

TEXAS HIGHER EDUCATION COORDINATING BOARD

AGENCY OPERATIONS COMMITTEE

VIA LIVE BROADCAST

January 20, 2021
10.30 a.m.

(or upon adjournment of the Committee on Academic Workforce and Success meeting,
whichever occurs later)

*Ricky A. Raven,
Chair
Emma W. Schwartz
Vice Chair
S. Javaid Anwar
Cody C. Campbell
Fred Farias III, O.D.
Levi D. McClenny,
Student Representative,
Ex-Officio
Stuart W. Stedman
Ex-Officio*

AGENDA

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time. For procedures on testifying, please go to <http://www.highered.texas.gov/public-testimony>

I. Welcome and Committee Chair's Opening Remarks

II. Approval of the Minutes

A. October 21, 2020, Committee Meeting

III. Public Testimony on agenda items relating to the Agency Operations Committee

IV. Agency Operations

A. Report on grants and contracts

B. Update on the 87th Texas Legislature

V. Finance

A. Review of the Fiscal Year 2021 Financial Report to the Board

B. Consideration of approving the issuance of a Request for Proposals (RFP) for selection of a vendor for Bond Counsel relating to the performance of legal services for the agency in support of the student loan bond program

C. Consideration of approving a two-year extension for the student loan software contract with Nelnet

D. Consideration of approving the issuance of a Request for Proposals (RFP) for selection of a vendor to provide software for supporting and servicing of the agency's student loan programs

VI. Internal Audit

- A. Update on Internal Audit Reports and Activities
 - (1) Final Report – A Review of Contract Administration
 - (2) Final Report – Internal Audit and Compliance Monitoring Quality Assurance and Improvement Program for FY 2020

VII. Compliance Monitoring

- A. Update on Compliance Monitoring Reports and Activities
 - (1) Final Report – A Formula Funding Follow Up at Temple College
 - (2) Final Report - A Formula Funding Desk Review at Wharton County Junior College

VIII. Adjournment

The Texas Higher Education Coordinating Board Committee on Agency Operations may convene in Executive Session at any point in this meeting, concerning any item listed in the agenda or to seek or to receive its attorney's advice on legal matters related thereto, pursuant to Texas Government Code Ann. 551.071.

Note: Because the number of Board members who may attend the committee meeting may create a quorum of the full Board, the meeting of the Committee on Agency Operations is also being posted as a meeting of the full Board. The Board will not consider or act upon any item before the Committee on Agency Operations at this meeting. This meeting is not a regular meeting of the full Board.

Texas Penal Code Section 46.035(c) states: "A license holder commits an offense if the license holder intentionally, knowingly, or recklessly carries a handgun under the authority of Subchapter H, Chapter 411, Government Code, regardless of whether the handgun is concealed or carried in a shoulder or belt holster, in the room or rooms where a meeting of a governmental entity is held and if the meeting is an open meeting subject to Chapter 551, Government Code, and the entity provided notice as required by that chapter." Thus, no person can carry a handgun and enter the room or rooms where a meeting of the THECB is held if the meeting is an open meeting subject to Chapter 551, Government Code.

Please Note that this governmental meeting is, in the opinion of counsel representing THECB, an open meeting subject to Chapter 551, Government Code and THECB is providing notice of this meeting as required by Chapter 551. In addition, **please note** that the written communication required by Texas Penal Code Sections 30.06 and 30.07, prohibiting both concealed and open carry of handguns by Government Code Chapter 411 licensees, will be posted at the entrances to this governmental meeting.

Agency Operations Committee

AGENDA ITEM I

Welcome and Committee Chair's Opening Remarks

Mr. Ricky Raven, Chair of the Agency Operations Committee, will provide the Committee an overview of the items on the agenda.

Agency Operations Committee

AGENDA ITEM II

Consideration of Approval of the Minutes from October 21, 2020, Committee meeting

RECOMMENDATION: Approval

DRAFT
TEXAS HIGHER EDUCATION COORDINATING BOARD
Agency Operations Committee

Wednesday, October 21, 2020; 12:53 p.m.

Via Live Broadcast

The Agency Operations Committee convened at 12:53 p.m. on October 21, 2020, with the following members present: Ricky Raven, presiding; Emma Schwartz; Fred Farias; Stuart Stedman; and Levi McClenny (Ex-Officio).

Other Board members present: Sam Torn; Donna Williams; and Welcome Wilson

Members absent: Javaid Anwar and Cody Campbell

AGENDA ITEM	ACTION
I. Welcome and Committee Chair's Opening Remarks	Chair, Ricky Raven, called the video conference meeting of the Agency Operations Committee to order and called the role. All members, except Mr. Anwar and Mr. Campbell, were present. Mr. Stedman made himself a voting member for this meeting. A quorum was met.
II. Consideration of Approval of the Minutes from July 22, 2020, Committee Meeting	On a motion by Dr. Farias, seconded by Mr. Stedman, the Committee approved the July 22, 2020, Agency Operations Committee meeting minutes. Vote: Four in favor, none against.
III. Public Testimony	No action required.
IV. Consent Calendar	There were no agenda items on consent for this meeting, therefore no action was required.
V. Agency Operations	
A. Report on grants and contracts	Ms. Nichole Bunker-Henderson, General Counsel, and Ms. Linda Natal, Director of Contract & Grant Management, were available for questions. This item did not require any action.

AGENDA ITEM	ACTION
B. Update on Agency Preparations for the 87th Texas Legislative Session.	Mr. John Wyatt, Senior Director for External Relations, presented this item to the Committee and was available for questions. This item did not require any action.
C. Consideration of approving the acquisition of a 4-year contract for managed print services.	<p>On a motion by Mr. Stedman, seconded by Mr. Raven, the Committee approved the recommendation to the Committee relating to the acquisition of a 4-year contract for managed print services. Vote: Four in favor, none against.</p> <p>Ms. Zhenzhen Sun, Assistant Commissioner and Chief Information Officer for Information Solutions and Services, presented this item to the Committee and was available for questions.</p>
VI. Finance	
A. Review of the Fiscal Year 2020 Financial Report to the Board	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee and was available for questions. This item did not require any action.
B. Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds	<p>On a motion by Ms. Schwartz, seconded by Dr. Farias, the Committee approved the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds Vote: Four in favor, none against.</p> <p>Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee and was available for questions. Mr. Richard Donahue, Partner with McCall, Parkhurst & Horton, and Mr. Lee Donner, Managing Director with Hilltop Securities, were also available for questions.</p>
VII. Internal Audit	
A. Update on Internal Audit Reports and Activities	Mr. Mark Poehl, Assistant Commissioner, Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item and were available for questions. This item did not require any action

