.000			72,975	123,131
Corelogic Inc	400.000			8,121	6,908
Corn Products International In	300.000			10,469	10,239
Corning Inc	13,100.000			265,913	205,408
Corporate Office Properties Tr	200.000			8,500	7,220
Corrections Corp Of America	400.000			8,532	8,924
Costco Wholesale Corp	7,040.000			417,865	397,760
Covance Inc	200.000			12,554	7,586
Covanta Holding Corp	500.000			8,833	7,205
Coventry Health Care Inc	600.000			14,436	11,610
Covidien Plc Shs	8,350.000			409,108	295,089
Cr Bard Inc	344.000			29,478	26,430
Crane Co	200.000			7,602	6,780
Cree Inc	400.000			30,488	21,416
Crocs Inc	10,050.000			101,563	125,424
Crown Castle International Cor	1,054.000			40,337	43,340
Crown Holdings Inc	600.000			15,773	16,710
Csx Corp	1,400.000			77,686	69,846
Cullen/Frost Bankers Inc	200.000			11,725	10,250
Cummins Inc	2,576.000			172,602	191,680
Cvs Caremark Corp	9,900.000			366,318	267,102
Cypress Semiconductor Corp	600.000			7,875	6,348
Cytec Industries Inc	2,800.000			106,041	132,804
Danaher Corp	1,900.000			77,397	69,027



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Darden Restaurants Inc	500.000			\$ 23,700	20,630
Davita Inc	400.000			22,182	25,848
Dean Foods Co	700.000			11,589	7,154
Deere & Co	1,538.000			93,155	97,309
Del Monte Foods Co	700.000			11,088	9,142
Dell Inc	18,600.000			285,945	218,922
Delta Air Lines Inc	2,900.000			36,453	30,334
Denbury Resources Inc	1,500.000			26,490	22,110
Dendreon Corp	500.000			19,710	17,920
Dentsply International Inc	531.000			18,723	14,751
Developers Diversified Realty	700.000			7,632	7,252
Devon Energy Corp	4,100.000			272,326	247,148
Devry Inc	200.000			14,566	7,622
Diamond Offshore Drilling Inc	250.000			20,971	14,545
Dick's Sporting Goods Inc	300.000			8,621	7,341
Diebold Inc	200.000			6,774	5,188
Digital Realty Trust Inc	300.000			17,057	17,781
Digital River Inc	3,700.000			101,401	97,569
Direc Tv	3,200.000			49,255	121,274
Discover Financial Services	2,000.000			21,833	29,020
Discovery Communications Inc	1,000.000			37,644	37,750
Dish Network Corp	700.000			15,145	12,558
Dolby Laboratories Inc	200.000			12,009	11,084
Dollar General Corp	300.000			8,639	8,193
Dollar Tree Inc	450.000			18,140	20,373
Dominion Resources Inc/Va	2,200.000			90,992	94,006
Domtar Corp	150.000			7,873	9,003
Donaldson Co Inc	300.000			13,770	12,570
Douglas Emmett Inc	500.000			8,455	8,060
Dover Corp	700.000			34,223	31,332
Dow Chemical Co/The	4,200.000			126,709	102,354
DPL Inc	400.000			10,952	10,128
Dr Horton Inc	1,000.000			12,980	10,260
Dr Pepper Snapple Group Inc	900.000			22,275	33,138
Dreamworks Animation Skg Inc	300.000			12,903	8,889
Dresser-Rand Group Inc	300.000			10,386	10,656
Dril-Quip Inc	2,000.000			65,624	105,740
Dst Systems Inc	100.000			4,327	4,074
Dsw Inc	3,150.000			55,720	74,813
Dte Energy Co	600.000			28,092	28,110
Duke Energy Corp	4,800.000			78,240	82,464
Duke Realty Corp	800.000			10,722	8,968
Dun & Bradstreet Corp	200.000			15,416	13,180
E*Trade Financial Corp	800.000			10,443	9,918
Eagle Materials Inc	200.000			6,096	4,590
East West Bancorp Inc	500.000			7,967	7,314
Eastman Chemical Co	262.000			17,473	16,126
Eaton Corp	600.000			46,854	41,688
Eaton Vance Corp	400.000			13,884	10,396
Ebay Inc	4,100.000			95,834	95,243
Echostar Corp	100.000			1,942	1,866
Ecolab Inc	845.000			39,239	40,053
Edison International	1,200.000			48,800	40,500
Education Management Corp	100.000			2,483	807
Edwards Lifesciences Corp	400.000			20,063	23,028
Ei Du Pont De Nemours & Co	3,300.000			128,931	134,541
El Paso Corp	2,600.000			29,458	29,614
Electronic Arts Inc	1,200.000			23,700	18,276
Eli Lilly & Co	3,700.000			279,496	124,283
EMC Corp/Massachusetts	40,470.000			763,101	738,173
Emdeon Inc	100.000			1,679	1,025
Emergency Medical Services Cor	100.000			5,305	4,805
Emerson Electric Co	2,700.000			140,157	125,955
Endo Pharmaceuticals Holdings	4,350.000			86,119	118,059
Endurance Specialty Hldgs Ltd	200.000			7,694	7,368
Energen Corp	261.000			12,636	11,139
Energizer Holdings Inc	254.000			15,401	16,015

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Entergy Corp	683.000			\$ 55,793	53,848
EOG Resources Inc	7,988.000			821,646	693,918
EQT Corp	500.000			21,830	16,300
Equifax Inc	500.000			13,553	14,735
Equinix Inc	164.000			16,279	14,958
Equity Residential	1,000.000			42,940	45,830
Erie Indemnity Co	100.000			4,525	5,250
Essex Property Trust Inc	100.000			10,046	10,577
Estee Lauder Cos Inc/The	400.000			27,052	22,428
Evercore Partners Inc	3,200.000			105,331	78,368
Everest Re Group Inc Com	200.000			16,464	15,828
Exco Resources Inc	500.000			9,560	6,725
Exelon Corp	2,400.000			104,625	97,728
Expedia Inc	700.000			17,241	16,002
Expeditors International Of Wa	10,650.000			447,291	421,740
Express Scripts Inc	1,952.000			101,108	83,155
Exterran Holdings Inc	200.000			5,850	4,426
Exxon Mobil Corp	23,440.000			831,687	1,385,538
F5 Networks Inc	1,100.000			89,406	96,173
Factset Research Systems Inc	169.000			12,839	12,430
Fairchild Semiconductor Intern	500.000			5,960	3,865
Family Dollar Stores Inc	500.000			14,700	21,395
Fastenal Co	500.000			27,190	22,635
Federal Realty Investment Trus	200.000			15,214	15,858
Federal-Mogul Corp	100.000			2,073	1,530
Federated Investors Inc	300.000			7,843	6,255
Fedex Corp	1,134.000			103,306	88,509
Fidelity National Financial In	900.000			13,961	13,050
Fidelity National Information	1,200.000			30,684	31,020
Fifth Third Bancorp	3,000.000			45,450	33,120
First Cash Financial Services	5,550.000			107,461	132,423
First Citizens Bancshares Inc/	20.000			4,094	3,359
First Horizon National Corp	7,178.000			74,052	72,354
First Niagara Financial Group	800.000			11,888	9,032
First Solar Inc	200.000			26,098	25,570
Firstenergy Corp	1,100.000			41,448	40,183
Fiserv Inc	554.000			29,645	27,706
Flir Systems Inc	600.000			17,832	15,060
Flowers Foods Inc	300.000			7,622	7,752
Flowserve Corp	200.000			23,100	17,876
Fluor Corp	647.000			41,622	28,895
FMC Corp	264.000			16,944	16,442
FMC Technologies Inc	9,670.000			625,195	598,090
Foot Locker Inc	600.000			9,558	7,044
Ford Motor Co	12,000.000			169,560	135,420
Forest City Enterprises Inc	400.000			6,326	4,508
Forest Laboratories Inc	1,100.000			30,206	30,019
Forest Oil Corp	400.000			10,992	10,448
Fortune Brands Inc	553.000			29,439	24,769
Forward Air Corp	4,500.000			134,716	106,920
Fossil Inc	200.000			7,313	9,498
Franklin Resources Inc	550.000			64,868	53,081
Freeport-Mcmoran Copper & Gold	1,701.000			189,400	122,455
Frontier Communications Corp	38,648.000			287,101	298,749
Frontier Oil Corp	400.000			5,228	4,684
Frontline Ltd Shs	200.000			7,340	5,300
FTI Consulting Inc	200.000			8,154	6,556
Fulton Financial Corp	700.000			7,847	5,803
Gamestop Corp	600.000			15,084	10,758
Gannett Co Inc	900.000			16,592	10,881
Gap Inc/The	1,700.000			23,816	28,713
Gardner Denver Inc	200.000			9,563	9,548
Garmin Ltd	400.000			14,756	10,644
Gartner Inc	300.000			7,354	8,604
Gatx Corp	200.000			6,793	5,460
General Cable Corp	200.000			5,971	4,450
General Dynamics Corp	1,251.000			109,192	69,893

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
General Electric Co	56,180.000			\$ 773,217	813,486
General Growth Properties Inc	900.000			12,828	12,663
General Mills Inc	2,400.000			84,756	86,784
Genpact Ltd	200.000			3,461	2,798
Gen-Probe Inc	200.000			9,558	9,006
Gentex Corp	500.000			11,126	8,790
Genuine Parts Co	600.000			25,860	25,158
Genworth Financial Inc	1,800.000			33,390	19,512
Genzyme Corp	1,000.000			54,452	70,110
Gerdau Ameristeel Corp	500.000			5,507	5,500
Gilead Sciences Inc	8,000.000			287,234	254,640
Glacier Bancorp Inc	8,452.000			132,611	116,976
Gleacher & Co Inc	12,700.000			52,214	21,209
Glg Partners Inc	700.000			2,321	3,129
Global Payments Inc	300.000			13,647	11,289
Goldman Sachs Group Inc/The	1,860.000			295,547	254,690
Goodrich Corp	454.000			32,918	31,090
Goodyear Tire & Rubber Co/The	900.000			13,127	8,316
Google Inc	1,925.000			1,040,160	866,289
Graco Inc	200.000			6,446	5,582
Great Plains Energy Inc	500.000			9,498	9,245
Green Mountain Coffee Roasters	400.000			11,475	12,328
Greenhill & Co Inc	100.000			8,671	7,043
Greif Inc	100.000			5,853	5,685
Guess? Inc	200.000			9,432	6,464
H&R Block Inc	1,300.000			23,056	16,679
Halliburton Co	3,300.000			116,967	93,093
Hanesbrands Inc	400.000			11,936	9,576
Hanover Insurance Group Inc/Th	200.000			8,890	8,676
Hansen Natural Corp	200.000			8,248	9,008
Harley-Davidson Inc	900.000			30,809	21,897
Harman International Industrie	300.000			15,021	9,351
Harris Corp	500.000			21,679	21,035
Harsco Corp	300.000			9,897	5,982
Hartford Financial Services Gr	1,600.000			46,000	32,269
Hasbro Inc	500.000			20,065	20,180
Hawaiian Electric Industries I	300.000			7,073	7,206
Haynes International Inc	2,800.000			97,282	81,984
HCC Insurance Holdings Inc	400.000			10,868	10,092
HCP Inc	1,100.000			35,442	38,742
Health Care Reit Inc	449.000			20,016	20,623
Health Management Associates I	12,700.000			115,560	79,375
Health Net Inc	400.000			9,349	9,552
Helmerich & Payne Inc	300.000			12,617	11,112
Henry Schein Inc	300.000			18,171	15,840
Herbalife Ltd Usd Com Shs	200.000			9,193	11,116
Hershey Co/The	558.000			25,029	25,930
Hertz Global Holdings Inc	700.000			8,348	5,957
Hess Corp	7,058.000			449,942	354,665
Hewitt Associates Inc	300.000			10,513	14,481
Hewlett-Packard Co	8,500.000			325,426	326,825
Hexcel Corp	9,900.000			136,795	168,894
Hibbett Sports Inc	4,600.000			96,870	106,398
Hillenbrand Inc	200.000			4,938	3,806
Hill-Rom Holdings Inc	200.000			6,282	6,420
HJ Heinz Co	1,145.000			53,429	52,945
Holly Corp	200.000			4,979	5,202
Hologic Inc	1,000.000			15,833	14,180
Home Bancshares Inc/Ar	3,500.000			83,155	75,390
Home Depot Inc	6,100.000			215,147	169,702
Honeywell International Inc	14,050.000			626,407	548,793
Hormel Foods Corp	251.000			10,430	10,831
Hospira Inc	600.000			34,230	30,816
Hospitality Properties Trust	500.000			13,675	9,775
Host Hotels & Resorts Inc	2,400.000			37,704	31,579
Hubbell Inc	200.000			10,402	8,996
Hudson City Bancorp Inc	1,700.000			24,667	19,601

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Human Genome Sciences Inc	700.000			\$ 16,949	20,349
Humana Inc	600.000			27,906	28,674
Huntington Bancshares Inc/Oh	2,700.000			17,793	14,305
Huntsman Corp	600.000			6,996	5,478
Hyatt Hotels Corp	200.000			7,795	7,532
Iac/Interactivecorp	300.000			7,056	7,434
Idex Corp	300.000			10,431	8,937
Idexx Laboratories Inc	200.000			11,948	11,054
IHS Inc	200.000			10,696	12,358
Illinois Tool Works Inc	1,600.000			81,680	66,016
Illumina Inc	8,270.000			344,505	354,700
Informatica Corp	300.000			7,456	9,642
Ingersoll-Rand Public Limited	1,200.000			45,616	39,036
Ingram Micro Inc	600.000			11,025	9,036
Integrus Energy Group Inc	300.000			14,717	14,535
Intel Corp	27,600.000			528,060	487,554
Interactive Brokers Group Inc	200.000			3,237	3,238
Intercontinental exchange Inc	270.000			30,206	25,801
Interface Inc	6,000.000			74,657	76,920
International Business Machine	7,650.000			939,459	941,945
International Flavors & Fragra	300.000			15,072	13,707
International Game Technology	1,100.000			21,395	16,060
International Paper Co	9,100.000			245,660	186,186
International Rectifier Corp	300.000			7,250	5,505
International Speedway Corp	100.000			2,912	2,289
Interpublic Group Of Cos Inc/T	1,800.000			17,352	15,354
Intersil Corp	500.000			8,375	5,000
Intrepid Potash Inc	200.000			5,332	4,490
Intuit Inc	1,000.000			35,720	42,738
Intuitive Surgical Inc	140.000			51,238	37,104
Invesco Ltd Shs	1,637.000			35,605	29,695
Iron Mountain Inc	700.000			19,518	14,196
ITC Holdings Corp	200.000			10,961	11,592
Itron Inc	150.000			11,648	8,100
ITT Corp	700.000			39,921	29,750
ITT Educational Services Inc	133.000			15,148	7,084
J Crew Group Inc	200.000			7,843	6,098
Jabil Circuit Inc	700.000			11,718	7,175
Jacobs Engineering Group Inc	454.000			21,851	15,745
Janus Capital Group Inc	700.000			10,630	6,356
Jarden Corp	300.000			9,948	8,082
JB Hunt Transport Services Inc	300.000			11,004	9,825
JC Penney Co Inc	800.000			24,472	15,984
JDS Uniphase Corp	800.000			10,900	7,352
Jefferies Group Inc	400.000			9,896	9,004
JM Smucker Co/The	443.000			27,595	25,907
John Wiley & Sons Inc	200.000			8,552	7,118
Johnson & Johnson	9,950.000			411,147	567,349
Johnson Controls Inc	16,850.000			552,725	447,031
Jones Lang Lasalle Inc	153.000			12,047	11,553
Joy Global Inc	400.000			24,200	22,688
Jpmorgan Chase & Co	18,970.000			819,644	689,749
Juniper Networks Inc	1,900.000			56,658	51,680
K12 Inc	1,250.000			29,586	28,925
Kansas City Southern	400.000			15,168	13,428
Kar Auction Services Inc	100.000			1,529	1,211
Kaydon Corp	2,850.000			123,503	92,369
KB Home	300.000			5,330	3,093
KBR Inc	600.000			14,160	13,926
Kellogg Co	900.000			48,474	44,712
Kennametal Inc	300.000			9,567	7,560
Keycorp	3,300.000			29,502	24,321
Kimberly Clark Corp	1,500.000			94,338	96,600
Kimco Realty Corp	1,500.000			22,965	22,362
Kinetic Concepts Inc	200.000			9,602	6,384
King Pharmaceuticals Inc	900.000			10,292	7,839
Kirby Corp	2,800.000			62,254	103,124

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Kla-Tencor Corp	600.000			\$ 20,064	16,805
Kohl'S Corp	1,100.000			61,974	51,634
Kraft Foods Inc	5,800.000			175,450	173,478
Kroger Co/The	17,400.000			371,592	343,302
L-3 Communications Holdings In	436.000			41,993	29,038
Laboratory Corp Of America Hol	400.000			32,402	29,048
Lam Research Corp	500.000			19,997	18,055
Lamar Advertising Co	200.000			7,614	5,242
Landstar System Inc	200.000			8,965	7,196
Las Vegas Sands Corp	1,100.000			26,081	31,163
Lazard Ltd Shs -A-	300.000			11,664	9,378
Leap Wireless International In	200.000			3,651	2,072
Lear Corp	170.000			12,030	12,522
Legg Mason Inc	600.000			19,296	15,198
Leggett & Platt Inc	600.000			13,884	11,502
Lender Processing Services Inc	344.000			13,306	10,090
Lennar Corp	600.000			11,112	7,890
Lennox International Inc	200.000			9,709	8,478
Leucadia National Corp	700.000			18,662	14,945
Level 3 Communications Inc	6,000.000			9,570	6,180
Lexmark International Inc	300.000			11,535	10,497
Liberty Global Inc	922.000			27,024	25,420
Liberty Media Corp – Capital	300.000			13,272	13,524
Liberty Media Corp – Interacti	2,200.000			35,376	23,210
Liberty Media Corp – Starz	200.000			8,409	11,948
Liberty Property Trust	400.000			13,608	12,148
Life Technologies Corp	663.000			35,114	28,363
Life Time Fitness Inc	2,950.000			95,024	100,212
Lifepoint Hospitals Inc	200.000			7,594	6,080
Lincare Holdings Inc	350.000			11,248	8,047
Lincoln Electric Holdings Inc	155.000			9,218	7,682
Lincoln National Corp	1,100.000			35,695	25,707
Linear Technology Corp	800.000			24,616	22,896
Live Nation Entertainment Inc	9,100.000			90,956	78,624
LKQ Corp	6,150.000			97,393	114,390
Lockheed Martin Corp	1,100.000			94,875	76,472
Loews Corp	1,142.000			44,047	40,130
Logmein Inc	3,250.000			63,122	106,438
Lorillard Inc	555.000			44,195	42,186
Lowe'S Cos Inc	30,550.000			805,322	619,554
LSI Corp	2,400.000			15,468	9,672
Ltd Brands Inc	1,000.000			28,030	23,600
Lubrizol Corp	250.000			22,981	23,328
Lululemon Athletica Inc	14,010.000			562,814	460,551
Lumber Liquidators Holdings In	3,450.000			89,963	69,104
M&T Bank Corp	267.000			23,041	22,866
Macerich Co/The	500.000			20,870	20,705
Mack-Cali Realty Corp	300.000			10,812	9,255
Macy'S Inc	1,600.000			28,814	31,056
Madison Square Garden Inc	200.000			4,386	3,910
Manitowoc Co Inc/The	500.000			7,733	4,580
Manpower Inc	300.000			15,073	12,750
Mantech International Corp	1,550.000			70,545	54,855
Marathon Oil Corp	19,250.000			624,808	586,933
Mariner Energy Inc	400.000			10,308	9,156
Markel Corp	40.000			15,241	13,109
Marriott International Inc/De	1,000.000			34,671	31,978
Marsh & McLennan Cos Inc	6,900.000			161,971	163,668
Marshall & Ilsley Corp	1,900.000			18,886	12,445
Martin Marietta Materials Inc	165.000			15,413	12,078
Marvell Technology Group Ltd	1,900.000			41,344	30,231
Masco Corp	1,300.000			22,854	13,637
Massey Energy Co	400.000			17,522	11,504
Mastercard Inc	3,300.000			804,628	654,588
Mattel Inc	1,300.000			30,700	27,287
Maxim Integrated Products Inc	1,100.000			22,550	17,457
MBIA Inc	500.000			4,818	4,670

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
McAfee Inc	600.000			\$ 24,213	28,230
McCormick & Co Inc/Md	500.000			19,585	19,935
McDermott International Inc	800.000			10,136	10,256
McDonald's Corp	3,900.000			184,184	284,934
McGraw-Hill Cos Inc/The	1,200.000			32,452	33,180
McKesson Corp	1,000.000			56,403	58,050
MDC Holdings Inc	100.000			3,502	2,662
MDU Resources Group Inc	700.000			15,409	13,167
Mead Johnson Nutrition Co	740.000			38,320	38,621
Meadwestvaco Corp	600.000			16,680	13,056
Medassets Inc	6,200.000			126,468	122,760
Medco Health Solutions Inc	11,050.000			632,521	480,454
Mednax Inc	200.000			11,642	9,268
Medtronic Inc	4,000.000			191,015	125,800
MEMC Electronic Materials Inc	800.000			12,490	8,232
Merck & Co Inc	34,700.000			1,101,102	1,220,052
Mercury General Corp	100.000			4,567	3,922
Meredith Corp	100.000			3,694	2,926
Merit Medical Systems Inc	5,450.000			95,581	86,001
Metlife Inc	7,400.000			318,448	278,595
MetroPCS Communications Inc	900.000			6,894	8,046
Mettler-Toledo International I	126.000			14,625	13,934
MGM Resorts International	1,000.000			13,281	9,010
Microchip Technology Inc	700.000			21,100	19,411
Micron Technology Inc	3,100.000			33,294	20,023
Micros Systems Inc	300.000			10,503	11,430
Microsoft Corp	66,850.000			1,995,462	1,568,635
Microstrategy Inc	1,250.000			67,339	97,413
Middleby Corp	2,500.000			128,040	137,475
Mirant Corp	500.000			5,750	4,850
Mohawk Industries Inc	200.000			12,094	8,862
Molex Inc	500.000			11,180	8,825
Molson Coors Brewing Co	4,300.000			184,054	187,308
Monro Muffler Brake Inc	2,350.000			77,691	98,418
Monsanto Co	2,000.000			132,740	105,300
Monster Worldwide Inc	500.000			8,450	5,515
Moody's Corp	700.000			17,985	14,798
Morgan Stanley	5,100.000			161,548	125,919
Morningstar Inc	100.000			4,970	4,045
Mosaic Co/The	5,600.000			250,220	328,496
Motorola Inc	8,500.000			62,390	63,920
MSC Industrial Direct Co	158.000			8,782	7,042
MSCI Inc	400.000			14,396	11,960
Mueller Water Products Inc	13,950.000			69,684	33,062
Murphy Oil Corp	700.000			42,581	37,492
MWI Veterinary Supply Inc	3,600.000			131,870	190,836
Mylan Inc/Pa	11,100.000			201,732	190,476
Myriad Genetics Inc	400.000			8,938	6,252
Nabors Industries Ltd Shs	1,100.000			23,128	17,248
Nalco Holding Co	500.000			12,435	11,360
Nasdaq Omx Group Inc/The	500.000			10,920	8,955
National Cinemedia Inc	6,600.000			105,600	104,874
National Fuel Gas Co	300.000			15,773	12,894
National Instruments Corp	4,350.000			131,897	125,411
National Oilwell Varco Inc	1,500.000			66,675	56,445
National Semiconductor Corp	900.000			13,793	11,349
Nationwide Health Properties I	400.000			13,855	15,388
Navistar International Corp	300.000			14,057	12,564
NBTY Inc	200.000			9,460	10,898
NCR Corp	600.000			9,192	7,710
Netapp Inc	1,247.000			44,140	50,354
Netezza Corp	10,600.000			111,243	206,276
Netflix Inc	150.000			13,689	18,828
Neustar Inc	300.000			7,752	6,642
New York Community Bancorp Inc	1,600.000			27,712	25,424
New York Times Co/The	400.000			5,096	2,872
Newell Rubbermaid Inc	1,000.000			17,305	15,010

