

TEXAS HIGHER EDUCATION COORDINATING BOARD

Agency Operations Committee

1200 EAST ANDERSON LANE, BOARD ROOM 1.170
AUSTIN, TEXAS
2:00 P.M., January 22, 2020

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

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

I. Welcome and Committee Chair's Opening Remarks

II. Approval of the Minutes

A. October 23, 2019, Committee Meeting

III. Consideration of Approval of the Consent Calendar

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

V. Agency Operations

A. Four-year review of Coordinating Board Rules:

- 1) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 1, Agency Administration
- 2) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 3, Rules Applying to All Public and Private or Independent Institutions of Higher Education in Texas Regarding Electronic Reporting Option for Certain Offenses; Amnesty
- 3) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 4, Rules Applying to All Public Institutions of Higher Education in Texas

Note: Highlighted items in gray are on the Consent Calendar

- 4) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 5, Rules Applying to Public Universities, Health-Related Institutions, and/or Selected Public Colleges of Higher Education in Texas
- 5) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 6, Health Education, Training, and Research Funds
- 6) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 7, Degree Granting Colleges and Universities Other Than Texas Public Institutions
- 7) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 8, Creation, Expansion, Dissolution, or Conservatorship of Public Community College Districts
- 8) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 9, Program Development in Public Two-Year Colleges
- 9) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 11, Texas State Technical College System
- 10) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 13, Financial Planning
- 11) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 14, Research Funding Programs
- 12) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 15, National Research Universities
- 13) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 17, Facilities

Note: Highlighted items in gray are on the Consent Calendar

14) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 21, Student Services

15) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 22, Student Financial Aid Programs

16) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 23, Education Loan Repayment Programs

17) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 25, Optional Retirement Program

18) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 26, Programs of Study

19) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 27, Fields of Study

B. Consideration of adopting the staff recommendation to the Committee relating to approval of a request from the University of North Texas to establish a branch campus in Frisco, Texas

C. Report on grants and contracts

VI. Finance

A. Review of the Fiscal Year 2020 Financial Report to the Board

B. Consideration of adopting the staff's recommendation to the Committee to issue a Request for Proposals (RFP) for selection of a vendor for Financial Advisor for the agency's student loan program

C. Consideration of adopting the staff's recommendation to the Committee to issue a Request for Proposals (RFP) for selection of a vendor for Bond Counsel relating to the performance of legal services for the agency in support of the student loan bond program

D. Consideration of adopting the staff's recommendation to the Committee for approval to enter into a five-year lease agreement to secure the current agency location with 1200 Anderson Partners with an early termination clause option

Note: Highlighted items in gray are on the Consent Calendar

VII. Internal Audit

- A. Update on Internal Audit Reports and Activities

VIII. Compliance Monitoring

- A. Update on Compliance Monitoring Reports and Activities

IX. Executive Session

- A. Pursuant to Texas Government Code, Section 551.076, the Board will meet in closed session to discuss the agency's Legacy Modernization Project

X. Adjournment

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

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

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

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

Note: Highlighted items in gray are on the Consent Calendar

Agency Operations Committee

AGENDA ITEM I

Welcome and Committee Chair's Opening Remarks

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

Agency Operations Committee

AGENDA ITEM II

Consideration of Approval of the Minutes from October 23, 2019, Committee meeting

RECOMMENDATION: Approval

DRAFT
TEXAS HIGHER EDUCATION COORDINATING BOARD
Agency Operations Committee

Wednesday, October 23, 2019; 2:00 p.m.

**Board Room, 1st Floor
Room 1.170**

1200 East Anderson Lane, Austin, Texas

The Agency Operations Committee convened at 2:02 p.m. on October 23, 2019, with the following members present: Ricky Raven, presiding; Fred Farias; Javaid Anwar; Emma Schwartz; Stuart Stedman; and Lauren McKenzie (Ex-Officio).

Other board members present: None

Members absent: Donna Williams and Welcome Wilson

AGENDA ITEM	ACTION
I. Welcome and Committee Chair's Opening Remarks	<p>Board Chair Stuart Stedman called the meeting of the Agency Operations Committee to order. Mr. Stedman appointed Mr. Ricky Raven as Chair of the Agency Operations Committee, Mr. Javaid Anwar as Vice Chair of the Agency Operations Committee, and Ms. Emma Schwartz as Member of the Agency Operations Committee.</p> <p>Mr. Stedman welcomed Ms. Schwartz to the Board, and also welcomed Dr. Harrison Keller as the new Commissioner of Higher Education, before handing the meeting to Committee Chair, Ricky Raven.</p>
II. Consideration of Approval of the Minutes from July 24, 2019, Committee Meeting	<p>On a motion by Dr. Farias, seconded by Mr. Stedman, the Committee approved the July 24, 2019, Agency Operations Committee meeting minutes.</p>
III. Public Testimony on Agenda Items Relating to the Committee on Agency Operations	<p>No action required.</p>

