

AGENCY OPERATIONS COMMITTEE

A G E N D A

**Texas Capitol
1100 Congress Ave.
Austin, Texas**

Capitol Extension, Room E1.030
(House Appropriations Committee Hearing Room)

Live broadcast available at: highered.texas.gov

11:30 P.M., Wednesday, October 26, 2022

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

Chair: Emma W. Schwartz

Vice Chair: Welcome W. Wilson, Jr.

Members: S. Javaid Anwar; Fred Farias III, O.D.; Robert P. Gauntt; Donna N. Williams

Student Representative: Georgia A. Blackwell (Ex-Officio)

AGENCY OPERATIONS COMMITTEE

A G E N D A

Public Testimony: The 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 of the Texas Higher Education Coordinating Board (Board) after staff has presented the item, or any other time as determined by the chair. For procedures on testifying, please go to higher.ed.texas.gov/public-testimony.

- I. Welcome and committee chair's opening remarks
- II. Consideration and possible action to approve the minutes for the July 27, 2022, committee meeting
- III. Public testimony on agenda items relating to the Agency Operations Committee
- IV. Consideration and possible action to approve the consent calendar
- V. Agency operations
 - A. Report on grants and contracts
 - B. Update on agency preparations for the 88th Texas Legislative Session
- VI. Finance
 - A. Review of the "Fiscal Year 2022 Financial Report" to the Board
- VII. Internal and external audit
 - A. Auditor's update on internal audit reports and activities
 - (1) Internal Audit Annual Report Fiscal Year 2022 (statutorily required)
 - (2) External Quality Assurance Review of Internal Audit and Compliance Monitoring
- VIII. Compliance monitoring
 - A. Auditor's update on state and federal compliance monitoring reports and activities
 - (1) "Compliance Monitoring Audit of Formula Funding at The University of Texas Medical Branch at Galveston" (no findings)
 - (2) "Compliance Monitoring Desk Review of College Access Loan at Concordia University" (no findings)

- (3) “Compliance Monitoring Desk Review of Tuition Equalization Grant at Southwestern University” (no findings)
- (4) “Compliance Monitoring Follow-Up Review of Tuition Equalization Grant at Huston-Tillotson University” (no findings)
- (5) “Compliance Monitoring Desk Review of College Access Loan at St. Mary’s University of San Antonio” (no findings)
- (6) “Compliance Monitoring Desk Review of Tuition Equalization Grant at McMurry University” (one finding relating to information security controls)
- (7) “Compliance Monitoring Audit of Texas Educational Opportunity Grant at South Plains College” (one finding related to student eligibility)
- (8) “Compliance Monitoring Audit of Tuition Equalization Grant at Lubbock Christian University” (no findings)
- (9) “Compliance Monitoring Desk Review of Tuition Equalization Grant at Hardin-Simmons University” (no findings)
- (10) “Compliance Monitoring Follow Up Review of House Bill 1735, 86th Texas Legislature, Policy Requirements at Dallas College” (no findings)
- (11) “Compliance Monitoring Follow Up Review of House Bill 1735, 86th Texas Legislature, Policy Requirements at Southwestern Christian College” (no findings)

IX. Adjournment

Executive Session: The Texas Higher Education Coordinating Board Agency Operations Committee 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 § 551.071.

Note: Because the Board members who attend the committee meeting may create a quorum of the full Board, the meeting of the Agency Operations Committee is also being posted as a meeting of the full Board. Only assigned committee members act upon any item before the Agency Operations Committee at this meeting.

Weapons Prohibited: Pursuant to Texas Penal Code § 46.03(a)(14), a person commits an offense if the person intentionally, knowingly, or recklessly possesses or goes with a firearm, location-restricted knife, club, or prohibited weapon listed in Penal Code § 46.05, in the room or rooms where a meeting of a governmental entity is held, if the meeting is an open meeting subject to the Open Meetings Act (Tex. Gov’t Code ch 551), and if the entity provided notice as required by that chapter.

Agency Operations Committee

AGENDA ITEM I

Welcome and committee chair's opening remarks

Ms. Emma Schwartz, 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 and possible action to approve the minutes from July 27, 2022, committee meeting

RECOMMENDATION: Approval

DRAFT
TEXAS HIGHER EDUCATION COORDINATING BOARD
Agency Operations Committee

Wednesday, July 27, 2022; 1:36 p.m.
Board Room, 1st Floor
Room 1.170
1200 East Anderson Lane, Austin, Texas

The Agency Operations Committee convened at 1:36 p.m. on July 27, 2022, with the following members present: Emma Schwartz, presiding; Fred Farias; Donna Williams; Welcome Wilson; and Georgia Blackwell, ex-officio.

Robert Gauntt joined via zoom

Other Board members present: Sam Torn and Daniel Wong

Members absent: Javaid Anwar

AGENDA ITEM	ACTION
I. Welcome and Committee Chair's Opening Remarks	Chair, Emma Schwartz, called the meeting of the Agency Operations Committee to order and called the roll. A quorum was met.
II. Consideration of Approval of the Minutes from April 27, 2022, Committee Meeting	On a motion by Mr. Wilson, seconded by Ms. Williams, the Committee approved the April 27, 2022, Agency Operations Committee meeting minutes.
III. Public Testimony	This item did not require any action.
IV. Consent calendar	No items were listed on consent. This item did not require any action.
V. Agency Operations	
A. Report on grants and contracts	Ms. Linda Natal, Director of Contract & Grant Management, was available for questions. This item did not require any action.

AGENDA ITEM	ACTION
B. Update on Agency Cybersecurity Framework	This item was postponed to be heard in Executive Session.
VI. Finance	
A. Review of the “Fiscal Year 2022 Financial Report” to the Board	Mr. Ken Martin, Chief Operating Officer and Chief Financial Officer, presented this item to the Committee and was available for questions. This item did not require any action.
VII. Internal Audit	
<p>A. Discussion of the audit of agencywide financial statements for the fiscal year ended August 31, 2021, by KPMG LLP</p> <p>B. Auditor's update on internal audit reports and activities</p> <p>C. Consideration and possible action to adopt the Annual Internal Audit Plan for Fiscal Year 2023</p>	<p>Ms. Susan Warren, Audit Partner with KPMG LLP, and Ms. Shannon Canals, Audit Senior Manager with KPMG LLP, presented this item and were available for questions. This item did not require any action.</p> <p>Mr. Mark Poehl, Assistant Commissioner for 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.</p> <p>On a motion by Mr. Wilson, seconded by Ms. Williams, the committee voted to adopt the Annual Internal Audit Plan for Fiscal Year 2023.</p> <p>Mr. Mark Poehl, Assistant Commissioner for Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item and were available for questions.</p>
VIII. Compliance Monitoring	
<p>A. Auditor’s update on state and federal compliance monitoring reports and activities</p> <p>(1) “Compliance Monitoring Audit of Formula Funding at Northeast Texas Community College” (no findings).</p>	Mr. Mark Poehl, Assistant Commissioner for Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item to the Committee and were available for questions. This item did not require any action.

AGENDA ITEM	ACTION
<p>(2) “Compliance Monitoring Audit of Formula Funding at Texas Southmost College” (no findings)</p> <p>(3) “Compliance Monitoring Desk Review of Formula Funding at Vernon College” (one finding relating to information security controls).</p> <p>(4) “Compliance Monitoring Desk Review of Formula Funding at Midland College” (no findings).</p> <p>(5) “Compliance Monitoring Follow Up Review of Formula Funding at Southwest Texas Junior College” (no findings).</p> <p>(6) “Compliance Monitoring Follow Up Review of the Texas Educational Opportunity Grant at Texarkana College” (no findings).</p> <p>(7) “Compliance Monitoring Review of the Carl D. Perkins Grant-Related Inventory Policies and Procedures at Coastal Bend College” (two findings related to control of equipment).</p> <p>B. Consideration and possible action to adopt the Annual State Compliance Monitoring Plan for Fiscal Year 2023</p>	<p>On a motion by Ms. Williams, seconded by Dr. Farias, the committee voted to adopt the Annual State Compliance Monitoring Plan for Fiscal Year 2023.</p> <p>Mr. Mark Poehl, Assistant Commissioner for Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item and were available for questions.</p> <p>Mr. Gauntt departed the meeting at 2:15 p.m.</p>
IX. Executive Session	
<p>Pursuant to Texas Government Code § 551.076, the committee will meet in closed session to discuss the results of the agency’s cybersecurity framework assessment and internal security audits, including results of the Customer Relationship and Feedback Tracking (CRAFT) system.</p>	<p>The Committee went into closed session at 2:29 p.m. and reconvened at 2:55 p.m. No other business of the Board was discussed before reconvening in open session. There was no action taken during this closed session.</p>

AGENDA ITEM	ACTION
X. Adjournment	On a motion by Dr. Farias, seconded by Ms. Williams, the meeting adjourned at approximately 2:55 p.m.

Agency Operations Committee

AGENDA ITEM III

Public testimony on agenda items relating to the Agency Operations Committee

RECOMMENDATION: No action required

Background Information:

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

Consideration and possible action to approve the consent calendar

RECOMMENDATION: Approval

Background Information:

To ensure meetings are efficient and to save institutions time and travel costs to attend the Agency Operations Committee meetings in Austin, the committee has a consent calendar for items that are noncontroversial. Any item can be removed from the consent calendar by a Board member.

Consent Calendar

V. Matters relating to the Agency Operations Committee

Agency Operations Committee

AGENDA ITEM V-A

Report on grants and contracts

RECOMMENDATION: No action required

Background Information:

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 of Higher Education, to whom the board of the THECB (Board), 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,” THECB staff also provide the Board a quarterly report highlighting and listing all grants and contracts exceeding \$1 million.

Linda Natal, Director of Contract and Grant Management, is available to answer questions.

Agency Operations Committee

AGENDA ITEM V-B

Update on agency preparations for the 88th Texas Legislative Session

RECOMMENDATION: No action required

Background Information:

The 88th Texas Legislature will convene on January 10, 2023.