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Newfield Exploration Co	500.000			\$ 26,830	24,005
Newmont Mining Corp	10,850.000			569,112	665,322
News Corp	15,900.000			230,809	199,704
Nextera Energy Inc	1,500.000			75,555	80,595
NII Holdings Inc	600.000			24,264	21,750
Nike Inc	1,300.000			99,749	91,000
Nisource Inc	1,000.000			16,410	17,360
Noble Energy Inc	648.000			39,072	45,217
Nordstrom Inc	600.000			26,240	17,352
Norfolk Southern Corp	1,339.000			80,341	71,878
Northeast Utilities	600.000			16,590	17,382
Northern Trust Corp	900.000			49,257	41,515
Northrop Grumman Corp	1,100.000			75,207	59,532
Novell Inc	1,300.000			7,514	7,313
Novellus Systems Inc	400.000			10,660	9,316
Novo Nordisk A/S	5,050.000			420,711	432,381
NRG Energy Inc	1,000.000			22,340	20,320
NSTAR	400.000			14,628	15,212
Nuance Communications Inc	5,450.000			44,859	79,843
Nucor Corp	1,100.000			49,621	40,458
Nuvasive Inc	2,850.000			108,917	83,648
NV Energy Inc	900.000			11,426	11,520
Nvidia Corp	2,000.000			33,200	18,650
NYR Inc	20.000			14,950	12,083
Nyse Euronext	1,000.000			32,620	27,740
Oasis Petroleum Inc	5,000.000			81,369	82,350
Occidental Petroleum Corp	9,629.000			795,671	703,687
Oceaneering International Inc	200.000			13,039	10,002
Office Depot Inc	1,000.000			8,110	3,410
Oge Energy Corp	353.000			14,270	13,785
Oil States International Inc	200.000			9,784	8,246
Old Republic International Cor	900.000			12,392	11,502
Omnicare Inc	7,900.000			205,362	151,680
Omnicom Group Inc	1,100.000			53,461	38,511
On Semiconductor Corp	1,600.000			13,568	9,888
Onebeacon Insurance Group Ltd	100.000			1,737	1,305
Oneok Inc	400.000			19,424	17,164
Oracle Corp	18,788.000			356,632	410,424
O'Reilly Automotive Inc	500.000			22,335	23,635
Ormat Technologies Inc	100.000			3,105	2,756
Oshkosh Corp	300.000			12,840	7,464
Owens Corning	400.000			11,666	10,880
Owens-Illinois Inc	600.000			21,648	15,036
Paccar Inc	1,300.000			59,433	53,274
Packaging Corp Of America	400.000			10,120	8,916
Pactiv Corp	500.000			12,337	16,040
Pall Corp	400.000			15,842	13,676
Panera Bread Co	100.000			8,516	7,994
Parexel International Corp	5,700.000			95,251	113,088
Parker Hannifin Corp	600.000			42,600	35,496
Partnerre Hldgs Ltd Bermuda	300.000			24,273	22,335
Patterson Cos Inc	400.000			12,784	10,108
Patterson-UTI Energy Inc	600.000			9,132	8,850
Paychex Inc	1,200.000			37,680	29,868
Peabody Energy Corp	1,000.000			46,600	42,790
Penn National Gaming Inc	200.000			5,889	5,636
Pentair Inc	400.000			14,996	12,040
People's United Financial Inc	1,400.000			22,659	17,780
Pepco Holdings Inc	800.000			13,536	14,360
Pepsico Inc/Nc	19,337.000			996,942	1,241,049
Perkinelmer Inc	5,000.000			112,389	105,050
Perrigo Co	300.000			17,721	17,103
Petrohawk Energy Corp	1,100.000			24,409	16,641
Petsmart Inc	400.000			13,092	12,760
Pfizer Inc	112,450.000			1,881,691	1,789,080
PG&E Corp	1,348.000			63,898	63,032
Pharmaceutical Product Develop	400.000			9,930	9,188

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Philip Morris International In	6,700.000			\$ 68,288	344,112
Phillips-Van Heusen Corp	205.000			13,030	9,364
Piedmont Office Realty Trust I	190.000			3,698	3,488
Pinnacle Financial Partners In	5,650.000			90,227	48,364
Pinnacle West Capital Corp	400.000			15,326	15,940
Pioneer Natural Resources Co	400.000			25,312	23,128
Pitney Bowes Inc	800.000			20,144	15,392
Plains Exploration & Production	500.000			16,450	11,940
Plum Creek Timber Co Inc	600.000			25,080	20,682
Pmc – Sierra Inc	800.000			7,524	5,528
PNC Financial Services Group I	1,900.000			124,070	96,881
Polo Ralph Lauren Corp	200.000			18,582	15,148
Polycom Inc	300.000			9,157	8,532
Popular Inc	3,700.000			12,958	9,431
PPG Industries Inc	600.000			42,294	39,498
PPL Corp	1,700.000			47,164	46,172
Praxair Inc	7,410.000			584,236	637,482
Precision Castparts Corp	523.000			67,589	59,193
Priceline.Com Inc	2,447.000			572,922	713,252
Pride International Inc	600.000			19,533	14,126
Principal Financial Group Inc	1,200.000			36,096	27,660
Procter & Gamble Co/The	10,400.000			135,063	620,568
Progress Energy Inc	1,000.000			39,383	42,910
Progressive Corp/The	2,500.000			50,850	49,500
Prologis	1,800.000			25,488	19,562
Prosperity Bancshares Inc	2,700.000			89,613	76,923
Protective Life Corp	300.000			7,202	5,604
Prudential Financial Inc	1,700.000			150,124	86,020
PSS World Medical Inc	5,700.000			105,148	104,652
Public Service Enterprise Grou	1,800.000			55,494	57,528
Public Storage	500.000			47,193	49,010
Pulte Group Inc	1,200.000			14,124	9,648
QEP Resources Inc	600.000			18,338	17,418
Qiagen N V	17,820.000			412,216	317,552
Qlogic Corp	400.000			8,608	5,956
Qualcomm Inc	28,940.000			1,174,946	1,108,402
Quanta Services Inc	800.000			16,152	14,352
Quest Diagnostics Inc/De	500.000			29,016	21,750
Questar Corp	600.000			9,178	9,768
Quicksilver Resources Inc	400.000			5,680	4,880
Qwest Communications International	6,300.000			33,121	35,595
Radioshack Corp	500.000			11,938	9,240
Ralcorp Holdings Inc	200.000			13,436	11,930
Rambus Inc	400.000			9,186	7,132
Range Resources Corp	600.000			29,448	20,286
Raven Industries Inc	2,450.000			73,606	82,590
Raymond James Financial Inc	3,650.000			66,849	84,242
Rayonier Inc	300.000			14,463	14,190
Raytheon Co	1,400.000			84,014	61,488
Realty Income Corp	400.000			13,060	13,036
Red Hat Inc	700.000			21,781	24,185
Regal Entertainment Group	300.000			5,397	3,693
Regal-Beloit Corp	139.000			7,878	7,689
Regency Centers Corp	300.000			11,835	10,938
Regeneron Pharmaceuticals Inc	200.000			4,909	4,396
Regions Financial Corp	4,300.000			37,797	27,649
Reinsurance Group Of America I	300.000			15,269	13,122
Reliance Steel & Aluminum Co	300.000			11,328	11,175
Renaissance Re Holdings Ltd	200.000			11,441	11,358
Republic Services Inc	1,200.000			36,528	35,316
Resmed Inc	600.000			19,002	18,084
Resources Connection Inc	4,325.000			75,201	47,964
Reynolds American Inc	600.000			33,246	32,724
Robert Half International Inc	600.000			15,746	12,948
Rockwell Automation Inc	500.000			30,210	25,570
Rockwell Collins Inc	600.000			39,603	32,358
Rofin-Sinar Technologies Inc	3,850.000			100,856	78,540



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Roper Industries Inc	340.000			\$ 20,771	19,747
Rosetta Resources Inc	4,600.000			106,114	90,620
Ross Stores Inc	443.000			21,449	21,986
Rovi Corp	400.000			15,044	17,404
Rowan Cos Inc	400.000			12,690	10,284
Royal Caribbean Cruises Ltd	500.000			17,325	12,280
Royal Gold Inc	200.000			9,516	9,814
Rpm International Inc	500.000			11,208	8,450
RR Donnelley & Sons Co	800.000			17,880	12,104
RRI Energy Inc	1,300.000			5,272	4,511
Ruddick Corp	2,400.000			75,718	77,688
Ryder System Inc	200.000			9,148	7,674
Safeway Inc	1,400.000			37,520	26,306
SAIC Inc	16,100.000			276,067	239,568
Salesforce.Com Inc	4,900.000			429,938	538,412
Sandisk Corp	800.000			30,072	26,504
Sandridge Energy Inc	1,300.000			8,903	5,252
Sanofi-Aventis Sa	22,150.000			802,058	633,712
Sara Lee Corp	2,400.000			34,104	34,656
SBA Communications Corp	400.000			14,140	14,320
Scana Corp	400.000			15,644	15,612
Schlumberger Ltd	4,926.940			333,652	262,754
Schnitzer Steel Industries Inc	100.000			5,437	4,424
Scotts Miracle-Gro Co/The	200.000			9,708	9,446
Scripps Networks Interactive I	300.000			13,296	12,054
Seacor Holdings Inc	100.000			8,518	7,867
Seagate Technology	1,800.000			35,172	18,252
Sealed Air Corp	600.000			13,848	12,306
Sears Holdings Corp	165.000			17,880	10,223
SEI Investments Co	500.000			8,276	8,850
Sempra Energy	900.000			45,135	45,828
Senior Housing Properties Trust	500.000			11,123	11,750
Service Corp International/Us	900.000			8,640	6,921
Shaw Group Inc/The	300.000			11,334	9,720
Sherwin-Williams Co/The	350.000			26,197	24,633
Sigma-Aldrich Corp	439.000			24,834	23,342
Signet Jewelers Limited Shs	300.000			10,202	7,932
Silgan Holdings Inc	3,600.000			87,336	107,604
Silicon Laboratories Inc	200.000			10,084	7,628
Simon Property Group Inc	1,060.000			92,139	95,877
Sirius Xm Radio Inc	14,000.000			15,449	13,384
Skyworks Solutions Inc	600.000			10,574	10,692
SL Green Realty Corp	300.000			18,684	18,084
SLM Corp	1,700.000			12,846	18,785
SM Energy Co	3,150.000			121,506	119,669
Smithfield Foods Inc	500.000			10,022	8,065
Snap-On Inc	200.000			9,684	8,246
Solera Holdings Inc	300.000			11,254	11,904
Sonic Corp	4,900.000			58,930	37,583
Sonoco Products Co	400.000			13,114	12,580
Southern Co	3,000.000			103,374	110,070
Southern Copper Corp	600.000			18,930	18,138
Southern Union Co	400.000			10,542	9,000
Southwest Airlines Co	2,700.000			36,704	29,835
Southwestern Energy Co	1,256.000			51,069	41,096
Spectra Energy Corp	2,400.000			55,776	48,816
Spirit Aerosystems Holdings In	400.000			9,256	7,736
Sprint Nextel Corp	10,600.000			43,460	43,036
SPX Corp	200.000			13,512	11,212
St Joe Co/The	300.000			10,721	7,224
St Jude Medical Inc	13,620.000			552,599	470,843
Stancorp Financial Group Inc	200.000			9,888	7,126
Stanley Black & Decker Inc	600.000			37,218	32,184
Staples Inc	28,430.000			654,699	505,201
Starbucks Corp	2,700.000			68,553	62,046
Starwood Hotels & Resorts Worl	700.000			35,035	32,711
State Street Corp	1,800.000			81,035	63,144

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Steel Dynamics Inc	800.000			\$ 13,296	10,936
Stericycle Inc	300.000			16,725	19,650
Strayer Education Inc	50.000			12,925	7,232
Stryker Corp	1,100.000			63,723	47,509
Suncor Energy Inc	5,000.000			157,960	151,300
Sunoco Inc	400.000			12,098	13,472
Sunpower Corp	400.000			7,176	4,316
Suntrust Banks Inc	1,800.000			53,496	40,518
Superior Energy Services Inc	300.000			7,203	6,450
Supervalu Inc	800.000			13,044	7,776
SXC Health Solutions Corp	100.000			7,401	7,780
Symantec Corp	3,000.000			51,330	40,890
Symetra Financial Corp	100.000			1,408	1,074
Synopsys Inc	500.000			11,620	11,430
Synovus Financial Corp	46,710.000			149,381	96,223
Sysco Corp	2,200.000			71,087	60,478
T Rowe Price Group Inc	14,110.000			789,457	617,877
Talecris Biotherapeutics Holdi	200.000			4,387	4,396
Talisman Energy Inc	25,000.000			426,713	392,000
Target Corp	2,700.000			92,447	138,132
Taubman Centers Inc	200.000			8,543	8,298
TCF Financial Corp	500.000			8,181	7,140
TD Ameritrade Holding Corp	800.000			16,392	11,696
Tech Data Corp	200.000			8,772	7,244
Techno Corp	1,585.000			93,746	91,502
Teco Energy Inc	800.000			13,396	13,504
Teekay Corporation Com	200.000			5,311	4,862
Teleflex Inc	149.000			9,307	7,161
Telephone & Data Systems Inc	300.000			10,526	8,667
Tellabs Inc	1,500.000			12,600	10,650
Temple-Inland Inc	400.000			9,529	6,372
Tempur-Pedic International Inc	3,600.000			72,915	96,480
Tenet Healthcare Corp	1,800.000			11,178	7,056
Teradata Corp	600.000			18,366	19,644
Teradyne Inc	600.000			7,317	5,388
Terex Corp	400.000			10,446	7,284
Tesoro Corp	500.000			6,418	5,614
Texas Capital Bancshares Inc	5,400.000			100,386	82,620
Texas Instruments Inc	26,550.000			722,764	611,181
Textron Inc	6,500.000			144,150	110,955
TFS Financial Corp	300.000			4,301	2,754
Thermo Fisher Scientific Inc	1,500.000			80,341	63,180
Thomas & Betts Corp	200.000			8,250	7,390
Thomson Reuters Corp	1,400.000			52,223	48,720
Thor Industries Inc	100.000			3,366	2,334
Thoratec Corp	200.000			8,777	6,440
Tibco Software Inc	13,550.000			126,726	196,312
Tidewater Inc	200.000			10,133	8,016
Tiffany & Co	459.000			23,124	18,190
Time Warner Cable Inc	1,300.000			68,419	67,041
Time Warner Inc	4,100.000			101,511	122,918
Timken Co	300.000			9,768	9,813
Titanium Metals Corp	300.000			4,805	5,448
Tjx Cos Inc	1,500.000			50,892	59,535
Toll Brothers Inc	500.000			10,830	8,644
Torchmark Corp	300.000			16,583	14,805
Toro Co/The	100.000			5,416	4,990
Total Sa	5,000.000			262,874	233,250
Total System Services Inc	600.000			9,840	8,520
Towers Watson & Co	150.000			6,083	6,735
Tractor Supply Co	2,232.000			84,533	151,731
Transatlantic Holdings Inc	200.000			10,226	9,534
Transdigm Group Inc	148.000			8,017	8,568
Travelers Cos Inc/The	7,700.000			378,688	377,223
Trimble Navigation Ltd	2,900.000			60,954	81,577
Trinity Industries Inc	300.000			7,571	5,136
TRW Automotive Holdings Corp	300.000			10,149	10,428

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Tupperware Brands Corp	200.000			\$ 8,021	7,868
TW Telecom Inc	600.000			10,722	10,521
Tyco International Ltd Shs	1,800.000			66,822	67,104
Tyson Foods Inc	1,100.000			22,231	18,018
UAL Corp	600.000			12,572	12,722
UDR Inc	600.000			12,204	12,348
UGI Corp	400.000			10,834	11,040
Ultra Salon Cosmetics & Fragrance	4,700.000			68,385	106,690
Ultra Petroleum Corp	600.000			27,344	23,406
Umpqua Holdings Corp	8,500.000			108,032	88,145
Union Pacific Corp	1,832.000			140,989	133,626
Unit Corp	100.000			4,709	3,407
United Parcel Service Inc	2,600.000			177,112	165,880
United States Cellular Corp	56.000			2,384	2,348
United States Steel Corp	500.000			28,990	21,245
United Technologies Corp	3,400.000			230,411	221,714
United Therapeutics Corp	200.000			11,179	9,244
Unitedhealth Group Inc	4,100.000			124,066	130,052
Unitrin Inc	200.000			4,481	4,760
Universal Health Services Inc	300.000			10,797	9,420
Unum Group	11,200.000			254,238	224,560
Urban Outfitters Inc	442.000			16,982	13,401
URS Corp	300.000			15,455	10,701
US Bancorp	22,250.000			603,215	462,800
USG Corp	200.000			4,224	2,434
UTI Worldwide Inc Shs	7,450.000			100,575	104,300
Valeant Pharmaceuticals Intern	200.000			8,302	11,538
Valero Energy Corp	2,100.000			40,383	33,117
Validus Holdings Ltd Com Shs	300.000			7,926	7,641
Valley National Bancorp	630.000			10,052	8,209
Valmont Industries Inc	100.000			8,490	6,703
Valspar Corp	400.000			12,282	12,048
Varian Medical Systems Inc	447.000			24,767	23,798
Varian Semiconductor Equipment	300.000			10,305	7,446
Vca Antech Inc	300.000			8,469	5,928
Vectren Corp	300.000			7,437	7,362
Ventas Inc	600.000			27,648	30,306
Verisign Inc	700.000			19,184	20,363
Verisk Analytics Inc	400.000			11,264	11,128
Verizon Communications Inc	10,200.000			282,888	301,206
Vertex Pharmaceuticals Inc	700.000			27,545	23,317
VF Corp	300.000			25,301	21,171
Viacom Inc	17,600.000			621,945	552,992
Virgin Media Inc	1,200.000			22,707	24,960
Visa Inc	1,700.000			158,323	117,266
Vishay Intertechnology Inc	700.000			6,765	5,383
Vishay Precision Group Inc	50.000			760	725
Vistaprint Nv	160.000			7,834	4,909
VMware Inc	270.000			17,098	21,173
Vodafone Group Plc	20,950.000			484,433	506,990
Vornado Realty Trust	600.000			47,784	48,636
Vulcan Materials Co	463.000			25,202	17,020
Wabco Holdings Inc	200.000			6,424	7,052
Wabtec Corp/De	200.000			9,678	8,506
Waddell & Reed Financial Inc	300.000			11,375	6,903
Walgreen Co	3,500.000			24,683	94,080
Wal-Mart Stores Inc	15,400.000			633,641	772,156
Walt Disney Co/The	7,100.000			259,539	231,034
Walter Energy Inc	200.000			18,492	14,408
Warnaco Group Inc/The	2,150.000			72,473	90,042
Warner Chilcott Plc Class A	300.000			7,138	8,526
Washington Federal Inc	400.000			8,376	5,712
Washington Post Co/The	20.000			10,802	7,205
Waste Connections Inc	300.000			10,485	11,325
Waste Management Inc	1,800.000			63,234	59,562
Waters Corp	336.000			23,197	20,335
Watson Pharmaceuticals Inc	400.000			17,278	17,228

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Weatherford International Ltd	2,700.000			\$ 39,402	40,257
WebMD Health Corp	200.000			9,565	10,188
Weight Watchers International	100.000			2,712	2,852
Weingarten Realty Investors	400.000			9,150	8,072
Wellpoint Inc	1,450.000			85,028	72,004
Wells Fargo & Co	37,700.000			1,127,900	887,835
Wendy's/Arby's Group Inc	1,300.000			7,072	5,083
Wesco International Inc	4,350.000			153,939	140,418
Westar Energy Inc	400.000			9,168	9,588
Western Digital Corp	800.000			32,234	19,326
Western Union Co/The	2,400.000			41,856	37,632
Weyerhaeuser Co	2,162.338			61,976	33,949
Whirlpool Corp	270.000			26,668	20,023
White Mountains Ins Grp Inc	30.000			10,765	9,107
Whiting Petroleum Corp	200.000			16,849	16,968
Whole Foods Market Inc	500.000			28,335	17,395
Williams Cos Inc/The	2,200.000			52,096	39,886
Williams-Sonoma Inc	300.000			9,186	7,788
Wilmington Trust Corp	300.000			5,831	2,640
Windstream Corp	1,700.000			18,862	19,567
Wisconsin Energy Corp	400.000			20,664	22,296
Wms Industries Inc	200.000			9,346	7,068
WR Berkley Corp	500.000			13,883	13,175
WW Grainger Inc	230.000			24,572	24,332
Wyndham Worldwide Corp	700.000			18,494	16,233
Wynn Resorts Ltd	250.000			21,422	20,153
Xcel Energy Inc	1,700.000			36,737	37,927
Xerox Corp	4,900.000			51,940	41,381
Xilinx Inc	1,000.000			27,222	24,140
XL Group Plc	1,300.000			25,857	23,283
Yahoo! Inc	10,000.000			169,258	131,090
Yum! Brands Inc	1,700.000			73,287	70,890
Zebra Technologies Corp	200.000			6,100	5,724
Zimmer Holdings Inc	700.000			42,155	33,019
Zions Bancorporation	600.000			17,322	11,031
Total equity securities				88,748,650	84,931,953
Equities commingled funds/lp interest:					
Cougar Investment Fund				500,000	500,320
Total equities commingled funds/lp interest				500,000	500,320
Global equities (excluding United States):					
Silchester International				40,274,225	45,354,073
William Blair				59,021,285	44,895,863
Aberdeen Emerging Mkts Instl				5,000,000	5,127,485
Total global equities (excluding United States)				104,295,510	95,377,421
Absolute return investments:					
Davidson Kempner Institutional				6,274,257	8,487,530
Crestline Offshore Fund				10,953,598	12,263,822
Whippoorwill Distressed				7,438,704	7,141,107
Mason Capital Ltd				8,000,000	8,069,921
Oz Overseas Fund				8,000,000	8,000,000
Total absolute return investments				40,666,559	43,962,380

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Noncurrent Investments

Year ended August 31, 2010

Issuer	Shares	Coupon rate	Maturity date	Cost	Fair value
Inflation hedge investments:					
Morgan Stanley Institutional				\$ 4,709,236	3,021,225
Berwind Property Group VII				2,545,722	2,094,000
BPG Investment Partnership VIII				2,565,569	1,468,907
Newlin Realty Partners Llc				3,786,445	1,999,925
Newlin Realty Ptrs II Lp				1,498,228	1,008,479
Salient Trust				5,180,119	5,260,655
Sustainable Woodlands Fund				4,019,416	5,782,720
Hedgenergy Offshore Fund				3,542,000	3,255,518
Wellington DIH				15,779,407	15,820,570
Absolute Plus Mgt Hgc				4,079,252	4,415,935
Real Estate Holding				1,326,667	4,038,292
Total inflation hedge investments				49,032,061	48,166,226
Hedged equity investments:					
Barlow Partners Offshore Ltd				32,988,307	38,611,491
York Instl Partners Lp				13,000,000	18,317,529
Scout Capital Fund Ltd				6,000,000	5,892,943
Coatue Offshore Fund Ltd				6,000,000	6,303,107
Total hedged equity investments				57,988,307	69,125,070
Private equity/venture capital investments:					
Harbourvest Partners IV				423,647	216,364
Harbourvest Intl Private Eq-Direct				18,251	7,059
Harbourvest Intl Private-Partnership				173,621	126,987
Commonfund Capital Intl VI				1,568,099	1,633,162
Commonfund Private Eq Part VII				1,174,820	1,279,881
Commonfund Capital Venture VIII				861,096	972,647
Encap Energy Capital Fund VII				6,555,047	7,125,740
Fisher Lynch Venture Partners				713,443	732,842
Fisher Lynch Buyout				688,633	655,173
Total private equity/venture capital investments				12,176,657	12,749,855
Total				420,100,612	424,482,933
Less short-term investments				(6,390,150)	(6,403,925)
Total noncurrent investments				\$ 413,710,462	418,079,008

See accompanying independent auditors' report.

