

ASSURANCE AND ADVISORY
BUSINESS SERVICES

OCTOBER 17, 2003



 **ERNST & YOUNG**

Quality In Everything We Do

Investment Funds under Fiduciary Responsibility of The University of Texas System Board of Regents

Audit Results and Communications

Report to:

Audit, Compliance and Management Review Committee of The University of Texas
System Board of Regents

Audit and Ethics Committee of The University of Texas Investment Management
Company

October 17, 2003

The Audit, Compliance and Management Review Committee of The Board of Regents of The University of Texas System
The Audit and Ethics Committee of the Board of Director of The University of Texas Investment Management Company

We are pleased to present the results of our audits of the financial statements of the following funds for the year ended August 31, 2003:

- Permanent University Fund,
- The University of Texas System General Endowment Fund,
- Permanent Health Fund,
- The University of Texas System Long Term Fund, and
- The University of Texas System Short Intermediate Term Fund (collectively, the “Funds”)

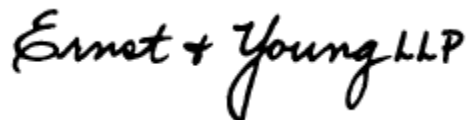
This report to the Audit, Compliance and Management Review Committee and the Audit and Ethics Committee is organized into the following sections:

- Required Communications
- Report on Internal Control

We received the full support and assistance of Funds’ personnel. This report is intended solely for the information and use of the Audit, Compliance and Management Review Committee, the Audit and Ethics Committee, and management of the Funds and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you.

Very truly yours,



2003 Audit Results

Required Communications

Statement on Auditing Standards No. 61 and other professional standards require the auditor to provide the audit committee with additional information regarding the scope and results of the audit that may assist the audit committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications.

Area	Comments
<p>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</p> <p>The financial statements are the responsibility of management. Our audits were designed in accordance with auditing standards generally accepted in the United States and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audits and to determine the nature, timing, and extent of testing performed.</p>	<p>We issued unqualified opinions on the August 31, 2003 financial statements.</p>
<p>Significant Accounting Policies</p>	<p>There were no changes in accounting policies during fiscal year 2003 that impacted the Funds' financial statement balances.</p>
<p>Auditors' Judgments About the Quality of Accounting Principles</p>	<p>Accounting principles selected by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Funds' financial statements and disclosures are complete in all material respects.</p>

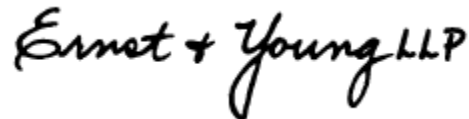
Area	Comments
<p>Management Judgments and Accounting Estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p>	<p>As part of our audit, Ernst & Young reviewed and tested the market values of non-marketable alternative investments. Based on our testing, we concluded the Funds' recorded investment values were fairly stated.</p>
<p>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p>	<p>Not applicable.</p>
<p>Audit Adjustments</p>	<p>There were no audit adjustments proposed by us during the current year audits.</p> <p>There were no unadjusted audit differences accumulated by us during the current year audits and pertaining to the latest period presented.</p>
<p>Fraud and Illegal Acts</p>	<p>None noted.</p>
<p>Material Weaknesses in Internal Control</p>	<p>None noted. See Report on Internal Control on following page.</p>
<p>Other Information in Documents Containing Audited Financial Statements</p>	<p>The audited financial statements are not currently included in any other documents. We understand that management will inform us if, in the future, the audited financial statements are included in other documents.</p>
<p>Disagreements with Management on Financial Accounting and Reporting Matters</p>	<p>None occurred during the course of our audits.</p>
<p>Serious Difficulties Encountered in Performing the Audit</p>	<p>None occurred during the course of our audits.</p>
<p>Major Issues Discussed with Management Prior to Retention</p>	<p>No major issues were discussed with management prior to our retention as the Funds' auditor.</p>
<p>Consultation with Other Accountants</p>	<p>We are not aware of any consultations by management with other accountants.</p>
<p>Other Matters</p>	<p>None noted.</p>

Report on Internal Control

The Audit, Compliance and Management Review Committee of The Board of Regents of
The University of Texas System
The Audit and Ethics Committee of the Board of Director of The University of Texas Investment
Management Company

In planning and performing our audits of the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Short Intermediate Term Fund (collectively, the "Funds") for the year ended August 31, 2003, we considered their internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of the Audit, Compliance and Management Review Committee, Audit and Ethics Committee, and management of the Funds. We would be pleased to discuss any comments you may have on these or other issues.



October 17, 2003

ERNST & YOUNG LLP

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