AGENDA ITEM	ACTION
B. Discussion of An Audit Report on Financial Management Processes at the Higher Education Coordinating Board by the Texas State Auditor's Office	Ms. Lauren Godfrey, Audit Manager, and Mr. Amadou Ngaide, Managing Senior Auditor, from the Texas State Auditor's Office, presented this item and were available for questions. This item did not require any action.
VII. Compliance Monitoring	
A. Update on Compliance Monitoring Reports and Activities	Mr. Mark Poehl, Assistant Commissioner, Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item and were available for questions. This item did not require any action.
VIII. Adjournment	On a motion by Ms. Schwartz, seconded by Dr. Farias, the meeting adjourned at approximately 1:36 p.m. Vote: Four in favor, none against

Agency Operations Committee

AGENDA ITEM III

Public Testimony on agenda items relating to the Agency Operations Committee

RECOMMENDATION: No action required

Background Information:

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time as determined by the presiding chair.

Agency Operations Committee

AGENDA ITEM IV-A

Report on grants and contracts

RECOMMENDATION: No action required

Background Information:

Title 19 Texas Administrative Code, Title 19, Rule 1.16(j) establishes that any contract for the purchase of goods or services that exceeds \$1 million may be entered into only if the contract is approved and signed by the Commissioner, to whom the Board of the Texas Higher Education Coordinating Board (THECB), by virtue of this rule, delegates such approval and signature authority. In addition to the Board receiving a quarterly report on *Contracts Executed by the Agency in Accordance with Board Rule 1.16*, the THECB staff also provides the Board a quarterly report highlighting and listing all grants and contracts exceeding \$1 million.

Nichole Bunker-Henderson, General Counsel, is available to answer questions.

Agency Operations Committee

AGENDA ITEM IV-B

Update on the 87th Texas Legislative Session

RECOMMENDATION: No action required

Background Information:

The 87th Texas Legislature will convene on January 12, 2021.

John Wyatt, Senior Director for External Relations, will provide an update on agency activities to assist lawmakers and support effective higher education policies during the legislative session.

Agency Operations Committee

AGENDA ITEM V-A

Review of the Fiscal Year 2021 Financial Report to the Board

RECOMMENDATION: No action required

Background Information:

During each quarterly Committee meeting, the Finance Department provides a financial report summarizing the agency's fiscal-year-to-date budgetary and financial activities. This is a financial management report that is developed for both agency and Board use. Staff may revise this report periodically to present the most relevant information.

Key points:

- This report reflects data for the first quarter of fiscal year 2021.
 - September 1, 2020 through November 30, 2021.
- The report is distributed to agency executive management on a monthly basis.
- Report overview:
 - Budget adjustments are primarily related to carrying forward of unexpended balances (UB) from FY20 into FY21.
 - College Access Loan volume is about 8% lower than previous year's level.
 - A bond sale is anticipated to occur in July 2021 to fund new loans up to \$180 million for the 2021/22 academic year.
 - The sale of bond to refund the 2011 bonds is anticipated to take place in May of 2021. The actual sale date may vary based on market conditions.
 - Many programs require various levels of contract approval. Therefore, encumbrances or expenditures for some programs may take longer and will typically be reflected later in the fiscal year.
 - The Graduate Medical Education Expansion program is projected to receive \$11.8 million from the GME permanent fund to fund additional residency positions. This is \$800 thousand higher than originally appropriated.
 - The Texas OnCourse initiative will begin to be reflected in this report starting with the April committee meeting. The budget and expense activity is consolidated within the administrative strategy A.1.1. College Readiness and Success.

Ken Martin, Assistant Commissioner for Financial Services/CFO, will present this item to the Committee and is available to answer any questions.

Agency Operations Committee

AGENDA ITEM V-B

Consideration of approving the issuance of a Request for Proposals (RFP) for selection of a vendor for Bond Counsel relating to the performance of legal services for the agency in support of the student loan bond program

RECOMMENDATION: Approval

Background Information:

The Board utilizes the legal services of specialized bond counsel in support of the College Access Loan program. The student loan program issues private activity tax exempt general obligation bonds to fund the issuance of student loans each year. Bond counsel also assists Agency staff with complex legal issues concerning the issuance of tax-exempt general obligation state bonds, as well as, maintaining compliance with IRS tax code, Security Exchange Commission (SEC) rules and various state laws. This function is critical for the proper operation and legal compliance of the student loan program.

The current contract for bond counsel with McCall, Parkhurst & Horton will expire on August 31, 2021.

Student lending is a very specialized field and there are a limited number of firms with expertise in this area. Therefore, staff is bringing this request forward to allow sufficient time for vendors to respond and for staff to review the qualified respondents.

During the contract period it is anticipated that the board will issue new money bonds and refund the 2012 and 2013 bond series in FY22 and FY23 respectively. Staff is requesting authorization to issue a Request for Proposals (RFP) up to \$440,000 for Bond Counsel for a 2-year period beginning 9/1/2021.

Key points:

- This request is for a 2-year period beginning on 9/1/2021.
- The Office of the Attorney General is required to provide the final approval for a contract for legal services.
- The College Access Loan program is financially self-supporting and does not receive general revenue from the state.
- The current outstanding program bond portfolio is \$1.2 billion.
- The cost of bond counsel services for each bond issue is approximately \$80,000 to \$90,000. This excludes expenditure reimbursements for THECB fees paid by MPH.

- Bond counsel provides a critical role for maintaining legal compliance that supports the existing loan program and future bond issues.
- There is a very narrow field of legal firms who support for student loan bonds nationally.
- Statewide private activity bond demand has increased considerably over the past 3 years. This has constrained the availability of the state's tax exempt private activity bonding authority.
- Bonds are authorized under the Texas Constitution, Sections 50b-4 through 50b-7.
- 10% of state volume cap is reserved for state voter issuers (Tx Gov. Code, Sec. 1372).
- These bonds are backed by the full credit of the state (AAA rating June 2020).
- The Board typically issues between \$150 and \$180 million of new bonds annually to fund new student loans.