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Cullen Roy & Lillie	\$ 42,901,522	—	3,353,043	—	3,353,043	2,139,662	802,373	2,942,035	43,312,530
UH Core Pool Quasi Endowment	—	31,100,120	2,286,620	—	33,386,739	—	—	—	33,386,739
Bauer, C.T.	22,635,488	—	1,716,303	—	1,716,303	—	—	—	24,351,790
General Endowment	22,871,157	2,971	1,787,547	—	1,790,518	1,140,429	427,661	1,568,090	23,093,585
Hugh Roy & Lillie Cranz Cullen Dist Chairs Prof	19,033,437	—	1,487,591	—	1,487,591	949,270	355,976	1,305,246	19,215,783
Moores Presidential Priorities	18,167,369	—	1,419,708	—	1,419,708	906,000	339,750	1,245,750	18,341,327
Moores Univ Priority	15,437,270	—	1,168,727	—	1,168,727	—	—	—	16,605,997
Mitchell, Cynthia Woods Center	13,734,983	—	1,027,666	—	1,027,666	—	—	—	14,762,648
Hirsch, Winifred & Maurice	9,866,603	145,341	764,150	—	909,491	—	—	—	10,776,094
Melrose Thompson	8,821,367	480,315	714,933	—	1,195,248	—	—	—	10,016,615
Melcher, Leroy & Lucille	5,984,621	—	467,739	—	467,739	298,476	111,928	410,404	6,041,956
UHCL Core Pool Quasi Endowment	—	5,391,552	396,411	—	5,787,963	—	—	—	5,787,963
Jones, Jesse Quasi	5,451,979	—	426,109	—	426,109	271,911	101,967	373,878	5,504,210
UH Downtown Core Pool Quasi Endowment	—	4,789,393	352,139	—	5,141,532	—	—	—	5,141,532
M. D. Anderson Foundation	4,318,118	—	344,620	—	344,620	211,473	—	211,473	4,451,266
UH Tier One Scholarship Quasi Endowment	7,000,000	(2,648,613)	345,698	—	(2,302,915)	280,000	—	280,000	4,417,085
A UH TierOne Scholarship Endowment	—	4,000,000	306,166	—	4,306,166	—	—	—	4,306,166
Mitchell	4,039,087	115,540	333,357	—	448,898	191,998	—	191,998	4,295,986
Endowment Plus	4,244,075	—	331,658	—	331,658	211,650	79,369	291,019	4,284,713
School Of Music Quasi	3,890,850	—	294,921	—	294,921	—	—	—	4,185,771
Welch Foundation	3,750,076	—	277,079	—	277,079	199,788	—	199,788	3,827,367
Welch Foundation Chair	3,578,853	—	285,621	—	285,621	175,269	—	175,269	3,689,205
System Core Pool Quasi Endowment	46,254,418	(42,897,883)	246,785	—	(42,651,098)	—	—	—	3,603,319
Franklin, Thomas & Richard Quasi	3,251,070	—	254,093	—	254,093	162,143	60,804	222,947	3,282,216
Superconductivity Quasi	3,224,838	—	252,043	—	252,043	160,835	60,313	221,148	3,255,732
Edmonds Foundation UHD	3,182,023	—	248,697	—	248,697	158,700	59,512	218,212	3,212,507
System Matching	3,103,532	—	235,217	—	235,217	147,309	—	147,309	3,191,441
Japan Shipbuilding	2,807,981	—	224,099	—	224,099	137,516	—	137,516	2,894,564
Hines, Gerald	2,438,863	225,000	209,134	—	434,134	—	—	—	2,872,997
TLL Temple Foundation Chair	2,628,081	—	205,402	—	205,402	131,072	49,152	180,224	2,653,259
Cullen Eng Schol	2,618,302	—	204,638	—	204,638	130,585	48,969	179,554	2,643,386
Edmonds Foundation -UH	2,528,488	—	197,652	—	197,652	126,070	47,276	173,346	2,552,794
Cullen Trust Dist Sci	1,608,218	750,000	187,930	—	937,930	69,794	—	69,794	2,476,354
Welch Foundation, Chemistry	2,307,993	—	184,196	—	184,196	113,030	—	113,030	2,379,160
Athletics Scholarships	2,146,297	—	167,748	—	167,748	107,044	40,141	147,185	2,166,859
Jones Scholarships	1,864,196	—	145,700	—	145,700	92,975	34,865	127,840	1,882,055
Moores Fellowships	1,818,675	—	142,142	—	142,142	90,704	34,014	124,718	1,836,099
Wortham Chair	1,748,223	—	136,635	—	136,635	87,191	32,696	119,887	1,764,971
Alkek	1,729,926	—	135,205	—	135,205	86,278	32,354	118,632	1,746,500
UH Victoria Core Pool Quasi Endowment	—	1,616,818	118,876	—	1,735,694	—	—	—	1,735,694
Moores TCSUH	1,560,186	—	121,939	—	121,939	77,812	29,180	106,992	1,575,133
Moores Library Quasi	1,560,186	—	121,939	—	121,939	77,812	29,180	106,992	1,575,133
Welch Chair in Chemistry – Grant E0044	1,363,805	12,414	182,310	—	194,723	54,552	—	54,552	1,503,977
Carolyn Grant Fay	1,427,228	—	108,182	—	108,182	67,747	—	67,747	1,423,455
African American Studies	1,323,162	—	100,294	—	100,294	—	—	—	1,241,843
Cullen Fndn Chair Creative Writing	1,154,444	—	87,399	—	87,399	—	—	—	1,187,557
Johnson Foundation	1,176,383	—	91,706	—	91,706	58,568	21,963	80,531	1,167,164
Cain Scholarship – UH	1,156,089	—	90,356	—	90,356	57,659	21,622	79,281	1,124,746
Hispanic Literature Chair	1,093,759	—	82,905	—	82,905	51,918	—	51,918	1,099,695
Hobby Center for Public Policy Quasi Endowment	—	1,021,507	78,188	—	1,099,695	—	—	—	1,056,919
SICSA/Japan Shipbuilding	982,434	—	74,485	—	74,485	—	—	—	1,005,372
Cullen Leadership	995,832	—	77,831	—	77,831	49,666	18,625	68,291	997,113
Elvira Dell Krause	926,863	—	70,249	—	70,249	—	—	—	996,217
Enron Teaching Award	986,764	—	77,122	—	77,122	49,214	18,455	67,669	980,718
Faculty Development	971,412	—	75,922	—	75,922	48,448	18,168	66,616	964,929
Cullen Graduate Scholarships	955,773	—	74,700	—	74,700	47,668	17,876	65,544	

**UNIVERSITY OF HOUSTON SYSTEM**  
**ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
BPA Quasi	930,191	—	69,613	—	69,613	43,854	—	43,854	955,949
Cain Scholarship UHD	943,519	—	73,742	—	73,742	47,057	—	47,057	952,558
Cullen Eng. Prof.	\$ 942,350	—	73,651	—	73,651	46,999	17,624	64,623	951,378
Jones, Jesse H. & Mary Gibbs	873,636	—	66,220	—	66,220	—	—	—	939,856
McMahan, Charles Chair	868,359	—	65,836	—	65,836	—	—	—	934,196
Alkek/Williams Chair	860,502	—	65,230	—	65,230	—	—	—	925,731
Baker Hughes Professorship	906,081	—	72,156	—	72,156	45,427	17,035	62,462	915,775
Edythe Bates Old Quasi	866,173	—	65,655	—	65,655	41,115	—	41,115	890,712
John S. Dunn Chair End	783,452	—	71,229	—	71,229	—	—	—	854,681
Gordon & Mary Cain Sch End	781,371	—	71,365	—	71,365	—	—	—	852,736
PLM Professorships	836,468	150	65,387	—	65,537	41,718	15,644	57,362	844,643
General Purpose	801,960	—	62,670	—	62,670	39,993	14,998	54,991	806,581
Kathleen O. Macnerney Library Acquisition End	742,259	—	64,322	—	64,322	—	—	—	799,830
Elkins Professorship	792,240	—	61,919	—	61,919	39,512	14,817	54,329	788,252
Phieffer, Eckhard Chair Quasi	733,166	—	55,086	—	55,086	—	—	—	775,573
Brown Fdn Research Director	659,941	59,000	56,632	—	115,632	—	—	—	743,689
Borish Chair	590,257	146,375	57,573	—	203,947	36,738	13,777	50,515	736,351
Urban Education Program	716,065	—	54,277	—	54,277	33,990	—	33,990	717,389
Urban Scholars Learners Com.	682,298	—	51,345	16,255	67,599	32,509	—	32,509	708,883
University Scholarships	687,362	1,615	52,356	—	53,971	32,449	—	32,449	696,879
William C. Miller Endowed Chair of Engineering	391,726	250,000	55,153	—	305,153	—	—	—	688,765
Honors Fellows	640,236	—	48,529	—	48,529	—	—	—	683,328
Moore Professorship	664,502	—	50,368	—	50,368	31,542	—	31,542	675,276
Houston Professorship	668,869	—	52,277	—	52,277	33,359	12,510	45,869	669,774
Greenman Petty Professorship	631,989	17,009	51,727	—	68,736	30,951	—	30,951	661,760
Enron Scholarship	643,529	—	48,779	—	48,779	30,547	—	30,547	646,458
Faculty Dev Quasi	640,324	—	50,046	—	50,046	31,935	11,976	43,911	644,111
Theresa M. Monaco Chair for the Provost	606,168	—	74,532	—	74,532	36,589	—	36,589	641,708
Arthur Andersen Professorship	622,531	—	49,660	—	49,660	30,483	—	30,483	613,492
Gillingham, W. J.	607,670	—	47,494	—	47,494	30,307	11,365	41,672	603,738
Dunn, John Professorship	587,107	—	44,498	—	44,498	27,867	—	27,867	595,308
BPA Health	589,660	—	46,086	—	46,086	29,409	11,028	40,437	575,402
Texas Scholars	534,945	—	40,457	—	40,457	—	—	—	568,789
Miller, Murray Scholarships	563,392	—	44,033	—	44,033	28,098	10,537	38,635	545,821
Bates, William Chair	529,529	—	42,212	—	42,212	25,919	—	25,919	540,549
Clear Lake Alumni	501,378	1,000	38,171	—	39,171	—	—	—	537,719
Madison Quasi Professorship at the Moores Sch of Music	—	500,000	37,719	—	537,719	—	—	—	537,719
Blaffer Gallery	532,549	—	41,622	—	41,622	26,560	9,960	36,520	536,980
Academic Priorities Endowment	—	500,000	36,980	—	536,980	—	—	—	536,980
Lana A. Culpepper UH Tierone Scholarship Endowment	—	500,000	36,980	—	536,980	—	—	—	524,510
Cizik, Jane Morin Chair	487,554	—	36,956	—	36,956	—	—	—	499,614
Yelderman, Pauline Chair	464,412	—	35,202	—	35,202	—	—	—	492,823
Ken Reese Dean's Chair-Business	488,133	—	38,054	—	38,054	24,265	9,099	33,364	487,509
Red Rose Ball	469,074	—	42,984	—	42,984	17,854	6,695	24,549	486,294
Rockwell, Elizabeth Engineering Chair	452,031	—	34,263	—	34,263	—	—	—	481,975
Evans, Emily Scott Professorship	448,019	—	33,956	—	33,956	—	—	—	464,924
African Amer Studies, Chair in Creative Writing	432,166	—	32,758	—	32,758	—	—	—	464,419
Trust Investment	460,012	—	35,953	—	35,953	22,943	8,604	31,547	456,712
Hearst, W.R.	424,557	—	32,156	—	32,156	—	—	—	455,267
Rockwell, Elizabeth Education Chair	423,186	—	32,080	—	32,080	—	—	—	454,064
Rockwell Foundation	449,756	—	35,151	—	35,151	22,431	8,412	30,843	451,468
Lanier, Robert Chair	419,663	—	31,806	—	31,806	—	—	—	450,687
Hart, David	378,823	40,000	31,864	—	71,864	—	—	—	437,423
HRM Facility Improv. Quasi	406,603	—	30,820	—	30,820	—	—	—	435,024
Bill Cook Faculty	437,810	—	33,214	—	33,214	36,000	—	36,000	434,707
Melcher, Lucille Endow	404,101	—	30,606	—	30,606	—	—	—	

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Elizabeth D. Rockwell Chair	399,183	—	30,234	—	30,234	—	—	—	429,416
Ambassador Kenneth Franzheim II End	398,891	—	30,371	—	30,371	—	—	—	429,262
Fiesta/Accounting	419,165	—	32,761	—	32,761	20,905	7,840	28,745	423,181
Edwards	413,313	—	32,303	—	32,303	20,614	7,730	28,344	417,273
Autrey	\$ 403,386	—	31,527	—	31,527	20,118	7,544	27,662	407,252
Taylor, Josie B Quasi	402,574	—	31,433	—	31,433	20,067	7,525	27,592	406,414
Eugene H Hughes Sch	377,283	—	28,576	—	28,576	—	—	—	405,859
KPMG/Peat Marwick	385,621	—	30,110	—	30,110	19,202	7,201	26,403	389,328
Rockefeller Fdn Hisp. Lit Quasi	358,921	—	27,205	—	27,205	—	—	—	386,126
Dow Professorship	378,524	—	29,584	—	29,584	18,878	7,079	25,957	382,152
Wood Family	360,905	10,000	29,147	—	39,147	17,550	6,581	24,131	375,921
Sheriff, Margaret & Robert/Seismology	367,170	—	28,697	—	28,697	18,312	6,867	25,179	370,688
Jessie & Mary Jones	351,985	—	26,680	—	26,680	16,708	—	16,708	361,957
West, Neva & Wesley	351,586	—	26,650	—	26,650	16,689	—	16,689	361,547
UH Quasi	333,944	—	25,310	—	25,310	—	—	—	359,253
UH System Quasi	333,944	—	25,310	—	25,310	—	—	—	359,253
International Paper	354,792	—	27,729	—	27,729	17,695	6,636	24,331	358,190
Lilie Family Baseball Schol Endow	351,257	—	27,453	—	27,453	17,519	6,569	24,088	354,622
Hurley, Marvin Professorship	351,040	—	27,436	—	27,436	17,508	6,565	24,073	354,404
Delphian Scholarships	348,608	—	27,246	—	27,246	17,386	6,520	23,906	351,948
Kenneth Lay Economics Prof	344,231	—	26,904	—	26,904	17,168	6,438	23,606	347,529
Athletics Scholarship Quasi Endowment	343,864	—	26,875	—	26,875	17,150	6,431	23,581	347,158
John A. Beck	336,944	—	25,540	—	25,540	15,994	—	15,994	346,490
Perry, Bob Mexican American	319,854	—	24,246	—	24,246	—	—	—	344,101
Cullinan	339,180	—	26,509	—	26,509	16,916	6,344	23,260	342,429
Kenneth Lay Professorship	325,341	—	25,428	—	25,428	16,226	6,085	22,311	328,458
Temple – TCSUH	324,210	—	25,339	—	25,339	16,170	6,064	22,234	327,315
Hearst, William Randolph	303,870	—	22,801	—	22,801	—	—	—	326,671
Temple-Honors Coll	322,858	—	25,234	—	25,234	16,102	6,038	22,140	325,952
KUHT	304,126	—	21,721	—	21,721	—	—	—	325,847
Duncan Professorship	320,018	—	25,012	—	25,012	15,961	5,985	21,946	323,084
Melcher Violin	295,857	—	22,408	—	22,408	—	—	—	318,265
Hughes, Ruth	308,836	—	23,411	—	23,411	14,660	—	14,660	317,588
Chevron Scholarship Endowment	314,051	—	24,545	—	24,545	15,663	5,874	21,537	317,059
Comp. Sci & Eng, Profship Quasi	293,649	—	22,258	—	22,258	—	—	—	315,908
MIS Professorship Quasi	293,511	—	22,246	—	22,246	—	—	—	315,757
Grinaker, Robert Professorship	307,016	—	23,941	—	23,941	15,254	5,720	20,974	309,983
Farfel Lecture	305,111	—	23,847	—	23,847	15,217	5,706	20,923	308,035
Daniels, Howard	283,301	15,750	23,339	—	39,089	13,293	4,985	18,278	304,113
American Petroleum Inst	284,278	10,000	22,521	—	32,521	13,215	—	13,215	303,585
O'Leary, Mr. & Mrs. John	295,576	—	23,101	—	23,101	14,742	5,528	20,270	298,407
Wyllys K & Becky Bliss Schol Endowment	178,361	94,061	20,791	—	114,853	8,078	—	8,078	285,136
Houston Livestock	275,139	—	21,958	—	21,958	13,474	—	13,474	283,623
Joel Sailors Fac Fellow Economic	178,264	82,873	20,528	—	103,401	—	—	—	281,665
Lence Distinguished Chair	254,818	—	19,315	—	19,315	—	—	—	274,132
Hope Center Endowment	250,424	—	19,085	—	19,085	—	—	—	269,509
Spe-Gulf Coast Section College End Professorship	—	250,000	19,337	—	269,337	—	—	—	269,337
American Book Review Endowment	226,207	21,175	19,715	—	40,890	—	—	—	267,097
Hou International Materials Forum	247,238	—	18,651	—	18,651	—	—	—	265,889
Perkins, Robert B	189,072	48,918	20,714	—	69,632	—	—	—	258,705
Cain Scholarship For Teaching	247,061	—	20,142	—	20,142	10,641	—	10,641	256,561
William Douglas Allums C.T. Bauer Business End	238,707	—	27,046	—	27,046	9,548	—	9,548	256,205
William Douglas Allums Athletic Endowment	238,707	—	27,046	—	27,046	9,548	—	9,548	256,205
William Douglas Allums Band Endowment	238,707	—	27,046	—	27,046	9,548	—	9,548	256,205
School Of Educ Devel.	226,615	9,000	18,267	—	27,267	—	—	—	253,882
Woody Williams End Sch	232,998	—	17,745	—	17,745	—	—	—	250,743



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Price Waterhouse Professorship	247,122	—	19,291	—	19,291	12,300	4,612	16,912	249,501
Martel Professorship	227,912	—	17,275	—	17,275	—	—	—	245,188
Mont H. Jr. & Jane Goldston End Grad Fellowship	—	225,000	17,585	—	242,585	—	—	—	242,585
Dr. Fernando J. Zuniga Y Rivero Doctoral Fellowship	—	225,000	17,347	—	242,347	—	—	—	242,347
Univ. Stud. Loan	239,516	—	18,702	—	18,702	11,939	4,477	16,416	241,802
Graham Professorship in Econ	233,830	—	18,276	—	18,276	11,663	4,374	16,037	236,070
Bauer Family Fndn.	\$ 216,998	—	16,447	—	16,447	—	—	—	233,445
Baldwin, R.W.	229,704	—	17,953	—	17,953	11,456	4,296	15,752	231,905
Fondren Professorship in Finance Endowment	129,614	83,334	18,303	—	101,637	—	—	—	231,251
Johnson Fnd. Professorship	213,487	—	16,030	—	16,030	—	—	—	229,517
Gordon, Harry	226,212	—	17,680	—	17,680	11,282	4,231	15,513	228,379
Charles T Bauer Schol Endow	212,197	—	16,115	—	16,115	—	—	—	228,312
Ryan, Julie Scholarship	205,939	—	15,610	—	15,610	—	—	—	221,549
Gordon, Aron	213,396	50	16,682	—	16,732	10,643	3,991	14,634	215,495
100 Club Criminal Justice	135,127	65,000	14,907	—	79,907	—	—	—	215,034
Houston Jr C Of C	198,774	8,000	15,769	—	23,769	9,095	—	9,095	213,448
Franzheim, Kenneth	198,318	—	20,080	—	20,080	5,531	—	5,531	212,867
JP Morgan Chase Professorship	206,771	—	16,161	—	16,161	10,312	3,867	14,179	208,752
William W. & Georgia Bryan Sch End	191,268	—	13,844	—	13,844	—	—	—	205,113
Holder, Cecil & Louise	159,764	30,000	14,233	—	44,233	—	—	—	203,997
Dist Faculty Award	188,750	—	13,948	—	13,948	—	—	—	202,699
Carlson Nelson Scholarship	188,288	—	14,241	—	14,241	—	—	—	202,529
Blakely, Newell Professorship	198,878	—	15,544	—	15,544	9,919	3,720	13,639	200,782
Lilie, Glenn & Judith Dean's Leadership	184,422	—	13,977	—	13,977	—	—	—	198,399
UH System Fellowship Quasi Endowment	195,060	—	15,243	—	15,243	9,728	3,648	13,376	196,927
Mieszkuec Professorship	181,926	25	13,528	—	13,553	—	—	—	195,479
University Endow UHV	192,615	—	15,054	—	15,054	9,606	3,602	13,208	194,461
S.T.E.P Scholarship Endow	178,241	250	13,543	—	13,793	—	—	—	192,035
Flaxman Art Scholarship	189,548	—	14,814	—	14,814	9,453	3,545	12,998	191,364
Shearne, Major Charles PES	67,567	109,995	13,515	—	123,510	—	—	—	191,077
Logistics Tech Fund Endow	161,122	13,426	13,245	—	26,671	—	—	—	187,793
Removing Educational Barriers	172,410	—	13,296	—	13,296	—	—	—	185,706
Green Book Fund	182,562	—	14,268	—	14,268	9,105	3,414	12,519	184,312
Schissler Foundation	181,430	—	14,034	—	14,034	8,628	3,235	11,863	183,601
Farfel, Esther Faculty Awards	179,566	—	14,034	—	14,034	8,956	3,358	12,314	181,287
Ross M. Lence Teacher in Residency Program End	140,071	26,550	12,364	—	38,914	—	—	—	178,985
Henderson, Sen. Don Quasi	172,333	—	13,761	—	13,761	8,495	—	8,495	177,599
Agrawal, Durga & Sushila	157,865	200	11,981	—	12,181	—	—	—	170,045
Paul G. Smith, Jr. Sch End	157,153	—	11,965	—	11,965	—	—	—	169,119
Engel, Mel Athletics	167,172	—	13,066	—	13,066	8,337	3,127	11,464	168,773
Conoco Phillips Library Fund	166,859	—	13,041	—	13,041	8,322	3,121	11,443	168,457
Sondock, Judge Ruby Lecture	165,712	—	12,951	—	12,951	8,265	3,099	11,364	167,300
Lienhart Engines of Ingenuity	139,729	15,675	11,875	—	27,550	—	—	—	167,278
Mark G. Papa Leadership Excellence Fund End	155,159	—	11,862	—	11,862	—	—	—	167,020
Marian & Samuel W. Spain End for Grad or UGR Students in Music	152,954	—	11,071	—	11,071	—	—	—	164,025
Greater TX Removing Barriers	152,433	—	11,071	—	11,071	—	—	—	163,504
Tracey, Ethel Lee	155,509	2,500	12,240	—	14,740	6,970	—	6,970	163,279
Conn Appliances	161,244	—	12,633	—	12,633	8,039	3,014	11,053	162,823
The Minute Maid Company Foundation	160,415	—	12,538	—	12,538	8,001	3,000	11,001	161,951
Tomatz, David & Ann	150,207	—	11,377	—	11,377	—	—	—	161,584
Removing Educational Barriers	149,671	—	11,275	—	11,275	—	—	—	160,946
Sandy Johnson/Barrios Technology, Ltd. End	114,540	30,000	14,859	2,856	47,715	2,856	—	2,856	159,399
Houston Restaurant Assoc.	154,581	—	11,708	—	11,708	7,179	—	7,179	159,110
C T Bauer Part Time MBA Sch End	145,661	—	11,082	—	11,082	—	—	—	156,744
Wisner, M.L.	147,328	2,000	11,337	—	13,337	6,967	—	6,967	153,698
Prudential	152,229	—	11,898	—	11,898	7,592	2,847	10,439	153,688

