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December 13, 2016

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Dr. L. Michael Metke, President
Tyler Junior College
1327 S. Baxter Avenue
Tyler, Texas 75771

RE: An Audit of Formula Funding at Tyler Junior College

Dear Dr. Metke,

I am attaching the final report of *A Compliance Monitoring Audit of Formula Funding at Tyler Junior College*, Report No. THECB-CM-FF-16-005. There were three findings resulting from this engagement. Tyler Junior College was over-awarded \$91,870 in continuing education formula funding for the 16-17 biennium, based on not meeting the immediate employment criteria for contact hours reported for students under the age of 18.

Other opportunities for improvement at Tyler Junior College include:

- Better documentation of academic course contact hours for courses delivered through agreements with local independent school districts; and
- Enhancement of information system access controls.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, on January 25, 2017.

The cooperation of your staff during this audit is greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

EXECUTIVE SUMMARY

Tyler Junior College did not fully comply with relevant statutes and Coordinating Board (THECB) rules for enrollment data used for formula funding, in the area of continuing education contact hour reporting. Formula funding reporting to THECB should ensure continuing education contact hours are reported for formula funding only for adults seeking immediate employment. Approximately 0.32% of continuing education contact hours were over-reported and did not meet statutory requirements, resulting in over-awarding for the current biennium of \$91,870.

Other opportunities for improvement at Tyler Junior College include:

- Documentation of academic course contact hours for courses delivered through agreements with local independent school districts; and
- Enhancement of information system access controls.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations based on the audit objectives.

Scope, Objective, and Methodology

Our audit included tests of relevant enrollment data reported and certified by Tyler Junior College for the CBM004 (Class Report) during Summer 2014, Fall 2014, and Spring 2015 and for the CBM00C (Continuing Education Class Report) during Summer I 2014, Summer II 2014, Fall 2014, and Spring 2015 and others as applicable for accuracy and completeness. Our work included procedures to verify:

- Contact hours/enrollment met reporting requirements;
- Contact hours were eligible for formula funding;
- Student payment was received per requirements;
- Instructors of record meet applicable requirements; and
- The control system provides reasonable assurance that the data reported by Tyler Junior College to the THECB is accurate and complete¹.

The methodology employed during this audit included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and other tests necessary to achieve the objectives of the audit. THECB used random sampling to determine the extent to which Tyler Junior College accurately reported enrollment data.

¹ Auditors were able to test formula funding information after analyzing the nature and effect of noted information security weaknesses.

Background

Fifty Public community college districts receive state appropriations based on their student enrollment data. These institutions are governed by locally elected boards that have the authority to levy property taxes in their districts. The state appropriations the colleges receive are used to fund administrative and instructional (education and general) services for post-secondary academic and vocational/technical education.

State financing of higher education programs for public community colleges is provided from the State's General Revenue Fund. The THECB and the Comptroller of Public Accounts distribute these appropriations to colleges based on allocations and performance measures. Each college submits enrollment reports (CBM Reports) to the THECB to document the number of contact hours taught by the college in each semester. The formula for state funding involves multiplying the base period contact hours submitted by colleges by the applicable funding rates.

The THECB is authorized to review the accuracy of the contact hour data reported to the Coordinating Board by community college districts. In the event of data reporting errors, the Coordinating Board is authorized to adjust the fiscal year's formula appropriations as necessary to reflect the corrected data elements. (General Appropriations Act FY 2014-15 biennium, page III-203 and General Appropriations Act FY 2016-17 biennium, page III-204)

Tyler Junior College submitted certified enrollment data for Summer 2014, Fall 2014, and Spring 2015.

Detailed Observations, Recommendations and Management's Response

1. Tyler Junior College over reported 15,277 hours in continuing education formula funding for the 2014 base period.

Tyler Junior College over reported 15,277 hours in continuing education formula funding for the 2014 base period. Applying an average rate of \$3.00 per hour, results in an over-reporting of \$45,935 for the base year and \$91,870 for the 16-17 biennium. Tyler Junior College reported a total of \$14,530,388 in formula funding for the 2014 base period with continuing education contact hours accounting for \$689,668 of the total formula funding. Overall, Tyler Junior College over reported by 0.32% ($\$45,935/\$14,530,388$) for the 2014 base period. Attachment 1 provides a snapshot of formula funding at Tyler Junior College for the 2014 base year.