Amy Peterson, Assistant Commissioner 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 VI-A

Review of the “Fiscal Year 2022 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 through the third quarter of Fiscal Year 2022 (FY 22).
 - September 1, 2021, through May 31, 2022
- The report is distributed to agency executive management monthly.
- Report overview:
 - Most programs have carry forward authority (UB) of any remaining balances into fiscal year 2023.
 - Budget adjustments are primarily related to carrying forward unexpended balances from FY 21 into FY 22.
 - College Access Loan borrower level volume is about 8% lower than previous year’s level, but loan demand on a dollar basis is higher by 1%.
 - The bond sale occurred in May. The proceeds from the bond sale will be used for student loans during the 2022-2023 academic year.
 - The 2012 bonds series was paid off on 8/1/22.
 - This report reflects the new strategy structure as outlined in the General Appropriations Act from the 87th Legislature.

Sarah Keyton, Associate Commissioner for Administration, will present this item and be available to answer any questions.

Agency Operations Committee

AGENDA ITEM VII-A

Auditor's update on Internal Audit reports and activities

RECOMMENDATION: No action required

Background Information:

Two engagements were completed during the reporting period since the July 2022 Agency Operations Committee meeting.

Engagements Completed

- (1) Internal Audit Annual Report Fiscal Year 2022 (statutorily required)
- (2) External Quality Assurance Review of Internal Audit and Compliance Monitoring

Projects in Progress as of October 2022	Stage of Project
Data Modernization Initiative Review and Advisory Services	Planning/Fieldwork
GEER Funds Administration Review and Advisory Services	Planning/Fieldwork

Other Internal Audit Activities

- National Research University Fund (NRUF) audit 2022 – SAO coordination
- State of Texas Single Audit Fiscal Year 2022 – external auditor coordination
- Financial statement audit Fiscal Year 2022- external auditor coordination
- Collaboration regarding ethics and risk management agency training updates

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.

Texas Higher Education

COORDINATING BOARD

INTERNAL AUDIT ANNUAL REPORT

FOR

FISCAL YEAR 2022

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Compliance with Texas Government Code, Section 2102.015

Texas Government Code, Section 2102.015 requires state agencies to post on the agency's Internet Web site its internal audit plan, internal audit annual report, and any weaknesses or concerns resulting from the audit plan or annual report. Please see the [Coordinating Board internet web site](#) and the "Internal Audit and Compliance Monitoring" tab under 'About Us' for this required information. The 2022 Internal Audit Annual Report will be posted following its presentation to the board in October, 2022.

The screenshot shows a web browser window with the URL <https://highered.texas.gov/about-us/internal-audit-compliance-monitoring/>. The page features a dark blue header with the 60x30TX logo and navigation links: Plan, Pay, & Complete College; Institutional Resources & Programs; Data & Reports; Legislative & Media Resources; and About Us. A search bar is located on the right. The left sidebar contains a list of links: Board / Commissioner, Organization Chart, 60x30TX, Meetings/Broadcasts, Advisory Committees, Human Resources, Procurement, Internal Audit & Compliance Monitoring (highlighted), Internal Audit Charter, Report Fraud, Annual Internal Audit and Compliance Monitoring Plans, Annual Internal Audit Reports, Internal Audit Reports, Compliance Monitoring Reports, Title IX: Notice of Nondiscrimination, and Rules / Statutes. The main content area is titled "Internal Audit & Compliance Monitoring" and includes the following sections:

- Internal Audit Charter**: Inquiries should be directed to Mark.Peehl@highered.texas.gov. The Internal Audit Charter defines Internal Audit's purpose, authority, and responsibility as approved by the agency's governing board.
- Report Fraud**: The Texas Higher Education Coordinating Board along with its Stakeholders, are responsible for protecting the assets and resources of the agency, and its programs. To accomplish this, Stakeholders are encouraged to report factual information suggestive of dishonest or illegal activities involving the agency and its programs.
- Annual Internal Audit and Compliance Monitoring Plans**: The Annual Internal Audit Plan and Annual Compliance Monitoring Plan are reports of scheduled audits by process or location that are developed each year based on a comprehensive risk assessment. These plans are approved annually by the agency's governing board.
- Annual Internal Audit Reports**: The Texas Internal Auditing Act requires certain state agencies and higher education institutions to submit an internal audit annual report each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives.

Internal Audit Plan for Fiscal Year 2022

Explanatory Information - The table below indicates the status of FY 22 planned audits, as shown on the approved audit plan, versus those accomplished during the year.

Board-Approved FY 22 Audit Plan	Status of Audit at 8/31/22
Follow Up Audits	A Follow Up Review of The Audit of The Formula Funding of The Health-Related Institutions (HRI), Report No. THECB-IA-WP-22-241 Report date: In Progress
Data Modernization Initiative Ongoing Review and Advisory Services Review, Report No. THECB-IA-WP-22-237	Interim Report date: March 2022
CRAFT (Customer Relation and Feedback Tracking) System Application Audit, Report No. THECB-IA-WP-22-239	Report date: June 29, 2022
Governor's Emergency Education Relief (GEER) Funds Review and Advisory Services-Ongoing, Report No. THECB-IA-WP-22-236	Interim Report date: March 2022
A Review of Texas College Work Study Program-Closure Memo, Report No. THECB-IA-WP-22-240	Report date: June 1, 2022

Contract Audits Performed since Fiscal Year 2015:

1. Fiscal Year 2015:
 - a. Review of Contract Management at The Higher Education Coordinating Board, THECB-IA-WP-14-173, Report date: April 23, 2015.
2. Fiscal Year 2016:
 - a. A Review of Contract Administration, THECB-IA-WP-16-184, Report date: September 14, 2016.
 - b. An Internal Audit Follow Up of Contract Management, THECB-IA-WP-16-185, Report date: September 16, 2016.
3. Fiscal Year 2017:
 - a. An Internal Audit of Contract Administration, THECB-IA-WP-17-195, Report date: December 20, 2017.
4. Fiscal Year 2019:
 - a. A Follow Up Audit of Contract Administration, THECB-IA-WP-19-211, Report date: January 8, 2019.
5. Fiscal Year 2020:
 - a. Complaint Regarding Access to Research Data and Regarding Competitive Grant Vendor Selection, THECB-IA-WP-19-216C, Report date: June 3, 2019.
6. Fiscal Year 2021:
 - a. A Follow Up Audit of Contract Administration, THECB-IA-WP-20-228, Report date: September 18, 2020.
 - b. A Review of Contract Management Administration THECB-IA-WP-20-227, Report date: December 1, 2020.
7. Fiscal Year 2022:
 - a. Contracts related to GEER project was reviewed as part of the Governor's Emergency Education Relief (GEER) Funds Review and Advisory Services-Ongoing, Report No. THECB-IA-WP-22-236.

Consulting Engagements and Non-Audit Services Completed

The Texas Higher Education Coordinating Board internal audit function performed consulting or non-audit services in fiscal year 2022.

1. IT Data Modernization-Advisory Service

Reviewed and advised management on the state of governance, risk and controls within and around the Data Modernization Initiative.

2. Review of GEER (Governor's Emergency Education Relief) Fund

Reviewed the contract administration processes for GEER Fund. The fund supports Emergency Educational Grants. Coordinating Board received \$46.5 million in FY 2020 through the GEER Fund.

External Quality Assurance Review (Peer Review)



Texas Higher Education Coordinating Board

EXTERNAL QUALITY ASSURANCE REVIEW REPORT

INTERNAL AUDIT and COMPLIANCE DEPARTMENT

August 2022

Prepared by:
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OVERVIEW

A virtual External Quality Assurance (EQA) review was conducted at the Texas Higher Education Coordinating Board (THECB), located in Austin, Texas from July 25 to July 29, 2022, for audits conducted from September 1, 2019, to June 30, 2022.

Texas Government Code § 2102 (Texas Internal Auditing Act) requires an internal audit activity to 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" which includes the scope of the work evaluations and assessments of the following areas:

- The Internal Audit and Compliance's reporting relationship and the communication the Assistant Commissioner has with the Agency Operating Committee and the Commissioner of Higher Education;
- Existing internal audit policies and procedures;
- The independence and the objectivity of the audit work performed;
- 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 supports the work performed;
- The support 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 THECB Board Chair; the Chair of the Agency Operating Committee (AOC); the Commissioner of Higher Education; the Assistant Commissioner of Internal Audit and Compliance; and the IACD staff.

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 judgment by the review team. The extent of internal audit policies and procedures and how they are implemented will depend upon several factors such as the expectations of the organization's board or governing body and senior management, the audit activity's size and organizational structure, the nature of its audit responsibilities, and its philosophy concerning the degree of operating autonomy appropriate for its staff.

The *Standards* require that this report must be sent to the Chair of the Board, the Chair of the Agency Operating Committee, and The Commissioner of Higher Education.

OPINION

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

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". The review team has also identified opportunities for further enhancing the internal audit activity, the details of which are provided in this report.

The GAO Standards:

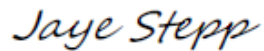
For the period under review, the IACD at the THECB has in place, in all material respects, appropriate processes and procedures to receive a Peer Review Rating of "Pass". This rating is the highest of the three ratings provided within the GAO Standards, with the other ratings being "Pass with Deficiencies", and "Fail".

The Texas Internal Auditing Act:

As of July 29, 2022, the internal auditing activity at the THECB conforms to all requirements of the Texas Internal Auditing Act.



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



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

OBSERVATIONS

The Assistant Commissioner of Internal Audit and Compliance is a CPA (Certified Public Accountant), a CIA (Certified Internal Auditor), a CISA (Certified Information Systems Auditor), and a CFE (Certified Fraud Examiner) with extensive auditing experience in higher education; is effectively managing the IACD; has a good working relationship with the AOC and is well respected by senior executives at the agency. He is also well respected by the IACD staff. He reports functionally to the AOC and administratively to the Commissioner for Higher Education as required by the Texas Internal Auditing Act.

The IACD has a strong Internal Audit Charter that authorizes the staff to: have full, free, and unrestricted access to all functions, records, property, and personnel; allocate resources; have full and free access to the AOC; set audit frequencies; select audit subjects; determine the scope of work and apply the techniques required to accomplish audit objectives. All of these are requirements of the *Standards*. Also, the AOC must approve decisions regarding the appointment and removal of the IACD Assistant Commissioner. This enables the IACD to be very independent and capable of rendering objective assessments and conclusions when conducting their work. The department also has a very well-thought-out, risk-based annual audit planning process that is approved by the AOC for both internal agency audits and compliance audits at the higher educational components.