AGENDA ITEM	ACTION
IV. Agency Operations	
A. Report on grants and contracts	Mr. Bill Franz, General Counsel was available for questions. This item did not require any action.
B. Update on the Key Initiatives Recommended by AT&T Cybersecurity regarding the Agency Cybersecurity Framework	Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services and Chief Information Officer, and Mr. Peter Donton, Information Security Officer, presented this item to the Committee and were available to answer questions. This item did not require any action.
V. Finance	
A. Review of the Fiscal Year 2019 Financial Report to the Board	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee and was available for questions. This item did not require any action.
B. Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds	<p>On a motion by Mr. Anwar, seconded by Mr. Stedman, the Committee adopted a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds.</p> <p>Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial Officer; Mr. Richard Donoghue, Partner, McCall Parkhurst and Horton; and Mr. Lee Donner, Regional Managing Director, Hilltop Securities, Inc. presented this to the Committee and were available for questions.</p>
VI. Internal Audit	
A. Report on the External Quality Assurance Review of Internal Audit and Compliance Monitoring	<p>Mr. Mark Poehl, Director of Internal Audit and Compliance and Mr. Richard Tarr, Consultant Specializing in Quality Assurance Reviews of internal Audit Departments, presented this item to the Committee and were available for questions. This item did not require any action.</p> <p>Mr. Tarr joined the meeting via conference call.</p>

AGENDA ITEM	ACTION
B. Audit Report on Performance Measures at the Higher Education Coordinating Board by the Texas State Auditor's Office	Mr. Michael Clayton, Audit Manager, and Mr. Greg Adams, Project Manager, from the Texas State Auditor's Office, presented this item to the Committee and were available for questions. This item did not require any action.
C. Post Payment Audit Report for the Texas Higher Education Coordinating Board by the Texas Comptroller of Public Accounts	Ms. Anna Calzado, Lead Auditor at the Texas Comptroller of Public accounts, and Mr. Bill Hornstein, Assistant Manager at the Texas Comptroller of Public accounts, presented this item to the Committee and were available for questions. This item did not require any action.
D. Update on Internal Audit Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item to the Committee and were available to answer questions. This item did not require any action.
VII. Compliance Monitoring	
A. Update on Compliance Monitoring Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance, and Mr. Paul Maeyaert, Assistant Director of Internal Audit and Compliance, presented this item to the Committee and were available to answer questions. This item did not require any action.
VIII. Executive Session	
A. Pursuant to Texas Government Code Section 551.074, the Agency Operations Committee will meet in closed session to discuss the performance evaluation of the Internal Auditor and the General Counsel since these positions report directly to the Board	The committee did not meet in executive session to discuss the performance evaluation of the Internal Auditor and General Counsel. The Board will conduct these evaluations next year in conjunction with the Commissioner's evaluation and in accordance with the Board's Operating Policies and Procedures.
VIII. Adjournment	On a motion by Mr. Anwar, seconded by Ms. Schwartz, the meeting adjourned at approximately 3:30 p.m.

Agency Operations Committee

AGENDA ITEM III

Consideration of Approval of the Consent Calendar

RECOMMENDATION: Approval

Background Information:

In order to ensure that meetings are efficient, the Committee has a Consent Calendar for items that are noncontroversial. Any item can be removed from the Consent Calendar by a Board member.

TEXAS HIGHER EDUCATION COORDINATING BOARD
AGENCY OPERATIONS COMMITTEE MEETING
****DRAFT****
CONSENT CALENDAR
January 2020

V. Agency Operations

A. Four-year review of Coordinating Board Rules:

- 1) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 1, Agency Administration
- 2) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 3, Rules Applying to All Public and Private or Independent Institutions of Higher Education in Texas Regarding Electronic Reporting Option for Certain Offenses; Amnesty
- 3) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 4, Rules Applying to All Public Institutions of Higher Education in Texas
- 4) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 5, Rules Applying to Public Universities, Health-Related Institutions, and/or Selected Public Colleges of Higher Education in Texas
- 5) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 6, Health Education, Training, and Research Funds
- 6) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 7, Degree Granting Colleges and Universities Other Than Texas Public Institutions
- 7) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 8, Creation, Expansion, Dissolution, or Conservatorship of Public Community College Districts
- 8) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 9, Program Development in Public Two-Year Colleges
- 9) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 11, Texas State Technical College System

- 10) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 13, Financial Planning
- 11) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 14, Research Funding Programs
- 12) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 15, National Research Universities
- 13) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 17, Facilities
- 14) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 21, Student Services
- 15) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 22, Student Financial Aid Programs
- 16) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 23, Education Loan Repayment Programs
- 17) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 25, Optional Retirement Program
- 18) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 26, Programs of Study
- 19) Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 27, Fields of Study

Agency Operations Committee

AGENDA ITEM IV

Public Testimony on agenda items relating to the Agency Operations Committee

RECOMMENDATION: No action required

Background Information:

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

Agency Operations Committee

AGENDA ITEM V-A (1)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 1, Agency Administration

RECOMMENDATION: Adopt review of Chapter 1

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 1 of Board rules was published in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of the rules in Chapter 1 is because the Coordinating Board continues to have statutory responsibilities relating to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO and Bill Franz, General Counsel, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (2)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 3, Rules Applying to All Public and Private or Independent Institutions of Higher Education in Texas Regarding Electronic Reporting Option for Certain Offenses; Amnesty

RECOMMENDATION: Adopt review of Chapter 3

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 3 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (3)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 4, Rules Applying to All Public Institutions of Higher Education in Texas

RECOMMENDATION: Adopt review of Chapter 4

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 4 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (4)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 5, Rules Applying to Public Universities, Health-Related Institutions, and/or Selected Public Colleges of Higher Education in Texas