Regulatory requirements

1. Texas Constitution, Art III, Sec. 50b thru 50b-7
2. TX Gov. Code, Chapter. 1372 – Private Activity Bonds and Certain Other Bonds
3. TX Gov. Code, Chapter. 2254 – Professional and Consulting Services
4. TX Gov. Code, Chapter. 1201 – Public Security Procedures Act
5. TX Gov. Code, Chapter. 1202 – Examination and Registration of Public Securities
6. TX Gov. Code, Chapter. 1207 – Refunding Bonds
7. TX Gov. Code, Chapter. 402 – Attorney General
8. TX Ed. Code, Chapter. 52 – Student Loan Program
9. TX Ed. Code, Section 56.121-56.135 – Revenue Bonds
10. TX Admin Code (TAC) §57.4 Request for Qualification Process
11. TAC §22 – Hinson Hazelwood College Student Loan Program
12. SEC Rule 15c2-12 - (Disclosures)
13. IRS IRC 57(a)(5) – Tax Exempt Interest
14. IRS IRC 141 – Private Activity Bonds
15. IRS IRC 144 – Qualified Student Loan Bond
16. IRS IRC 148 – Arbitrage
17. IRS IRC 147(f) – Public Approval Required for PABs
18. Bond Resolution/Covenants

College Access Loan Program Historical Bond Sales

<u>Series</u>	<u>Par + Net Premium</u>	<u>TIC</u>	<u>Sale Type</u>
2015	\$ 169,502,971	3.05%	Competitive
2016	\$ 179,995,090	4.11%	Competitive
2017	\$ 170,613,632	3.11%	Competitive
2018R	\$ 103,848,967	2.68%	Competitive
2019	\$ 170,275,723	3.35%	Competitive
2019R	\$ 54,855,263	2.12%	Competitive
2020A	\$ 99,714,446	2.25%	Competitive
2020B	\$ 87,491,173	1.42%	Competitive

College Access Loan program disbursement history

CAL Disbursements by Fiscal Year (9/1/ - 8/31)

<u>Fiscal Year</u>	<u># of Students</u>	<u>Gross Disbursed</u>
FY 2011	10,541	\$101,414,725.71
FY 2012	10,179	\$103,522,726.80
FY 2013	8,803	\$96,227,751.04
FY 2014	9,428	\$108,205,388.75
FY 2015	10,924	\$128,983,050.13
FY 2016	12,803	\$157,575,807.92
FY 2017	14,414	\$177,070,607.26
FY 2018	11,515	\$145,714,842.99
FY 2019	12,211	\$160,753,002.60
FY 2020	10,389	\$113,247,233.84
Total	111,207	\$1,292,715,137.04

source: Helms Extract 10 15 2020

General legal services provided

- (1) Respond to general questions and attend regular board meetings of the Agency and other meetings on general matters relating to the operations of the Agency and consult with staff and outside consultants regarding all finance-related matters, to the extent requested.
- (2) Meet with and review reports prepared by the Agency's Financial Advisors and other employees and consultants, to the extent requested.
- (3) Advise the Agency and staff on the legal requirements and responsibilities regarding the issuance of debt Securities and the investment of the proceeds of the Securities.
- (4) Review finance-related proposals relating to proposed financings, consult with underwriters and their counsel and other parties regarding those proposals, and participate in the selection process for underwriters, trustees and other finance-related professionals, to the extent requested.

- (5) Review legal issues relating to the structure of the Securities; issue, prepare and review the documents necessary or appropriate to the authorization, issuance and delivery of the Securities including, but not limited to, the Bond Resolution, Paying Agent/Registrar Agreement, Escrow Agreement, if applicable, Pricing Certificate and various closing and other certificates; and participate in the preparation and coordination of financing schedules for various bond issues to avoid conflicts. Outside Counsel will also coordinate the authorization and execution of such documents.
- (6) Assist the Agency in seeking from other governmental authorities such approvals, permissions and exemptions as Outside Counsel determines are necessary or appropriate in connection with the authorization, issuance and delivery of the Securities, except that Outside Counsel will not be responsible for any Blue Sky filings.
- (7) Subject to the completion of proceedings to Outside Counsel's satisfaction, render Outside Counsel's legal opinion to the Agency (the "Approving Opinion") regarding the validity and binding effect of the Securities, the source of payment and security for the Securities, and, if the Securities are issued on such basis, the excludability of interest on the Securities from gross income for federal income tax purposes.
- (8) Assist the Agency in presenting information to bond rating organizations and providers of credit enhancement relating to legal issues affecting the issuance of Securities, to the extent required or requested, and review and negotiate on behalf of the Agency the terms of any credit enhancement agreements with respect to the Securities.
- (9) Attend informational meetings with prospective purchasers of Securities and meetings with bond rating agencies, to the extent required or requested.
- (10) Submit the transcript of legal proceedings pertaining to the authorization and issuance of the Securities to the Attorney General of Texas for approval.
- (11) Supervise the execution, printing, Attorney General's approval, and Comptroller of Public Accounts' registration of the Securities, and delivery thereof to the purchaser.
- (12) Render an opinion to the Agency and to the purchasers of the Securities to the effect that the information in the disclosure document relating to the Securities, the Bond Resolution under which the Securities are issued, the security for the Securities, tax matters, investments and the Approving Opinion is a fair and accurate summary of the information purported to be shown or are correct as to matters of law, as applicable.
- (13) Advise the Agency and staff regarding the requirements of finance-related documents.
- (14) Prepare all forms and responses that need to be filed with the IRS relating to any securities issued during this OCC Term or previously or to be issued by the Agency. Outside Counsel is not responsible for making calculations relating to rebate pursuant to Section 148 of the Internal Revenue Code of 1954, as amended.

Ken Martin, Assistant Commissioner for Financial Services/CFO, will present this item to the Committee and be available to answer any questions.

Agency Operations Committee

AGENDA ITEM V-C

Consideration of approving a two-year extension for the student loan software contract with Nelnet.

RECOMMENDATION: Approval

Background Information:

The Texas Higher Education Coordinating Board (THECB) is requesting approval to invoke an extension of the current contract for the student loan software for a two-year period from July 2021 through June 2023. The estimated cost is \$1.9 million over this two-year period. Nelnet is the current software vendor. The software supports loan origination, servicing, and litigation functions for all student loan programs. The current contract contains an initial four-year period and two two-year extensions, for a total of eight-years.