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Grant, Richard	152,194	—	11,891	—	11,891	7,589	2,846	10,435	153,651
Fred Parks Wine Cellar	142,619	—	10,810	—	10,810	—	—	—	153,429
Center Public Policy Quasi	151,331	—	11,828	—	11,828	7,547	2,830	10,377	152,781
Cullen (Math)	151,308	—	11,826	—	11,826	7,546	2,830	10,376	152,757
Cullen (Phy)	150,658	—	11,775	—	11,775	7,514	2,818	10,332	152,101
Cullen (Chem)	150,658	—	11,775	—	11,775	7,514	2,818	10,332	152,101
Gordon, H & B.Davis	148,894	—	11,637	—	11,637	7,426	2,785	10,211	150,320
Maresh, Thelma Burnett Schol.	48,703	91,126	10,243	—	101,369	—	—	—	150,072
Honors Program Quasi	\$ 147,625	—	11,538	—	11,538	7,363	2,761	10,124	149,039
Johnson Philip Quasi	137,934	—	10,440	—	10,440	—	—	—	148,375
Lekkos, Barbara Computing	137,483	—	10,376	—	10,376	—	—	—	147,859
Four Seasons Hotel	115,542	20,000	10,973	—	30,973	—	—	—	146,515
Pharmacy	141,051	—	11,024	—	11,024	7,035	2,638	9,673	142,402
Look, Mary	139,310	—	10,881	—	10,881	6,945	2,604	9,549	140,641
Architecture Alumni	130,698	—	9,907	—	9,907	—	—	—	140,605
Les Dames Escoffier	135,440	—	10,289	—	10,289	6,402	—	6,402	139,327
School Of Music Quasi	137,468	—	10,744	—	10,744	6,856	2,571	9,427	138,785
Underwood, American Humanics	129,049	—	9,725	—	9,725	—	—	—	138,774
MacNaughton, John	130,678	1,250	10,326	—	11,576	6,463	2,424	8,887	133,366
Benner, Charles	130,060	—	10,368	—	10,368	5,543	2,079	7,622	132,805
Dept of Economics Professorship	123,573	—	9,170	—	9,170	—	—	—	132,743
Margin For Excellence	131,373	—	10,284	—	10,284	6,556	2,459	9,015	132,642
C T Bauer Full Time Undergrad	121,385	—	9,235	—	9,235	—	—	—	130,620
Crowther, James	120,655	—	9,145	—	9,145	—	—	—	129,801
HRM Houston Livestock	120,259	—	9,116	—	9,116	—	—	—	129,375
Old, Edith Bates Prof. Quasi	119,581	—	9,056	—	9,056	—	—	—	128,637
Keeper, Cele & Samuel Prof	118,740	100	8,149	—	8,249	—	—	—	126,989
Robert & Margaret Sheriff End/Geophysics	87,197	30,015	9,709	—	39,724	—	—	—	126,921
McGovern Lectureship End	117,348	—	8,888	—	8,888	—	—	—	126,236
Cannata, Jack & Betty	122,095	—	9,750	—	9,750	6,018	—	6,018	125,826
Greater Texas Fdn End Soh for TeachHouston	115,234	1,000	9,436	—	10,436	—	—	—	125,670
Symons, Virginia Thompson Envir Eng	116,392	—	8,821	—	8,821	—	—	—	125,213
Stewart, Dr. Charles	113,973	1,500	8,771	—	10,271	—	—	—	124,244
HRM Dean's Scholarship	122,992	—	9,613	—	9,613	6,134	2,300	8,434	124,171
Sachnowitz, Larry J Prof Mrkting	114,279	—	8,588	—	8,588	—	—	—	122,868
Thomas & Laura HSU Profess End	111,152	3,000	8,650	—	11,650	—	—	—	122,802
Perkins/Christie	113,898	—	8,616	—	8,616	—	—	—	122,514
Cemo, Michael Professorship	113,751	—	8,621	—	8,621	—	—	—	122,373
Latting, Jean Professorship	113,597	—	8,609	—	8,609	—	—	—	122,206
Kevin McDaid-Vision Source Prof	113,305	—	8,425	—	8,425	—	—	—	121,731
Sobrina/Hyer	120,409	—	9,380	—	9,380	5,992	2,247	8,239	121,550
Allen, James Quasi	112,582	—	8,534	—	8,534	—	—	—	121,115
School Of Educ. Scholarship	106,793	5,400	8,498	—	13,898	—	—	—	120,691
Garwood, W. St. John	119,193	—	9,316	—	9,316	5,945	2,229	8,174	120,335
Tamer, Mary Elizabeth	106,375	5,000	8,867	—	13,867	—	—	—	120,242
Grover, Blanche	117,096	—	9,385	—	9,385	4,792	1,797	6,589	119,892
Howard Greenwood Ath Football Schol Endow	118,111	—	9,231	—	9,231	5,891	2,209	8,100	119,242
Wells Fargo	117,958	—	9,219	—	9,219	5,883	2,206	8,089	119,088
Thomas & Vera Stufflebeen	114,890	—	8,708	—	8,708	5,454	—	5,454	118,144
Lee, Albert	116,726	—	9,123	—	9,123	5,822	2,183	8,005	117,844
Food & Beverage Mgrs	96,465	12,500	8,235	—	20,735	—	—	—	117,200
Bell, Larry Space Architecture	107,616	—	8,156	—	8,156	—	—	—	115,772
Gerson & Sabina David End Prof	107,349	—	8,418	—	8,418	—	—	—	115,767
Greater Houston Hotel	102,465	5,000	8,237	—	13,237	—	—	—	115,702
Forehand, Larry	112,188	—	8,958	—	8,958	5,530	—	5,530	115,616
Henley, Ernest & Barbara Prof	109,346	—	9,696	—	9,696	3,657	—	3,657	115,386

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Texas Hotel & Motel	111,782	—	8,473	—	8,473	5,306	—	5,306	114,949
Brown And Root	111,274	—	8,891	—	8,891	5,453	—	5,453	114,712
Bishop, Charles & Dorothy	113,041	—	8,835	—	8,835	5,638	2,114	7,752	114,124
HEB Endowment MAS	105,479	—	7,881	—	7,881	—	—	—	113,360
Ross, Billy D	111,713	—	8,731	—	8,731	5,572	2,089	7,661	112,783
Elizabeth Rockwell	104,434	—	7,910	—	7,910	—	—	—	112,343
Cizik, Jane & Robert	87,637	15,000	8,089	—	23,089	—	—	—	110,726
Pharmacy Golf Tourn. Scholarship	108,998	—	8,519	—	8,519	5,436	2,039	7,475	110,042
Golden-Golden Professor – Opt	102,293	—	7,502	—	7,502	—	—	—	109,795
Hall Family Endowment	100,942	550	7,597	—	8,147	—	—	—	109,089
Brown And Root	\$ 107,924	—	8,435	—	8,435	5,383	2,018	7,401	108,958
Halliburton Foundation Endowment	107,903	—	8,433	—	8,433	5,381	2,018	7,399	108,937
Margaret S. Sheriff Geophysics Term End	100,207	—	12,430	—	12,430	4,008	—	4,008	108,630
Robert E. Sheriff Sequence Stratigraphy Term End	100,207	—	12,430	—	12,430	4,008	—	4,008	108,630
Lack, Abram	107,009	—	8,363	—	8,363	5,337	2,001	7,338	108,034
Wiggins, Jayne & Albert	100,610	—	7,363	—	7,363	—	—	—	107,974
Dr. Kaye E. Stripling UH Tier One Sch Endowment	—	100,000	7,609	—	107,609	—	—	—	107,609
Cynthia & George Mitchell Fdn UH TierOne Sch End	—	100,000	7,578	—	107,578	—	—	—	107,578
H E B UH TierOne Schol Endow	—	100,000	7,544	—	107,544	—	—	—	107,544
Albert & Ethel Herzstein UH TierOne Schol Endow	—	100,000	7,435	—	107,435	—	—	—	107,435
Nancy O'Connor Abendshein Prof	99,464	—	7,467	—	7,467	—	—	—	106,931
Charles & Dorothy Riesen	99,006	—	7,505	—	7,505	—	—	—	106,511
Science & Computer Engineering	103,526	1,290	8,210	—	9,500	5,104	1,914	7,018	106,008
Delta Gamma Richard Shirk Family	96,480	250	7,219	—	7,469	—	—	—	103,949
McDavid College Professorship	96,234	—	7,327	—	7,327	—	—	—	103,561
Bruce, Mae Snowden	94,155	2,000	7,360	—	9,360	—	—	—	103,515
Payne, Wayne & Kathryn	90,967	5,000	7,357	—	12,357	—	—	—	103,324
Alumni Program Development	96,015	—	7,278	—	7,278	—	—	—	103,292
Charles & Mary Ellen Jones Athletic Scholarship Fund	80,538	20,050	7,897	—	27,947	3,981	1,493	5,474	103,012
Coburn, O.W. Quasi	101,727	—	7,948	—	7,948	5,073	1,902	6,975	102,701
UH Alumni Assn TierOne Sch Endowment	14,802	80,657	7,746	—	88,403	592	—	592	102,613
Oberholtzer, EE & Myrtle	91,568	8,348	7,789	—	16,138	4,567	1,713	6,280	101,426
Dr. Richard Murray Sch End	93,604	—	7,271	—	7,271	—	—	—	100,875
Barrios Technology	93,787	—	7,082	—	7,082	—	—	—	100,869
Marvin & Joan Kaplan Sch End	76,797	15,000	7,737	—	22,737	—	—	—	99,534
Ashcroft, Carolyn Athletics	98,292	—	—	—	—	—	—	—	98,292
Clemenger, Florence Quasi	90,390	—	6,851	—	6,851	—	—	—	97,241
Natural Sciences Quasi	95,901	—	7,495	—	7,495	4,783	1,794	6,577	96,820
Stadtler, Robert & Esther	95,841	—	7,491	—	7,491	4,780	1,792	6,572	96,759
Kajs Schol Endow	89,300	—	6,771	—	6,771	—	—	—	96,071
Robinson, Jerome	88,823	—	6,733	—	6,733	—	—	—	95,555
Williamson, Kim & Bruce Schol.	78,604	10,000	6,698	—	16,698	—	—	—	95,302
Dr. Tatcho Mindiola Director's Endow for CMAS	38,962	50,000	7,892	—	57,892	1,558	—	1,558	95,296
NSM-Chemistry Quasi	93,858	—	7,336	—	7,336	4,681	1,755	6,436	94,758
Jay K. Kochi Grad Fellowship in Chemistry Endowment	—	87,890	6,745	—	94,635	—	—	—	94,635
Energy Alumni Assoc. Schol.	93,649	—	7,319	—	7,319	4,671	1,751	6,422	94,546
Trask Endow	75,060	12,000	6,842	—	18,842	—	—	—	93,902
Lilie Family Early Childhood	90,628	—	6,870	—	6,870	4,302	—	4,302	93,196
ISACA Scholarship	86,498	—	6,520	—	6,520	—	—	—	93,018
Lebel, Patty & Jesse Loran	86,124	—	6,523	—	6,523	—	—	—	92,647
Cater, John & Margot	82,802	2,500	6,583	—	9,083	—	—	—	91,885
Dr. Ted L. Estess Honors Scholarship Endowment	41,287	44,740	7,422	—	52,162	1,651	—	1,651	91,798
Lohec, Ronald & Bertha	74,808	10,000	6,678	—	16,678	—	—	—	91,486
Wells Fargo Ctr for Mex Amer	84,747	—	6,338	—	6,338	—	—	—	91,086
Lechenger, Barbara	90,073	—	7,040	—	7,040	4,492	1,685	6,177	90,936
Professor Mamie Wong Moy UH TierOne Scholarship Endowment	—	84,150	6,149	—	90,299	—	—	—	90,299

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Dodds Family	83,856	—	6,351	—	6,351	—	—	—	90,208
Spanish PhD Endow	83,494	—	6,324	—	6,324	—	—	—	89,818
Souchek, William Czech Cultural	83,062	—	6,291	—	6,291	—	—	—	89,353
Bill & Ann Stokes / UH DTN	82,797	—	6,290	—	6,290	—	—	—	89,087
Garbett, Rosemary	88,231	—	6,896	—	6,896	4,400	1,650	6,050	89,076
Guenther, Peter Quasi	87,448	300	6,857	—	7,157	4,358	1,634	5,992	88,613
Simon Yee On Chow Endowed Scholarship	81,299	—	7,045	—	7,045	—	—	—	88,344
Science & Technical Journal	87,234	—	6,818	—	6,818	4,351	1,632	5,983	88,068
Alexander, Eric Philip	85,381	—	6,410	—	6,410	4,032	—	4,032	87,759
Brinker International	80,472	—	6,100	—	6,100	—	—	—	86,571
Pediatric Optometry Quasi	79,676	—	6,039	—	6,039	—	—	—	85,715
Victoria Priorities	84,550	—	6,608	—	6,608	4,217	1,581	5,798	85,361
Sanders, Don A.	\$ 82,346	—	6,242	—	6,242	3,909	—	3,909	84,678
Manmohan & Marie Kalsi End	78,576	—	5,983	—	5,983	—	—	—	84,559
Werlin, Joseph	81,847	—	6,532	—	6,532	4,008	—	4,008	84,371
Alcorn	83,268	—	6,508	—	6,508	4,153	1,557	5,710	84,065
Mountain, Joe & Lee Scholar	55,353	22,200	5,962	—	28,162	—	—	—	83,515
Frank L. Worley, Jr. Ugr Sch End	76,923	—	5,533	—	5,533	—	—	—	82,455
Smith, Wilhelmina R	76,356	—	5,836	—	5,836	—	—	—	82,192
Conrad N Hilton Schol in Communication	76,105	—	5,866	—	5,866	—	—	—	81,971
Tony Vallone End	75,085	—	5,691	—	5,691	—	—	—	80,777
Welder Scholarship	79,844	—	6,240	—	6,240	3,982	1,493	5,475	80,609
Rockwell, Eliz. Library	78,143	—	5,922	—	5,922	3,709	—	3,709	80,357
Zeon Graduate Fellow	79,550	—	6,217	—	6,217	3,967	1,488	5,455	80,312
Lovitt Quasi	79,469	—	6,211	—	6,211	3,963	1,486	5,449	80,231
Honors Undergrad Research	77,926	—	5,905	—	5,905	3,698	—	3,698	80,133
Honors Study Abroad Endow	77,926	—	5,905	—	5,905	3,698	—	3,698	80,133
Lomonte, John N Scholarship	74,276	—	5,626	—	5,626	—	—	—	79,902
Murphy, Mary Quasi	79,105	—	6,178	—	6,178	3,944	1,479	5,423	79,861
George Pulliam Distinguished Faculty Fellowship	73,608	—	5,663	—	5,663	—	—	—	79,270
Mading, Cora & Webb Scholarship	78,223	—	6,114	—	6,114	3,901	1,463	5,364	78,973
Lomonte, Leora Cooper	67,486	5,000	5,558	—	10,558	—	—	—	78,044
Shiffick, Bill & Peggy	72,359	—	5,485	—	5,485	—	—	—	77,844
Victoria/Anniv.	76,559	—	5,984	—	5,984	3,818	1,432	5,250	77,293
Marcia & J.W. Burns End Sch	58,058	13,365	5,676	—	19,041	—	—	—	77,099
Uray, Richard	71,488	—	5,414	—	5,414	—	—	—	76,902
Gerald McElvy Scholarship Endowment	54,978	16,000	5,907	—	21,907	—	—	—	76,884
Bank of America	75,154	—	5,874	—	5,874	3,748	1,406	5,154	75,874
Gulf Coast Surveyor	74,936	—	5,922	—	5,922	3,691	1,384	5,075	75,783
Deloitte Foundation Larry Jones Scholarship Fund	27,241	43,500	6,053	—	49,553	1,090	—	1,090	75,704
Tansey Family Scholarship	65,222	5,000	5,357	—	10,357	—	—	—	75,579
White, William E.	59,909	14,009	5,742	—	19,751	3,652	1,120	4,772	74,888
Wells Fargo End Sch – Business Downtown	69,389	—	7,018	—	7,018	1,948	—	1,948	74,458
Guy Lewis Ath Quasi Basketball Sch Endow	72,472	—	5,683	—	5,683	3,570	1,339	4,909	73,246
Delphian-Children's Theatre	72,134	—	5,638	—	5,638	3,598	1,349	4,947	72,825
Delphian-Shakespeare Festival	72,134	—	5,638	—	5,638	3,598	1,349	4,947	72,825
Marilyn Hensley Athletic Schol Endow	71,721	—	5,606	—	5,606	3,577	1,341	4,918	72,409
Cobb/Fendley	66,967	—	5,079	—	5,079	—	—	—	72,046
Teach Houston Challenge Fund Endowment	7,665	58,734	5,221	307	64,263	307	—	307	71,620
Smith, Bo & Josanna	70,940	—	5,544	—	5,544	3,538	1,327	4,865	71,620
Nat'l Assn of Purchasing Mgmt – Bay Area, Inc. End	68,999	—	5,513	—	5,513	3,381	—	3,381	71,131
Anthis-Callicutt Gore	70,260	—	5,491	—	5,491	3,504	1,314	4,818	70,933
Ross Lence Sch Quasi End	64,991	280	4,974	—	5,254	—	—	—	70,245
Faculty Research	64,507	597	4,950	—	5,547	—	—	—	70,054
Cooper Industries	67,060	—	5,355	—	5,355	3,306	—	3,306	69,109
Farfel Quasi	68,393	—	5,345	—	5,345	3,411	1,279	4,690	69,048

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Blain, LaRuth	68,212	—	5,331	—	5,331	3,402	1,276	4,678	68,865
Gallagher, Jack	67,878	—	5,305	—	5,305	3,385	1,269	4,654	68,529
Victoria Rotary	66,032	—	5,050	—	5,050	3,011	—	3,011	68,071
Frankel Quasi	67,385	—	5,267	—	5,267	3,361	1,260	4,621	68,030
Rockwell Drama	67,111	—	5,245	—	5,245	3,347	1,255	4,602	67,754
M.D. Anderson Library Acorn Growth Fund End	33,862	28,438	5,369	—	33,808	—	—	—	67,669
Fred & Mabel R. Parks Fdn End	38,075	25,000	5,593	—	30,593	1,224	—	1,224	67,443
Distinguished Alumni Scholarship	60,058	1,960	4,702	—	6,662	—	—	—	66,720
Palmer, Marc	65,474	—	5,117	—	5,117	3,265	1,225	4,490	66,101
Bacon, Judge Mary	61,322	—	4,648	—	4,648	—	—	—	65,970
Public History Quasi	65,158	—	5,093	—	5,093	3,250	1,219	4,469	65,781
El Paso Energy	65,107	—	5,088	—	5,088	3,247	1,218	4,465	65,730
NSM Alumni	61,010	—	4,624	—	4,624	—	—	—	65,634
Herman, Ralph S. Scholarship	54,172	6,000	4,563	—	10,563	—	—	—	64,735
School of Educ, Instruct Tech	\$ 60,118	—	4,557	—	4,557	—	—	—	64,674
Klotz Associates	54,924	5,000	4,671	—	9,671	—	—	—	64,596
Antje & Harry Gee Jr Endowment in the Asian American Studies Ctr	—	60,000	4,526	—	64,526	—	—	—	64,526
Mr & Mrs Robert Maxwell Jr UH TierOne Schol Endow	—	60,000	4,486	—	64,486	—	—	—	64,486
Marco, Seymour	59,780	—	4,530	—	4,530	—	—	—	64,310
Cobb Fendley Schol	63,213	—	4,931	—	4,931	3,148	1,181	4,329	63,814
DeBottis	55,019	3,800	4,233	2,470	10,503	2,470	—	2,470	63,052
John P. McGovern Fdn Library Materials End	57,995	—	5,012	—	5,012	—	—	—	63,007
Pappas, Gregory James	61,137	—	4,634	—	4,634	2,902	—	2,902	62,869
Pappas Restaurant	61,137	—	4,634	—	4,634	2,902	—	2,902	62,869
UH GAA	62,247	—	4,865	—	4,865	3,104	1,164	4,268	62,844
Hollingsworth, Marcile Schol.	58,662	—	5,295	—	5,295	1,711	—	1,711	62,246
Moya Family Scholarship Endowment in Honors	57,659	—	6,533	—	6,533	2,306	—	2,306	61,886
Texas Exec Women	60,113	—	4,557	—	4,557	2,853	—	2,853	61,817
Lietzow, Sharon Ley PEF	57,331	—	4,343	—	4,343	—	—	—	61,673
Edythe Bates Old Choral Quasi	57,124	—	4,327	—	4,327	—	—	—	61,450
Edythe Bates Old Orch Quasi	57,124	—	4,327	—	4,327	—	—	—	61,450
Dyer, Everett	60,857	—	4,756	—	4,756	3,035	1,138	4,173	61,441
Sheeler, John Rubin	60,573	—	4,734	—	4,734	3,021	1,133	4,154	61,153
King Family Therapy	56,682	—	4,287	—	4,287	—	—	—	60,969
Butler, George	60,358	—	4,717	—	4,717	3,010	1,129	4,139	60,936
Greenwood Women's Golf Schol Endow	60,112	—	4,698	—	4,698	2,998	1,124	4,122	60,688
Lilie Family Entrepreneur	58,836	—	4,460	—	4,460	2,793	—	2,793	60,503
O'Connor, Ralph	56,062	—	4,250	—	4,250	—	—	—	60,311
Harry & Antje Gee Red Rose Sch Endowment	25,716	30,000	5,430	—	35,430	1,029	—	1,029	60,117
Wilson SOE Outstanding Stud.	51,374	4,000	4,239	—	8,239	—	—	—	59,613
LULAC	58,935	—	4,606	—	4,606	2,939	1,102	4,041	59,501
Armistead, Cora	55,030	250	4,189	—	4,439	—	—	—	59,470
Harper, Carol & Tom	55,104	—	4,176	—	4,176	—	—	—	59,281
William Moffit Excellence in Band Studies End	55,208	50	3,992	—	4,042	—	—	—	59,250
Environmental Institute	54,906	120	4,151	—	4,271	—	—	—	59,177
O'Connor, Mary	58,340	—	4,560	—	4,560	2,910	1,091	4,001	58,899
McCammon Molecular Design	57,950	—	4,529	—	4,529	2,890	1,084	3,974	58,505
DeVido, Rosemary & David	44,066	10,000	4,132	—	14,132	—	—	—	58,199
Werlin, Joseph Sociology Faculty	53,938	—	4,088	—	4,088	—	—	—	58,026
Smith, Arthur & June Quasi	53,829	—	4,080	—	4,080	—	—	—	57,909
Metro Bank/ Ming & Tom Wang	53,745	—	4,027	—	4,027	—	—	—	57,772
Fultz, Mr & Mrs Larry Quasi	56,833	—	4,442	—	4,442	2,834	1,063	3,897	57,378
Crown Mark Inc.	52,774	—	3,949	—	3,949	—	—	—	56,723
Fitzgerald, Ruth	56,136	—	4,387	—	4,387	2,800	1,050	3,850	56,674
Karp & South Psychology	14,982	37,652	3,959	—	41,611	—	—	—	56,593
O'Connor, George Red Rose Schol	52,575	—	3,985	—	3,985	—	—	—	56,559