RECOMMENDATION: Adopt review of Chapter 5

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 5 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the Texas Register ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (5)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 6, Health Education, Training, and Research Funds

RECOMMENDATION: Adopt review of Chapter 6

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 6 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (6)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 7, Degree Granting Colleges and Universities Other Than Texas Public Institutions

RECOMMENDATION: Adopt review of Chapter 7

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 7 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (7)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 8, Creation, Expansion, Dissolution, or Conservatorship of Public Community College Districts

RECOMMENDATION: Adopt review of Chapter 8

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 8 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (8)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 9, Program Development in Public Two-Year Colleges

RECOMMENDATION: Adopt review of Chapter 9

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 9 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (9)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 11, Texas State Technical College System

RECOMMENDATION: Adopt review of Chapter 11

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 11 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (10)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 13, Financial Planning

RECOMMENDATION: Adopt review of Chapter 13

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 13 of Board rules was published in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of the rules in Chapter 13 is because the Coordinating Board continues to have statutory responsibilities relating to all public institutions of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (11)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 14, Research Funding Programs

RECOMMENDATION: Adopt review of Chapter 14

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 14 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (12)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 15, National Research Universities

RECOMMENDATION: Adopt review of Chapter 15

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 15 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (13)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 17, Facilities

RECOMMENDATION: Adopt review of Chapter 17

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 17 of Board rules was published in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of the rules in Chapter 17 is because the Coordinating Board continues to have statutory responsibilities relating to all public institutions of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (14)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 21, Student Services

RECOMMENDATION: Adopt review of Chapter 21

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 21 of Board rules was published in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of the rules in Chapter 21 is because the Coordinating Board continues to have statutory responsibilities relating to all public institutions of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>

Dr. Charles Contéro-Puls, Deputy Assistant Commissioner for Student Financial Aid Programs, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (15)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 22, Student Financial Aid Programs

RECOMMENDATION: Adopt review of Chapter 22

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 22 of Board rules was published in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of the rules in Chapter 22 is because the Coordinating Board continues to have statutory responsibilities relating to all public institutions of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>

Dr. Charles Contéro-Puls, Deputy Assistant Commissioner for Student Financial Aid Programs, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (16)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 23, Education Loan Repayment Programs

RECOMMENDATION: Adopt review of Chapter 23

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 23 of Board rules was published in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of the rules in Chapter 23 is because the Coordinating Board continues to have statutory responsibilities relating to all public institutions of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>

Dr. Charles Contéro-Puls, Deputy Assistant Commissioner for Student Financial Aid Programs, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (17)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 25, Optional Retirement Program

RECOMMENDATION: Adopt review of Chapter 25

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 25 of Board rules was filed on September 16, 2019, and appeared in the September 27, 2019, issue of the *Texas Register*.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (18)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 26, Programs of Study

RECOMMENDATION: Adopt review of Chapter 26

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 26 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-A (19)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the four-year review of Coordinating Board Rules, Chapter 27, Fields of Study

RECOMMENDATION: Adopt review of Chapter 27

Background Information:

Section 2001.039 of the Texas Government Code requires that each rule adopted by the Coordinating Board after September 1, 1997, be reviewed within four years of the date it was adopted and every four years thereafter to assess whether the reason for adopting the rule continues to exist.

Notice of the proposed review of Chapter 27 of Board rules was filed on September 16, 2019 and appeared in the September 27, 2019, issue of the *Texas Register*.

The 30-day comment period with the *Texas Register* ended on October 27, 2019.

The reason for the continued existence of these rules is because the Coordinating Board continues to have statutory responsibilities of higher education in regards to issues covered by these rules.

The text of all of these sections can be viewed on the Texas Administrative Code at <http://www.sos.state.tx.us/tac/>.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will be available to answer questions.

No comments were received.

Agency Operations Committee

AGENDA ITEM V-B

Consideration of adopting the staff recommendation to the Committee relating to approval of a request from the University of North Texas to establish a branch campus in Frisco, Texas

RECOMMENDATION: Approval

Note: This agenda item would typically fall under the Committee for Academic Workforce and Success, but due to the timing and need for approval, this item has been come under the Agency Operations Committee.

Background Information:

University of North Texas (UNT) proposes to establish a single-institution branch campus on 100 acres of land located in Frisco, Texas ("UNT at Frisco"). The proposed Frisco branch campus would provide upper-level and graduate courses to residents of Frisco and the surrounding area.

The city of Frisco, through a combination of grants by the Frisco City Council, the Frisco Economic Development Corporation, and the Frisco Community Development Corporation, donated the 100-acre portion of land to develop the branch campus, with the option to acquire 50 additional acres in the future. The UNT System Board of Regents approved the establishment of the campus during its November 2019 meeting. UNT currently has approval to offer a number of baccalaureate and graduate-level programs at two locations in Frisco: UNT at Frisco-Hall Park and UNT at Frisco-Inspire Park.