The THECB Higher Education Loan Management System (HELMS) is very specialized for the student lending industry. There are very few vendors developing and supporting student loan servicing software that meet the THECB's needs. It would require at least a two-year cycle to source a new vendor, if one could be identified.

- The main loan programs utilizing this software are: College Access Loan (CAL), B-On-Time (BOT), and the Texas Armed Services Scholarship Program (TASSP).
- The THECB Higher Education Loan Management System (HELMS) is very specialized toward the student lending industry.
- The number of federal loan originators was substantially reduced after 2010 when the Department of Education limited federal student loan originations to a few select vendors.
- The current contract allows for two two-year extensions after the initial four-year period ended in June 2019.
- The extension will not change the current pricing and terms.
- The current contract was negotiated in 2015 after an extensive RFP period.
- The annual costs for the previous loan software were \$1.4 million per year under previous contract.
- The THECB issues approximately \$150 million of loans and related bonds annually.
- The THECB currently services \$1.5 billion of student loans.
- The THECB sells tax exempt private activity bonds to support the CAL program loan funding needs. General Revenue TASSP loan program.

- The THECB is required to maintain compliance with various state statutes, Securities Exchange Commission rules and Internal Revenue Service regulations.
- The bonds are general obligation bonds that are backed by the State with a AAA credit rating.

HELMS Projected Two-Year Software Costs

HELMS Software Estimated Cost	July 2021 - June 2023
Annual Software License	\$ 695,000
Annual GT Software Maintenance	\$ 35,000
Enhancement/Upgrades	\$ 200,000
Projected Annual Cost	\$ 930,000
Total 2 Year Contract Estimate	\$ 1,860,000

Student Loan History (all loans)

Fiscal Year	Outstanding Balance
2014	\$1.21 billion
2015	\$1.29 billion
2016	\$1.38 billion
2017	\$1.47 billion
2018	\$1.61 billion
2019	\$1.67 billion

Ken Martin, Assistant Commissioner for Financial Services/CFO, will present this item to the Committee and is available to answer any questions.

Agency Operations Committee

AGENDA ITEM V-D

Consideration of approving the issuance of a Request for Proposals (RFP) for selection of a vendor to provide software for supporting and servicing of the agency's student loan programs

RECOMMENDATION: Approval

Background Information:

The Texas Higher Education Coordinating Board (THECB) is requesting approval to initiate a request for proposals for student loan software that would support current and future student loan programs. for a two-year period from July 2021 through June 2023. The estimated cost is \$8.0 million over an eight-year period. Nelnet is the current software vendor. The software supports loan origination, servicing, and litigation functions for all student loan programs. The current contract expires July 2023.

The THECB student loan programs require very specialized software to support the student loan programs. There are very few vendors developing and supporting student loan servicing software that meet the THECB's needs. It would require at least a two-year cycle to source a new vendor, if one could be identified.

- The main loan programs utilizing this software are: College Access Loan (CAL), B-On-Time (BOT), and the Texas Armed Services Scholarship Program (TASSP).
- The number of federal loan originators was substantially reduced after 2010 when the Department of Education limited federal student loan originations to a few select vendors.
- The previous contract was negotiated in 2015 after an extensive RFP period.
- The THECB issues approximately \$150 million of loans and related bonds annually.
- The THECB currently services \$1.7 billion of student loans.
- The THECB sells tax exempt private activity bonds to support the CAL program loan funding needs. General Revenue TASSP loan program.
- The THECB is required to maintain compliance with various state statutes, Securities Exchange Commission rules and Internal Revenue Service regulations.
- The bonds are general obligation bonds that are backed by the State with a AAA credit rating.

Projected Eight-Year Software Costs

Student Loan Software	\$ 900,000
Annual Maintenance	\$ 50,000
Enhancements/Upgrades	\$ 200,000
Estimated Annual Cost	\$ 1,150,000
Estimated 8 Yr. Cost	\$ 9,200,000

Student Loan History (all loans)

Fiscal Year	Outstanding Balance
2014	\$1.21 billion
2015	\$1.29 billion
2016	\$1.38 billion
2017	\$1.47 billion
2018	\$1.61 billion
2019	\$1.67 billion

Ken Martin, Assistant Commissioner for Financial Services/CFO, will present this item to the Committee and is available to answer any questions.

Agency Operations Committee

AGENDA ITEM VI-A

Update on Internal Audit Reports and Activities

RECOMMENDATION: No Action Required

Background Information:

The Internal Audit team completed three projects during the reporting period since the October 2020 Agency Operations Committee meeting. The final reports are attached.

Internal Audit Engagements Completed

- (1) *Review of Contract Administration (three findings)*
- (2) *Internal Audit and Compliance Monitoring Quality Assurance and Improvement Program Report for FY 2020 (summary report)*

Internal Audit Projects In Progress	Stage of Project
Information Security - Ongoing Status Assessment to AT&T Report	Fieldwork
SAO Performance Measures Follow Up	Fieldwork
Review of Borrower Services	Fieldwork
FY2021 Follow Up Reviews for various prior projects	Fieldwork

Other Internal Audit Activities

- Transition to new TeamMate cloud-based audit software
- Coordination of External Audit(s)
 - RFQ for Financial Statement Audit
 - SAO Audit – Financial Processes Management
- Various activities related to Federal Grants compliance including participation in grant committee meetings and Federal Grant compliance training

The final reports are attached. Mark Poehl, Assistant Commissioner, Internal Audit and Compliance, and Paul Maeyaert, Assistant Director, Internal Audit and Compliance, will present this item to the committee and are available to answer questions.



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

December 1, 2020

Stuart W. Stedman
CHAIR

Fred Farias III, O.D.
VICE CHAIR

Ricky A. Raven
SECRETARY OF THE BOARD

Levi D. McClenny
STUDENT REPRESENTATIVE

S. Javaid Anwar
Cody C. Campbell
Emma W. Schwartz
R. Sam Torn
Donna N. Williams
Welcome Wilson, Jr.

Harrison Keller, Ph.D.
COMMISSIONER
OF HIGHER EDUCATION

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Web site:
<http://www.highered.texas.gov>

Dr. Harrison Keller
Commissioner of Higher Education
1200 E. Anderson Lane
Austin, TX 78752

Dear Dr. Keller,

I am attaching the final report of *A Review of Contract Administration at the Texas Higher Education Coordinating Board*, Report No. THECB-IA-WP-20-227. This report will be presented at the January 2021 Agency Operations Committee meeting.