The interviews conducted with the Board Chair, the AOC Chair, and the Commissioner of Higher Education, indicated that there is strong support for the scope and type of audit work the IACD conducts. A confidential survey of IACD audit customers conducted during the review rated the department excellent and good on 18 different criteria. This is a very positive rating and speaks well of the professionalism and ability of the Assistant Commissioner and the audit staff.

A sample of audit workpapers was reviewed and verified that the conclusions and opinions communicated in the audit reports that are issued are appropriately supported. The audit projects were appropriately planned and the work performed was adequately documented following the *Standards*. There was evidence in the workpapers that the audit work was conducted at a very professional level. The audit programs were appropriately referenced in the audit steps. The tests performed during the audits and the conclusions contained in the audit reports were supported by the work documented in the workpapers. There was evidence that the workpapers are thoroughly reviewed by someone other than the person who performed the work. The Assistant Director reviews all the workpapers and the audit reports and the Assistant Commissioner reviews audit reports before they are issued.

OPPORTUNITIES FOR IMPROVEMENT

While the internal audit activity at THECB generally conforms to the *Standards*, the following comments and recommendations are intended to build on the foundation that is already in place to further improve the efficacy and value of the audit work being performed. These are not intended to correct any lack of conformance with the *Standards*. They are operational ideas based on the experiences of the external review team from working with other internal audit activities.

1. IACD would benefit from assigning direct supervision of the Compliance Monitoring, and Federal Compliance functions.

Currently, there is an Assistant Director that provides oversight over five Compliance Monitoring staff and two Internal Audit staff positions. The Assistant Director also provides direct supervision to three Federal Compliance Specialists. The Assistant Director position was created when the Senior Internal Auditor was promoted to allow the Assistant Commissioner the time to focus on higher-level concerns at the Board, Commissioner, and Agency levels.

However, while this has worked well in ensuring the quality of the audit and compliance work as required by the *Standards*, it has reduced the staff resources available for internal audit projects and increased the span of control and oversight responsibilities for the Assistant Director.

With a compliance monitoring staff of five, consideration should be given to alternatives to enhance oversight over the Compliance Monitoring team, to better balance the management and oversight of the internal audit and compliance functions. This would also free up time for the Assistant Director, who is a Certified Internal Auditor, to provide additional consulting assistance, as well as, provide someone in the department the opportunity to gain experience overseeing the Compliance Monitoring team.

Response:

We agree that further consideration should be given to enhance oversight over the Compliance Monitoring team, to better balance the management and oversight of the internal audit and compliance functions.

We will continue to provide additional leadership and management responsibilities to others on the team, particularly senior members of the Compliance Monitoring team.

2. Provide the Agency Operations Committee and the Commissioner with a periodic summary report on the status of audit recommendations.

Currently, IACD creates and distributes individual follow-up reports on the status of previous audit recommendations for audits and compliance projects conducted at the agency and the institutions of higher education. While the *Standards* require that the IACD follow up and report on the disposition of audit and compliance reports, preparing and distributing individual follow-up reports to the Agency Operations Committee and the Commissioner is time-consuming for the IACD.

These reports make it difficult for the board and Commissioner to get an oversight view of where there may be delays or issues that would need their attention.

It would be more efficient and effective if IACD maintained and distributed an ongoing status report that tracked all outstanding recommendations either from compliance reviews, desk reviews or agency audits to the Agency Operations Committee and the Commissioner.

This status report could be used in conjunction with individual reports as warranted, and would better enable the committee to know whether agreed-to audit recommendations are being implemented. Important elements that could be communicated include a brief description of the recommendation; the date the recommendation was agreed to be implemented; whether or not it has been implemented; and the name of the person directly responsible for implementation. Color coding could be used for the status of the implementation. "Completed" recommendations could be color coded as green, "in process" coded as yellow, and "past due" coded as red. This report would make it easier for the Agency Operations Committee and the Commissioner to stay current overall on the status of recommendations at both the agency level and at the institution of higher education level without having to read through numerous individual reports.

Response:

We agree that a status report that tracks outstanding recommendations would be beneficial.

We are currently reviewing alternatives for reporting, with one option of including an additional section in the Internal Audit update and Compliance Monitoring update.

3. The THECB needs to add additional staff with information technology (IT) skills to the IACD internal audit staff.

THECB relies heavily on its information systems, which manage and support the infrastructure of practically all of the agency's major business and program processes. As this reliance continues to grow, the agency continues to move forward with its Data Modernization Project and continues to make sizable investments in both new IT systems as well as the maintenance of legacy systems. The IACD needs to grow its ability to conduct audits of this technology. IACD presently has two experienced internal audit staff, however, considerable time is spent administering the TeamMate software tool used by the department to manage the staff's workpaper files.

To adequately audit the current and future scope of IT risks that exist throughout the agency, additional experienced internal audit staff with information technology skills need to be added. While it is a challenge for an internal audit department to attract and maintain auditors with IT audit skills, knowledge, and experience, the department should endeavor to do so.

Response:

We agree that the agency would benefit from additional experienced internal audit staff with information technology skills to audit the current and future scope of IT risks that exist throughout the Agency. The immediate need due to significant changes in the agency's information technology landscape is well apparent. We also agree that the agency's information technology landscape will not diminish and will continue to be a driver of the agency's strategies moving forward

We will coordinate with the Commissioner and executive staff to identify resources for an additional position.

4. IACD needs to acquire automated file extract and analysis tools and develop the ability to conduct continuous monitoring/auditing and data analytic techniques.

One of the most significant changes that have occurred in the internal auditing profession in the last decade is the extent to which auditors now recognize the importance of data analysis and the automation of audit and control testing procedures through the use of information technology (IT) tools. Traditionally, an auditing department's testing of controls and compliance has been performed on a retrospective and cyclical basis, often months after business activities have occurred. Testing procedures are often based on a sampling approach and have included activities such as manual reviews of transactions, policies, procedures, approvals, and reconciliations. This approach has only afforded auditors a narrow scope of evaluation and can be late in heading off errors in business performance or regulatory compliance.

Continuous auditing and data analysis are methods that can be used to perform control and risk assessments automatically on a more frequent basis. The use of IT tools, like the IDEA extract software tool, is the key to enabling this approach. Using continuous auditing will allow auditors to more fully understand critical control points, rules, and exceptions. Data analysis will enable auditors to perform control and risk assessments on a timelier basis. Auditors will be able to analyze key business systems for both anomalies at the transaction level and data-driven indicators of control deficiencies and emerging risks. Continuous auditing will enable the integration of analysis results into the risk assessment process, from the development and maintenance of audit plans to the follow-up of specific audits.

IACD currently uses Microsoft Excel to analyze and evaluate data sets. While this tool has been used successfully in many circumstances, there are limitations to

its usefulness. These limitations include the size of data sets that can be analyzed and the lack of built-in functions that are specifically designed to make audit-oriented data analysis easier to perform.

Response:

We agree that the agency would benefit from additional information technology (IT) tools for data analysis and automation of audit and control testing procedures. The use of IT tools, like the IDEA extract software tool, would allow auditors to better understand critical control points, rules, and exceptions, enabling auditors to perform improved control and risk assessments.

We have initiated additional reviews of capabilities and costs of available information technology software, including the IDEA extract tool.

5. IACD's Internal Audit Charter should be updated and approved by the Agency Operations Committee.

IIA Standard 1000 – Purpose, Authority, and Responsibility requires that the Internal Audit Charter that defines the internal audit activity's purpose, authority, and responsibility must be periodically reviewed and approved by senior management and the governing board. The current Internal Audit Charter was last reviewed and approved by the THECB Board Chair, the Commissioner of Higher Education, and the IACD Assistant Commissioner in 2018.

Response:

We agree that IACD's Internal Audit Charter should be updated and approved by the Agency Operations Committee.

We are preparing an updated Charter for review and will schedule the Charter to be reviewed periodically, for example, either annually or once every three years.

6. IACD should explore developing an incentive program that would encourage its staff to be certified in internal auditing.

While the Assistant Commissioner, the Assistant Director, and the internal audit staff all have audit certifications, some more than one, only two of the eight compliance staff have audit certifications. Generally Accepted Government Auditing Standards state that “The audit organization should have a process for recruitment, hiring, continuous development, assignment, and evaluation of personnel so that the workforce has the essential knowledge, skills, and abilities necessary to conduct the engagement. Acquiring a professional certification verifies someone’s knowledge, skills, and abilities to perform a specific job, and underscores the confidence that can be placed on the work that is performed.

An incentive program would encourage the staff to obtain an audit certification that would not only attest to their competency and integrity but also support a commitment by IACD to ongoing professional development.

Response:

We agree that staff needs to be further encouraged to obtain audit certifications that would not only attest to their competency and integrity but also support a commitment by IACD to ongoing professional development.

We will continue to explore ways to encourage staff to obtain audit certifications that work within the current professional development and performance review process or other possible reimbursement pathways.

Internal Audit Plan for Fiscal Year 2023

TEXAS HIGHER EDUCATION COORDINATING BOARD

INTERNAL AUDIT & COMPLIANCE MONITORING

Annual Internal Audit Plan for Fiscal Year 2023

The Texas Internal Auditing Act requires state agency Internal Auditors to conduct a program of auditing that includes an annual audit plan, is prepared using risk assessment techniques, and identifies the individual audits to be conducted during the year. The following proposed plan meets the requirements of the Texas Internal Auditing Act.

Specific risk factors were considered as they apply to the agency's significant operational activities. These risk factors included:

- Financial significance;
- Reputational significance and visibility;
- Complexity; inherent risk; and the potential for abuse;
- Prior audit and compliance monitoring results as an indicator of control effectiveness;
- Audit recency – internal audit, compliance monitoring (as applicable), KPMG, SAO, and/or Federal auditors; and
- Changes in mission or key management.

A risk-ranked listing of significant operational activities became the basis for the audits proposed for consideration herein.

Required and Risk-Based Audits

	<u>Estimated Hours Required</u>	<u>%</u>
1. Follow Up of Prior Audits <i>Assess the implementation status of previously reported internal audit findings in the areas of CRAFT system, and formula funding-HRI. Review the status of recommendations made by other external auditors, as necessary.</i>	160	5%
2. Carry forward of remaining 2022 Projects <i>Carry forward of remaining work for FY 2022 projects.</i>	160	5%
3. Internal Audit Performance Measures and Quality Assurance <i>Develop performance measures for internal audit and assess quality assurance as well.</i>	200	6%
4. Self-Assessment of Work Quality, Internal Audit <i>Perform a self-assessment of internal audit work quality, in accordance with the requirements of professional auditing standards.</i>	160	5%
5. Investigations <i>Texas Government Code Chapter 321.022, Coordination of Investigations, requires the coordination of investigations between the agency and the Texas State Auditor's Office. If the administrative head of an agency that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the</i>	300	10%

agency or by a client/department of the agency may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the agency, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the agency.