Off-campus education units are a means to extend academic credit courses and programs from a parent institution to locations away from an institution's main campus. Large off-campus units, such as branch campuses, are expected to have substantial and growing student enrollments and a broad array of courses and programs that are offered by a single institution; by a system; or by multiple, unrelated institutions. Coordinating Board rules (Section 5.73(5)(A)) require that branch campuses receive Board or Legislative approval. The criteria used to evaluate requests for off-campus educational units are:

1. need for the facility based on projected student enrollments;
2. duplication of the offerings of existing institutions and higher education facilities within one hour's driving time of the proposed center;
3. access for students who might otherwise not enroll in upper-division and graduate courses;
4. faculty resources;

5. prospects for provision of high-quality teaching and learning;
6. adequacy of student support services; and
7. need for the proposed programs.

1. Need for the facility based on projected student enrollments:

UNT currently has two established higher education teaching sites in Frisco, Texas. The UNT Frisco - Hall Park site (2811 Internet Blvd Suite 100, Frisco, TX 75034) is leased by UNT and provides the majority of the undergraduate and graduate programming and student services for UNT in the Frisco area. The UNT Frisco – Inspire Park site (6170 Research Rd, Frisco, TX 75033) is approximately two miles from the proposed branch campus location and is owned by UNT. UNT Frisco – Inspire Park has been configured to support science and clinical practice labs along with their required prep spaces. These spaces support current students with specific classes. Additional lab spaces are available and will be renovated as enrollment growth occurs. Alongside these academic spaces, collaboration spaces for faculty and students to connect, work, and study are available.

Table 1 displays the enrollment figures confirmed by THECB staff for both Frisco sites from the spring semester 2016 through the fall semester of 2019.

Table 1. Enrollments at UNT at Frisco-Hall Park, UNT at Frisco-Inspire Park, and Total.

UNT at Frisco-Hall Park	Spring 2016	Summer 2016	Fall 2016	Spring 2017	Summer 2017	Fall 2017	Spring 2018	Summer 2018	Fall 2018	Spring 2019	Summer 2019	Fall 2019
Total Number of Courses	21	16	26	48	18	71	89	42	102	87	40	125
Distinct Courses Offered	18	16	25	44	13	68	82	33	97	78	32	117
Total Enrollments	247	123	359	725	254	1198	1345	488	1606	1679	477	2504
Total SCH generated	741	351	1077	2175	762	3594	4035	1454	4665	4711	1375	7128

UNT at Frisco-Inspire Park	Spring 2016	Summer 2016	Fall 2016	Spring 2017	Summer 2017	Fall 2017	Spring 2018	Summer 2018	Fall 2018	Spring 2019	Summer 2019	Fall 2019
Total Number of Courses										4		9
Distinct Courses Offered										4		7
Total Enrollments										55		105
Total SCH generated										165		322

Total Frisco Enrollment	Spring 2016	Summer 2016	Fall 2016	Spring 2017	Summer 2017	Fall 2017	Spring 2018	Summer 2018	Fall 2018	Spring 2019	Summer 2019	Fall 2019
Total Number of Courses	21	16	26	48	18	71	89	42	102	91	40	134
Distinct Courses Offered	18	16	25	44	13	68	82	33	97	82	32	124
Total Enrollments	247	123	359	725	254	1198	1345	488	1606	1734	477	2609
Total SCH generated	741	351	1077	2175	762	3594	4035	1454	4665	4876	1375	7450

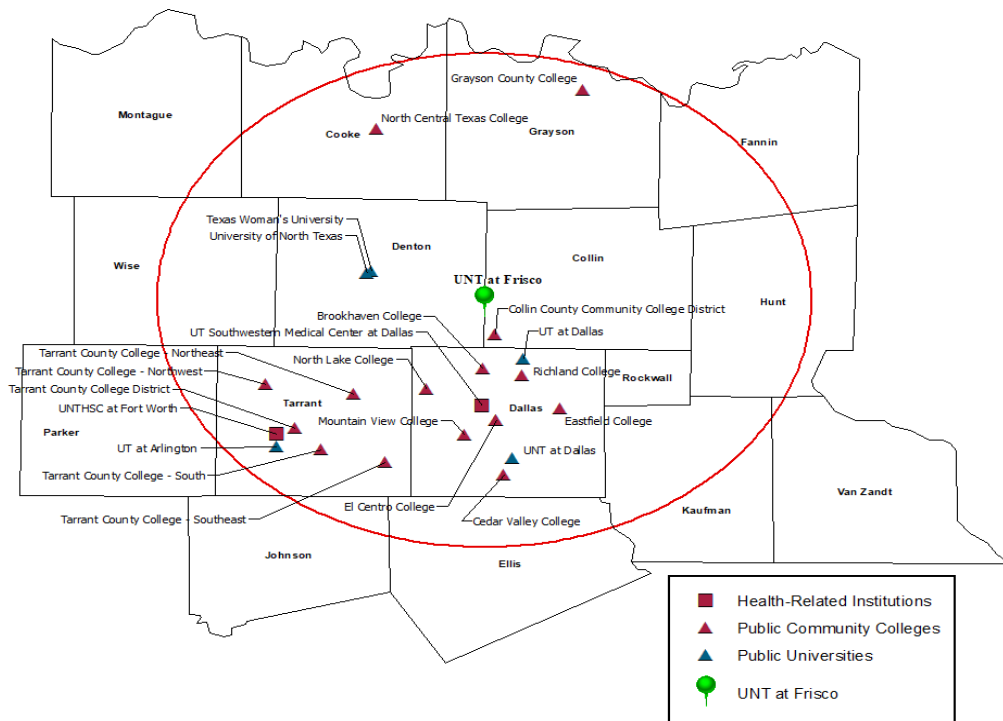
Each of the Frisco sites will support enrollment growth until the new branch campus location (12995 Preston Road, Frisco, TX 75034) is scheduled to have the first building completed in the fall of 2022; with the first classes anticipated in Spring 2023. The Inspire Park location will be retained to provide administrative functions and laboratory education. The Hall Park location will continue to be utilized until it is no longer needed to support the branch campus.