The issues presented in this report resulted in a Category 2 Report Rating. These reports contain some observations. While the noted observations require management attention, if addressed timely they do not pose a significant risk for negative reputational or financial consequences.

If you have any questions or comments, please let me know.

Sincerely,

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

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

EXECUTIVE SUMMARY

The contract administration process includes the life cycle of a grant and/or contract from start to finish and spans across multiple departments within the agency. The contract monitoring processes are generally effective in ensuring that contracts are administered in accordance with the Coordinating Board (CB) rules and related statutes. However, improvement is needed to reduce risk and strengthen controls, including:

- Divisional policies and procedures did not document step by step contract monitoring processes;
- Access to BMS was not current; and
- Content of the executed contract did not agree with the supporting documentation listed in the Agency's Business Management System (BMS).

We appreciate the assistance provided by College Readiness and Success (CRS) Division, and General Counsel staff members during this review.

Please see [Detailed Observations, Recommendations, and Management Responses](#) section for additional information.

Audit Objective, Scope and Methodologies

Our review objective was to review contract monitoring processes of CRS contracts.

The scope of our review included the current procurement and/or service contract monitoring processes according to:

1. The Coordinating Board policies and procedures
2. The State of Texas Contract Management Guide
3. Agency's Contract and Grant Policies, Chapter U-01, and
4. CRS internal controls procedures, which are the Division's Policies and Procedures for contract administration.

We interviewed appropriate CB staff, collected data, and performed testing to address the review objective.

We conducted this review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted this review in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a

reasonable basis for our findings and conclusions based on our review objectives. We further acknowledge that, as internal auditors, we are independent according to the requirements specified in Government Auditing Standards. Our consideration of internal control was for the compliance purposes described in the objective/scope section and was not designed to identify all deficiencies in internal control.

Background and Observations

A review of contract administration was included on the 2020 Internal Audit Plan. The contract administration process is centralized and automated with the use of the BMS which is an enterprise database system customized and administered by THECB.

Detailed Observations, Recommendations, and Management Responses

1. Divisional procedures did not document step by step contract monitoring processes, and a recently developed agency-level monitoring document can be improved.

Divisional procedures did not document step by step contract monitoring processes, and a recently developed agency-level monitoring document can be improved.

The internal controls document that CRS provided, had a brief section on monitoring, but was not comprehensive which reduced its usefulness. The document's monitoring section did not provide a detailed description and step by step procedures by contract types including grant contracts, service contracts, and procurement contracts. Detailed step by step procedures can improve usefulness and mitigate risks by promoting operational consistency and business continuity.

Detailed monitoring procedures can address several things to make them more useful to employees, such as,

- Checklists
- Tutorials
- Forms
- Screenshots
- Process maps

An agency-level monitoring checklist that was recently developed can be improved to be complete and more useful.

Checklists are tools used to better organize assignments and to easily verify important tasks. Well-designed checklists reduce errors and ensure consistency and completeness of the intended purpose. The agency-level checklist can be improved by:

- documenting steps in a question or statement form in sequential order, or based on significance,
- identifying expected outcomes of each step
- Addressing who should complete the checklist, and how the completion should be documented
- Establishing version control – when was the checklist most recently updated and how often is it reviewed?

The next observation further discusses that an attachment was referenced in an executed contract but was not attached to the contract and this error was overlooked by both CRS staff and the agency contract staff. A comprehensive and useful checklist may have prevented this error.

Recommendations:

1. Expand CRS written policies and procedures governing the monitoring of contracts.
2. Strengthen the agency-wide monitoring checklist to make it more comprehensive and useful for agency staff.

Management Response:

Management agrees with the recommendations.

The College Readiness and Success division will assign an internal control lead to improve the division monitoring document. Grants staff in the College Readiness and Success division will work with the Academic Quality and Workforce division and the Director of Grants and Contracts to review the checklist. They will share lessons learned and best practices in grant monitoring to help develop the checklist.

The Business Management System (BMS) is the THECB's contract routing and payment system. Prior to activation in the BMS system, all contracts and grants no matter the dollar threshold, follow a series of approval checkpoints, including "two or more officials" as noted in the Recommendations.

Pre-Execution: A contract is electronically routed for approval beginning with the Division Manager, Division Supervisor, Division Assistant Commissioner, Contracts, Legal, Financial Services and lastly by a Deputy Commissioner. BMS approval workflows exceed the approval requirements outlined in THECB's 19 TAC Rule §1.16.

Implementation Date:

The lead role will be assigned by December 1 and the checklist will be completed and incorporated into division internal controls by March 2020.

Responsible Party (ies):

- Ray Martinez, Deputy Commissioner for Academic Quality and Workforce
- Jerel Booker, Assistant Commissioner for College Readiness and Success
- Linda Natal, Director Grants and Contracts, Office of General Counsel

2. Content of the executed contract did not agree with the supporting documentation listed in BMS, and agency-wide approval chain requirements were not identified in written procedures.

Content of the executed contract did not agree with the supporting documentation listed in BMS and agency-wide approval chain requirements were not identified in written procedures.

A service contract was executed within the contract period, and payment was made appropriately to the vendor. However, an attachment as referenced in the contract was not attached to the executed contract. A strengthened monitoring procedure by CRS (discussed in the prior observation and recommendation) and the contract coordinator would better position the agency to ensure that contract documentation in BMS is complete.

Additionally, according to the contract coordinator, each contract should be approved by at least two agency officials regardless of dollar thresholds. Though the contracts we reviewed were approved by two or more officials, this requirement was not stated in written procedures.

Recommendations:

1. Implement monitoring procedures to ensure contracts are monitored accurately, as described in the recommendation to the first observation, above.

2. Expand agency-wide guidance to address the requirement that all contracts be approved by two or more agency officials.

Management Response:

Management for the Division of College Readiness and Success (CRS) agrees with the recommendation.

CRS will work closely with agency staff and the Director of Grants and Contracts to ensure contracts are monitored accurately. The division will also train all staff on the new processes and procedures.

The Business Management System (BMS) is the THECB's contract routing and payment system. Prior to activation in the BMS system, all contracts and grants no matter the dollar threshold, follow a series of approval checkpoints, including "two or more officials" as noted in the Recommendations.