6.	Provide Assistance-External Audit of Agency Financial Statements <i>Internal Audit provides 80 hours of audit support to reduce external audit fees and to increase the level of knowledge of external auditors' assessment of the agency's financial statements and associated risks.</i>	80	3%
7.	Selected Federal Fund Programs Review and Advisory Services <i>Review and advise management on the state of governance, risk, and controls within and around the selected federal fund programs.</i>	650	21%
8.	Data Modernization Initiative Ongoing Review and Advisory Services <i>Review and advise management on the state of governance, risk, and controls within and around the Data Modernization Initiative. The Data Modernization Initiative has as its stated vision to "Equip internal and external stakeholders with actionable insight and data vision for decision-making purposes."</i>	450	14%
8.	Review of Purchasing/Procurement Cards <i>Review the internal administrative activities of the agency purchasing/procurement cards for compliance, effectiveness, and efficiency.</i>	490	16%
9.	Review of Agency's Talent Strong Texas Strategic Plan <i>Review data integrity associated with agency's strategic plan. The higher education plan, Talent Strong Texas, focuses on the common goal by striving for 60 percent of the 25- to 34-year-old Texas population to hold a certificate or degree by 2030.</i>	460	15%
TOTAL HOURS - Required and Risk-Based Audits		3110	100%

External Audit Services Procured in Fiscal Year 2022

The agency contracted with KPMG, LLP, to perform an independent audit of the agency's Fiscal Year 2021 Financial Statements. As part of the agreement, the agency provided 80 hours of internal audit staff support to KPMG, LLP.

Reporting Suspected Fraud and Abuse

Actions taken by the agency to address the requirements of Section 7.10. Fraud Reporting, General Appropriations Act (82nd Legislature), Article IX and Government Code, Section 321.022.Coordination of Investigations, include:

- 1) Established a fraud prevention policy and posted the policy on the agency intranet for the employees. The policy encourages reporting of suspected violations to the State Auditor's Office Fraud Hotline.
- 2) Established a link to the State Auditor's Office Fraud Hotline on the agency's home page to enable the general public or employees to report suspected fraud or misconduct directly to the State Auditor's Office.
- 3) Coordinated with the Special Investigations Unit of the State Auditor's Office to investigate suspected fraud.
- 4) Provided ethics-related information to all new employees as part of the orientation process.



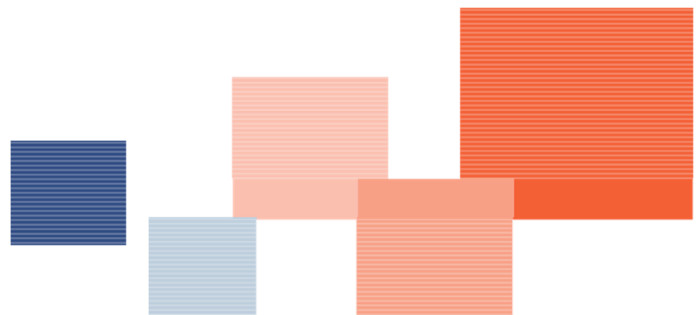
Texas Higher Education Coordinating Board

EXTERNAL QUALITY ASSURANCE REVIEW REPORT

INTERNAL AUDIT and COMPLIANCE DEPARTMENT

August 2022

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



OVERVIEW

A virtual External Quality Assurance (EQA) review was conducted at the Texas Higher Education Coordinating Board (THECB), located in Austin, Texas from July 25 to July 29, 2022, for audits conducted from September 1, 2019, to June 30, 2022.

Texas Government Code § 2102 (Texas Internal Auditing Act) requires an internal audit activity to 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" which includes the scope of the work evaluations and assessments of the following areas:

- The Internal Audit and Compliance's reporting relationship and the communication the Assistant Commissioner has with the Agency Operating Committee and the Commissioner of Higher Education;
- Existing internal audit policies and procedures;
- The independence and the objectivity of the audit work performed;
- 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 supports the work performed;
- The support 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 THECB Board Chair; the Chair of the Agency Operating Committee (AOC); the Commissioner of Higher Education; the Assistant Commissioner of Internal Audit and Compliance; and the IACD staff.

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 judgment by the review team. The extent of internal audit policies and procedures and how they are implemented will depend upon several factors such as the expectations of the organization's board or governing body and senior management, the audit activity's size and organizational structure, the nature of its audit responsibilities, and its philosophy concerning the degree of operating autonomy appropriate for its staff.

The *Standards* require that this report must be sent to the Chair of the Board, the Chair of the Agency Operating Committee, and The Commissioner of Higher Education.

OPINION

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

The IIA Standards:

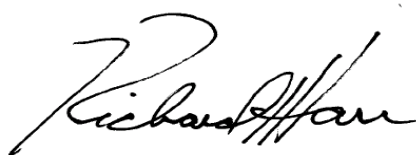
For the period under review, the internal audit activity at the THECB "Generally Conforms" to the IIA Standards, and the Code of Ethics. This is the top rating provided within the IIA guidance, with the others being "Partially Conforms" and "Does Not Conform". The review team has also identified opportunities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

The GAO Standards:

For the period under review, the IACD at the THECB has in place, in all material respects, appropriate processes and procedures 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".

The Texas Internal Auditing Act:

As of July 29, 2022, the internal auditing activity at the THECB conforms to all requirements of the Texas Internal Auditing Act.



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



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

OBSERVATIONS

The Assistant Commissioner of Internal Audit and Compliance is a CPA (Certified Public Accountant), a CIA (Certified Internal Auditor), a CISA (Certified Information Systems Auditor), and a CFE (Certified Fraud Examiner) with extensive auditing experience in higher education; is effectively managing the IACD; has a good working relationship with the AOC and is well respected by senior executives at the agency. He is also well respected by the IACD staff. He reports functionally to the AOC and administratively to the Commissioner for Higher Education as required by the Texas Internal Auditing Act.

The IACD has a strong Internal Audit Charter that authorizes the staff to: have full, free, and unrestricted access to all functions, records, property, and personnel; allocate resources; have full and free access to the AOC; set audit frequencies; select audit subjects; determine the scope of work and apply the techniques required to accomplish audit objectives. All of these are requirements of the *Standards*. Also, the AOC must approve decisions regarding the appointment and removal of the IACD Assistant Commissioner. This enables the IACD to be very independent and capable of rendering objective assessments and conclusions when conducting their work. The department also has a very well-thought-out, risk-based annual audit planning process that is approved by the AOC for both internal agency audits and compliance audits at the higher educational components.

The interviews conducted with the Board Chair, the AOC Chair, and the Commissioner of Higher Education, indicated that there is strong support for the scope and type of audit work the IACD conducts. A confidential survey of IACD audit customers conducted during the review rated the department excellent and good on 18 different criteria. This is a very positive rating and speaks well of the professionalism and ability of the Assistant Commissioner and the audit staff.

A sample of audit workpapers was reviewed and verified that the conclusions and opinions communicated in the audit reports that are issued are appropriately supported. The audit projects were appropriately planned and the work performed was adequately documented following the *Standards*. There was evidence in the workpapers that the audit work was conducted at a very professional level. The audit programs were appropriately referenced in the audit steps. The tests performed during the audits and the conclusions contained in the audit reports were supported by the work documented in the workpapers. There was evidence that the workpapers are thoroughly reviewed by someone other than the person who performed the work. The Assistant Director reviews all the workpapers and the audit reports and the Assistant Commissioner reviews audit reports before they are issued.

OPPORTUNITIES FOR IMPROVEMENT

While the internal audit activity at THECB generally conforms to the *Standards*, the following comments and recommendations are intended to build on the foundation that is already in place to further improve the efficacy and value of the audit work being performed. These are not intended to correct any lack of conformance with the *Standards*. They are operational ideas based on the experiences of the external review team from working with other internal audit activities.

1. IACD would benefit from assigning direct supervision of the Compliance Monitoring, and Federal Compliance functions.

Currently, there is an Assistant Director that provides oversight over five Compliance Monitoring staff and two Internal Audit staff positions. The Assistant Director also provides direct supervision to three Federal Compliance Specialists. The Assistant Director position was created when the Senior Internal Auditor was promoted to allow the Assistant Commissioner the time to focus on higher-level concerns at the Board, Commissioner, and Agency levels.

However, while this has worked well in ensuring the quality of the audit and compliance work as required by the *Standards*, it has reduced the staff resources available for internal audit projects and increased the span of control and oversight responsibilities for the Assistant Director.

With a compliance monitoring staff of five, consideration should be given to alternatives to enhance oversight over the Compliance Monitoring team, to better balance the management and oversight of the internal audit and compliance functions. This would also free up time for the Assistant Director, who is a Certified Internal Auditor, to provide additional consulting assistance, as well as, provide someone in the department the opportunity to gain experience overseeing the Compliance Monitoring team.

Response:

We agree that further consideration should be given to enhance oversight over the Compliance Monitoring team, to better balance the management and oversight of the internal audit and compliance functions.

We will continue to provide additional leadership and management responsibilities to others on the team, particularly senior members of the Compliance Monitoring team.

2. Provide the Agency Operations Committee and the Commissioner with a periodic summary report on the status of audit recommendations.

Currently, IACD creates and distributes individual follow-up reports on the status of previous audit recommendations for audits and compliance projects conducted at the agency and the institutions of higher education. While the *Standards* require that the IACD follow up and report on the disposition of audit and compliance reports, preparing and distributing individual follow-up reports to the Agency Operations Committee and the Commissioner is time-consuming for the IACD.

These reports make it difficult for the board and Commissioner to get an oversight view of where there may be delays or issues that would need their attention.

It would be more efficient and effective if IACD maintained and distributed an ongoing status report that tracked all outstanding recommendations either from compliance reviews, desk reviews or agency audits to the Agency Operations Committee and the Commissioner.