On a contact hour basis, for Quarter 1 (Fall) 2014, 1.7% of the hours reported for continuing education funding for Tyler Junior College were for students under the age of 18. Similarly, for Quarter 2 (Spring) 2015, 12% of the hours reported for continuing education funding were for students under the age of 18. For the 2014 base period, 6.7% of the hours reported for continuing education funding were for students under the age of 18.

Summary of Tyler Junior College Formula Funding Non-compliance

- Tyler Junior College did not meet the "immediate employment" aspects of TAC § 9.1(5) for continuing education contact hours reported for students 17 and under.

Continuing education funding is designed for continuing the education of adults and to provide job training for immediate employment. TEC § 130.003(e)(4) refers to continuing education programs as "continuing **adult** education programs for occupational or cultural upgrading" (emphasis added). Workforce education, as a part of continuing education, is designed to train adults after graduating from high school for immediate employment. TAC § 9.1(31) defines a workforce continuing education course as a course "... with an occupationally specific objective" TAC § 9.1(5) defines a career technical/workforce program as "... intended to prepare students for **immediate employment** or a job upgrade in a specific occupation." (emphasis added)

Recommendation

Comply with statutory and rule limitations regarding immediate employability for continuing education contact hours reported for formula funding. Consider alternatives, such as providing courses as credit courses instead of continuing

education courses, particularly level 1 certificate programs, to support public secondary school districts with the challenge of HB 5 implementation.

Management Response

The College placed emphasis on TEC §130.003 (e) which states: The purpose of each public community college shall be to provide: (7) work force development programs designed to meet local and statewide needs. To this end, the College interpreted the ability to work in Texas at age 16 as satisfying the immediate employability construct for entry level occupations. Given that CNA, lifeguarding, and other programs/certificates/licenses are available to students under the age of 18, one could reasonably infer that no age restriction is present. Due to the ambiguity of the language and the compelling governmental interest of colleges addressing the needs of their communities, the College followed prior guidance from the Coordinating Board's website and interpreted the statutes in favor of the omissions rather than inferring a restriction/limitation was intended to be included. Moreover, the College did not interpret TAC§ 9.1 (5) to specifically apply to after graduation and requests further clarity of the guidelines and their respective application. The following items are relevant:

- 1) *The CE specific FAQ removed from the THECB website was still searchable on the internet until May of 2016. It stated:*

Q: What is the minimum age restriction for CE students enrolled in courses reported for formula funding? A: There is no minimum age restriction written into state statute or rules at this time. Each college should have its own written policy on this. Many colleges establish 16 or 17 as a minimum age but allow exceptions in special cases. Colleges are urged to use common sense about this. The Legislature devotes a certain amount of money to higher education, and would not be pleased to hear that this money has been used to fund courses for the under-16 set when K-12 has been funded for that age group.

- 2) *Each course that was submitted for formula funding was a course that was active in the current WECM inventory with the exception of the Food Workers Certification course that was approved by the WECM committee to meet local needs by the Northeast Texas Health District for food safety.*
- 3) *Each program that received formula funding included courses tied to WECM courses and outcomes.*
- 4) *The courses that were submitted for formula funding provide specific skills that have been identified as industry needs.*

The College respectfully requests the Coordinating Board consider the following clarifications regarding specific programmatic elements:

- 1) **Food Workers Certification** – Employees who prepare or handle food must complete a Food Handler training course. This course was approved by the WECM committee to meet local needs for the Northeast Texas Health District regarding food safety. This certificate provided immediate employment for entry level food related occupations. This certification is governed and regulated by the **Texas Department of State Health Services** and the **Northeast Texas Health District**.
- 2) **Lifeguard Training** – Tyler Junior College offers a Lifeguard Training program to meet employment needs. In our region pools will have to shut down or limit hours of operation as a result of a shortage of trained and certified life guards. This training and certification is regulated by the **American Red Cross** which offers lifeguard training to participants age 15 and up. <http://www.redcross.org/take-a-class/lifeguarding>
- 3) **Certified Nurse Aide (CNA)** – Employment of nursing assistants and orderlies is projected to grow 17 percent from 2014 to 2024, much faster than the average for all occupations. Because of the growing elderly population, many nursing assistants and orderlies will be needed to assist and care for these patients. Tyler Junior College offers this program in order to meet this demand. CNAs may be employed at age 17 in a long term care facility. This certification provides many with an opportunity for an entry point on a career ladder in medical care professions. This program is regulated by the **Texas Department of Aging and Disability Services**.
- 4) **CE Automotive Programs/High School Automotive Programs (CE only)** – These courses serve as a pathway for the automotive program and the welding program at the College. Students received a good foundation for entering and being successful in the college credit technical programs. At that time, there were very few career and technical education offerings available to high school students. It is important to keep in mind that these courses are in alignment with WECM courses and are introductory and foundational courses. Students who choose not to continue their education have an advantage in entering the workforce because they receive specific skills training that other high school graduates do not have. As a result, they are eligible for immediate employability in various jobs within the automotive industry. In effect, the CE courses have been gateway courses in the secondary schools that are a part of the coherent sequence of courses that enable students to complete their high school endorsement and lead into college courses during their junior and senior year of high school. Students who finish these CE courses are eligible to receive a certificate of completion for each class which they can add to a resume and provide to potential employers.