Pre-Execution: A contract is electronically routed for approval beginning with the Division Manager, Division Supervisor, Division Assistant Commissioner, Contracts, Legal, Financial Services and lastly by a Deputy Commissioner. BMS approval workflows exceed the approval requirements outlined in THECB's 19 TAC Rule §1.16.

Obtaining Signatures: Contracts are currently approved by 7 agency officials, including Legal, Assistant Commissioner, and a Deputy Commissioner. Once approved by Deputy Commissioner, contract is ready to be signed both externally and internally. This process occurs outside the BMS system.

Post-Execution: Once a contract has been dually signed, division staff uploads the executed contract into BMS and escalates the BMS record in the workflow to "signed by contracted party" back to the Contracts team for final review and edit.

In response to the contract found to have the audit finding (#21664 for \$5,000), as the contract was routing for approval, the Contracts team flagged and noted the following:

- The contract referenced a schedule, but it was missing on the contract
- Inquired about travel costs
- Asked clarification on the contracted party
- The record was sent back to staff for revising and the schedule was included with the contract as it re-routed in BMS for approval.

The Contracts team did ensure the contract was dually signed before activating, completed vendor verifications, and after contract competition collected a Contract Close-out form, but overlooked the missing schedule on the executed contract. As noted in the audit report, the contract was executed within the contract period and payment was made appropriately to the vendor.

Implementation Date:

Completion of the monitoring checklist will be no later than March 2021, and the training will be provided to those staff taking on management responsibilities moving forward.

To prevent similar findings, the Contracts team has taken immediate action and implemented the following to their contract review checklist “referenced exhibits/schedules/attachments included in contract pre and post execution.”

Responsible Party (ies):

- Ray Martinez, Deputy Commissioner for Academic Quality and Workforce
- Jerel Booker, Assistant Commissioner for College Readiness and Success
- Linda Natal, Director Grants and Contracts, Office of General Counsel

3. User access to BMS was not current.

User access to BMS was not current. Our review of the CRS quarterly access report provided by Information Solutions and Services (ISS) found two staff who left the agency and were still listed under the quarterly report. CRS did not review the quarterly report for the quarter we reviewed. ISS sent an email to CRS with a report review deadline and followed up once with CRS after the deadline but did not receive a response. ISS did not have a process to escalate the non-response to executive management to ensure that the review was performed. Additionally, ISS written procedures over the access review process were outdated and included a contract/distribution list with employees who were no longer with the agency when the report was sent to CRS and other divisions for review.

Recommendations:

1. Respond to quarterly access review reports in a timely manner.
2. Ensure that ISS has a current contact list and strengthen the procedures to escalate non-responsive managers to executive management to ensure Divisions submit their reviewed quarterly report timely.

Management Response:

Management agrees with the recommendation.

A new lead staffer has been designated in the Division of College Readiness & Success to respond to the reports in a timely manner.

ISS has updated the Quarterly Review Instructions document. A new section "Escalation Process" has been added to the document to help ensure divisions submit their review responses timely.

Implementation Date:

This has been implemented.

Responsible Party (ies):

- Jerel Booker, Assistant Commissioner for College Readiness and Success
- Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services/Chief Information Officer

PERFORMED BY:

Mr. Aporajita Ahmed, CPA, CFE, CITP, CGMA, CICA, Certified Cybersecurity Professional, Internal Audit lead

CC:

THECB

Board Members

Commissioner's Office

Mr. Rey Rodriguez, Deputy Commissioner and Chief of Staff
Ms. Nicole Bunker-Henderson, General Counsel
Mr. Ray Martinez, Deputy Commissioner for Academic Quality and Workforce
Mr. Jerel Booker, Assistant Commissioner for College Readiness and Success
Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services

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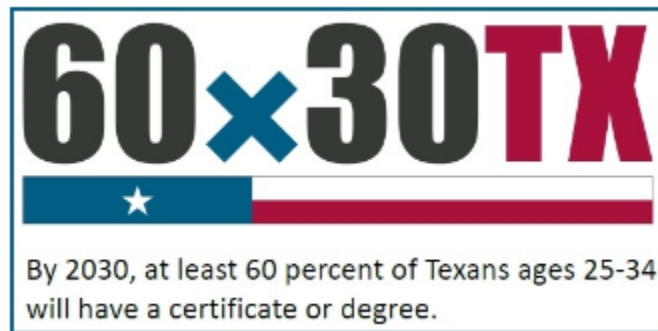
Mr. Christopher Mattson, Manager

Sunset Advisory Commission

Ms. Jennifer Jones, Executive Director

TEXAS HIGHER EDUCATION COORDINATING BOARD

Internal Audit and Compliance



Fiscal Year 2020

Quality Assurance and Improvement Program

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Requirements for Improvement

International Standards for the Professional Practice of Internal Auditing

Standard 1300-Quality Assurance and Improvement Program (QAIP): The Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. To implement this standard, the chief audit executive must consider the requirements related to its five essential components:

- Internal assessments (Standard 1311)
- External assessments (Standard 1312)
- Reporting on the QAIP (Standard 1320)
- Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" (Standard 1321)
- Disclosure of nonconformance (Standard 1322)

Generally Accepted Government Auditing Standards (GAGAS)

Chapter 5-Section 5.02 and 5.84, each audit organization performing audits in accordance with GAGAS must:

- a. Establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- b. Have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

Professional Requirements and Auditor Independence

The Internal Audit and Compliance Department conducts audits in conformance with GAGAS promulgated by the Comptroller General of the United States and the Institute of Internal Auditors (IIA's) International Standards for the Professional Practice of Internal Auditing and Code of Ethics. These standards require that we be independent from any entity or person that we audit or may audit and be objective when conducting such audits. Furthermore, IIA Standards and GAGAS require that the Chief Audit Executive confirm to the Board, at least annually, the organizational independence of the internal audit activity. THECB Internal Audit and Compliance is organizationally independent of management and as such, remains objective when conducting audits.