This status report could be used in conjunction with individual reports as warranted, and would better enable the committee to know whether agreed-to audit recommendations are being implemented. Important elements that could be communicated include a brief description of the recommendation; the date the recommendation was agreed to be implemented; whether or not it has been implemented; and the name of the person directly responsible for implementation. Color coding could be used for the status of the implementation. “Completed” recommendations could be color coded as green, “in process” coded as yellow, and “past due” coded as red. This report would make it easier for the Agency Operations Committee and the Commissioner to stay current overall on the status of recommendations at both the agency level and at the institution of higher education level without having to read through numerous individual reports.

Response:

We agree that a status report that tracks outstanding recommendations would be beneficial.

We are currently reviewing alternatives for reporting, with one option of including an additional section in the Internal Audit update and Compliance Monitoring update.

3. The THECB needs to add additional staff with information technology (IT) skills to the IACD internal audit staff.

THECB relies heavily on its information systems, which manage and support the infrastructure of practically all of the agency's major business and program processes. As this reliance continues to grow, the agency continues to move forward with its Data Modernization Project and continues to make sizable investments in both new IT systems as well as the maintenance of legacy systems. The IACD needs to grow its ability to conduct audits of this technology. IACD presently has two experienced internal audit staff, however, considerable time is spent administering the TeamMate software tool used by the department to manage the staff's workpaper files.

To adequately audit the current and future scope of IT risks that exist throughout the agency, additional experienced internal audit staff with information technology skills need to be added. While it is a challenge for an internal audit department to attract and maintain auditors with IT audit skills, knowledge, and experience, the department should endeavor to do so.

Response:

We agree that the agency would benefit from additional experienced internal audit staff with information technology skills to audit the current and future scope of IT risks that exist throughout the Agency. The immediate need due to significant changes in the agency's information technology landscape is well apparent. We also agree that the agency's information technology landscape will not diminish and will continue to be a driver of the agency's strategies moving forward

We will coordinate with the Commissioner and executive staff to identify resources for an additional position.

4. IACD needs to acquire automated file extract and analysis tools and develop the ability to conduct continuous monitoring/auditing and data analytic techniques.

One of the most significant changes that have occurred in the internal auditing profession in the last decade is the extent to which auditors now recognize the importance of data analysis and the automation of audit and control testing procedures through the use of information technology (IT) tools. Traditionally, an auditing department's testing of controls and compliance has been performed on a retrospective and cyclical basis, often months after business activities have occurred. Testing procedures are often based on a sampling approach and have included activities such as manual reviews of transactions, policies, procedures, approvals, and reconciliations. This approach has only afforded auditors a narrow scope of evaluation and can be late in heading off errors in business performance or regulatory compliance.

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Response:

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We will continue to explore ways to encourage staff to obtain audit certifications that work within the current professional development and performance review process or other possible reimbursement pathways.

Agency Operations Committee

AGENDA ITEM VIII-A

Auditor's update on state and federal compliance monitoring reports and activities

RECOMMENDATION: No action required

Background Information:

State Compliance Monitoring

The state Compliance Monitoring team completed 11 projects during the reporting period since the July 2022 Agency Operations Committee meeting. The final reports are attached.

Formula funding projects

1. "Compliance Monitoring Audit of Formula Funding at The University of Texas Medical Branch at Galveston" (no findings)

Financial aid and other projects

2. "Compliance Monitoring Desk Review of College Access Loan at Concordia University" (no findings)
3. "Compliance Monitoring Desk Review of Tuition Equalization Grant at Southwestern University" (no findings)
4. "Compliance Monitoring Follow-Up Review of Tuition Equalization Grant at Huston-Tillotson University" (no findings)
5. "Compliance Monitoring Desk Review of College Access Loan at St. Mary's University of San Antonio" (no findings)
6. "Compliance Monitoring Desk Review of Tuition Equalization Grant at McMurry University" (one finding relating to information security controls)
7. "Compliance Monitoring Audit of Texas Educational Opportunity Grant at South Plains College" (one finding related to student eligibility)
8. "Compliance Monitoring Audit of Tuition Equalization Grant at Lubbock Christian University" (no findings)
9. "Compliance Monitoring Desk Review of Tuition Equalization Grant at Hardin-Simmons University" (no findings)
10. "Compliance Monitoring Follow-Up Review of House Bill 1735, 86th Texas Legislature, Policy Requirements at Dallas College" (no findings)
11. "Compliance Monitoring Follow-Up Review of House Bill 1735, 86th Texas Legislature, Policy Requirements at Southwestern Christian College" (no findings)

Projects in Progress as of 10/7/2022	Stage of Project
Houston Baptist University (TEG)	Reporting
Wayland Baptist College (TEG)	Reporting
Howard County Junior College (TEOG)	Reporting
Southwestern Assemblies of God University (TEG)	Reporting
Texas Tech University Health Science Center at El Paso (GME)	Reporting
LeTourneau University (TEG)	Fieldwork
Jarvis Christian College (TEG)	Carry forward to FY 23
The University of North Texas Health Science Center (FF)	Carry forward to FY 23

Compliance Monitoring Corrective Action Status Report – October 2022

Project	Issue date	Recommendation	Expected	Status
Huston Tillotson University (TEG)	8/10/2020	Update "majors" eligibility review	Aug-20	Verified
Huston Tillotson University (TEG)	8/10/2020	Update audit log retention period	Aug-20	Verified
Navarro College (TEOG)	10/7/2021	Update Controlled substance eligibility review	Oct-21	Not Verified
Navarro College (TEOG)	10/7/2021	Return \$2454 to THECB	Oct-21	Not Verified
Dallas Baptist University (TEG)	12/17/2021	Update exceptional need eligibility review	Dec-21	Not Verified
Dallas Baptist University (TEG)	12/17/2021	Return \$1710 to THECB	Dec-21	Not Verified
Ranger College (FF)	3/17/2022	Provide Information Security Review	Aug-22	Not Verified
Vernon College (FF)	4/25/2022	Provide Information Security Review	Jun-22	Not Verified
Coastal Bend College (Perkins)	5/12/2022	Update Inventory Control Policy	Sep-22	Not Verified
Coastal Bend College (Perkins)	5/12/2022	Establish Centralized Inventory Control	Sep-22	Not Verified
South Plains College (TEOG)	9/19/2022	Update existing degree eligibility review	Oct-22	Not Verified
South Plains College (TEOG)	9/19/2022	Return \$3310 to THECB	Oct-22	Not Verified
McMurray University (TEG)	9/21/2022	Update Information Security controls	Oct-22	Not Verified
Verified	Verified - corrective action(s) has been verified as implemented.			
Not Verified	Not verified - corrective action (s) are in progress or are pending Compliance Monitoring verification.			
Verified as not Implemented	Verified as not implemented - Compliance Monitoring verification determined that either no corrective action was taken, or the corrective action taken did not mitigate the identified risk.			

Other state compliance monitoring activities

- Complaint resolution assistance
- Title IX-related compliance planning
- Quality Assurance Review

Federal Compliance Monitoring

Federal compliance monitoring activities

- Perkins FY 2021 subrecipient monitoring reviews – planning
- GEER funding – participation in GEER meetings, training, and initial planning
- FY 2021 Single Audit Review - fieldwork
- GEER FY 2021 subrecipient monitoring reviews

- 6 of 6 projects in Texas Reskilling Support Fund Grant Program in fieldwork
- 4 of 4 projects in TRUE Institutional Capacity Grants in fieldwork
- 9 of 9 projects in Student Financial Aid Programs projects in fieldwork

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.

September 16, 2022

Fred Farias III, O.D.
CHAIR

Donna N. Williams
VICE CHAIR

S. Javaid Anwar
SECRETARY OF THE BOARD

Georgia A. Blackwell
STUDENT REPRESENTATIVE

Richard L. Clemmer
Robert P. Gauntt
Emma W. Schwartz
R. Sam Torn
Welcome Wilson, Jr.
Daniel O. Wong

Harrison Keller, Ph.D.
COMMISSIONER OF HIGHER
EDUCATION

Dr. Charles Mouton
President Ad Interim
The University of Texas Medical Branch at Galveston
301 University Blvd.
Galveston, TX 77555

Re: *A Compliance Monitoring Audit of Formula Funding at The University of
Texas Medical Branch at Galveston*, Report No. THECB-CM-FF-22-027

Dear Dr. Mouton,

I am attaching the final report on *A Compliance Monitoring Audit of Formula
Funding at The University of Texas Medical Branch at Galveston*, Report No.
THECB-CM-FF-22-027. There were no findings resulting from this engagement.

This Compliance Monitoring audit report will be presented to the THECB
Committee on Agency Operations, a standing committee of the THECB Board,
in October, 2022.

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

Sincerely,



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

EXECUTIVE SUMMARY

The University of Texas Medical Branch at Galveston complied with relevant Coordinating Board (THECB) rules and regulations for enrollment data used for formula funding and with Texas Education Code, Title 3, Subtitle B, Chapter 61, Section 61.035.

We conducted this 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

We reviewed the following areas:

Reported Semester Credit Hours were Eligible for Formula Funding

No reportable findings were noted.

Student Tuition Payments were Received in Accordance with Requirements

No reportable findings were noted.

Audit Scope, Objective, and Methodology

Our audit included tests of student data reported and certified by The University of Texas Medical Branch at Galveston. Our audit focused on the following student data and time periods:

- CBM001 (Student Report) – Summer semester 2020, Fall semester 2020, and Spring semester 2021;

Our work included procedures to verify:

- Reported semester credit hours were eligible for formula funding;
- Student tuition payment was received in accordance with requirements;

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random sampling to determine the extent to which The University of Texas Medical Branch at Galveston accurately reported student data.

Background

The Texas Education Code §61.059(b) – directs the Board to “devise, establish, and periodically review and revise formulas for the use of the governor and the Legislative Budget Board in making appropriations recommendations to the legislature for all institutions of higher education, including the funding of postsecondary vocational-technical programs. As a specific element of the periodic review, the board shall study and recommend changes in the funding formulas based on the role and mission statements of institutions of higher education.”

The funding formulas are allocations; institutions of higher education have the authority to spend funds appropriated through the formulas in the manner deemed most appropriate; the formula models include enrollment as a major driver; and not all appropriations are made through the formulas.