In addition, TJC submits Continuing Education student and class data through the CBM00A (Student Report) and CBM00C (Class Report) in accordance with procedures outlined in the Reporting and Procedures Manual for Texas Community, Technical, and State Colleges provided by the THECB. At the time of submission, the THECB Educational Data Center (EDC) provides an edit that scrutinizes each report for questionable or erroneous data. TJC's reporting official works with the Continuing Education Department to correct all data to ensure both reports are free of errors and contact hours are in balance. It is important to note that during the audit period, no underage students were flagged for errors. College reporting officials rely on the EDC's audit reports to flag any unacceptable errors that could result in overfunding. In Summer 2016 (after our initial audit findings were released), the THECB Educational Data Center implemented new report auditing procedures that now detect and flag underage students. Doug Parker, from THECB, announced this implementation at the summer Texas Association of Collegiate Registrars and Admissions Officers (TACRAO) meetings. TJC was already aware of this since the errors were noted in the audit process for spring CBM00A.

Excerpted from TJC's Audit Transmittal Letter (see Attachment II)

TJC strives to serve the needs of our communities, and we continuously gauge local employment needs and address local workforce shortages through cost effective approaches. We believe that the implemented interpretations will adversely impact students who, while desiring licenses and certifications that provide a career pathway, have not always followed the traditional path of graduating from high school. As per our previous conversations and in the interest of finding a reasonable solution, the College's Board of Trustees and administration recommends that TJC provide reimbursement to the state in the amount of \$9,484 per year for two years, for a total of \$18,968, for students served who were under the age of 16.

Auditor Follow Up Comment to Management's Response

"Continuing education" in the Texas Education Code refers to "continuing adult education for occupational or cultural upgrading," and the Coordinating Board rule further specifies that such continuing education is to prepare students for immediate employment. Federal and State labor laws impose various restrictions on employing juveniles. There is no provision in the Education Code or the Board's rules for "continuing juvenile education."

Approximately two thirds of the \$91,870 of formula funds questioned in the audit report were for automotive-related continuing education classes that are available as both continuing education and credit courses. Age would not have been a factor had the courses been conducted as dual credit, versus continuing education.

2. Documentation of academic course contact hours for courses delivered through agreements with local independent school districts requires improvement.

Documentation of academic course contact hours for courses delivered through agreements with local independent school districts (ISDs) requires improvement. Reported enrollment on the Class Report (CBM004) for 12 of 91 (13%) classes tested was not correct as follows:

Subject Prefix	Course No.	Section No.	Contact Hours Reported	Contact Hours Verified	Exception
Summer I					
ENGL	1302	28067FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
HIST	1302	28002FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
PSYC	2301	28158FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
SPCH	1315	28041FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
WLDG	2443	28166FE	128	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
Fall 2014					

SPCH	1144	10743	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
Spring 2015					
BIOL	1406	12355FE	96	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
ENGL	1301	12433FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
ENGL	2332	12303FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
ENGL	2332	12429FE	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
HITT	1305	20336	48	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus
IMED	1316	22155	96	Unable to determine	Course delivered via agreement with local ISD and not documented in Banner or on syllabus

For the 12 courses noted above, class meeting days and times were not documented in the Banner student data system, course schedule listing and or the course syllabus. As a result, the contact hours reported could not be verified. The courses were validated as having been held by reviewing a sample of student transcripts.

All course contact hours reviewed were reported within the Academic Course Guide Manual (ACGM) maximum contact hour limits.

Additionally, for one course, TJC reported 48 contact hours but a review of class meeting information in the Banner student data system indicated the course met only 45 contact hours. TJC over reported three contact hours.