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Axtmann, Christina & Terry Red Rose	52,622	—	3,927	—	3,927	—	—	—	56,548
Jinnah, M. A.	55,844	—	4,365	—	4,365	2,785	—	—	56,379
Zeon Science Equipment	55,789	—	4,360	—	4,360	2,782	1,044	3,829	56,324
Laufman, Bill	54,023	—	4,978	—	4,978	2,843	1,043	3,825	56,158
Osborn, Bart Industrial Org	50,445	1,500	3,938	—	5,438	—	—	2,843	55,883
Houst Fdn Cont Ed	55,189	—	4,313	—	4,313	2,752	1,032	3,784	55,718
Martel, Speros	51,666	—	3,916	—	3,916	—	—	—	55,582
Hsu, Thomas Structural Res	51,497	—	3,903	—	3,903	—	—	—	55,400
Stanford & Joan Alexander Fdn Red Rose Sch End	31,077	20,000	4,278	—	24,278	—	—	—	55,355
Wilson, Trey	54,500	—	4,259	—	4,259	2,717	1,019	3,736	55,023
Boney	54,498	—	4,259	—	4,259	2,718	1,019	3,737	55,021
Hawley, Cora Scholarship	51,133	—	3,835	—	3,835	—	—	—	54,968
Rakow, Steve Scholarship	48,720	2,000	3,877	—	5,877	—	—	—	54,597
PLM Quasi	54,018	—	4,222	—	4,222	2,694	1,010	3,704	54,536
International Student	53,889	—	4,212	—	4,212	2,688	1,008	3,696	54,405
Huang, Diane PES	50,434	100	3,838	—	3,938	—	—	—	54,371
Callagan, Donald	\$ 49,201	3,000	4,011	—	7,011	2,242	—	2,242	53,970
Carey C. Stuart Presidential Endowed Fellowship	—	50,000	3,783	—	53,783	—	—	—	53,783
Larry Jones Memorial Red Rose Sch Quasi End	49,981	—	3,774	—	3,774	—	—	—	53,755
Ricky & Belen Diaz Family Red Rose Sch Quasi End	49,981	—	3,774	—	3,774	—	—	—	53,755
The Manny Family UH TierOne Scholarship Endow	—	50,000	3,734	—	53,734	—	—	—	53,734
The Manny Family Fellowship Endow in Opt	—	50,000	3,734	—	53,734	—	—	—	53,734
Thompson Family UH TierOne Schol Endow	—	50,000	3,701	—	53,701	—	—	—	53,701
Elena Estefan Fellowship End in the College of Optometry	—	50,000	3,616	—	53,616	—	—	—	53,616
Reibenstein, Cynthia	51,954	—	4,149	—	4,149	2,561	—	2,561	53,541
Hinds, Artie Lee & Jackson Rose	49,129	—	4,043	—	4,043	—	—	—	53,173
Leon B. Stinson Memorial Sch End	49,356	—	3,742	—	3,742	—	—	—	53,098
Katims, Milton	52,435	—	4,098	—	4,098	2,615	981	3,596	52,937
Davis, Edward C.	52,408	—	4,096	—	4,096	2,614	980	3,594	52,910
Judith Morris	48,956	—	3,711	—	3,711	—	—	—	52,666
UHV Staff Scholarship	43,900	4,871	3,894	—	8,765	—	—	—	52,665
Lunar Rendezvous Endowment	48,903	—	3,668	—	3,668	—	—	—	52,570
Lack Music	52,021	—	4,066	—	4,066	2,594	973	3,567	52,519
John & Sharon Stubblefield End	33,801	15,000	3,671	—	18,671	—	—	—	52,472
James A. Elkins, Jr. Sch End	48,585	—	3,698	—	3,698	—	—	—	52,283
Power, Douglas & Jeannette	48,368	—	3,814	—	3,814	—	—	—	52,181
Engineering Schl. Quasi	51,682	—	4,039	—	4,039	2,578	967	3,545	52,176
Dr Clinton & Dorothy DeWolfe Schol Endow	51,660	—	4,036	—	4,036	2,576	966	3,542	52,153
Joan S. Abramowitz Ugr Sch End	48,435	100	3,571	—	3,671	—	—	—	52,106
Colley Endowed Schol	45,973	2,110	3,741	—	5,851	—	—	—	51,825
Gehbauer, John & Kathryn	49,214	—	3,425	2,298	5,723	2,298	862	3,160	51,777
Mieszkuc Scholarship	47,833	250	3,647	—	3,897	—	—	—	51,729
Greenaway, Donald	51,075	—	3,992	—	3,992	2,547	955	3,502	51,565
Margaret S. O'Donnell End – GCSW	39,408	8,000	4,059	—	12,059	—	—	—	51,468
Merchandising Star Award Endow	47,831	—	3,552	—	3,552	—	—	—	51,383
Keeper, Cele	50,506	—	3,947	—	3,947	2,519	945	3,464	50,990
UHCL Student Life Quasi	47,057	200	3,567	—	3,767	—	—	—	50,824
Hallum	50,338	—	3,934	—	3,934	2,511	941	3,452	50,820
Lightfoot/Johns Family Accounting Sch End	36,764	10,300	3,658	—	13,958	—	—	—	50,723
Honeywell	47,094	—	3,567	—	3,567	—	—	—	50,661
Robert White Accountancy	46,864	—	3,552	—	3,552	—	—	—	50,416
El-Farouq Foundation	46,849	—	3,547	—	3,547	—	—	—	50,396
Padula, Frank Scholarship	46,818	—	3,536	—	3,536	—	—	—	50,354
Helen Krause	46,768	—	3,545	—	3,545	—	—	—	50,313
Herman Krause	46,768	—	3,545	—	3,545	—	—	—	50,313
Van Horn, Sue	49,719	—	3,906	—	3,906	2,435	913	3,348	50,277

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Burr, Ruth	49,762	—	3,889	—	3,889	2,482	931	3,413	50,238
Jeff Dodd & Susan Ohsfeldt Sch	26,445	20,000	3,719	—	23,719	—	—	—	50,164
Alumni Center Quasi	49,589	—	3,876	—	3,876	2,473	927	3,400	50,064
David B. Lack	47,994	—	3,853	—	3,853	2,097	—	2,097	49,750
Asian American Studies	46,206	—	3,499	—	3,499	—	—	—	49,704
Baker Hughes Engineering Schol.	46,105	—	3,494	—	3,494	—	—	—	49,599
Houston Cash Mgmt Assoc.	42,602	5,000	3,730	—	8,730	1,875	—	1,875	49,458
Benson Endow Sch	45,805	—	3,467	—	3,467	—	—	—	49,272
Danberg, Debra	48,611	—	3,799	—	3,799	2,424	909	3,333	49,077
Max & Rosario Castillo Red Rose Sch End	45,749	—	3,291	—	3,291	—	—	—	49,039
McGovern Award For Library Staff	40,292	5,294	3,444	—	8,738	—	—	—	49,030
HFTP, Raymond Ellis	45,537	—	3,451	—	3,451	—	—	—	48,988
Elkins Faculty Fellowship	45,257	—	3,430	—	3,430	—	—	—	48,687
CL Thomas/Exxon Mobil	44,557	—	3,701	—	3,701	—	—	—	48,257
Brij & Sunita Agrawal Fac Fellow Industrial Engr	19,220	25,000	4,028	769	29,797	769	—	769	48,248
Palmer, Wilma Scholarship	44,835	—	3,398	—	3,398	—	—	—	48,233
Malloy, Ambrose Fellowship	44,781	—	3,395	—	3,395	—	—	—	48,176
Ronald Sukenick Amer Book End	44,579	—	3,494	—	3,494	—	—	—	48,073
Petrotex	\$ 47,437	—	3,708	—	3,708	2,366	887	3,253	47,892
UHY Mann Frankfort & Lipp	35,923	8,195	3,646	—	11,841	—	—	—	47,764
Boyaki Family Endowment	19,481	25,000	3,930	—	28,930	779	—	779	47,632
Lack's Stores, Inc.	47,018	—	3,675	—	3,675	2,345	879	3,224	47,468
Weinstein, Joshua Scholarship	46,678	—	3,648	—	3,648	2,328	873	3,201	47,125
Int'L Assoc Hosp. Acct	43,773	—	3,318	—	3,318	—	—	—	47,090
Barnett, Marguerite Quasi	46,562	—	3,639	—	3,639	2,322	871	3,193	47,008
Infragard Scholarship	43,561	—	3,301	—	3,301	—	—	—	46,862
Carolyn Ashcroft Scholarship Endowment	43,243	—	3,513	—	3,513	—	—	—	46,756
Rappole – Sheridan	41,507	1,875	3,317	—	5,192	—	—	—	46,699
Symons, Virginia Thompson PEF Eng	43,401	—	3,289	—	3,289	—	—	—	46,691
Callicut, Laurie Quasi	46,150	—	3,607	—	3,607	2,302	863	3,165	46,592
Faculty Staff Development Quasi	43,237	—	3,277	—	3,277	—	—	—	46,514
Dobrin, Milton	46,065	—	3,600	—	3,600	2,297	862	3,159	46,507
Durham, Myllie & Charles	45,898	—	3,587	—	3,587	2,289	858	3,147	46,338
Ann Gibson Hunt Mem Schol End	31,493	11,100	3,442	—	14,542	—	—	—	46,035
Scott	45,593	—	3,563	—	3,563	2,274	853	3,127	46,029
Tom Wilson Scholarship Endow	45,500	—	3,556	—	3,556	2,269	851	3,120	45,936
Cobb/Fendley Excellence	42,524	—	3,223	—	3,223	—	—	—	45,747
Debra and Mark Gregg Scholarship Endowment	42,199	—	3,527	—	3,527	—	—	—	45,726
Walker, William & Mimi Book Fund	44,291	—	3,537	—	3,537	2,183	—	2,183	45,645
Taxi Squad	45,154	—	3,529	—	3,529	2,252	845	3,097	45,586
Hugh Hudler	44,309	—	3,358	—	3,358	2,103	—	2,103	45,564
DS Labs ISA Endowment	44,033	—	3,416	—	3,416	1,970	—	1,970	45,479
Kochi, Jay & Marion Library	35,503	8,000	3,501	—	11,501	1,530	—	1,530	45,474
Hearst Foundation	43,978	—	3,512	—	3,512	2,168	—	2,168	45,322
Lietzow, Robert F. PEF	41,999	—	3,124	—	3,124	—	—	—	45,122
Briggs, Charles R.	41,895	—	3,171	—	3,171	—	—	—	45,066
Mendenhall, Trinidad Vasquez	41,908	—	3,154	—	3,154	—	—	—	45,062
Hamilton Future Studies	41,497	250	3,210	—	3,460	—	—	—	44,957
Bill & Ann Stokes	41,662	—	3,166	—	3,166	—	—	—	44,828
1st Vict Bank	41,404	—	3,137	—	3,137	—	—	—	44,541
Neal R. Amundson Lecture Quasi	41,283	—	3,182	—	3,182	—	—	—	44,465
Webber, George & Cecilia	43,988	—	3,438	—	3,438	2,194	823	3,017	44,409
Hospitality Industry Diversity Inst.	41,068	200	3,128	—	3,328	—	—	—	44,396
Barnstone, Howard Lecture	43,652	—	3,412	—	3,412	2,177	816	2,993	44,070
Smith, Beulah Lavange Quasi	40,892	—	3,100	—	3,100	—	—	—	43,991
McNabb, John	40,658	—	2,986	—	2,986	—	—	—	43,643

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Christina & Terry Axtmann Red Rose 2007	22,149	18,000	3,370	—	21,370	—	—	—	43,519
Lea, Hugh Leadership	38,143	2,140	3,173	—	5,313	—	—	—	43,456
Alkek-Williams Music	40,375	—	3,060	—	3,060	—	—	—	43,436
Robert Eckles Schol End	40,369	—	3,060	—	3,060	—	—	—	43,429
Arnold, Genevieve Com Disord	40,356	—	3,059	—	3,059	—	—	—	43,415
Canteen, Bus Svcs, Quasi End	8,130	32,235	3,022	—	35,257	—	—	—	43,386
General Scholarship	42,864	—	3,348	—	3,348	2,137	801	2,938	43,273
Jack & Debbie Moore Excel End	40,165	—	3,058	—	3,058	—	—	—	43,223
Ed Bransford Schol	41,789	—	3,337	—	3,337	2,060	—	2,060	43,066
Wells Fargo	38,716	1,000	3,259	—	4,259	—	—	—	42,976
CRSS/Aaron Farfel	41,267	—	3,295	—	3,295	2,034	—	2,034	42,528
Thomas Gee Scholarships	39,475	—	2,992	—	2,992	—	—	—	42,467
William Hawes Family Scholarship Endowment	39,153	—	3,237	—	3,237	—	—	—	42,390
Primeaux, Walter & Natalie	39,406	—	2,929	—	2,929	—	—	—	42,335
Alkek	39,341	—	2,982	—	2,982	—	—	—	42,323
Lence Distinguished Chair Quasi	41,044	—	3,279	—	3,279	2,011	—	2,011	42,312
Leibfried, Elizabeth Finck	39,331	—	2,980	—	2,980	—	—	—	42,312
Detering, Carl & William	41,733	—	3,262	—	3,262	2,081	781	2,862	42,133
Adler-Grinberg	40,343	350	3,246	—	3,596	1,988	—	1,988	41,950
Murray Stinson Scholarship Endow	40,625	—	3,244	—	3,244	2,003	—	2,003	41,865
Jim Nantz Endowed Scholarship	\$ 38,958	—	2,856	—	2,856	—	—	—	41,814
Jane Blaffer Owen Schol End	38,799	—	2,905	—	2,905	—	—	—	41,704
Pickett, Cecil	41,286	—	3,227	—	3,227	2,059	772	2,831	41,682
York, Meredith & Miriam	40,195	—	3,210	—	3,210	1,981	—	1,981	41,424
UH Coll of Optometry Sch Endow	4,577	33,875	2,920	204	36,999	204	—	204	41,372
Thacker, Steve & Susan Schol Quasi	34,018	5,700	3,177	—	8,877	1,536	—	1,536	41,358
Stubblefield	40,041	—	3,197	—	3,197	1,974	—	1,974	41,264
Pittman	40,041	—	3,197	—	3,197	1,974	—	1,974	41,264
Monk, Earl Scholarship	37,978	—	3,131	—	3,131	—	—	—	41,109
Nettles Pasa End Schol	37,159	771	2,890	—	3,661	—	—	—	40,821
Engstrom, Donald	37,779	—	2,864	—	2,864	—	—	—	40,642
Student Govt	39,426	—	3,143	—	3,143	1,942	—	1,942	40,627
Shearne, Major Charles Pres	21,985	15,714	2,868	—	18,581	—	—	—	40,566
Shearne, Major Charles Pres	21,985	15,714	2,868	—	18,581	—	—	—	40,566
Shearne, Major Charles Pres	21,985	15,714	2,868	—	18,581	—	—	—	40,566
Anderson, Jay Kevin	36,870	600	2,854	—	3,454	—	—	—	40,324
Dupont	38,950	—	3,107	—	3,107	1,919	—	1,919	40,138
Wilson Presidential	34,703	2,500	2,861	—	5,361	—	—	—	40,064
D&A Endowment	37,228	—	2,815	—	2,815	—	—	—	40,043
Federation of Houston Women	37,855	—	2,869	—	2,869	1,797	—	1,797	38,928
Study in Taiwan Quasi	33,505	2,500	2,892	—	5,392	—	—	—	38,896
Fellman, Sue, Omicron Delta	33,560	2,500	2,824	—	5,324	—	—	—	38,884
Pollack, Howard Scholarship	36,187	—	2,691	—	2,691	—	—	—	38,878
Carr	37,726	—	3,010	—	3,010	1,859	—	1,859	38,877
Cominsky, Catherine	37,629	—	3,005	—	3,005	1,855	—	1,855	38,778
Wilson, Herbert O.	37,518	—	2,996	—	2,996	1,849	—	1,849	38,664
Lanier, Elyse & Bob Red Rose Schol	35,912	—	2,696	—	2,696	—	—	—	38,608
Joe & Lou Taylor	35,743	100	2,716	—	2,816	—	—	—	38,559
Spain, Ken Scholarship End	37,345	—	2,982	—	2,982	1,841	—	1,841	38,486
Lillie E. Spies-GTF Removing Educ Barriers Sch End	35,401	—	2,757	—	2,757	—	—	—	38,158
TSO Scholarship Endow	35,357	—	2,766	—	2,766	—	—	—	38,122
Bartkowiak, Matthew	35,217	25	2,673	—	2,698	—	—	—	37,915
Battle, Jack & Peggy	35,155	—	2,664	—	2,664	—	—	—	37,820
Howard W. Greenwood Sch Quasi End in Athletics	25,134	10,000	3,530	—	13,530	1,005	—	1,005	37,660
Sarofim, Louisa	36,542	—	2,918	—	2,918	1,801	—	1,801	37,659
McKay, Charles	34,974	—	2,646	—	2,646	—	—	—	37,619



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Strickland, Jerald	34,969	—	2,650	—	2,650	—	—	—	37,619
Duke Energy Scholarship	34,921	—	2,621	—	2,621	—	—	—	37,542
Porter, Leonard	36,042	—	2,878	—	2,878	1,777	—	1,777	37,143
Inspiring Excellence Sch End Sponsored by Shell	34,513	—	3,951	—	3,951	1,381	—	1,381	37,083
Coll of Pharmacy Dean's Advisory Council	28,609	6,000	3,256	—	9,256	901	—	901	36,964
Lofstrom, James	35,816	—	2,860	—	2,860	1,765	—	1,765	36,911
Karen Stout Faculty End Fund	12,734	21,453	2,693	—	24,146	—	—	—	36,881
Damon Wells Foundation	34,002	—	2,841	—	2,841	—	—	—	36,843
Andrews, Kurth Scholarship Honors	34,199	—	2,543	—	2,543	—	—	—	36,742
Staples, William	33,793	175	2,590	—	2,765	—	—	—	36,558
Rolston, Leonard	35,293	—	2,818	—	2,818	1,740	—	1,740	36,372
Paula A Kelleher Endowment	31,287	2,250	2,705	—	4,955	—	—	—	36,242
Michael W Oneill Mem Sch	31,060	2,500	2,574	—	5,074	—	—	—	36,134
Patterson, Clarence & Dorothy	35,005	—	2,795	—	2,795	1,726	—	1,726	36,074
Butler, Mary McCullough	34,977	—	2,793	—	2,793	1,723	—	1,723	36,047
Margie Nell Eaves Seiver Scholarship End	15,383	17,500	2,778	—	20,278	—	—	—	35,661
Eisner Schol Endow	32,042	1,000	2,527	—	3,527	—	—	—	35,569
Chertok, Nancy	34,443	—	2,587	—	2,587	1,627	—	1,627	35,403
Chu, Paul C.W.	34,262	—	2,736	—	2,736	1,689	—	1,689	35,309
Claridge, Ruth	34,253	—	2,735	—	2,735	1,688	—	1,688	35,300
Butler, Dr. John	32,492	270	2,483	—	2,753	—	—	—	35,245
Fraga Brothers	32,041	2,000	2,694	—	4,694	1,573	—	1,573	35,162
Basketball Scholarship Quasi Endow	\$ 33,973	—	2,713	—	2,713	1,675	—	1,675	35,011
Football Scholarship Quasi Endow	33,822	—	2,701	—	2,701	1,667	—	1,667	34,856
Deans Pharmacy Sch	31,846	500	2,448	—	2,948	—	—	—	34,794
Gene & Betty McDavid Endow	32,319	—	2,450	—	2,450	—	—	—	34,769
John D & Susan K Thompson End	32,152	—	2,386	—	2,386	—	—	—	34,538
Buckley, Joseph P.	33,426	—	2,677	—	2,677	1,624	—	1,624	34,479
Astronaut/Space Studies	31,976	—	2,425	—	2,425	—	—	—	34,400
Hari & Anjali Agrawal Faculty Fellowship	31,446	—	2,812	—	2,812	—	—	—	34,258
Human Sciences and Humanities	26,238	5,500	2,507	—	8,007	—	—	—	34,245
Faculty Growth & Dev Quasi	33,124	—	2,645	—	2,645	1,633	—	1,633	34,136
Trask Endow	31,621	—	2,384	—	2,384	—	—	—	34,005
Healthcare Assoc	31,599	—	2,395	—	2,395	—	—	—	33,994
HRM Global Recog. Quasi	31,369	—	2,378	—	2,378	—	—	—	33,747
McElhinney, Charles	32,637	—	2,606	—	2,606	1,609	—	1,609	33,634
Lunney Family Scholarship Endowment	29,106	2,050	2,471	—	4,521	—	—	—	33,626
Doss, R. P.	32,579	—	2,591	—	2,591	1,602	—	1,602	33,568
Johnson Book Fund	32,330	—	2,580	—	2,580	1,593	—	1,593	33,317
David, Gerson	32,323	—	2,581	—	2,581	1,593	—	1,593	33,311
Yelderman, Pauline PES	30,821	—	2,336	—	2,336	—	—	—	33,157
Victoria Advocate	32,097	—	2,561	—	2,561	1,581	—	1,581	33,077
Frank G. Ambrose Systems	30,696	—	2,324	—	2,324	—	—	—	33,020
Jankiewicz, Harry	31,977	—	2,552	—	2,552	1,576	—	1,576	32,954
Rudy & Eliz Woerner Quasi	30,597	—	2,319	—	2,319	—	—	—	32,916
Maresh, Thelma PES	30,492	—	2,311	—	2,311	—	—	—	32,803
Mack Rogers, Jr. Insurance & Risk Management	25,261	5,000	2,374	—	7,374	—	—	—	32,635
Vandagriff, Judy Scholarship	30,325	—	2,298	—	2,298	—	—	—	32,623
Arnold, Genevieve Psychology	30,267	—	2,294	—	2,294	—	—	—	32,561
Seymour, Marion	28,588	1,500	2,410	—	3,910	—	—	—	32,498
Dr. Edward A. Blair Scholarship Endowment	30,501	—	3,202	—	3,202	1,220	—	1,220	32,483
Lawrence, Bryan Excellence Quasi	30,156	—	2,286	—	2,286	—	—	—	32,442
Donald Bonham Memorial Sch End	30,032	—	2,287	—	2,287	—	—	—	32,318
San Antonio Alumni PES	29,956	—	2,270	—	2,270	—	—	—	32,226
Charles J Tamborello Mem Sch Endow	29,708	—	2,279	—	2,279	—	—	—	31,987
Bill D. Cook Scholar	29,642	—	2,292	—	2,292	—	—	—	31,934

UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Natl Assoc Of Catering	30,897	—	2,342	—	2,342	1,467	—	1,467	31,772
Jack Cannata Jr Ath Schol Endow	30,573	—	2,441	—	2,441	1,507	—	1,507	31,508
Robinson, Minette & Jerome	29,203	—	2,212	—	2,212	—	—	—	31,415
Gas Processors Scholarship	29,087	—	2,182	—	2,182	—	—	—	31,269
San Antonio Alumni PES	29,054	—	2,202	—	2,202	—	—	—	31,256
Rims Houston Chapter Sch End	28,998	—	2,210	—	2,210	—	—	—	31,208
Morris Gentile Mem.	30,278	—	2,418	—	2,418	1,492	—	1,492	31,204
Doyle	30,110	—	2,404	—	2,404	1,484	—	1,484	31,031
John & Paula Lovoi	26,800	2,000	2,222	—	4,222	—	—	—	31,021
Battin, Tom	28,067	1,800	2,389	—	4,189	1,359	—	1,359	30,897
Helen & Melvin Wimpelberg Memorial Sch Endowment	—	28,780	2,082	—	30,862	—	—	—	30,862
Irwin, Melinda	27,637	840	2,166	—	3,006	—	—	—	30,643
Bruckner Endow	28,465	—	2,163	—	2,163	—	—	—	30,628
Glenn Goerke	29,548	—	2,358	—	2,358	1,456	—	1,456	30,449
New Century Success	29,604	—	2,243	—	2,243	1,405	—	1,405	30,442
Lau & Mrs. Wing Lan Chin Pharm. Sciences End	26,450	1,500	3,393	—	4,893	1,058	—	1,058	30,286
EMBA Teaching Excell	29,373	—	2,345	—	2,345	1,448	—	1,448	30,270
Dallas/Ft Worth Alumni PES	28,135	—	2,118	—	2,118	—	—	—	30,252
James & Theresa Fischer Sch Endowment	7,688	20,000	2,338	308	22,646	308	—	308	30,026
Assoc. Bldg. Services/Parker	29,091	—	2,338	—	2,338	1,420	—	1,420	30,009
Curry, Herbert & Dorothy	29,080	—	2,322	—	2,322	1,433	—	1,433	29,969
Par Excellence Scholarship	29,535	—	2,308	—	2,308	1,473	552	2,025	29,819
Union Carbide	28,794	—	2,298	—	2,298	1,419	—	1,419	29,673
Hightower, James Scholarship	25,326	2,042	2,204	—	4,246	—	—	—	29,572
Schergens, Evaline	\$ 26,590	800	2,084	—	2,884	—	—	—	29,474
Agrawal, Brij & Sunita PES	27,330	—	2,071	—	2,071	—	—	—	29,402
Kuhlman, William Optometry	28,482	—	2,273	—	2,273	1,404	—	1,404	29,351
McCracken, Harold & Debra	27,280	—	2,068	—	2,068	—	—	—	29,347
The Women's Club	27,261	—	2,066	—	2,066	—	—	—	29,327
Claridge, Hester	28,369	—	2,265	—	2,265	1,398	—	1,398	29,236
Choate, Gary & Palmer, Marc	28,398	—	2,153	—	2,153	1,348	—	1,348	29,202
MCI Telecommunications	28,319	—	2,261	—	2,261	1,396	—	1,396	29,184
Turner, Sylvester	18,169	8,965	1,934	1,254	12,153	1,254	—	1,254	29,068
Hopping, Dr. Desiree PES	27,001	—	2,046	—	2,046	—	—	—	29,047
Fndn for Educ & Research in Visn.	27,001	—	2,046	—	2,046	—	—	—	29,047
Irene Smith Buckner Schol	24,957	2,000	2,090	—	4,090	—	—	—	29,047
Howard Family "Inspiring Excellence" End	10,017	17,000	2,417	—	19,417	401	—	401	29,033
Benito Torres Endowed Scholarship in CMAS	25,543	2,500	2,226	—	4,726	1,259	—	1,259	29,010
Armistead Presidential	26,922	—	2,041	—	2,041	—	—	—	28,963
Kripp, Robert PES Engrn	26,917	—	2,038	—	2,038	—	—	—	28,955
Watts, Karele Maresh PES	26,869	—	2,036	—	2,036	—	—	—	28,905
Head, Jeremy	27,183	500	2,225	—	2,725	1,327	—	1,327	28,582
Maresh, Harlan Renan	26,538	—	2,011	—	2,011	—	—	—	28,549
Wyatt, Earle	27,571	—	2,202	—	2,202	1,359	—	1,359	28,414
Celco & Martina Cuellar Pres.	25,066	1,250	2,010	—	3,260	—	—	—	28,327
Burke, Jack & D'Ann	27,480	—	2,194	—	2,194	1,355	—	1,355	28,319
McBride, Rosemary Summers	23,252	3,000	2,035	—	5,035	—	—	—	28,287
Herbert & Faye Lum Schol End	24,306	2,000	1,974	—	3,974	—	—	—	28,280
Scholes	27,390	—	2,187	—	2,187	1,350	—	1,350	28,227
Cemo Foundation PES CLASS	26,217	—	1,987	—	1,987	—	—	—	28,204
Cemo Foundation, PES Business	26,217	—	1,987	—	1,987	—	—	—	28,204
Cemo Foundation, PES Business	26,217	—	1,987	—	1,987	—	—	—	28,204
Mason, Lynn & Marcel	26,172	—	1,984	—	1,984	—	—	—	28,156
Shulman, Lanny & Molly Scholarship	26,172	—	1,981	—	1,981	—	—	—	28,153
Smith, Elva PES	26,173	—	1,966	—	1,966	—	—	—	28,138
Friends of the Library	25,137	2,000	2,177	—	4,177	1,203	—	1,203	28,111

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Dobson, Harmon	27,043	—	2,050	—	2,050	1,284	—	1,284	27,809
TBA Red Rose Scholarship	25,704	—	1,948	—	1,948	—	—	—	27,652
James Lyle Scholarship Endow	26,686	—	2,131	—	2,131	1,315	—	1,315	27,502
Leadership Passport	26,608	—	2,153	—	2,153	1,284	—	1,284	27,477
Hayden, Carlos	26,665	—	2,119	—	2,119	1,311	—	1,311	27,473
Patterson, Claire North Scholarship	25,420	—	1,927	—	1,927	—	—	—	27,346
Ferguson, Noel	26,430	—	2,110	—	2,110	1,303	—	1,303	27,237
ABPW/Warren Scholarship	24,350	1,900	2,034	—	3,934	1,114	—	1,114	27,170
Italy In America Endow	25,223	—	1,910	—	1,910	—	—	—	27,134
Passarelli Hurtado, Diana Jo	25,216	—	1,911	—	1,911	—	—	—	27,128
Bohner, Roswell	26,321	—	2,102	—	2,102	1,298	—	1,298	27,125
Kierstead, Fred	24,106	1,000	2,014	—	3,014	—	—	—	27,120
Golden Brothers Presidential Endowed Fellowship	24,201	1,000	1,914	—	2,914	—	—	—	27,114
Rodd, Frank R.	21,822	3,300	1,956	—	5,256	—	—	—	27,078
American Chapter of the Amer Concrete Inst Endowed Schol	—	25,000	1,914	—	26,914	—	—	—	26,914
Bell, Kate Pres.	25,005	—	1,895	—	1,895	—	—	—	26,900
Techtrans International Scholarship Endowment	—	25,000	1,886	—	26,886	—	—	—	26,886
Debbie Haley Mem Schol Quasi Endow in African Amer Studies	—	25,000	1,851	—	26,851	—	—	—	26,851
Omron Fdn, Inc. Endowed Sch in Electrical Engineering	—	25,000	1,808	—	26,808	—	—	—	26,808
Hirsh, Albert	25,964	—	2,066	—	2,066	1,277	—	1,277	26,753
Prithvipal & Manmeet Likhari "Inspiring Excellence"	24,743	—	1,981	—	1,981	—	—	—	26,723
The Howie and Jamie Lorch Scholarship Endowment	25,907	—	2,069	—	2,069	1,277	—	1,277	26,698
Barnes & Noble Sch Quasi End	21,562	3,085	1,951	—	5,036	—	—	—	26,598
Emerging Technology Growth Fund Endowment	18,440	5,500	2,510	738	8,748	738	—	738	26,450
Lerner, Jane & Ronald	24,499	—	1,857	—	1,857	—	—	—	26,356
Nat Hart	24,459	—	1,854	—	1,854	—	—	—	26,313
Bexar Cty Pharm Assoc Pres	\$ 24,433	—	1,852	—	1,852	—	—	—	26,285
Peck, Lora Presidential	24,270	—	1,840	—	1,840	—	—	—	26,110
Link Staffing Services Sch End	19,048	5,000	1,958	—	6,958	—	—	—	26,006
Keeland, Burdette PES	24,155	—	1,831	—	1,831	—	—	—	25,986
Likhari Presidential	24,143	—	1,830	—	1,830	—	—	—	25,973
Fowler, Billie Scholarship	24,068	—	1,902	—	1,902	—	—	—	25,970
Cheung, Edson	24,119	—	1,828	—	1,828	—	—	—	25,947
Gee, Wallace	25,079	—	2,002	—	2,002	1,228	—	1,228	25,853
Turner, Michelle & Dale Pres	23,964	—	1,816	—	1,816	—	—	—	25,780
UHCL Veterans Scholarship Endowment	14,434	9,545	1,795	—	11,340	—	—	—	25,774
Mareah, Thelma Burnett	23,920	—	1,813	—	1,813	—	—	—	25,733
Pledger, Rosemary	22,836	1,800	1,953	—	3,753	1,111	—	1,111	25,478
Schiffick Endow	23,663	—	1,794	—	1,794	—	—	—	25,457
John P. & May Gee Sch End	13,509	10,000	1,940	—	11,940	—	—	—	25,449
Joan Hohl & Roger Wich Endowment	13,682	10,000	1,761	—	11,761	—	—	—	25,443
Shipnes	24,455	—	1,984	—	1,984	1,029	—	1,029	25,410
Lay Presidential	23,422	—	1,774	—	1,774	—	—	—	25,196
Hadad, Daniel	24,411	—	1,949	—	1,949	1,203	—	1,203	25,157
Kmart Endow	23,353	—	1,770	—	1,770	—	—	—	25,124
Jesse H & M Gibbs Jones	23,319	—	1,766	—	1,766	—	—	—	25,086
History	24,318	—	1,942	—	1,942	1,199	—	1,199	25,061
Andy & Barbara Gessner "Inspiring Excellence"	22,993	—	1,967	—	1,967	—	—	—	24,961
Cameron "Inspiring Excellence" Sch End	22,993	—	1,967	—	1,967	—	—	—	24,961
Petty Presidential Schol	23,164	—	1,756	—	1,756	—	—	—	24,920
President's Students Come First	20,334	2,768	1,788	—	4,556	—	—	—	24,890
Cook-Price, Elaine	21,823	2,004	1,846	—	3,850	952	—	952	24,721
Piper, Martha	23,934	—	1,910	—	1,910	1,179	—	1,179	24,664
Lasso	23,915	—	1,910	—	1,910	1,179	—	1,179	24,646
Phillip G Hoffman Presdntl	22,739	—	1,722	—	1,722	—	—	—	24,461
James H Pickering Presdntl	22,739	—	1,722	—	1,722	—	—	—	24,461

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**

Schedule of Changes in Net Assets by Endowment

Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Charles Saunders Sr Mem Sch in Entrepreneurship End	7,747	15,000	1,980	—	16,980	310	—	310	24,417
Architectural Alumni Pres.	22,639	—	1,716	—	1,716	—	—	—	24,354
The Thelma Hearn Scholarship	22,612	—	1,713	—	1,713	—	—	—	24,324
CL Knapp/Chilton Mgmt Sch	22,589	—	1,712	—	1,712	—	—	—	24,302
GTF Ajay & Laxmi Aggarwal End	22,593	—	1,693	—	1,693	—	—	—	24,286
GTF Brij & Sunita Agrawal End	22,593	—	1,693	—	1,693	—	—	—	24,286
McNeese, Bill & Gail	23,581	—	1,787	—	1,787	1,118	—	1,118	24,251
Dewan Scholarship	21,973	400	1,750	—	2,150	—	—	—	24,123
The Lau & Lau UHCop Growth Fund End	19,220	3,200	2,413	—	5,613	769	—	769	24,064
Holton, Mary Ann	23,090	50	1,861	—	1,911	1,127	—	1,127	23,874
Bhatia, Chhavi Scholarship	22,129	—	1,676	—	1,676	—	—	—	23,805
Mendenhall Fdn Pres. End	22,044	—	1,671	—	1,671	—	—	—	23,715
Hardy, Scott	22,860	—	1,825	—	1,825	1,120	—	1,120	23,565
Staples, Bonnie	19,337	2,500	1,706	—	4,206	—	—	—	23,544
English Scholarships Quasi	22,840	—	1,824	—	1,824	1,126	—	1,126	23,538
Morgan Dunn O'Connor Endowed Scholarship	—	21,800	1,704	—	23,504	—	—	—	23,504
Gupta, Anant Presidential	21,816	—	1,654	—	1,654	—	—	—	23,469
Wilson, Richard	20,134	1,550	1,737	—	3,287	—	—	—	23,421
Randall's Endowment Schol	21,764	—	1,648	—	1,648	—	—	—	23,412
Gonzalez, Jesse Schol Endow Engr	21,709	—	1,645	—	1,645	—	—	—	23,355
Calderon, Elizabeth	22,520	—	1,707	—	1,707	1,069	—	1,069	23,157
Keys A. & Joan F. Curry Endowed Excellence Fund	11,532	10,000	2,047	—	12,047	461	—	461	23,118
Honors Class of 1989 Schol	21,367	—	1,713	—	1,713	—	—	—	23,080
Steven Hecht & Deborah Brochstein Sch End	13,889	7,500	1,674	—	9,174	—	—	—	23,063
Ruth, Donna A Library Excellence	21,416	—	1,623	—	1,623	—	—	—	23,039
Walker, Hap	22,289	—	1,780	—	1,780	1,099	—	1,099	22,970
Furman, Larry Scholarship	22,268	—	1,681	—	1,681	1,055	—	1,055	22,893
Sch of Ed. Program Enhancement	19,258	2,000	1,586	—	3,586	—	—	—	22,844
Sutherland, J.P.	\$ 22,076	—	1,763	—	1,763	1,088	—	1,088	22,751
Engineering Alumni Assoc.	21,130	—	1,598	—	1,598	—	—	—	22,728
Kyle, Beverly	21,520	—	1,925	—	1,925	731	—	731	22,714
Miles, Edwin Library	19,975	1,000	1,597	—	2,597	—	—	—	22,571
Gretta Stalsby Basketball End Schol	21,892	—	1,748	—	1,748	1,079	—	1,079	22,561
Hyman Sofer Memorial Scholarship Endowment	20,558	500	1,488	—	1,988	—	—	—	22,547
Eichhorn, Patricia	21,840	—	1,655	—	1,655	1,037	—	1,037	22,459
Musa & Khaleda Dakri Endow	20,831	—	1,583	—	1,583	—	—	—	22,414
Hispanic Bus Student Assoc	20,560	200	1,552	—	1,752	—	—	—	22,312
Mikela D. Kwan Scholarship Endowment	9,155	11,390	1,749	366	13,505	366	—	366	22,294
Everett J. & Mary Lee Lanik Sch End	20,594	—	1,695	—	1,695	—	—	—	22,290
Latin Amer Schol Quasi	21,618	—	1,726	—	1,726	1,066	—	1,066	22,278
Faculty Development	21,240	291	1,645	—	1,936	979	—	979	22,198
Franzheim, Melita	20,416	—	1,547	—	1,547	—	—	—	21,963
Sanchez Family Found End	20,324	—	1,547	—	1,547	—	—	—	21,870
Kroger Pharmacy Endow Sc	20,313	—	1,539	—	1,539	—	—	—	21,851
Morton, Shelby	19,510	770	1,551	—	2,321	—	—	—	21,831
GPA Improvement	21,170	—	1,689	—	1,689	1,037	—	1,037	21,822
Mexican Women's Initiative End	14,213	6,000	1,608	—	7,608	—	—	—	21,821
College Of Educ Alumni Endow	20,275	—	1,536	—	1,536	—	—	—	21,812
Saunders, Betti & Charles	20,272	—	1,535	—	1,535	—	—	—	21,807
Nelson Esther Marion	21,110	—	1,686	—	1,686	1,041	—	1,041	21,755
Stafford Outstanding CIS Graduate	20,183	—	1,530	—	1,530	—	—	—	21,713
Margaret & James Elkins	20,151	—	1,527	—	1,527	—	—	—	21,678
Linda & Ken Lay Family End	20,151	—	1,527	—	1,527	—	—	—	21,678
Marilyn & R.E. Reamer End	20,151	—	1,527	—	1,527	—	—	—	21,678
Castillo, Alicia S Memorial Schol	20,120	—	1,540	—	1,540	—	—	—	21,661
Nicholson, Charles	20,928	—	1,671	—	1,671	1,032	—	1,032	21,567

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Lena & Marc Malacoff Sch End	19,971	—	1,521	—	1,521	—	—	—	21,491
Douthitt, Helen Scholarship	20,831	—	1,663	—	1,663	1,027	—	1,027	21,468
College of NSM Growth Fund End	17,616	2,500	2,035	—	4,535	705	—	705	21,446
Silver Anniversary Schol.	19,925	—	1,510	—	1,510	—	—	—	21,435
Zipper, Robert	20,780	—	1,657	—	1,657	1,024	—	1,024	21,413
Lepow, Dr. Ronald	20,707	—	1,653	—	1,653	1,021	—	1,021	21,339
Huggins, Sara	20,682	—	1,652	—	1,652	1,019	—	1,019	21,314
Anderson, Pat	20,673	—	1,650	—	1,650	1,019	—	1,019	21,304
Kirkpatrick, C. V. Engineering	19,742	—	1,496	—	1,496	—	—	—	21,239
Look, Garret Dawson "Sonny"	19,702	—	1,493	—	1,493	—	—	—	21,195
Drury, John Scholarship	20,346	—	1,681	—	1,681	917	—	917	21,110
Vince & Louise Foster Faculty Award Endow	19,551	—	1,494	—	1,494	—	—	—	21,045
Hong Kong City Mall/Hai Du Duong	19,346	—	1,465	—	1,465	—	—	—	20,810
Hall, George	19,343	—	1,465	—	1,465	—	—	—	20,808
Galveston Musical	20,176	—	1,611	—	1,611	995	—	995	20,792
FKP Architects/Charles Sundin Sch	19,268	—	1,514	—	1,514	—	—	—	20,782
J. Scott Chase Endowment in Opera	19,481	—	2,079	—	2,079	779	—	779	20,781
West Endowment Scholarship	19,205	—	1,560	—	1,560	—	—	—	20,766
John D. & Susan K. Thompson Family Sch End	19,257	—	2,182	—	2,182	770	—	770	20,670
Ted L. Estess Faculty Award Endowment	19,220	—	2,178	—	2,178	769	—	769	20,628
Honorable Russell P. Austin End for Legal Studies	18,873	—	2,435	—	2,435	755	—	755	20,553
Richard & Dawn Rawson Sch End	19,008	—	2,049	—	2,049	523	—	523	20,534
JPMorgan Chase End for Excellence in CMAS	19,119	—	1,384	—	1,384	—	—	—	20,503
Simmons, Lonnie Scholarship	19,046	—	1,444	—	1,444	—	—	—	20,490
Tarrant County Pharmacy Assoc.	19,007	—	1,471	—	1,471	—	—	—	20,478
Winius/Brandon/Blumberg	19,813	—	1,582	—	1,582	977	—	977	20,418
Fitsimmons, Charles	18,797	—	1,424	—	1,424	—	—	—	20,221
Earl Monk UH TierOne Scholarship Endowment – Business	—	18,750	1,415	—	20,165	—	—	—	20,165
Earl Ray Monk UH TierOne Scholarship Endowment – Class	—	18,750	1,415	—	20,165	—	—	—	20,165
Charles & Betti Saunders End	18,770	—	1,386	—	1,386	—	—	—	20,156
Dr. Walter Cubberly Memorial Fellowship Endowment	\$ —	18,660	1,411	—	20,071	—	—	—	20,071
Lentz Scholarship	19,394	50	1,547	—	1,597	941	—	941	20,050
Marlatt E.E.	19,428	—	1,551	—	1,551	958	—	958	20,021
Assn of Well Head Equip Manufacturing Sch End	18,343	—	2,351	—	2,351	734	—	734	19,960
Ctr for Mexican American Studies	17,436	1,100	1,417	—	2,517	—	—	—	19,953
Lack, Jean Preston	19,331	—	1,543	—	1,543	947	—	947	19,927
Ray A. Kroc Schol Endow	18,471	—	1,400	—	1,400	—	—	—	19,871
Speech Scholarship Quasi	19,232	—	1,536	—	1,536	948	—	948	19,819
Soliz, Olga MAS	18,396	—	1,393	—	1,393	—	—	—	19,789
Hopkin End Schol	18,344	35	1,393	—	1,428	—	—	—	19,773
Literature Scholarship	17,314	1,000	1,407	—	2,407	—	—	—	19,721
Axtmann, Terry & Christina	18,328	—	1,389	—	1,389	—	—	—	19,718
McCary, John Leslie	19,111	—	1,526	—	1,526	942	—	942	19,695
Elden Schol Endow	18,172	100	1,411	—	1,511	—	—	—	19,683
Faculty Special	19,042	—	1,521	—	1,521	939	—	939	19,623
Society of Iranian American Women for Education	8,130	10,000	1,445	—	11,445	—	—	—	19,575
Dr. Victor A. Zaloom Scholarship Endowment	8,130	10,000	1,445	—	11,445	—	—	—	19,575
Siegel, Stanley TX History	18,170	—	1,377	—	1,377	—	—	—	19,547
Dennis Allen Mem Sch End	13,136	5,025	1,364	—	6,389	—	—	—	19,525
Jerri Lee Pledger Scholarship Endowment	17,775	—	1,704	—	1,704	—	—	—	19,478
Mindiola, Tacho & Cindy	17,881	—	1,355	—	1,355	—	—	—	19,236
Virginia Collier Mem Endow	14,918	2,961	1,350	—	4,311	—	—	—	19,229
Roger & Linda Bilstein End	16,160	1,625	1,403	—	3,028	—	—	—	19,189
Loomis, Carol & Scott Scholarship	17,768	—	1,327	—	1,327	—	—	—	19,096
Mason, Lynn & Marcel HRM	17,344	362	1,364	—	1,726	—	—	—	19,069
Bombaywala, Ghulam	18,470	—	1,475	—	1,475	910	—	910	19,035