Texas Administrative Code §1.13(b)(2) states, “The purpose of the Board's risk assessment process and compliance methodologies is to maximize the effectiveness of monitoring funds allocated by the Board and data reported to the Board. The agency-wide, risk-based compliance monitoring function is established for... (B) data reported by institutions of higher education to the Board and used by the Board for funding or policymaking decisions, including data used for formula funding allocations, to ensure the data are accurately and consistently reported.”

PERFORMED BY:

Ms. Elizabeth Steele, Compliance Specialist
c:

THECB

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Legislative Budget Board

Mr. Christopher Mattsson, Assistant Director

July 11, 2022

Dr. Don Christian, President & CEO
Concordia University
11400 Concordia University Dr.
Austin, TX 78726

Re: *A Compliance Monitoring Desk Review of the College Access Loan at Concordia University*, Report No. THECB-CM-FA-22-021

Dear Dr. Christian,

I am attaching the final report on *A Compliance Monitoring Desk Review of the College Access Loan at Concordia University*, Report No. THECB-CM-FA-22-021. There were no findings resulting from this engagement.

Summary

Concordia University complied with relevant Coordinating Board (THECB) rules and regulations for the College Access Loan (CAL) Program and with Texas Administrative Code (TAC), Title 19, Part 1, Chapter 22, Subchapter C, Sections 22.42-22.55 in the areas of student eligibility, and program reconciliation.

Our review included tests of CAL eligibility requirements for data reported and certified by Concordia University. Our review focused on CAL data for the financial aid year 2020-2021.

Our work included procedures to verify:

- Students met all eligibility criteria including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Reported award amounts reconciled with student information system data and payment records;
- Students were enrolled at least half-time; and
- Students were in a course of study leading to an associate, bachelor's, graduate, or higher degree.

This Compliance Monitoring desk review report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in October, 2022.

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

Sincerely,



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

PERFORMED BY:

Ms. Elizabeth Steele, Compliance Specialist

cc:

THECB

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Ms. DeCha Reid, Senior Director, Financial Aid Services

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Ms. Cathy Horn, Associate Director of Student Financial Services

Ms. Tracey Officer, Banner Functional Manager, Collegis Education

Ms. Kristi Kirk, Provost and Executive Vice President

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Legislative Budget Board

Mr. Christopher Mattsson, Assistant Director

July 11, 2022

Dr. Laura Skandera Trombley, President
Southwestern University
1001 E. University Avenue
Georgetown, TX 78626

RE: *A Compliance Monitoring Desk Review of Tuition Equalization Grant (TEG) at Southwestern University*,
Report No. THECB CM-FA-22-024

Dear Dr. Trombley,

I am attaching the final report on *A Compliance Monitoring Desk Review of Tuition Equalization Grant at Southwestern University*, Report No. THECB CM-FA-22-024. There were no findings resulting from this engagement.

Southwestern University complied with relevant Coordinating Board rules and regulations of the Tuition Equalization Grant (TEG) with Texas Administrative Code (TAC) Title 19, Part 1, Chapter 22, Subchapter B, Sections 22.21-22.29 in the areas of student eligibility, student award amounts, and program reconciliation.

Summary

Our review included tests of relevant financial aid data reported and certified by Southwestern University for award year 2020-2021 for accuracy and completeness in accordance with TAC, Title 19, Part 1, Chapter 22, Subchapter B, Sections 22.21-22.29. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the desk review objectives.

Our work included procedures to verify:

- Students demonstrated financial need;
- TEG award amounts met criteria;
- Students fulfilled residency requirements;
- TEG degree plan/major requirements were met;
- Applicable students registered with the selective service system; and
- TEG funds were reconciled.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in October 2022.

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,



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

PERFORMED BY:

Mr. Jitendra Singh, Compliance Specialist
Ms. Shebah Washington, Compliance Specialist

CC:

THECB

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August 30, 2022

Dr. Melva K. Williams, President & CEO
Huston-Tillotson University
900 Chicon St.
Austin, Texas 78702

RE: *A Compliance Monitoring Follow Up Review of Tuition Equalization Grant at Huston – Tillotson University*, Report No. THECB-CM-FA-22-026

Dear Dr. Williams,

I am attaching the results of the follow up review regarding the implementation of procedures of student eligibility requirements, and information security controls over financial aid data at Huston-Tillotson University.

Huston-Tillotson University implemented the recommendations in the prior report *A Compliance Monitoring Desk Review of Tuition Equalization Grant at Huston-Tillotson University*, issued August 10, 2020.

Management has implemented the recommendations by:

- Developing procedures and an action plan to demonstrate compliance with TEG eligibility requirements in accordance with Texas Administrative Code Title 19, Part 1, Chapter 22, Subchapter B, Section 22.4 (5); and
- Capturing and retaining student information system audit logs or change history over an extended period for the critical data used for financial aid.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in October 2022.

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

Sincerely,



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

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Senior Compliance Specialist

cc:

THECB

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Ms. DeCha Reid, Senior Director, Financial Aid Services

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September 16, 2022

Mr. Thomas "Tom" M. Mengler, J.D.
President
St. Mary's University
One Camino Santa Maria
San Antonio, Texas 78228

Re: *A Compliance Monitoring Desk Review of the College Access Loan at St. Mary's University*, Report No. THECB-CM-FA-22-020.

Dear Mr. Mengler,

I am attaching the final report on *A Compliance Monitoring Desk Review of the College Access Loan at St. Mary's University*, Report No. THECB-CM-FA-22-020. There were no findings resulting from this engagement.

Summary

St. Mary's University complied with relevant Coordinating Board (THECB) rules and regulations for the College Access Loan (CAL) Program and with Texas Administrative Code (TAC), Title 19, Part 1, Chapter 22, Subchapter C, Sections 22.42-22.55 in the areas of student eligibility, and program reconciliation.

Our review included tests of CAL eligibility requirements for data reported and certified by St. Mary's University. Our review focused on CAL data for the financial aid year 2020-2021.

Our work included procedures to verify:

- Students met all eligibility criteria including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Reported award amounts reconciled with student information system data and payment records;
- Students were enrolled at least half-time; and
- Students were in a course of study leading to an associate, bachelor's, graduate, or higher degree.

This Compliance Monitoring desk review report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in October, 2022.

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

Sincerely,



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

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Senior Compliance Specialist

cc:

THECB

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Ms. Nichole Bunker-Henderson, General Counsel

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Harrison Keller, Ph.D.
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September 21, 2022

Dr. Sandra S. Harper
President
McMurry University
1400 Sayles Blvd.
Abilene, TX 79697

Re: *A Compliance Monitoring Desk Review of the Tuition Equalization Grant at McMurry University*, Report No. THECB-CM-FA-22-017

Dear Dr. Harper,

I am attaching the final report on *A Compliance Monitoring Desk Review of the Tuition Equalization Grant at McMurry University*, Report No. THECB-CM-FA-22-017. There was one observation related to information technology controls resulting from this engagement. Management's response has been incorporated into the final report.

Summary


Information security controls over student information at McMurry University (MCM) require improvement. Audit trails over key financial aid data must be established to ensure the reliability and integrity of data used for financial aid decision making purposes. Therefore, our original review objectives, including a determination of the accuracy of Tuition Equalization Grant awards reported by MCM, were unable to be met. We believe the evidence obtained provides a reasonable basis for the reportable observations and recommendations, if any, based on the review objectives.

A follow up review will be performed to evaluate MCM's information security controls. This will serve as a basis for future base period assessments of the accuracy of student information for financial aid purposes. The project type was adjusted from an audit to a desk review to more accurately reflect the work conducted. This project will be rescheduled as an audit in the future after verification of an acceptable corrective action plan.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in October 2022.

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is written in a cursive style with a large, looped "M" and a distinct "P".

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

Detailed Observation, Recommendation and Management's Response

1. Information technology processes and controls over student information system data should be strengthened.

Information technology processes and controls over audit logs and student information system data should be strengthened. Although McMurry University has policies and procedures in place to limit access to information systems, the student information system does not provide audit logs or change history for an extended period for critical data, such as:

- Student Eligibility
- Satisfactory Academic Progress
- Award Amounts
- Financial Need

Audit logs provide documentary evidence to track a sequence of events, and the ability to monitor unauthorized system use or unusual activity. Without audit logs covering an extended period, maintaining the integrity of system information and ensuring the reliability of data is limited.

Family Educational Rights and Privacy Act (FERPA) Title 34, Code of Federal Regulations, Subtitle A, Part 99, Subpart D, Section 99.31 [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 legitimate educational interests." Security standards (Texas Administrative Code Title 1, Part 10, Chapter 202) established by the Department of Information Resources (DIR) for institutions of higher education also provides another best practice for strengthening information security.

Recommendation:

Capture and retain student information system audit logs or change history over an extended period for the critical data used for financial aid.

Management Response:

McMurry agrees with the recommendation to strengthen the information technology process and controls over audit logs. The primary control to improve is to access user activity logs in the Student Information System, Jenzabar EX.

Michael Stephens, McMurry Database Administrator, has implemented the capture of user activity logs in Jenzabar EX beginning 6/30/2022. These logs will be capture and retain critical data used for financial aid over an extended period.

PERFORMED BY:

Ms. Elizabeth Steele, Compliance Specialist
c:

THECB

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Mr. Tim Sechrist, Director of Financial Services
Mr. Michael Stephens, Database Manager, Finance & Administration

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Harrison Keller, Ph.D.
COMMISSIONER OF HIGHER
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September 16, 2022

Dr. Robin Satterwhite
President
South Plains College
1401 College Avenue
Levelland, Texas 79336

RE: *A Compliance Monitoring Audit of the Texas Educational Opportunity Grant (TEOG) at South Plains College*, Report No. THECB-CM-FA-22-013

Dear Dr. Satterwhite,

I am attaching the final report on *A Compliance Monitoring Audit of the Texas Educational Opportunity Grant at South Plains College*, Report No. THECB-CM-FA-22-013. There was one observation related to student eligibility resulting from this engagement. Management's response has been incorporated into the final report.

A follow up review will be performed to evaluate South Plains College's corrective action to address the noted recommendation.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in October 2022.