Table 2. Projected Enrollment at UNT at Frisco, fall 2020-27.

Year	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Fall 2024	Fall 2025	Fall 2026	Fall 2027
FTE	1553	1585	2280	2814	3247	3906	4321	4769
Headcount	2562	2615	3762	4643	5358	6445	7130	7869

2. Duplication of the offerings of existing institutions and higher education facilities within one hour's driving time of the proposed center:

There are 15 public community college campuses, 5 public universities, and 2 public health-related institutions within a 50-mile radius of the proposed branch campus location. Currently, UNT offers 34 undergraduate and graduate programs at different sites within the 50-mile radius of the proposed branch campus location. All 34 of the programs are offered in Frisco. There is not a significant duplication of programs by UNT with other institutions in the region. Of the 34 programs offered by UNT, four are duplicated at four of the institutions, three are duplicated at three institutions, six are duplicated at two institutions, 10 are duplicated at one institution, and 11 are not duplicated at any of the area institutions.



The following public institutions of higher education are within a 50-mile radius of the proposed branch campus location:

Community Colleges

1. Collin County Community College District
2. Brookhaven College
3. Cedar Valley College
4. Eastfield College
5. El Centro College
6. Mountain View College
7. North Lake College
8. North Lake College
9. Grayson County College
10. North Central Texas College
11. Tarrant County College District
12. Tarrant County College - Northeast Campus
13. Tarrant County College - Northwest Campus
14. Tarrant County College - South Campus
15. Tarrant County College - Southeast Campus

Public Universities

1. Texas Woman's University
2. The University of Texas at Arlington
3. The University of Texas at Dallas
4. University of North Texas
5. University of North Texas at Dallas

Health-Related Institutions

1. University of North Texas Health Science Center
2. The University of Texas Southwestern Medical Branch

3. Access for students who might otherwise not enroll in upper-division and graduate courses:

UNT anticipates that the current population demographics in the Collin County area will allow it to focus on and provide instruction to two distinct growing populations: 1) a traditional undergraduate education market segment; and 2) a post-traditional adult learner market for professional development and graduate education.

Area employers have indicated that the Frisco location would support employees that are not yet degree complete. Employers indicated that helping their employees complete their degrees in the area from UNT would be a great retention strategy. UNT also states that the business community was excited to partner with the institution for on-going professional development to help prepare their pipeline of corporate leaders.

UNT also states that its strengthened partnership with Collin College has been integral to both the program and branch campus planning process. The Dell Foundation provided the partnership a grant to design seamless transfer support initiatives and a general business degree that accepts all 60 semester credit hours of an Associate of Art or

Associate of Science degree without repeating lower-level prerequisites. This project has created a model for developing additional seamless transfer degrees planned for the Frisco branch campus. Additionally, UNT and Collin College are partnering to create new pathways toward a baccalaureate degree that are geared toward high school students and include field of study curricula and dual credit courses.

4. Faculty resources:

UNT states that the branch campus would be administered by the Dean of the current UNT at Frisco-Hall Park site. The Dean has oversight of the academic administrative staff. The Dean reports directly to the UNT Provost and Vice President for Academic Affairs. The Assistant Vice President for Student Affairs Regional Campuses has oversight of Student Affairs.

Currently, UNT at Frisco-Hall Park acts as a host for the main campus programs taught at off-site locations and ensures that courses offered at the off-site locations have the same high quality and access to resources. UNT at Frisco-Hall Park works with the main campus departments to coordinate staffing and ensure that the programs are assessed and maintained at the equivalent standards as those delivered on the main campus. Review of student learning outcomes assessment provided by the academic departments is facilitated by the UNT Office of University Accreditation.

5. Prospects for provision of high-quality teaching and learning:

UNT has exhibited on-going student success through its graduation rates. In 2017, UNT posted four-, five-, and six-year graduation rates at 37 percent, 53 percent, and 59 percent, respectively. These rates are comparable to the statewide four-, five-, and six-year graduation rates of 37 percent, 55 percent, and 61 percent, respectively. UNT also posts time to degree data (2015-5.1 years, 2016-5 years, 2017-4.9 years, 2018-4.9 years) that are comparable the statewide averages (2015-4.9 years, 2016-4.9 years, 2017-4.8 years, 2018-4.8 years). UNT has also reported a 2018 graduation rate for two-year transfer students as 56.5 percent.

6. Adequacy of student support services:

UNT has student support services available at UNT at Frisco-Hall Park, which is approximately 9.6 miles away from the proposed branch campus location. Services include academic advising, career services, student activities and organizations, disability accommodations, and counseling services. Students taking coursework in Frisco may also access services at the main campus in Denton either through direct contact or through using a professional staff liaison at the Frisco campus. UNT's Toulouse Graduate School provides many of the graduate student support services.