Subject Prefix	Course No.	Section No.	Contact Hours Reported	Contact Hours Verified	Over-reported/ Exception
Summer II					
PHYS	1402	40145	48	45	3

Texas Administrative Code (TAC) Section 13.103(a) requires that institutions not submit excess hours to the Board for the purposes of formula funding unless those hours are exempt. TAC §1.13 (b) (2) (B) requires that compliance monitoring verify data reported by institutions of higher education for formula funding allocations to ensure the data is accurately and consistently reported.

Recommendation

Improve internal controls to ensure that the amounts reported on the CBM004 are correct and supported by appropriate documentation.

Management Response

The College’s organizational structure now has both academic affairs and student affairs reporting to the Provost and Vice President, and is focused on student success, academic rigor and relevance, and data integrity. In addition, the College added another high level administrative position, a Director for School District Partnerships, to serve as liaison to the school districts and to ensure proper reporting that meets all requirements for dual credit offerings. All college level courses taught on high school sites are no longer reported as TBA in the College’s system, Banner. The dual credit liaison confirms days and times of instruction to properly meet all contact hour requirements. It is also important to note that the College recently went through its off-campus site visit by the Southern Association of Colleges and Schools/Commission on Colleges and received glowing reports about the integrity of the reports.

3. Tyler Junior College student information systems access controls require improvement.

Tyler Junior College student information systems access controls require improvement. Tyler Junior College does not have policies and procedures in place to limit access to information systems and to ensure there are adequate controls to protect student information. Tyler Junior College’s student information system contains the institution's confidential data and records, including enrollment information reported for formula funding purposes.

We observed that three out of 27 (11%) users reviewed were assigned security level permissions that provided access to screens in the student information system that were not required to meet the user’s current business needs. These three users had permissions that provided inappropriate access to formula funding related data.

We noted the following during the review:

Items Noted During the Review of 27 Users with Access Permissions to the Student Information System	# of Users Noted	Percentage
User is not involved with enrollment related processes at TJC	3	11%

FERPA (34 CFR § 99.31(a)(1)(ii) requires that “An educational agency or institution must use reasonable methods to ensure that school officials obtain access to only those education records in which they have a legitimate educational interests.” In addition, TAC § 202.71(b)(8) should be used as a best practice and requires “developing and recommending policies and establishing procedures and practices ... necessary to ensure the security of information and information resources against unauthorized or accidental modification, destruction, or disclosure.”

Policies and procedures and enhanced oversight of the College’s student information system would provide greater assurance that student information security and integrity is achieved.

Recommendation

Enhance controls over access to educational records, in particular establish and implement policies and procedures and user access permission controls, to comply with 34 CFR § 99.31 (FERPA) and align with the best practices of TAC §§ 202.70 – 202.76 to better protect registration information and other student data from unauthorized use.

Management Response

*The College values security and privacy for student data and agrees that a better access control process is necessary. To strengthen the current structure, the College developed a **Banner Request for Access Form**, that is now in practice. The College will require all current users to be revalidated against their current access needs. Additionally, the approval process will require a minimum of two approvals – the immediate supervisor and the data custodian(s) of the area(s) the person is requesting access. This form will be attached to the person's record in Banner through the use of the current imaging system and a hard copy will be provided to the Human Resources Office for inclusion into the individual's personnel record.*

PERFORMED BY:

Mr. Keith Overton-Hadnot, MBA, Compliance Specialist (Lead Auditor)

cc:

THECB

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Mr. Ken Levine, Director

**Attachment I
Snapshot of Formula Funding
Continuing Education
Base Year 2014**

Quarter	Total Stdnts	Total Hours	FF \$ based on avg \$/hr	Under 18				Under 16			
				Stdnts	Hours	% hrs	FF \$	Stdnts	Hours	% hrs	FF \$
Summer I 2014	2008	56,042	\$168,509	94	6,742	12.0%	\$20,272	16	1,230	2.2%	\$3,698
Summer II 2014	1728	60,817	\$182,866	35	635	1.0%	\$1,909	3	44	0.1%	\$132
Fall 2014	2059	54,138	\$162,784	35	894	1.7%	\$2,688	8	40	0.1%	\$120
Spring 2015	1419	58,370	\$175,509	93	7,006	12.0%	\$21,066	23	1840	3.2%	\$5,533
Total		229,367	\$689,668	257	15,277	6.7%	\$45,935	50	3,154	1.4%	\$9,484