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

Sincerely,



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

Executive Summary

South Plains College (SPC) substantially complied with the Coordinating Board requirements regarding the administration of the Texas Educational Opportunity Grant (TEOG) Program related to student eligibility. However, SPC awarded \$3,310.00 in TEOG funds to one student during fiscal year 2021 who had already obtained an associate of arts degree as noted on the student's application. Further, the student indicated that the application was for transfer credits and not to pursue a degree or certification program. SPC did not have sufficient procedures in place to ensure compliance with Texas Administrative Code (TAC), Title 19, Part 1, Chapter 22, Subchapter M, §22.258(b), "a student may not receive a grant after having been granted an associate or baccalaureate degree."

We conducted this 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

We reviewed the following areas:

Award Amounts

No reportable findings were noted.

Student Eligibility

One reportable finding was noted.

Student Financial Need

No reportable findings were noted.

Satisfactory Academic Progress

No reportable findings were noted.

Selective Service Registration

No reportable findings were noted.

Reported Award Amounts Reconciled with South Plains College's Student Data System and Payment Records

No reportable findings were noted.

Audit Scope, Objective, and Methodology

Our audit included tests of TEOG payment data reported and certified by SPC in the Financial Aid Data System maintained by the THECB. Our audit focused on TEOG disbursements during fiscal year 2021.

Our work included procedures to verify that:

- Students met all eligibility criteria, including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Applicable students registered with the selective service system; and
- Reported award amounts reconciled with SPC's student data system and payment records.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random sampling to determine the extent to which SPC accurately reported student eligibility data.

Background

The TEOG Program is authorized by Texas Education Code, Chapter 56, Section 56.402. Rules establishing procedures to administer the program can be found in TAC Title 19, Chapter 22, Subchapter M. The program is funded by appropriations authorized by the Texas Legislature. The purpose of the TEOG Program is to provide financial assistance to eligible students attending Texas two-year public institutions of higher education.

TAC Title 19, Part 1, Chapter 1, Subchapter A, §1.13 (b)(2) states, "The purpose of the Board's risk assessment process and compliance methodologies is to maximize the effectiveness of monitoring funds allocated by the Board and data reported to the Board. The agency-wide, risk-based compliance monitoring function is established for: (A) funds allocated by the board to institutions of higher education, private or independent institutions of higher education, and other entities, including student financial assistance funds, academic support grants, and any other grants, to ensure that those funds are distributed in accordance with applicable law and board rule."

During fiscal year 2021, there were 307 SPC students who received award disbursements totaling \$789,435.

Detailed Observation, Recommendations and Management's Responses

1. Grant awarding processes and controls over TEOG student eligibility, including degree status, need improvement.

Grant awarding processes and controls over TEOG student eligibility, including degree status, need improvement. A Texas Educational Opportunity Grant (TEOG) was awarded to an ineligible student and did not comply with the program requirements.

We reviewed 59 samples to determine whether SPC met the TEOG program criteria requirements including eligibility. All except one of the 59 samples we reviewed met the TEOG reviewed criteria requirements. One exception was brought to our attention by SPC. In preparing the responses to our request for information, SPC identified one student in the sample that received a TEOG grant and had previously earned an associate degree from another institution.

According to TAC §22.258(b), "a student may not receive a grant after having been granted an associate or baccalaureate degree." South Plains College awarded \$3,310.00 in TEOG funds to one student during fiscal year 2021 who had already obtained an associate of arts degree. Further, the student indicated that their application was for transfer credits and not to pursue a degree or certification program.

South Plains College's existing controls that check incoming credits failed to identify this student with a prior degree. Therefore, grant awarding processes and controls over student eligibility, including degree status, should be strengthened to ensure compliance with the TAC, §22.258(b) requiring that a student may not receive a grant after having been granted an associate or baccalaureate degree.

Recommendations:

A. Develop control procedures to better identify initial TEOG applicants that previously earned an associate or baccalaureate degree.

B. Refund the \$3,310.00 in TEOG funds awarded for the above student to the Texas Higher Education Coordinating Board.

Management Response:

A. *SPC recognizes the severity of the situation in disbursing TEOG funds to a student with a prior associate degree. This instance was found while pulling information for the TEOG audit and was reported to the auditor at the same time all requested student documentation was uploaded. Likewise, the processes for selecting students to receive TEOG awards was also immediately updated to ensure that a situation like this does not happen again. The process is described below.*

Regarding the fact that the student indicated that the application was for transfer credit and not to pursue a degree or certification program, by the time the student received her TEOG award, the student had been accepted into SPC's LVN certificate program and was certificate seeking.

New TEOG selecting and awarding process

Process for Awarding Initial TEOG Grant

1. To get a list of students to check for initial TEOG eligibility:
 - a. Check for students who have a "Received" TEOG application status
 - b. Of the remaining students remove all students who do not have a residency status of "INDIS" or "OUTDIS" (this would mean that the student is not a Texas Resident)
 - c. Of the remaining students remove all that do not have a Completed Financial Aid File
 - d. Of the remaining students remove all that have an EFC larger than the TEOG priority EFC
 - i. 21-22 Priority EFC is 6234
 - e. Of the remaining students remove all that have a bad SAP status
 - f. Of the remaining students remove all that have indicated they have a bachelor's degree on their FAFSA
 - g. Of the remaining students remove all that have previously received a TEOG award
2. The remaining students must be evaluated by:
 - a. checking for more than 30 attempted hours
 - i. For the students that have more than 30 hours:
 1. Pull the students who have just graduated high school and ensure that hours are NOT dual credit. This is done by checking high-school transcript for graduation date then checking all other transcripts for dates of attempted credits.
3. The students who remain on the list are manually evaluated for the remaining eligibility criteria:
 - a. Previous College Transcripts are manually searched for in Perceptive Content and Colleague UI to ensure that NO previous Degrees have been earned from other Institutions and that all Transfer Hours being accepted by SPC are being counted.
 - b. Student file has a VALID TEOG application scanned into Perceptive Content
 - i. This application is checked to ensure that student has NOT selected YES on Felony Conviction
 - ii. It is also checked to ascertain that the student has successfully completed the Selective Service portion of the TEOG application.
4. Students failing any portion of #3 are removed from the list at this point.

5. *Double Check in Colleague using MYSA (multi-year student award) that student has not previously been awarded TEOG. Remove any student who has.*
6. *Remaining students are sorted by enrollment level from greatest to least and then by EFC.*
 - a. *Priority awards:*
 - i. *\$0 EFC/12 credit hour*
7. *Award students for Fall and Spring.*

Process for Awarding Renewal TEOG Grant

1. *Compile list of students who received TEOG awards the preceding academic year.*
2. *The above student list will be processed for TEOG Renewal Eligibility by:*
 - a. *Checking for students who have a "Received" TEOG application status*
 - b. *Of the remaining students remove all students who do not have a residency status of "INDIS" or "OUTDIS" (this would mean that the student is not a Texas Resident)*
 - c. *Of the remaining students remove all that do not have a Completed Financial Aid File*
 - d. *Of the remaining students remove all that have a bad SAP status*
 - e. *Of the remaining students remove all that have indicated they have a bachelor's degree on their FAFSA*
 - f. *Of the remaining students remove all that have a cumulative GPA of less than 2.5 if they were a renewal the previous year*
 - g. *Of the remaining students remove all that have a cumulative pace of less than 75% if they were a renewal the previous year*
3. *Evaluate those remaining by:*
 - a. *Checking for less than 75 attempted hours*
 - i. *For the students that have more than 75 hours:*
 1. *Pull the students see if any are Dual Credit hours and how many were earned while receiving TEOG funding.*
 - ii. *Remove any student with more than 75 or more attempted hours while receiving TEOG.*
 - b. *Checking to make sure the year of the Initial TEOG is 4 years or less*
 - i. *If first semester award is more than 4 years old remove from the list*
4. *The students who remain on the list are manually evaluated for the remaining eligibility criteria:*
 - a. *Previous College Transcripts are manually searched for in Perceptive Content and in Colleague UI to ensure that NO previous Degrees have been earned from other Institutions and that all Transfer Hours being accepted by SPC are being counted.*
 - b. *Student file has a VALID TEOG application scanned into Perceptive Content*
 - c. *This application is checked to ensure that student has NOT selected YES on Felony Conviction*

- 7

PERFORMED BY:

Mr. Bobby Lane, CFE, CICA, Compliance Specialist
c:

THECB

Board Members

Commissioner's Office

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Ms. Melissa Henderson, Chief of Staff
Ms. Sarah Keyton, Associate Commissioner for Administration
Mr. Jerel Booker, Interim Deputy Commissioner for Academic Affairs
Mr. Ken Martin, Associate Commissioner, Chief Operating Officer / Chief Financial Officer
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Ms. DeCha Reid, Senior Director, Financial Aid Services

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Harrison Keller, Ph.D.
COMMISSIONER OF HIGHER
EDUCATION

August 30, 2022

Dr. Scott McDowell
President
Lubbock Christian University
5601 19th Street
Lubbock, TX 79407

RE: *A Compliance Monitoring Audit of Tuition Equalization Grant (TEG)*
at Lubbock Christian University, Report No. THECB CM-FA-22-016

Dear Dr. McDowell,

I am attaching the final report on *A Compliance Monitoring Audit of Tuition Equalization Grant at Lubbock Christian University, Report No. THECB CM-FA-22-016*. There were no findings resulting from this engagement.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in October 2022.

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

Sincerely,



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

EXECUTIVE SUMMARY

Lubbock Christian University complied with relevant Coordinating Board (THECB) rules and regulations regarding the Tuition Equalization Grant (TEG) and with Texas Administrative Code (TAC) Title 19, Part 1, Chapter 22, Subchapter M, §22.21 through §22.29.

We conducted this 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.

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.

We reviewed the following areas:

Financial Need was met in Accordance with Program Requirements

No reportable findings were noted.

TEG Award Amounts were made in Accordance with Program Requirements

No reportable findings were noted.

Recipients were Eligible to Receive TEG Funds

No reportable findings were noted.

Lubbock Christian University's TEG Award Policy

No reportable findings were noted.

TEG Majors Met Program Requirement

No reportable findings were noted.

Reconciliation of TEG funds

No reportable findings were noted.

Audit Scope, Objective, and Methodology

Our audit included tests of TEG data reported and certified by Lubbock Christian University. Our audit focused on the FY2021 Certified FADS TEG data for financial aid year 2020- 2021.

Our work included procedures to verify:

- Students demonstrated financial need;
- TEG award amounts met criteria;
- TEG recipients and non-recipients aligned with Lubbock Christian University's methodology;
- TEG award amounts adhered to Lubbock Christian University's policies;
- TEG major requirements were met; and
- TEG funds were reconciled.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random sampling to determine the extent to which Lubbock Christian University accurately reported TEG student awards.