Off-Campus Student Services is a UNT main campus office that serves as a liaison between on-campus departments and all off-campus students. Providing resources and

services directed towards the commuter, off-campus, and non-traditional student population, as well as raising the awareness of these students, Off-Campus Student Services sponsors several programs and activities to assist students in their overall collegiate experience. Services include assistance on locating off-campus housing, information on commuter and transportation services (i.e. carpooling, bus schedules, etc.), as well as coordinating and co-sponsoring events such as Commuter Week and Housing Fairs.

As UNT Frisco grows, additional services will be added based on student needs. The student services office currently housed at Hall Park will relocate to the branch campus once the first building is complete.

Off campus library access to subscription-based online resources, including electronic books and journals, is available via a proxy server, which provides nearly seamless access to all UNT students. These subscription resources are accessible from both the Libraries' catalog, as well as through the Libraries' website. Databases offer the opportunity to email, save or print articles, citations, and search strategies within search sessions. Many such resources provide the user the ability to be regularly alerted to new articles and books.

The libraries provide a free service called Interlibrary Loan through which students, faculty, and staff can request research articles and monographs not owned by the UNT Libraries. Document Delivery fills the academic needs of library patrons by giving them access to journals and books in the library collection in a timely manner and bridges the gap between online resources and print resources. Document Delivery services are offered to all UNT faculty, students, and staff. This includes students enrolled in online courses and those attending at off-site locations. Instructions are provided on the UNT Libraries' website for distance learning requests. Distance Learning Services accommodates all UNT Frisco student needs, including traditional circulation of materials, requests for electronic course reserves, research database access, and holds.

University of North Texas Libraries are physically located 24 miles from the branch campus location. Students registered for UNT classes (regardless of location) have access to library collections and services through a variety of means. Willis Library is the main on-campus library. Willis contains a student computer lab, 24 Commons, that is open 24 hours a day, seven days a week during the fall and spring semesters. The physical building closes during breaks and holidays when the main campus is closed, but remote access is always available through the wireless network.

As UNT Frisco grows, additional services will be added based on student and faculty needs. A Learning Resource Center (a facility like a library and staffed by a specialist) will be located at the branch campus once the first building is complete.

7. Need for the proposed programs:

Based on workforce skills and jobs trend data compiled from the Dallas Federal Reserve Bank and the Texas Workforce Commission, historical higher education program enrollment data from the THECB, and interviews with North Texas, Collin County, and Frisco-area business leaders, decisions were made about which programs to bring to Frisco. UNT also assessed community, educational partner, and corporate stakeholder needs to assess the scope and scale of academic demand in the area. For example, the population growth in Collin County has created a need for professionals to manage the vast amount of new construction. UNT is currently developing a degree in Construction Management targeted in the Frisco area for fall 2020. Another degree under development with the Frisco area in mind is the MBA in Sports Entertainment Management. Frisco is known as "Sports City USA" because they have more professional sports teams within their city limits than any other city in the US. UNT has partnerships with the Dallas Cowboys and the PGA of America and plans to leverage those partnerships to benefit students in this degree program.

Other considerations:Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Requirements

SACSCOC policy considers the establishment of a branch campus a substantive change that requires the submission of a prospectus, a site visit, and prior approval by the SACSCOC Board of Trustees. SACSCOC policy also states that substantive changes must be implemented within two years of approval. If an institution does not implement the change within two years of the SACSCOC Board of Trustees approval date, then a new prospectus must be submitted and approved by the Board prior to implementation. Since UNT has a projected that students will begin attending the branch campus in spring 2023, it will apply for branch status with SACSCOC before July 1, 2022.

Revenue and Cost

During the first year, UNT expects to generate a positive income of \$1,453,660, with an estimated delivery of 44,951 Semester Credit Hours (SCH). UNT projects that the branch campus will continue to generate positive revenue for the first three to four years of operation; primarily due to relatively low rent, debt service, and maintenance and operations costs. At projected enrollment growth, UNT anticipates a loss of \$226,993 in FY 2024 due to increases in rent, debt service, and maintenance and operations costs, but would return to generating positive income in FY 2025 – 2027. UNT intends to use revenues generated from the first three years of operation to compensate for the deficit during FY 2024.

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce, will present this item and is available for questions.

Table 3. UNT at Frisco Campus Financial Summary.