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Mitchell, Robert Scholar	17,680	—	1,340	—	1,340	—	—	—	19,020
Robert J. Mitchell Sch for Math & Phy Sci	7,688	10,000	1,611	—	11,611	308	—	308	18,991
Tilman Fertitta Schol Endow	18,364	—	1,466	—	1,466	905	—	905	18,925
Jack E Wilson Endowment	10,696	6,733	1,495	—	8,228	—	—	—	18,924
CVS Caremark Scholarship Endowment	17,582	—	1,333	—	1,333	—	—	—	18,916
Bristol Hotel	17,562	—	1,331	—	1,331	—	—	—	18,893
Cheryl M. Carlucci Scholarship Endowment	17,185	—	1,677	687	2,364	687	—	687	18,862
Friends Of UH Victoria	17,501	—	1,325	—	1,325	—	—	—	18,826
Asian Amer Immigrant	18,187	—	1,452	—	1,452	897	—	897	18,742
Wallace, Jack & Anne	17,394	—	1,292	—	1,292	—	—	—	18,685
Lehman/Kolbe Quasi	17,300	—	1,311	—	1,311	—	—	—	18,611
Phi Beta Delta	16,101	1,100	1,328	—	2,428	—	—	—	18,529
Cain Chemical	17,897	—	1,428	—	1,428	882	—	882	18,443
Sophie Pledger UH TierOne Schol Endow	—	17,100	1,292	—	18,392	—	—	—	18,392
Wheless, Leslie And Kim	17,089	—	1,294	—	1,294	—	—	—	18,383
Voelkel, Stanley	17,778	—	1,420	—	1,420	876	—	876	18,322
Smith-Wensveen Fellowship Endowment	—	17,000	1,292	—	18,292	—	—	—	18,292
School of Education Alumni Scholarship Endowment	—	16,941	1,273	—	18,214	—	—	—	18,214
Todd B. Colvin Schol End	16,905	25	1,283	—	1,308	—	—	—	18,214
Crouch, Pauline Moss	17,569	—	1,402	—	1,402	860	—	860	18,111
Alkek Schol Endow	16,814	—	1,274	—	1,274	—	—	—	18,088
Zimmer, Bill & Helen	17,493	—	1,397	—	1,397	862	—	862	18,027
State Farm – Ctr Mex Amer.	16,744	—	1,270	—	1,270	—	—	—	18,014
Barrios, Robinson Schol Endow	13,800	2,800	1,410	—	4,210	—	—	—	18,009
Cooper, Sara	17,472	—	1,395	—	1,395	861	—	861	18,006
Goodrich, Ann Schol Endow	16,727	—	1,269	—	1,269	—	—	—	17,996
Croft, John	17,426	—	1,392	—	1,392	859	—	859	17,958
Hill, Laurita & John	17,314	—	1,383	—	1,383	853	—	853	17,843
Day, Martin & Betty	17,299	—	1,381	—	1,381	853	—	853	17,827
Phyllis & Mudge Miller Endow	16,517	—	1,256	—	1,256	—	—	—	17,773
Michelle & Ed Noack Sch End	11,192	5,000	1,426	—	6,426	—	—	—	17,618
Family Therapy	16,346	—	1,240	—	1,240	—	—	—	17,586
Joe Martin Scholarship End	\$ 15,287	1,000	1,271	—	2,271	—	—	—	17,558
Houston, Robert	15,872	400	1,284	—	1,684	—	—	—	17,556
Gupta Academic Award End	16,265	—	1,210	—	1,210	—	—	—	17,475
Warner, Dr. Allen R.	13,176	3,000	1,272	—	4,272	—	—	—	17,449
Fredric A & Betsy C Weber Sch	16,185	—	1,231	—	1,231	—	—	—	17,416
Educ Leadership	16,163	—	1,225	—	1,225	—	—	—	17,388
Larry & Phyllis Hughes	15,050	1,073	1,228	—	2,301	—	—	—	17,351
Faculty Senate Enhancement Endowment	14,767	1,440	1,632	—	3,072	591	—	591	17,248
Breedlove, rote	15,573	1,000	1,335	—	2,335	723	—	723	17,185
Lockheed Martin Scholarship	16,667	—	1,263	—	1,263	791	—	791	17,140
Robin French Family Scholarship Endowment	10,809	5,000	1,307	—	6,307	—	—	—	17,115
Delta Sigma Pi	16,002	500	1,340	—	1,840	760	—	760	17,082
Den B. Chin & May K. Chin End	15,872	—	1,195	—	1,195	—	—	—	17,068
Brezina/Visd Golf	16,596	—	1,258	—	1,258	788	—	788	17,066
Foley, Kathryn Quasi	16,543	—	1,322	—	1,322	811	—	811	16,979
Glazer's Endowment	15,784	—	1,195	—	1,195	733	—	733	16,962
Mieszkowski, Gretchen	15,905	525	1,265	—	1,790	809	—	809	16,928
Silin, Charles	16,426	—	1,311	—	1,311	—	—	—	16,914
Class Quasi Scholarship Endowment	15,717	—	1,197	—	1,197	809	—	809	16,905
Capobianco, Rudolph	16,404	—	1,310	—	1,310	808	—	808	16,898
Douthitt, Helen Library	16,403	—	1,310	—	1,310	808	—	808	16,870
First Capital Bank	16,398	—	1,308	—	1,308	806	—	806	16,851
Bobby Bizzell Memorial Scholarship Endowment	15,717	—	1,152	—	1,152	—	—	—	16,851
Bumgardner	16,351	—	1,306	—	1,306	—	—	—	16,851

**UNIVERSITY OF HOUSTON SYSTEM**  
**ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
John Moores Humanitarian Sch	15,611	—	1,163	—	1,163	—	—	—	16,774
Sylvester Turner Public Service Sch	15,611	—	1,163	—	1,163	—	—	—	16,774
Bettencourt, Dorothy	15,614	—	1,159	—	1,159	—	—	—	16,773
Harrison Waldron & Wherek	16,258	—	1,297	—	1,297	801	—	801	16,754
Int'l Bank of Commerce	16,250	—	1,298	—	1,298	801	—	801	16,747
Sloan, Everett	16,219	—	1,287	—	1,287	777	—	777	16,730
Linda Bell Endowed Scholarship	15,583	—	1,142	—	1,142	—	—	—	16,726
Smith, Judge Shern	16,193	—	1,293	—	1,293	798	—	798	16,688
Fitzsimmons, Dana S.	14,479	1,000	1,204	—	2,204	—	—	—	16,683
Benbrook/Foerster	16,117	—	1,287	—	1,287	794	—	794	16,610
Carole Hegenbarth Scholarship Endowment	15,529	—	1,684	—	1,684	621	—	621	16,592
New York Life	16,068	—	1,282	—	1,282	792	—	792	16,558
Houston Office Leasing Ass.	15,316	—	1,160	—	1,160	—	—	—	16,476
Waskey, Ted	15,945	—	1,280	—	1,280	780	—	780	16,445
Brookshire Brothers Pharmacy Endowed Scholarship	15,224	—	1,195	—	1,195	—	—	—	16,419
Bill & Sue McMahon Rem Ed Bar	15,235	—	1,161	—	1,161	—	—	—	16,396
Smith, June D.	15,217	—	1,176	—	1,176	—	—	—	16,392
Citizens National Bank	15,900	—	1,269	—	1,269	783	—	783	16,386
Anne & Edgar Lackner Quasi Endow to support MD Anderson Lib	—	15,229	1,149	—	16,378	—	—	—	16,378
Walker, Kay Kerr	15,213	—	1,153	—	1,153	—	—	—	16,366
Powers Brown Architecture Scholarship Endow	15,272	—	1,068	—	1,068	—	—	—	16,340
David D. Red Scholarship Endowment	15,087	—	1,123	—	1,123	—	—	—	16,211
Columbia Healthcare	15,726	—	1,192	—	1,192	746	—	746	16,172
Luchsinger, Amy & John	15,033	—	1,139	—	1,139	—	—	—	16,172
Williams, Louis Awards	12,936	2,050	1,173	—	3,223	—	—	—	16,159
Andrews Foundation Scholarship	15,011	—	1,140	—	1,140	—	—	—	16,151
Max Castillo President's Scholarship Endowment	—	15,000	1,148	—	16,148	—	—	—	16,148
Dr. Diana Chow Grad Fellowship End in Pharmaceuticals	—	15,000	1,109	—	16,109	—	—	—	16,109
Tapp, Teresa Quasi	14,832	—	1,117	—	1,117	—	—	—	15,948
UH Communications Disorders	14,813	—	1,121	—	1,121	—	—	—	15,934
Boeing Company	15,437	—	1,231	—	1,231	760	—	760	15,909
McMillian/Gerstacker Schol	11,765	3,000	1,118	—	4,118	—	—	—	15,883
Stewart, Josephine	15,338	—	1,225	—	1,225	756	—	756	15,806
Frede, Ralph	15,287	—	1,221	—	1,221	754	—	754	15,754
Gunter, Thomas Robert	\$ 15,271	—	1,219	—	1,219	753	—	753	15,738
Lattin, Gerald	15,249	—	1,216	—	1,216	748	—	748	15,717
Perkin Elmer Corp.	15,250	—	1,218	—	1,218	752	—	752	15,716
Marshall, Faith Gladstone	15,013	225	1,215	—	1,440	740	—	740	15,714
Christy Drennan Memorial Sch End	14,500	—	1,105	—	1,105	—	—	—	15,605
Loya, Miguel & Ana	14,483	—	1,093	—	1,093	—	—	—	15,576
Wiley, Mary	15,092	—	1,205	—	1,205	744	—	744	15,553
Pia Excellence	15,053	—	1,201	—	1,201	742	—	742	15,512
Harper, Mabel Jewel	14,631	200	1,192	—	1,392	709	—	709	15,313
Tipton, Rose & Taylor	14,233	—	1,079	—	1,079	—	—	—	15,312
Palacios, Ctr for Mex. Amer Studies	14,072	—	1,060	—	1,060	—	—	—	15,133
Barnstone, Howard	14,609	—	1,166	—	1,166	715	—	715	15,060
Richard L. Nelson Excellence Writing Award End	9,335	4,500	1,145	—	5,645	—	—	—	14,980
Jones, Benjamin Scott	12,369	1,500	1,104	—	2,604	—	—	—	14,972
Kohler, Dave	12,688	1,200	1,047	—	2,247	—	—	—	14,935
Perez, Frank Scholarship	12,779	1,000	1,067	—	2,067	—	—	—	14,846
Tomac, Peter J. for HRM	14,386	—	1,148	—	1,148	705	—	705	14,829
Olga & Gerardo Balboa Scholarship Endowment	3,752	9,825	1,217	150	11,192	150	—	150	14,794
Shaw, Betty	14,252	—	1,138	—	1,138	703	—	703	14,687
Bernudez, Peter	13,647	—	1,035	—	1,035	—	—	—	14,682
Prichard, C Victor	14,232	—	1,136	—	1,136	697	—	697	14,671
Sterns Sociology Schol Endow	13,414	—	1,017	—	1,017	—	—	—	14,431

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Morgan, Jeanette	13,999	—	1,118	—	1,118	690	—	690	14,426
Rohm & Haas	13,984	—	1,116	—	1,116	687	—	687	14,413
Nikolaïdi, Elena	13,906	—	1,110	—	1,110	685	—	685	14,331
UHCL Quasi Endowment Growth Fund	9,186	4,000	1,363	—	5,363	367	—	367	14,182
Dept of Chem & Biomolecular Engr Founders' Sch	13,008	—	1,127	—	1,127	—	—	—	14,135
BP Chemicals	13,659	—	1,090	—	1,090	673	—	673	14,076
TX Assoc of Environ. Prof	13,078	—	987	—	987	—	—	—	14,065
Massad Family Scholarship	12,874	—	1,107	—	1,107	—	—	—	13,981
Charles & Margie Denson Sch End	12,949	—	986	—	986	—	—	—	13,935
Matthew B. & Tamara Steele Faculty Award End	7,679	5,000	1,249	307	6,556	307	—	307	13,927
Fiesta Mart Endow-MAS	7,774	5,000	1,090	—	6,090	—	—	—	13,865
Pelton, Barry C.	13,420	—	1,072	—	1,072	662	—	662	13,829
Barr, Betty Scholarship	13,401	—	1,016	—	1,016	636	—	636	13,781
Zawadski, Robert	12,764	—	972	—	972	—	—	—	13,735
Houston Area Corps of Cadets/MOAA	10,829	1,780	1,017	—	2,797	—	—	—	13,626
Mechanical Engineering Tech Excellence Fund End	2,500	10,050	1,036	100	11,186	100	—	100	13,586
Susan Speight Fam Ther End	11,601	1,000	982	—	1,982	—	—	—	13,582
Jerry & Marge Crum Football Scholarship End	13,125	—	1,048	—	1,048	647	—	647	13,526
Bobbitt McCall, Donna Schol.	12,384	—	1,086	—	1,086	—	—	—	13,471
Schissler Fdn UH TierOne Scholarship Endowment	—	12,500	957	—	13,457	—	—	—	13,457
Mike and Teresa Baker Volleyball Sch End	12,495	—	944	—	944	—	—	—	13,439
Center For Children	13,032	—	1,041	—	1,041	642	—	642	13,431
Okumura, Roy	13,020	—	1,040	—	1,040	642	—	642	13,418
Lawson, French W.	12,948	—	1,034	—	1,034	638	—	638	13,343
Bullard Schol Endow	12,380	—	932	—	932	—	—	—	13,312
Administaff	12,903	—	1,030	—	1,030	636	—	636	13,297
Early Childhood Education	11,210	1,025	1,019	—	2,044	—	—	—	13,254
Andre Ware Scholarship Endow	12,836	—	1,025	—	1,025	629	—	629	13,232
Becky & Truman Arnold Sch	12,284	—	930	—	930	—	—	—	13,214
Gerald W. McElvy UH TierOne Scholarship Endowment	—	12,250	913	—	13,163	—	—	—	13,163
Chambers, Velma	12,233	—	928	—	928	—	—	—	13,161
McCollum Eleanor	12,165	—	921	—	921	—	—	—	13,087
Lonnie Simmons Sch Quasi End	12,149	—	925	—	925	—	—	—	13,074
Blaffer, Sarah Cambell Schol	12,670	—	1,012	—	1,012	625	—	625	13,056
Strahan, Richard	12,494	—	947	—	947	593	—	593	12,848
Monsignor George	12,447	—	943	—	943	591	—	591	12,799
Akin, Ted Scholarship	\$ 11,871	—	900	—	900	—	—	—	12,771
Hodge Res Sch Endow	11,757	—	891	—	891	—	—	—	12,649
McClellan, LaVerne	9,496	2,167	907	—	3,073	—	—	—	12,569
Wertheimer, Henry Scholarship	11,660	—	884	—	884	—	—	—	12,543
Berry, Frank Jr Quasi Int Design	11,653	—	883	—	883	—	—	—	12,536
Amegy Bank of Texas Endowment	11,382	—	1,038	—	1,038	—	—	—	12,421
Brown, Robert Scholarship	11,948	100	960	—	1,060	588	—	588	12,420
Engineering Tech Excel Fund	11,520	—	872	—	872	—	—	—	12,392
University Libraries	12,014	—	959	—	959	592	—	592	12,382
G B Tech Inc. Res. Asst.	11,839	—	945	—	945	584	—	584	12,201
Rauscher, Pierce, Refines Ath Scholarship End	11,721	—	936	—	936	578	—	578	12,079
Pieratt, Harold & Doris	11,224	—	851	—	851	—	—	—	12,074
Neumann Cultural Quasi	11,648	—	930	—	930	574	—	574	12,004
Monsanto End/Honor	11,522	110	928	—	1,038	568	—	568	11,992
Gourmet Night	11,613	—	927	—	927	572	—	572	11,968
Coastal Corp Schol Endow	11,102	—	842	—	842	—	—	—	11,943
Miller, Michel Scholarship	11,573	(500)	837	—	337	—	—	—	11,910
Porter, Mattie	11,020	—	880	—	880	—	—	—	11,900
Belgacem Lies Baghdadi Memorial Scholarship	10,979	—	919	—	919	—	—	—	11,898
Wilford Weber Memorial Scholarship End	10,472	414	1,328	—	1,742	419	—	419	11,795



**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Barbara Samuels Educational End	9,957	1,000	825	—	1,825	—	—	—	11,782
Hobby, William	10,926	—	828	—	828	—	—	—	11,754
Goldman, Ruthmary	10,891	—	825	—	825	—	—	—	11,716
Andries Lott Schol Endow	10,388	500	828	—	1,328	—	—	—	11,716
Dr. Asghar Nazemzadeh Memorial Sch Endowment	10,850	—	1,262	—	1,262	434	—	434	11,678
Robert J. Jones Endow	11,330	—	859	—	859	538	—	538	11,651
Hall, George & MyraJane Ind Engnr	8,742	2,000	819	—	2,819	—	—	—	11,560
Robinson, Donald	10,732	—	813	—	813	—	—	—	11,546
Goerke, Glenn & Joyce	10,732	—	813	—	813	—	—	—	11,545
Wayne & Dolores Gentsch	8,185	2,500	829	—	3,329	—	—	—	11,514
Environmental Mgmt Scho	10,481	200	815	—	1,015	—	—	—	11,496
Chiappetta, Dr. Eugene	10,642	—	807	—	807	—	—	—	11,448
Harcrow, Stephen	10,585	—	802	—	802	—	—	—	11,387
Czarnek And Patalik Music	7,705	2,795	795	—	3,590	—	—	—	11,295
Roger & Victoria Berry UH TierOne Scholarship Endowment	—	10,500	774	—	11,274	—	—	—	11,274
Eve Mieszkuc	10,893	—	869	—	869	537	—	537	11,225
HARLIC Endow MD Anderson Lib	—	10,426	787	—	11,212	—	—	—	11,212
Bryce and Jan Scott Endowed Scholarship	—	10,400	770	—	11,170	—	—	—	11,170
Univ Community Sch End Honors	10,275	—	856	—	856	—	—	—	11,131
Raymond Oeland McCall Sch End	9,951	375	786	—	1,161	—	—	—	11,112
Donald & Jane McClelland Library Endowment	—	10,340	765	—	11,105	—	—	—	11,105
Pan American Golf Assn of Victoria Endowed Scholarship	—	10,310	768	—	11,078	—	—	—	11,078
Phi Kappa Phi Scholarship	10,750	—	815	—	815	510	—	510	11,055
Smith, Arthur K.	10,252	—	799	—	799	—	—	—	11,051
Ellen & Jim Seigler Endowment	7,688	2,500	1,056	—	3,556	308	—	308	10,936
Foerster, Cecile	10,134	—	768	—	768	—	—	—	10,902
Akzo Chemical	10,536	—	841	—	841	519	—	519	10,858
Vergheze Fellowship Endowment	10,089	—	765	—	765	—	—	—	10,854
Hollingsworth, Marcile Science Educ.	10,055	—	761	—	761	—	—	—	10,816
Martinez, George & Kathryn	10,513	—	797	—	797	499	—	499	10,810
Barbara Hopmann Quasi	10,019	10	760	—	770	—	—	—	10,789
Marvin & Joan Kaplan UH TierOne Scholarship Endow	—	10,000	754	—	10,754	—	—	—	10,754
Carlo & Kristen Pippolo UH TierOne Scholarship Endowment	—	10,000	734	—	10,734	—	—	—	10,734
Ed & Sue Clark UH TierOne Scholarship Endowment	—	10,000	723	—	10,723	—	—	—	10,723
Rizk, Fred Quasi	10,378	—	828	—	828	511	—	511	10,695
Lopez, Joe Scholarship	10,399	—	788	—	788	494	—	494	10,693
Phillips, Anne Reynolds	10,357	—	827	—	827	511	—	511	10,673
Countryman, Mark Scholarship	9,328	600	740	—	1,340	—	—	—	10,668
Robert L. Boblitt	\$ 10,354	—	785	—	785	491	—	491	10,647
Hamilton, Elmer Schol.	9,896	—	750	—	750	—	—	—	10,646
Blessan Samuel Memorial Sch Endow	9,908	—	733	—	733	—	—	—	10,641
Joanna Friesen Endow Sch	9,766	100	768	—	868	—	—	—	10,635
Laura E Swails Schol End	9,855	—	745	—	745	—	—	—	10,599
Snyder, Carol Lynn	10,272	—	778	—	778	487	—	487	10,563
Torres, Rosemary Segovia Scholarship	9,795	—	742	—	742	—	—	—	10,537
Hall, George & MyraJane Schol.	9,757	—	742	—	742	—	—	—	10,499
Smith, June Duhar Schol. Quasi	10,176	—	812	—	812	501	—	501	10,487
Roy Weise Jr Schol	9,729	—	737	—	737	—	—	—	10,466
Coastal Securitties - Honors	10,172	—	771	—	771	483	—	483	10,460
Dr. Ted Leibfried Legacy Scholarship Endow	9,722	—	730	—	730	—	—	—	10,452
Texas Pharmacy Foundation Sch End	9,634	—	757	—	757	—	—	—	10,392
Mezzino, Michael Mathematics	9,650	—	731	—	731	—	—	—	10,382
Handal, Suzanne May Scholar.	9,649	—	731	—	731	—	—	—	10,381
Art Education Endow	9,598	25	729	—	754	—	—	—	10,352
Air Products	10,025	—	801	—	801	494	—	494	10,332
Baldwin, Mike	9,594	—	727	—	727	—	—	—	10,322