Background

The Tuition Equalization Grant was authorized by Chapter 61, Section 61.221 of the Texas Education Code. Rules establishing procedures to administer the subchapter can be found in Chapter 22, Subchapter B of the Texas Administrative Code. The program is funded by appropriations by the Texas Legislature. The purpose of the TEG program is to promote the best use of existing educational resources and facilities within Texas, both public and private, by promoting need-based grants to Texas residents.

Texas Administrative Code (TAC) Title 19, Part 1, Chapter 1, Subchapter A §1.13 (b)(2) states, "The purpose of the Board's risk assessment process and compliance methodologies is to maximize the effectiveness of monitoring funds allocated by the Board and data reported to the Board. The agency-wide, risk-based compliance monitoring function is established for... (A) funds allocated by the board to institutions of higher education, private or independent institutions of higher education, and other entities, including student financial assistance funds, academic support grants, and any other grants, to ensure that those funds are distributed in accordance with applicable law and board rule."

Lubbock Christian University was awarded \$1,530,757.00 in TEG funds for the financial aid year 2020-2021.

PERFORMED BY:

Ms. Shebah Washington, Compliance Specialist

cc:

THECB

Board Members

Commissioner's Office

Dr. Harrison Keller, Commissioner of Higher Education

Mr. Jerel Booker, Interim Deputy Commissioner, Academic Affairs and Workforce Education

Mr. Ken Martin, Associate Commissioner, Chief Operating Officer/Chief Financial Officer

Ms. Sarah Keyton, Associate Commissioner for Administration

Ms. Nichole Bunker-Henderson, General Counsel

Student Financial Aid Programs

Dr. Charles W. Contéro-Puls, Assistant Commissioner

Ms. DeCha Reid, Senior Director, Financial Aid Services

Lubbock Christian University

Mr. Terry Creech, Chairman, Board of Trustees

Ms. Amy Hardesty, Director of Financial Assistance

Ms. Becky Wilson, Assistant Vice President for Financial Aid

Mr. Robert Smith, Chief Information Officer

Mr. Karl Mahan, Vice President of Technology

Ms. Karen Rogers, Director of Accounting

Mr. Brandon Goen, Controller

Ms. Jessica Snead, Director of Student Accounts

Ms. Sonja Dixon, Registrar

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COMMISSIONER OF HIGHER
EDUCATION

September 16, 2022

Dr. Eric I. Bruntmyer
President
Hardin-Simmons University
2200 Hickory
Abilene, TX 79698

RE: *A Compliance Monitoring Desk Review of Tuition Equalization Grant (TEG) at Hardin-Simmons University*, Report No. THECB CM-FA-22-023

Dear Dr. Bruntmyer,

I am attaching the final report on *A Compliance Monitoring Desk Review of Tuition Equalization Grant* at Hardin-Simmons University, Report No. THECB CM-FA-22-023. There were no findings resulting from this engagement.

Hardin-Simmons University complied with relevant Coordinating Board rules and regulations of the Tuition Equalization Grant (TEG) with Texas Administrative Code (TAC) Title 19, Part 1, Chapter 22, Subchapter B, Sections 22.21-22.29 in the areas of student eligibility, student award amounts, and program reconciliation.

Summary

Our review included tests of relevant financial aid data reported and certified by Hardin-Simmons University for award year 2020-2021 for accuracy and completeness in accordance with TAC, Title 19, Part 1, Chapter 22, Subchapter B, Sections 22.21-22.29. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the desk review objectives.


Our work included procedures to verify:

- Students demonstrated financial need;
- TEG award amounts met criteria;
- Students fulfilled residency requirements;
- TEG degree plan/major requirements were met;
- Applicable students registered with the selective service system; and
- TEG funds were reconciled.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in October 2022.

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 dark ink that reads "Mark A. Poehl". The signature is written in a cursive style with a large initial 'M' and a clear 'P'.

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

PERFORMED BY:

Ms. Shebah Washington, Compliance Specialist

cc:

THECB

Board Members

Commissioner's Office

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Mr. Jerel Booker, Interim Deputy Commissioner, Academic Affairs and Workforce Education

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Hardin-Simmons University

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Ms. Monica Smart, Director of Financial Aid

Mr. Cameron Moore, Associate Vice President for Technology Services

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Harrison Keller, Ph.D.
COMMISSIONER OF HIGHER
EDUCATION

September 21, 2022

Dr. Justin Lonon
Chancellor
Dallas College
1601 S. Lamar St.
Dallas, TX 75215

RE: *A Compliance Monitoring Follow up Review of our Initial Review of House Bill 1735 Policy Compliance Requirements at Dallas College*, Report No. THECB-CM-DR-21-035-8

Dear Dr. Lonon,

The Texas Higher Education Coordinating Board has completed a follow up review on our *Initial Review of House Bill 1735 Policy Compliance Requirements at Dallas College*, Report No. THECB-CM-DR-21-035-8. The results of the review are characterized below.

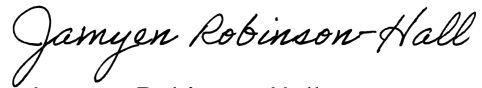
Dallas College implemented the following policy recommendations from our prior report issued May 28, 2021 with one note as follows:

- Board of Trustees biennial review and approval of any policy revisions,
- A policy providing amnesty for students reporting certain incidents,
- Procedures for when a student withdraws or graduates with pending disciplinary charges, and
- Provisions for at least one or more responsible employee, confidential employee, and student advocate. Responsible employee for the purposes of Title IX;
 - (1) Confidential employee to whom enrolled students may speak confidentially; and
 - (2) Student advocate is an enrolled student to whom an enrolled student may speak confidentially.
- Note: Dallas College's initial response for this item 2. follows: *Finally, due to its recent consolidation and reorganization, the College has elected not to designate "Student Advocates" at this time, as permitted by Texas Education Code (TEC) §51.290. The College's Office of Institutional Equity will review this decision, in consultation with appropriate stakeholders, during the College's scheduled biennial review of the Sexual Misconduct Policy.*

This Compliance Monitoring follow up report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Academic and Workforce Success, a standing committee of the THECB Board, on October 26, 2022.

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

Sincerely,

A handwritten signature in black ink that reads "Jamyen Robinson-Hall". The signature is written in a cursive, flowing style.

Jamyen Robinson-Hall
Senior Compliance Specialist, Internal Audit and Compliance

PERFORMED BY:

Mr. Bobby Lane, CFE, CICA, Compliance Specialist
Ms. Elizabeth Steele, Compliance Specialist

c:

THECB

Board Members

Commissioner's Office

Dr. Harrison Keller, Commissioner of Higher Education

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Dr. David Troutman, Deputy Commissioner for Academic Affairs

Mr. Ken Martin, Associate Commissioner, Chief Operating Officer / Chief Financial Officer

Ms. Nichole Bunker-Henderson, General Counsel

Academic Affairs and Workforce Education

Dr. Tina Jackson, Assistant Commissioner, Workforce Education

Ms. Cathie Maeyaert, Director, Private Postsecondary Institutions/Title IX Coordinator-Institutions

Dallas College

Ms. Monica Lira Bravo, Chair, Board of Trustees

Mr. Rafael Godinez, Executive District Director, Internal Audit

Mr. Rob Wendland, General Counsel

Ms. Tricia Horatio, Associate General Counsel

Ms. Francienne Maynard, Title IX Coordinator

Texas Association of Community Colleges

Dr. Ray Martinez, III, President and Chief Executive Officer

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Harrison Keller, Ph.D.
COMMISSIONER OF HIGHER
EDUCATION

September 21, 2022

Dr. Ervin D. Seamster, Jr.
President
Southwestern Christian College
200 Bowser Cir.
Terrell, TX 75160

RE: *A Compliance Monitoring Follow up Review of our Initial Review of House Bill 1735 Policy Compliance Requirements at Southwestern Christian College*, Report No. THECB-CM-DR-21-035-18

Dear Dr. Seamster,

The Texas Higher Education Coordinating Board has completed a follow up review on our *Initial Review of House Bill 1735 Policy Compliance Requirements at Southwestern Christian College*, Report No. THECB-CM-DR-21-035-18. The results of the review are characterized below.

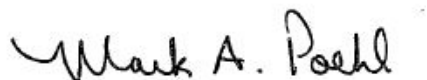
Southwestern Christian College (SwCC) implemented the following policy recommendations from our prior report issued May 27, 2021 as follows:

- Board of Trustees approval of the student conduct policies published in the academic catalog and/or student handbook.
- A hyperlink from SwCC's home page to its sexual assault and reporting (Title IX) related policies and procedures.
- Board of Trustees biennial review and approval of any policy revisions.
- A home page link (electronic reporting option) clearly indicating that it is for sexual assault reporting for students and employees of SwCC.
- A policy providing amnesty for students reporting certain incidents.
- Procedures for documenting a victim's request not to investigate and to notify the victim of SwCC's decision whether to investigate an alleged incident.
- Trauma-informed investigation training for SwCC law enforcement employees.

This Compliance Monitoring follow up report will be presented to the Texas Higher Education Coordinating Board (THECB) Agency Operations Committee, a standing committee of the THECB Board, on October 26, 2022.

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is written in a cursive style with a large, stylized "M" and "P".

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

PERFORMED BY:

Mr. Bobby Lane, CFE, CICA, Compliance Specialist
Ms. Elizabeth Steele, Compliance Specialist

c:

THECB

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Dr. David Troutman, Deputy Commissioner, Academic Affairs

Mr. Ken Martin, Associate Commissioner, Chief Operating Officer / Chief Financial Officer

Ms. Nichole Bunker-Henderson, General Counsel

Academic Affairs and Workforce Education

Dr. Tina Jackson, Assistant Commissioner, Workforce Education

Ms. Cathie Maeyaert, Director, Private Postsecondary Institutions/Title IX Coordinator-Institutions

Southwestern Christian College

Dr. John H. Dansby, Sr., Chairman, Board of Trustees

Mr. Aaron Robledo, Chief of Police

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Office of the Governor-Budget and Policy Division

Ms. Sarah Hicks, Budget and Policy Director

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Mr. Christopher Mattsson, Assistant Director