Frisco Campus Financial Summary								
Fiscal Year ¹	2020	2021	2022	2023	2024	2025	2026	2027
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Size Statistics								
Total Semester Credit Hours (SCH) for Year	44,951	46,262	66,177	81,765	94,352	113,501	125,576	138,604
Student Full-Time Equivalent (FTSE)	1,553	1,585	2,280	2,814	3,247	3,906	4,321	4,769
Net Revenue²								
	\$ 14,606,265	\$ 16,998,083	\$ 25,823,955	\$ 30,230,715	\$ 36,802,403	\$ 44,510,697	\$ 49,780,867	\$ 56,282,370
State Formula Funding	\$ 1,678,900	\$ 3,757,799	\$ 6,822,243	\$ 6,766,620	\$ 9,728,173	\$ 11,943,169	\$ 13,752,611	\$ 16,518,704
Statutory Tuition	\$ 2,573,250	\$ 2,573,250	\$ 3,753,209	\$ 4,621,487	\$ 5,330,794	\$ 6,410,893	\$ 7,088,226	\$ 7,820,607
Designated Tuition	\$ 10,328,516	\$ 10,633,301	\$ 15,207,357	\$ 18,790,215	\$ 21,682,771	\$ 26,083,480	\$ 28,858,630	\$ 31,852,914
Discounts & Allowances	\$ (2,271,968)	\$ (2,339,117)	\$ (3,345,218)	\$ (4,133,375)	\$ (4,769,667)	\$ (5,737,716)	\$ (6,348,186)	\$ (7,006,859)
Mandatory Fees	\$ 2,297,568	\$ 2,372,850	\$ 3,386,365	\$ 4,185,768	\$ 4,830,332	\$ 5,810,871	\$ 6,429,587	\$ 7,097,004
Total Expenses								
	\$ 13,152,605	\$ 14,071,946	\$ 20,092,582	\$ 28,171,855	\$ 37,029,396	\$ 43,016,851	\$ 49,311,456	\$ 53,369,782
Instructor Salary & Benefits ³	\$ 8,759,885	\$ 9,084,979	\$ 13,080,460	\$ 16,178,344	\$ 18,662,023	\$ 22,443,765	\$ 24,816,420	\$ 27,381,442
Academic Support & Administrative Salaries & Benefits ⁴	\$ 1,735,591	\$ 1,744,659	\$ 1,976,803	\$ 2,082,364	\$ 2,236,736	\$ 2,415,872	\$ 2,512,559	\$ 2,667,488
Rent and Debt Service ⁵	\$ 1,657,129	\$ 2,222,308	\$ 3,994,918	\$ 4,446,939	\$ 6,002,750	\$ 6,003,750	\$ 8,613,667	\$ 8,615,161
Maintenance & Operations ⁶	\$ 1,000,000	\$ 1,020,000	\$ 1,040,400	\$ 5,464,208	\$ 10,127,886	\$ 12,153,464	\$ 13,368,810	\$ 14,705,691
Net Balance⁷								
	\$ 1,453,660	\$ 2,926,137	\$ 5,731,374	\$ 2,058,860	\$ (226,993)	\$ 1,493,846	\$ 469,411	\$ 2,912,587

Financial Assumption Notes:

¹ Fiscal year 2023 assumes branch campus opening in Spring 2023.

² Formula funding forecast are based on the Semester Credit Hour generation by program and the state funding formulas for the FY2020-21 biennium. Tuition and fees are based in projected SCH generation using Fall 2020 tuition and fee rates.

³ Instructor salary and benefits assumes 40% to be delivered by full-time faculty and 60% to be delivered by adjunct faculty.

⁴ Academic support and administrative salaries is budgeted expense for Fiscal 2020 with escalation to add academic advisors per 300 students and student services personnel per 500 students.

⁵ Rent and debt service for Fiscal 2020 is projected based on current rental agreements and bonded debt costs for Inspire Park. Future years assume interest on commercial paper during construction of branch campus, and bonded debt to begin in Fiscal 2024. The first two years (2024-2025) are anticipated to be interest only payments, with principal payments to begin in 2026.

⁶ Maintenance and operations costs are minimal within the first 3 years due to rent payments covering building overhead. A rate of \$106/ SCH is assumed for operational expenses of the branch campus. This rate includes infrastructure costs and building operations support, as well as associated costs of administration (enrollment services, financial aid and student services, academic advising, library, and information technology.)

⁷ Any reserves generated in the first four years of operations will cover the projected shortfall in Fiscal 2024

Agency Operations Committee

AGENDA ITEM V-C

Report on grants and contracts

RECOMMENDATION: No action required

Background Information:

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

Bill Franz, General Counsel, will be available to answer questions.

Agency Operations Committee

AGENDA ITEM VI-A

Review of the Fiscal Year 2020 Financial Report to the Board

RECOMMENDATION: No action required

Background Information:

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

Key points:

- This report reflects data for the first quarter of fiscal year 2020.
 - September 1, 2019 through November 30, 2020.
- The report is distributed to agency executive management on a monthly basis.
- Report overview:
 - Budget adjustments are primarily related to carrying forward of unexpended balances (UB) from FY19 into FY20.
 - College Access Loan volume is near previous year's level.
 - A bond sale is anticipated to occur in July 2020 to fund new loans for the 2020/21 academic year.
 - The sale of bonds to refund the 2010 bond series is anticipated to occur in July 2020. This date may change based on market conditions.
 - Many programs require various levels of contract approval. Therefore, encumbrances or expenditures for some programs may occur later in the fiscal year.
 - Application volume for the Math and Science Scholars Loan Repayment Program are trending well below funding levels.
 - The final loan disbursements for the B-On-Time (BOT) loan program will be in this fiscal year. BOT loan demand is also trending below the amounts appropriated for both public and private institutions.
 - The Graduate Medical Education Expansion program is projected to receive \$11.8 million from the GME permanent fund to fund additional residency positions. This is \$800 thousand higher than originally appropriated.

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

Agency Operations Committee

AGENDA ITEM VI-B

Consideration of adopting the staff's recommendation to the Committee to issue a Request for Proposals (RFP) for selection of a vendor for Financial Advisor for the agency's student loan program

RECOMMENDATION: Approval

Background Information:

The Board retains a financial advisor to advise the Board and staff on the issuance of bonds that provide funds for the operation of the College Access Loan Program. The financial advisor's role includes advising agency staff on matters pertinent to a proposed bond issue such as issue structure, timing, marketing, fairness of pricing, determination of terms, and bond ratings. The financial advisor also assists staff in preparing cash flows that model the student loan portfolio to ensure adequate liquidity is available each year to maintain program operations into the future.