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Albright, Frell	9,996	—	798	—	798	490	—	490	10,304
Cohen, Prudence Scholarship	9,568	—	725	—	725	—	—	—	10,293
Hill, Margaret & Alan	8,831	700	749	—	1,449	—	—	—	10,280
Bettencourt, Sara	9,521	—	722	—	722	—	—	—	10,243
Harris, DeYossie	9,467	50	724	—	774	—	—	—	10,242
Florence Nightingale Mem Schol	9,511	—	722	—	722	—	—	—	10,233
L. Green & B. Schachtel-Green	8,210	1,250	757	—	2,007	—	—	—	10,217
Wells Fargo Scholarship	9,494	—	720	—	720	—	—	—	10,214
Andrea L Sinesny Schol Endow	7,819	1,563	829	—	2,392	—	—	—	10,210
Rodriguez, Robert	9,468	—	718	—	718	—	—	—	10,185
Meat Science	9,857	—	786	—	786	486	—	486	10,158
Susan & Tom Williams Graduate Sch End	4,000	5,470	687	—	6,157	—	—	—	10,157
Sterling Chemical	9,844	—	786	—	786	485	—	485	10,145
Magner, George	9,431	—	710	—	710	—	—	—	10,141
Gore-Laird & Liberman Scholarship	8,813	619	692	—	1,311	—	—	—	10,124
Nollie Mayo 8-12 Teacher Educ	9,410	—	711	—	711	—	—	—	10,121
Adair, Wendy Scholarship	9,405	—	705	—	705	—	—	—	10,110
Hooker, Dr. Richard Endow	9,385	—	711	—	711	—	—	—	10,096
Sterr, Margie Scholarship	9,375	—	711	—	711	—	—	—	10,087
Bove, Frank	9,377	—	701	—	701	—	—	—	10,078
Haynes & Nickelson Quasi	9,363	—	709	—	709	—	—	—	10,073
Marjorie Gurasich Endow	9,844	(500)	720	—	220	—	—	—	10,064
Medh, Urvis	9,318	—	718	378	1,096	378	—	378	10,036
Smith, June Early Childhood Dev	9,221	—	699	—	699	—	—	—	9,919
Hayes Scholarship	9,629	—	726	—	726	452	—	452	9,902
Victoria Sunrise Rotary Schol	9,191	—	707	—	707	—	—	—	9,898
Social Sciences Alumni Quasi	9,592	—	766	—	766	473	—	473	9,885
Bill Yeoman Athletic Scholarship Endow	9,609	—	728	—	728	456	—	456	9,881
Bowers Endowment	9,133	—	691	—	691	—	—	—	9,824
Kenneth & Patty Korthauer Endowed Scholarship	4,065	5,000	731	—	5,731	—	—	—	9,796
Bruce & Ann Biundo End Sch	5,502	3,500	755	—	4,255	—	—	—	9,757
Stern, David O. in LASS	9,045	—	685	—	685	—	—	—	9,731
Meier, Wilber & Judy	9,424	—	752	—	752	465	—	465	9,711
Annual Fund Endow	9,016	—	683	—	683	—	—	—	9,700
Leslie & Alan Ma Wong Scholarship End	3,901	5,000	797	156	5,953	156	—	156	9,698
Rose & William B. Calhoun UH TierOne Sch End	—	9,000	675	—	9,675	—	—	—	9,675
Congressman Gene Green MAS	8,982	—	674	—	674	—	—	—	9,656
June L. Chin Presidential Endowed Fellowship	—	9,000	655	—	9,655	—	—	—	9,655
Betty & Harry Jukes End	8,968	—	679	—	679	—	—	—	9,647
Disney, Brian & Lisa Track Endow	8,967	—	680	—	680	—	—	—	9,647
Hamilton, Allie Scholarship	\$ 8,946	—	678	—	678	—	—	—	9,624
Fowles Family Schol	8,902	30	683	—	713	—	—	—	9,616
Hernandez, Dr. Mary Lou	8,942	—	674	—	674	—	—	—	9,615
Mom's Pharmacy Schol Endow	8,892	—	674	—	674	—	—	—	9,566
Peek Family Scholarship Endowment	3,862	5,000	703	—	5,703	—	—	—	9,565
Adams, Martin	8,877	—	673	—	673	—	—	—	9,549
Kuriger, Richard Charles	8,859	—	671	—	671	—	—	—	9,530
NCMA Space City	8,858	—	671	—	671	—	—	—	9,530
Willis & Patsy Johnson Sch End	8,869	—	653	—	653	—	—	—	9,521
Leland F. Zatopek Memorial Sch End	8,840	—	662	—	662	—	—	—	9,502
Pascoe, Kathleen	8,834	—	668	—	668	—	—	—	9,502
Patel, Nilkanth & Yamini	8,770	—	655	—	655	—	—	—	9,425
Kenton Lloyd Smith Pharmacy Ethics	8,733	—	640	—	640	—	—	—	9,373
Union Pacific for Mex.Amer Studies	8,712	—	660	—	660	—	—	—	9,319
George L & Myrajane E Hall Sch	8,664	—	656	—	656	—	—	—	9,291
John S & Elena M Zaccaria Scholarship Endow	8,620	—	671	—	671	—	—	—	

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Alton & Sandra Kanak Endowed Scholarship	4,637	4,000	813	—	4,813	185	—	185	9,265
Joseph Schatz Scholarship End	8,597	—	641	—	641	—	—	—	9,239
Miller, Clyde & Susan Scholarship	8,576	—	650	—	650	—	—	—	9,226
Spacehab End Sch-Chet Lee	8,497	—	647	—	647	—	—	—	9,144
The Val Link Endowed Scholarship in Art	8,475	—	668	—	668	—	—	—	9,143
James & Elena Hesbrook End Sch	6,432	2,000	697	—	2,697	—	—	—	9,130
Verghese Excel Endow-Tech	8,452	—	652	—	652	—	—	—	9,104
Steven Ronald Martin Sch End	8,448	—	643	—	643	—	—	—	9,091
Texas German Studies	8,801	—	703	—	703	431	—	431	9,074
W. Benjamin Fry Rio Grande Valley Endowed Sch	6,168	2,083	761	170	3,014	170	—	170	9,012
Wells Fargo Scholars Community	8,375	—	636	—	636	—	—	—	8,965
Franklin & Virginia Law Sch End	8,332	—	633	—	633	—	—	—	8,900
Houston Area Pharmacist Association End Sch	8,283	—	617	—	617	—	—	—	8,880
O'Neill, Michael & Donna	8,226	—	655	—	655	—	—	—	8,869
Georgeanna Stanton	8,244	—	625	—	625	—	—	—	8,859
Ameena Colombowala Mem	8,236	—	624	—	624	—	—	—	8,835
Dwight E. Davis Sch End	8,209	—	626	—	626	—	—	—	8,822
Corisman Excellence Presidential Endowed Fellowship	3,104	5,000	718	124	5,842	124	—	124	8,810
Lynn & Bill Simpson Sch End	8,187	—	623	—	623	—	—	—	8,790
Larry Gatlin Music End	8,171	—	619	—	619	—	—	—	8,779
Mortar & Pedal Ride Scholarship Endowment	8,149	—	629	—	629	—	—	—	8,758
Goel Academic Achievement	8,142	—	617	—	617	—	—	—	8,740
Forkner, William	8,481	—	677	—	677	418	—	418	8,728
Alam, Dr. Maktoob	8,113	—	615	—	615	—	—	—	8,727
Dean Joseph P. Buckley End	7,610	500	617	—	1,117	—	—	—	8,685
Martin Antonio Flores Sch End	8,070	—	614	—	614	—	—	—	8,681
The Red White & Blue Schol End	8,067	—	614	—	614	—	—	—	8,672
Dorff, Linda Scholarship	8,062	—	611	—	611	—	—	—	8,671
Wilheimina R. Morian End	8,060	—	611	—	611	—	—	—	8,627
Charlene & Phillip Carrol	8,060	—	611	—	611	—	—	—	8,627
Stevens, Barksdale	8,371	—	668	—	668	413	—	413	8,622
UH College of Pharmacy Dean's Executive Council	7,734	340	857	—	1,197	309	—	309	8,605
Clay Hoster UH TierOne Scholarship Endowment	—	8,000	605	—	8,605	—	—	—	8,596
Ohia-Edet Memorial Endow	8,016	—	579	—	579	—	—	—	8,591
Suzanne Woo Honorary Sch Endow	7,588	313	691	—	1,003	—	—	—	8,548
Louise Woestemeyer Sch End	7,956	—	592	—	592	—	—	—	8,519
Seaver	7,920	—	600	—	600	—	—	—	8,501
Claud J. Jacobs Baseball End	7,899	—	602	—	602	—	—	—	8,486
Henry and Tanya Matula Endowment	7,758	—	728	—	728	—	—	—	8,481
Henry & Charlene McClain Endowed Scholarship	7,801	—	679	—	679	—	—	—	8,471
Horizon Capital Bank	8,219	—	657	—	657	405	—	405	8,446
Adamo, Joseph	7,883	—	563	363	926	363	—	363	8,431
Duangploy Memorial Scholarship Endowment	\$ 7,862	—	569	—	569	—	—	—	8,426
Gary K. and Linda B. Rice Sch End	7,770	—	656	—	656	—	—	—	8,420
Strane, Miriam	7,859	—	561	362	923	362	—	362	8,410
Matthews, Frank & Dorothy	7,817	—	593	—	593	—	—	—	8,400
Bauer Alumni Assn Scholarship Endowment	7,433	—	967	297	1,264	297	—	297	8,381
Counseling & Psych.Serv. Quasi	7,790	—	591	—	591	—	—	—	8,365
Johnnie Fadal Endowed Scholarship	7,691	—	846	—	846	173	—	173	8,363
Paul R. & Nancy G. Borneman Scholarship End	7,792	—	571	—	571	—	—	—	8,357
Kai-King Chow & Cheng-Yok Chow End Sch	7,792	—	571	—	571	—	—	—	8,354
Blanton, Jack	7,769	—	588	—	588	—	—	—	8,299
Mark Shadle Scholarship Endowment	7,772	—	582	—	582	—	—	—	8,292
Elena, Veronica, and Johnny Guerra Sch End	7,580	—	889	—	889	170	—	170	8,224
Stephen Harbachick End	7,708	—	584	—	584	—	—	—	8,224
Weltzien Endowed Scholarship	7,641	—	889	—	889	306	—	306	8,224

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
George LeRoy & Myrajane Ereckson Hall	7,640	—	575	—	575	—	—	—	8,215
Scholz Family Endowment	7,636	—	560	—	560	—	—	—	8,196
Kagen, Norman	7,591	—	575	—	575	—	—	—	8,166
Sharon Sanders Hoover Mem End	7,574	—	585	—	585	—	—	—	8,159
Henry W. Graham End Sch	7,579	—	577	—	577	—	—	—	8,156
Kelsey-Seybold Scholarship Endowment	7,574	—	577	—	577	—	—	—	8,151
JD Field & Co Inc Schol End	7,562	—	573	—	573	—	—	—	8,135
Hagen, John L.	7,904	—	598	—	598	375	—	375	8,127
Donna R. Fox End for Faculty Support	7,549	—	575	—	575	—	—	—	8,124
UHAO-Victoria Chapter Endowed Scholarship	7,433	—	967	—	967	297	—	297	8,103
Smallman, William R.	7,527	—	570	—	570	—	—	—	8,097
Houston Marketing Prof Sch End	7,540	—	549	—	549	—	—	—	8,089
Friends of Paul J. Rice Memorial Scholarship End	4,580	2,750	703	120	3,573	120	—	120	8,033
William Cunningham End – Hawes	7,450	—	571	—	571	—	—	—	8,021
William Cunningham End – Young	7,450	—	571	—	571	—	—	—	8,021
Goodman Scholarship	7,438	—	563	—	563	—	—	—	8,001
Jaska Matthew	7,435	—	564	—	564	—	—	—	7,999
American Advertising Federation – Victoria End Sch	5,619	1,500	822	225	2,547	225	—	225	7,941
Saenz/Cantu Scholarship Endowment	7,360	—	561	—	561	—	—	—	7,921
Loleet Usener Eckel Sch Endow	7,345	—	559	—	559	—	—	—	7,904
Castaneda, Cris Scholarship	7,346	—	557	—	557	—	—	—	7,903
Henry, William G., Jr.	7,279	—	552	—	552	—	—	—	7,831
John Ashford Memorial Fund Endowment	2,875	4,193	694	115	5,002	115	—	115	7,762
Webb, Sandra Pharmacy Quasi	7,199	—	543	—	543	—	—	—	7,742
Gunasekera Int'l Sch End	6,824	300	513	—	813	—	—	—	7,637
Structural Consulting/Monteith	6,664	—	498	—	498	—	—	—	7,162
Moreno, Rosanna & Carlos Family	6,613	—	485	278	763	278	—	278	7,097
Bhattacharya Family Sch End	6,568	—	469	—	469	—	—	—	7,037
Lourdes M. & Nicanora C. Cuellar Presidential End	—	6,500	499	—	6,999	—	—	—	6,999
Fischer, Jo	6,681	—	533	—	533	329	—	329	6,885
Johnson, Harvey L.	6,671	—	506	—	506	317	—	317	6,859
Scardino, Dickie	6,305	—	504	—	504	309	—	309	6,500
Sai Hoon Lim Scholarship Endowment	—	6,000	444	—	6,444	—	—	—	6,444
H.P. "Buddy" Clarke Scholarship Endowment	2,478	3,334	578	99	4,011	99	—	99	6,389
Wilson & Jeter Endowment	5,838	—	417	—	417	—	—	—	6,255
Library	6,009	—	480	—	480	294	—	294	6,195
Fiction Collective Two Endowment	2,322	3,200	503	93	3,796	93	—	93	6,024
The Burch Family UH TierOne Scholarship Endowment	—	5,500	414	—	5,914	—	—	—	5,914
McInnis, Bayliss	5,447	—	389	251	640	251	—	251	5,836
Anthis-Callicutt Gore Quasi	5,664	—	429	—	429	269	—	269	5,824
Flaherty, Pat	5,544	—	442	—	442	273	—	273	5,714
College of Education Alumni Assn Sch End #2	758	4,500	431	30	4,961	30	—	30	5,689
Kent, Herb	5,210	—	372	240	612	240	—	240	5,582
Truman & Becky Arnold UH TierOne Scholarship Endowment	—	5,000	383	—	5,383	—	—	—	5,383

**UNIVERSITY OF HOUSTON SYSTEM  
ENDOWMENT FUND**  
Schedule of Changes in Net Assets by Endowment  
Year ended August 31, 2010

Endowment Name	Net Assets beginning of year	Additions			Total additions	Reductions			Net assets, end of year
		Contributions received	Net return on investments	Return to principal		Income distribution	Institutional advancement	Total reductions	
Nicky R. & Lisa K. Holdeman Presidential End Fellowship – OPT	\$ —	5,000	378	—	5,378	—	—	—	5,378
Pamela & Patrick Newman UH TierOne Schol Endow	—	5,000	377	—	5,377	—	—	—	5,377
Gonzalez, Irma Diaz & Roberto	4,846	—	346	—	346	—	—	—	5,192
Men's Athletics Scholarship Endow	4,894	—	391	—	391	240	—	240	5,045
Shara L. Zatopek Endowed Scholarship	1,841	2,775	392	74	3,241	74	—	74	5,008
Love, John W.	4,772	—	381	—	381	235	—	235	4,918
Honors Student Govt Board End	2,032	2,230	350	—	2,580	—	—	—	4,612
Gaynelle Brock & Prem Bhushan Dewan Gadihoke UH TierOne End	—	4,280	322	—	4,602	—	—	—	4,602
Williams Group Inspiring Excellence Sch End	4,018	—	370	—	370	—	—	—	4,388
Quinones, Charles John Schol.	4,052	—	289	—	289	—	—	—	4,342
Dukler, Abraham	3,757	—	300	—	300	185	—	185	3,872
UH Student Excell.	3,427	—	245	158	403	158	—	158	3,672
H. David Kaplan Endowment	2,352	1,000	279	—	1,279	—	—	—	3,631
Sarah & Geoffrey Scholarship	3,232	—	245	—	245	—	—	—	3,477
McNeill, Charles	3,290	—	263	—	263	162	—	162	3,391
Maud & Timothy Maurin	2,886	—	206	133	339	133	—	133	3,093
Underwood, Walter Quasi	2,765	—	221	—	221	136	—	136	2,850
Babbara S. & Glen C. Farber UH TierOne Sch Endowment	—	2,500	189	—	2,689	—	—	—	2,689
Barbara A Britt UH TierOne Scholarship Endowment	—	2,500	189	—	2,689	—	—	—	2,689
Justin Pitts	2,337	—	167	108	275	108	—	108	2,504
Residence Halls	2,276	—	163	105	268	105	—	105	2,439
Shanfield, Henry	2,020	—	144	—	144	—	—	—	2,164
Women's Athletics Scholarship Endow	2,060	—	156	—	156	97	—	97	2,119
UH Faculty Excell.	1,962	—	140	90	230	90	—	90	2,102
Dr Wallace Lee Anderson Schol Endow in Electrical Engrn	—	1,805	134	—	1,939	—	—	—	1,939
UH Comm Sciences & Disorders	1,573	—	117	—	117	—	—	—	1,690
Rhonda J. Sweeney UH TierOne Scholarship Endowment	—	1,250	90	—	1,340	—	—	—	1,340
Computing Center	1,254	—	100	—	100	61	—	61	1,293
Stewart, Josephine Quasi	1,158	—	83	53	136	53	—	53	1,241
Nancy & Carter Hixon UH TierOne Scholarship Endowment	—	1,000	72	—	1,072	—	—	—	1,072
UH Facilities Excel.	997	—	71	46	117	46	—	46	1,069
Hawkins Family Endowed Scholarship	750	—	94	30	124	30	—	30	844
Rockwell Ctr for Ethics & Ldrshp	695	—	149	40	189	40	—	40	844
Dow Employees Schol	701	—	56	—	56	35	—	35	722
Greenman Petty Quasi	17,009	(17,009)	—	—	(17,009)	—	—	—	—
Oberholtzer Quasi	8,348	(8,348)	—	—	(8,348)	—	—	—	—
Borish Quasi	146,375	(146,375)	—	—	(146,375)	—	—	—	—
White Quasi	14,009	(14,009)	—	—	(14,009)	—	—	—	—
Turner, Sylvester Quasi	8,965	(8,965)	—	—	(8,965)	—	—	—	—
Wolff, Cyvia & Melvin	26,619	(26,619)	—	—	(26,619)	—	—	—	—
Dr Cynthia Norris Educ Leaders	973	(973)	—	—	(973)	—	—	—	—
Cyvia & Melvin Wolff End #2	28,881	(28,881)	—	—	(28,881)	—	—	—	—
Cyvia & Melvyn Wolff End #3	25,812	(25,812)	—	—	(25,812)	—	—	—	—
Thomas H. Mayor Faculty End – Economics	77,873	(77,873)	—	—	(77,873)	—	—	—	—
<b>Total</b>	<b>\$ 414,690,258</b>	<b>10,153,417</b>	<b>32,910,068</b>	<b>33,207</b>	<b>43,096,692</b>	<b>12,009,138</b>	<b>3,495,757</b>	<b>15,504,895</b>	<b>442,282,055</b>

See accompanying independent auditors' report.

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA**

**COMMITTEE:** Audit & Compliance

**ITEM:** UHS Annual Financial Statements/Certifications

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Planner, item number 3.13, requires that the UH System Chancellor and UH System Financial Officer certify the annual financial statements for the UH System as a whole, and that each component President and Chief Financial Officer certify the annual financial statements for their respective component institution.

Included in the report are the following key points:

- Financial Certification Process (page 1)
- UH/UHS Certification Letter (page 2)
- UHCL Certification Letter (page 5)
- UHD Certification Letter (page 7)
- UHV Certification Letter (page 9)

**SUPPORTING**

**DOCUMENTATION:** Financial Statements Certification Letters – FY 2010 (all components) and Financial Certification Process

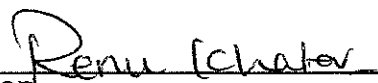
**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT EXECUTIVE** Don Guyton

1/28/11  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**CHANCELLOR** Renu Khator

2/2/11  
\_\_\_\_\_  
**DATE**

## Financial Certification Process

- UH-Clear Lake, UH-Downtown, and UH-Victoria Chief Accounting Officers, Chief Financial Officers, and Presidents certified that the financial reports for their campus are true and correct to the best of their knowledge.
- University of Houston and UH System Administration administrators and unit heads representing 145 departments completed the FY10 Department Fraud Risk Survey, which included questions about verifying cost center transactions, reporting instances of fraud and non-compliance, and other internal controls. According to the survey results, internal controls are adequate to ensure that the financial transactions created for FY10 by UH/UHSA departments are true and correct.
- Mike Glisson (Controller), David Ellis (Executive Director of Financial Reporting), Tom Ehardt (Associate VC/VP of Finance), Carl Carlucci (Executive VC/VP of Administration and Finance), and Renu Khator (Chancellor/President) signed the Certification Letter for UH, UHSA, and UH System Consolidated based on:
  - Department surveys, which indicate internal controls are adequate within UH and UHSA departments to ensure correct financial transactions.
  - Certifications signed by UHCL, UHD, and UHV representatives.
  - Their knowledge and review of the FY10 Annual Financial Report for UH, UHSA, and UH System Consolidated.
- The certification letters are presented at the February Board of Regents meeting.

# University of Houston, UH System Administration, and UH System Certification Letter

December 2, 2010

Ms. Nandita V. Berry  
Chair, Audit and Compliance Committee  
UH System Board of Regents  
128 E. Cullen  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of financial statements and footnote information for the University of Houston, UH System Administration, and UH System as a whole for the period ended August 31, 2010.

## **Management Representations Related to Financial Statements**

I have reviewed the financial statements of the University of Houston, UH System Administration, and UH System as a whole and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of these financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Executive Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH System's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH System have been appropriately reported and addressed.



5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Executive Vice Chancellor for Administration and Finance in writing (if any).
6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the University of Houston, UH System Administration, and UH System consolidated of, and for, the periods presented in this report. (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.)
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Executive Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no --
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Executive Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2010 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.

*Michael J. Glisson*

Mr. Mike Glisson

Controller, University of Houston

*12/2/10*

Date

*David J. Ellis*

Mr. David Ellis

Executive Director of Financial  
Reporting, University of Houston

*12-2-10*

Date



Mr. Tom Ehardt

Associate Vice Chancellor of Finance,  
UH System  
Associate Vice President of Finance,  
University of Houston

12/8/2010

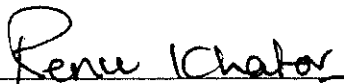
Date



Dr. Carl Carlucci

Executive Vice Chancellor of  
Administration & Finance, UH System  
Executive Vice President of  
Administration & Finance, University  
of Houston

Date



Dr. Renu Khator

Chancellor, UH System  
President, University of Houston

Date

## UH-Clear Lake Certification Letter

November 24, 2010

Ms. Nandita V. Berry  
Chair, Audit and Compliance Committee  
UH System Board of Regents  
128 E. Cullen  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of UH-Clear Lake financial statements and footnote information for the period ended August 31, 2010.

### Management Representations Related to Financial Statements

I have reviewed the financial statements of UH-Clear Lake and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of UH-Clear Lake financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH-Clear Lake's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH-Clear Lake have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH-Clear Lake as of, and for, the periods presented in this report (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets).
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2010 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.

John Cordary  
Mr. John Cordary

\_\_\_\_\_  
Associate Vice President of Finance,  
UH-Clear Lake

11/24/10  
Date

Michelle Dotter  
Ms. Michelle Dotter

\_\_\_\_\_  
Vice President of Administration and  
Finance, UH-Clear Lake

11/24/10  
Date

William A. Staples  
Dr. William Staples

\_\_\_\_\_  
President, UH-Clear Lake

11/30/10  
Date

## UH Downtown Certification Letter

November 17, 2010

Ms. Nandita V. Berry  
Chair, Audit and Compliance Committee  
UH System Board of Regents  
128 E. Cullen  
Houston, TX 77204-6001

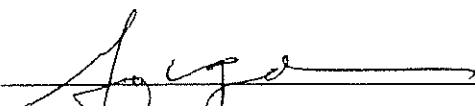
Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of UH Downtown's financial statements and footnote information for the period ended August 31, 2010.

### Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Downtown and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Downtown's financial statements and footnote information.


1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Downtown's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Downtown have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Downtown as of, and for, the periods presented in this report (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.);
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2010 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements

  
Mr. George Anderson

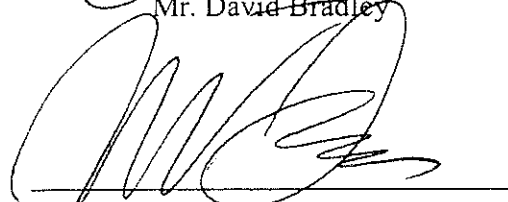
Assistant Vice President of Business  
Affairs, UH Downtown

11/17/10  
Date

  
Mr. David Bradley

Vice President of Administration and  
Finance, UH Downtown

11/19/10  
Date

  
Dr. William Flores

President, UH Downtown

11/24/10  
Date

## UH Victoria Certification Letter

November 17, 2010

Ms. Nandita V. Berry  
Chair, Audit and Compliance Committee  
UH System Board of Regents  
128 E. Cullen  
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of the UH Victoria's financial statements and footnote information for the period ended August 31, 2010.

### Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Victoria and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Victoria's financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Victoria's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Victoria have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Victoria as of, and for, the periods presented in this report (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets.);
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
  - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
  - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2010 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements

Val Walden

Ms. Val Walden

Comptroller, UH Victoria

11/17/10

Date

Wayne B. Beran

Mr. Wayne Beran

Vice President of Administration and  
Finance, UH Victoria

11-22-10

Date

Don Smith

Dr. Don Smith

Interim President, UH Victoria

11/18/10

Date