Internal Assessments

Internal Audit Performance Measures—for Fiscal Year 2020

Performance Measure/Goal	Results	
	Fiscal Year End August 31, 2020	
1. Was the approved annual audit plan achieved? <i>Substantial achievement is the goal, with a target of 90% of project workload completed by year end.</i>	Full Achievement	90%
2. Were final audit reports sent timely to oversight bodies? <i>Substantial achievement is the goal, with a target of 100% of final reports sent to oversight bodies within 30 days of final report issuance.</i>	Full Achievement	100%
3. Was the Internal Audit Annual Report submitted timely? <i>This report has a November 1 statutory deadline.</i>	Full Achievement	100%
4. Was the Internal Audit Annual Plan prepared in a timely manner? <i>Advance preparation activity must be staged throughout the year to ensure that the final Annual Plan is ready for board approval at the July meeting.</i>	Full Achievement	100%
5. Was the Internal Audit function in general conformity with professional standards, as measured by the External Quality Assurance Review? <i>General conformance with the Institute of Internal Auditors Professional Standards is the highest rating, followed by Partial Conformance and Non-Conformance.</i>	Full Achievement	100%
6. Was the Internal Audit function in general conformity with professional standards, as measured by an annual internal self-assessment? <i>General conformance with the Institute of Internal Auditors Professional Standards is the highest rating, followed by Partial Conformance and Non-Conformance.</i>	Full Achievement	100%
7. Was internal audit time used efficiently and effectively? <i>Internal Audit holds itself to responsible standards for the effective and efficient use of auditor time. A benchmark standard of 75% of each auditor's time being charged to an audit, or being related to conducting audits, is the goal.</i>	Full Achievement	100%

Internal Audit Internal Review

Internal Audit performed an assessment of internal audit work quality to satisfy the requirements of professional auditing standards. The self-assessment of internal audit work quality was based on an evaluation of the audit project *An Internal Audit of the Physician Education Loan Repayment Program at the Texas Higher Education Coordinating Board, THECB-IA-WP-18-204, issued in September 2018*. The review was conducted using the self-assessment tool outlined by the *State Agency Internal Audit Forum* in their Peer Review Process Manual.

Other improvement initiatives included migration of the Internal Audit and Compliance Monitoring webpage to a new and more modern platform and a comprehensive migration to an audit software, Teammate+, on a web-based platform. Both of these changes result in additional capabilities and efficiencies.

Compliance Monitoring Performance Measures for Fiscal Year 2020

Performance Measure/Goal	Results	
	Fiscal Year End August 31, 2020	
<p>8. Was the approved annual audit plan achieved?</p> <p><i>Substantial achievement is the goal, with a target of 90% of project workload completed by year end.</i></p>	Full Achievement	95%
<p>9. Were final audit reports sent timely to oversight bodies?</p> <p><i>Substantial achievement is the goal, with a target of 100% of final reports sent to oversight bodies within 30 days of final report issuance.</i></p>	Full Achievement	100%
<p>10. Was the Compliance Monitoring Annual Plan prepared in a timely manner?</p> <p><i>Advance preparation activity must be staged throughout the year to ensure that the final Annual Plan is ready for board approval at the July meeting.</i></p>	Full Achievement	100%
<p>11. Was the Compliance Monitoring function in general conformity with professional standards, as measured by the External Quality Assurance Review?</p> <p><i>Pass with Generally Accepted Government Auditing Standards is the highest rating, followed by Pass with Deficiencies and Fail.</i></p>	Full Achievement	100%
<p>12. Was Compliance monitoring audit time used efficiently and effectively?</p> <p><i>Compliance Monitoring holds itself to responsible standards for the effective and efficient use of auditor time. A benchmark standard of 75% of each auditor's time being charged to an audit, or being related to conducting audits, is the goal.</i></p>	Partial Achievement	100%
<p>13. How many third party inquiries were resolved through Compliance Monitoring assistance?</p> <p><i>Substantial achievement is the goal, with a target of 100% of responses to third party requests.</i></p>	Full Achievement	100%

A total of 154 compliance monitoring activities were conducted from FY 2015 through FY 2020. Compliance monitoring activities averaged 25.6 per fiscal year.

Compliance Monitoring			
Fiscal Year	Financial Aid	Formula Funding	Total
2020	17	19	36
2019	10	13	23
2018	16	12	28
2017	13	8	21
2016	11	10	21
2015	12	13	25

External Assessment



Texas Higher Education Coordinating Board

INTERNAL AUDIT and COMPLIANCE DEPARTMENT REPORT

August 2019

Prepared by:
Richard Tarr, CIA, CISA
P.O. Box 560716
Orlando, FL 32856
Ph/Fax: 407.896.2760
E-mail: rtarr@racar.com



Texas Higher Education Coordinating Board - 2019

OVERVIEW

An External Quality Assurance (EQA) review was conducted at the offices of the Texas Higher Education Coordinating Board (THECB) in Austin, Texas from July 8 to July 12, 2019 for audits conducted from September 1, 2016 to March 31, 2019.

Texas Government Code § 2102 (Texas Internal Auditing Act) requires an internal audit activity be in conformance with the Standards for the Professional Practice of Internal Auditing, the Code of Ethics, contained in the Professional Practices Framework as promulgated by the Institute of Internal Auditors (IIA), and with the Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS). These are collectively referred to as the *Standards* in this report.

The overall objective of the EQA review was to determine the extent to which the Internal Audit and Compliance Department (IACD) at THECB is in conformance with the *Standards* and the requirements of the Texas Internal Auditing Act.

The review was performed by Richard Tarr, CIA, CISA and Elizabeth Stepp, CPA, CIA, CGAP, CRMA who attest that they are fully qualified to conduct this EQA review, and are independent in all respects from THECB and the IACD. The reviewers utilized guidance from both the State Agency Internal Audit Forum (SAIAF) Peer Review Program's assessment tool and the IIA's 2017 "Quality Assessment Manual" that include within the scope of the work evaluations and assessments of the following areas:

- The Director, Internal Audit and Compliance's reporting relationship and his communication with the Agency Operating Committee, and the Commissioner of Higher Education;
- The independence and the objectivity of the audit work performed;
- Existing internal audit policies and procedures;

Richard H. Tarr, CISA, CIA

Page 2

Texas Higher Education Coordinating Board - 2019

- The risk assessment and annual audit planning process;
- The planning process for individual audit projects;
- The audit methodologies used in performing the work;
- A review of a representative sample of audit workpaper files and reports;
- The workpaper documentation that supported the work performed;
- The support in the workpapers for the conclusions and recommendations in the audit reports;
- How the results of audits are communicated;
- The procedures for following up on audit recommendations; and
- The knowledge, skills, discipline, and training of the staff.

Interviews were also conducted with selected individuals, who included, among others: the Chair of the Board; the Chair of the Agency Operating Committee (AOC); the Commissioner of Higher Education; the Deputy Commissioner for Academic Planning and Policy/Chief Academic Officer; the Deputy Commissioner for Agency Operations and Communications/Chief Operating Officer; the General Counsel; the Director of Internal Audit and Compliance; and the audit staff.

OPINION

It is important to note that the *Standards* are expressed in terms of broad concepts and objectives rather than detailed procedures, and their application requires the exercise of professional judgement. The extent of internal audit policies and procedures and the manner in which they are implemented will depend upon a number of factors such as an audit activity's size and organizational structure, the nature of its audit responsibilities, its philosophy with respect to the degree of operating autonomy appropriate for its staff, and the expectations of its board or governing body and senior management.

Based on the work outlined above, it is the review team's opinion concerning:

Richard H. Tarr, CISA, CIA

Page 3

Texas Higher Education Coordinating Board - 2019

The IIA Standards:

For the period under review, the internal audit activity at the THECB "Generally Conforms" to the IIA Standards, and the Code of Ethics. This is the top rating provided within the IIA guidance, with the others being "Partially Conforms" and "Does Not Conform". For a detailed list of conformance to individual IIA Standards, please see Attachment A. The review team has identified opportunities for further enhancing the internal audit activity, details of which are provided in this report.

The GAO Standards:

For the period under review, the ICAD at the THECB has in place, in all material respects, the appropriate processes and procedures in place to receive a Peer Review Rating of "Pass". This rating is the highest of the three ratings provided within the GAO Standards, with the other ratings being "Pass With Deficiencies", and "Fail". For a detailed list of conformance to individual GAO Standards, please see Attachment B.

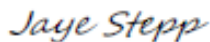
The Texas Internal Auditing Act:

As of July 12, 2019, the internal audit activity at the THECB conforms to all requirements.

This report should be sent to the Chair of the Board, the Chair of the Agency Operating Committee, and The Commissioner of Higher Education.



Richard H. Tarr, CIA, CISA
External Quality Assurance Team Lead



Elizabeth J. Stepp, CPA, CIA, CGAP, CRMA
External Quality Assurance Team Member

Agency Operations Committee

AGENDA ITEM VII-A

Update on Compliance Monitoring Reports and Activities

RECOMMENDATION: No Action Required

Background Information:

The Compliance Monitoring team completed two projects during the reporting period since the October 2020 Agency Operations Committee meeting. The final reports are attached.

- (1) A Compliance Monitoring Follow Up of Formula Funding at Temple College (no findings)
- (2) A Compliance Monitoring Desk Review of Formula Funding at Wharton County Junior College (no findings)

Projects in Progress	Stage of Project
Coastal Bend College (Formula Funding)	Reporting
Coastal Bend College – (Follow Up on Investigation)	Fieldwork
The University of Texas of the Permian Basin (Follow Up on NSRP)	Fieldwork
Clarendon College (Follow Up on NSRP)	Fieldwork
Sul Ross State University (Formula Funding)	Planning
Paris Junior College (Formula Funding)	Planning
Southwest Texas Junior College (Formula Funding)	Planning
Prairie View A&M University (Formula Funding)	Planning
Frank Philips College (Formula Funding)	Planning
West Texas A&M University (Formula Funding)	Planning
Lamar Institute of Technology (Formula Funding)	Planning
Collin County Community College (Collin College) (TEOG)	Planning

Other Compliance Monitoring Activities

- Working with Texas Southern University regarding admissions irregularities

The final reports are attached. Mark Poehl, Assistant Commissioner, Internal Audit and Compliance, and Paul Maeyaert, Assistant Director, Internal Audit and Compliance, will present this item and are available to answer questions.



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December 4, 2020

Dr. Christy Ponce, President
Temple College
2600 S. 1st Street
Temple, Texas 76504

Dear Dr. Ponce,

Temple College implemented the recommendation in our prior report *A Compliance Monitoring Desk Review of Formula Funding at Temple College*, issued May 29, 2020.

Management has implemented the audit recommendation by:

- Capturing and retaining student information system audit logs or change history for the critical data used for formula funding.

We appreciate the cooperation of your staff during this engagement. If you have any questions or comments, please let me know.

Sincerely,

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

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

PERFORMED BY:

Ms. Carol Conner, CFE, Compliance Specialist

CC:

THECB

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Dr. Julie Eklund, Assistant Commissioner

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Mr. Shawn Dach, Division Director, Information Systems

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Mr. Christopher Mattsson, Assistant Director



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December 4, 2020

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Ms. Betty A. McCrohan, President
Wharton County Junior College
911 Boling Highway
Wharton, Texas 77488

Dear Ms. McCrohan,

Wharton County Junior College complied with relevant Coordinating Board rules and regulations for enrollment data used for formula funding and with Texas Administrative Code (TAC) Title 19, Part 1, Chapter 13, in the areas of contact hour eligibility, tuition payments, and enrollments.

Summary

Our review included tests of relevant enrollment data reported and certified by Wharton County Junior College for accuracy and completeness in accordance with TAC, Chapter 13. Our desk review focused on the following enrollment data and time periods:

- Semester Credit Hours and Tuition Payments for CBM001 (Student Report) during summer semester 2019, fall semester 2019, and spring semester 2020;
- Contact Hours and Enrollment for CBM004 (Class Report) during summer semester 2019, fall semester 2019, and spring semester 2020; and
- Contact Hours and Enrollment for CBM00C (Continuing Education Class Report) during summer semester 2019, fall semester 2019, and spring semester 2020.

Our work included procedures to verify:

- Student tuition payment was received in accordance with requirements;
- Reported contact hours were eligible for formula funding; and
- Reported enrollment was eligible for formula funding.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments on the conduct of this review, please let me know

Sincerely,

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

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

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

**THECB
Board Members**

Commissioner's Office

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Ms. Nichole Bunker-Henderson, General Counsel

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner

Ms. Emily Cormier, Assistant Commissioner

Wharton County Junior College

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Ms. Pam Youngblood, Vice President of Technology

Dr. Amanda Allen, Vice President of Planning and Institutional Effectiveness

Texas Association of Community Colleges

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