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

The current contract with Hilltop Securities, Inc. will expire on August 31, 2020.

Staff is requesting authorization to issue an RFP up to \$300,000 for financial advisory services for a 2-year period beginning 9/1/2020. The results of the RFP will be presented to the Board at the April or July 2020 Agency Operations Committee meeting, depending on the length of time needed to complete the process.

Key points:

- This request is for a 2-year period beginning on 9/1/2020.
- The College Access Loan program is financially self-supporting and does not receive general revenue from the state.
- The current outstanding program bond portfolio is \$1.2 billion.
- The cost of financial advisory services for each bond issue is approximately \$75,000. The actual fee charged can vary depending on the total amount of bonds issued in each sale.
- Staff anticipates issuing new money bonds and refunding previous bond series within each year of this contract. The contract estimates four individual bond sales over the term of the contract.

- The financial advisor provides a critical role that supports the existing loan program and future bond issues.
- There is a very narrow field of financial advisors who support bonding in student loan programs nationally.

Key Activities to be Performed

- (1) Devising and recommending a plan of financing for all bonds or other debt instruments to be issued by the Board, with terms and conditions that will result in the most advantageous terms for the Board.
- (2) Assisting Board staff in determining the timing and the sizing of each bond issue.
- (3) Assisting Board staff with the evaluation of proposals for underwriting services.
- (4) Assisting bond counsel in the preparation of bond offering documents including resolutions, preliminary official statements, final official statements, and other bond- related documents.
- (5) Preparing financial information for rating agencies and assisting with presentations to such agencies.
- (6) Provide cash flow modeling for the Hinson Hazelwood related portion of the student loan program portfolio. Reflecting cash flow both annually and program lifecycle cash flow outcomes.
- (7) Providing advice in regard to the need for credit enhancement and liquidity facilities, and assisting in the negotiations with providers of such services.
- (8) Assisting the Board in presentations to credit enhancers, or prospective bond purchasers.
- (9) Monitoring and assisting in the negotiation of all fees and expenses incurred in connection with the issuance of the bonds, including those proposed by the Board's underwriters.
- (10) Reviewing all documents that are customary and necessary in order to structure and issue bonds, and attending all document meetings and/or conference calls.
- (11) Assisting in closing details and post-closing duties, including the development of closing memorandum and preparation of the Bond Review Board final report with final costs of issuance.
- (12) Assisting in making presentations, required submissions, and obtaining approval of the Bond Review Board, the Legislative Budget Board, and any other State entity with supervisory powers over the issuance of bonds by the Board.

- (13) Attending meetings of the Board, Bond Review Board, legislative committees, or other meetings to the extent required and/or requested.
- (14) Providing advice on continuing disclosure requirements in relation to the bonds. Reviewing continuing disclosure annual reports required by Rule 15c2-12 of the Securities and Exchange Commission (SEC).
- (15) Advising staff of new developments in the municipal bond industry.
- (16) Monitoring and advising Board staff on refunding opportunities, cash redemptions, debt defeasance, and other financial products that would help lower the Board's cost of borrowing money.
- (17) Providing financial advisory support for all other matters necessary or incidental to the issuance of the bonds or administering the Board's loan programs.
- (18) Providing information on questions and issues posed by Board and Board staff on an ongoing basis.
- (19) Create and maintain records necessary to determine rebate arbitrage and yield restriction liabilities, if any, on outstanding debt obligations of the THECB.
- (20) Review reports of investment and expenditure of bond proceeds, within the meaning of Section 148, as necessary to ensure compliance with Section 148.
- (21) Assist the THECB in preparing any schedules, reports, or records necessary to perform or support a calculation of arbitrage and yield restriction liabilities.
- (22) Provide the THECB a report of the calculations (including supporting documentation) of arbitrage and yield restriction liabilities within 60 days after the end of each State's fiscal year. (The State's Fiscal year-end is August 31)
- (23) Prepare transmittals and forms necessary to report and pay arbitrage liability on time.
- (24) Assist the THECB by providing information and guidance to the THECB as may be necessary from time to time to improve record-keeping and monitoring required for compliance with Section 148.
- (25) Provide advice and recommendation as the THECB may request concerning unique or extraordinary compliance issues that may arise from time to time.
- (26) Review opportunities and recommend options to minimize existing liabilities or increase retainable earnings.

Assist the THECB in the event of an audit, examination, or inquiry made by the Internal Revenue Service, or any other federal or state government or regulatory bodies regarding the calculation of the rebate amount.

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

Agency Operations Committee

AGENDA ITEM VI-C

Consideration of adopting the staff's recommendation to the Committee to issue a Request for Proposals (RFP) for selection of a vendor for Bond Counsel relating to the performance of legal services for the agency in support of the student loan bond program

RECOMMENDATION: Approval

Background Information:

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

The current contract McCall, Parkhurst & Horton will expire on August 31, 2020.

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

Staff is requesting authorization to issue a Request for Proposals (RFP) up to \$440,000 for Bond Counsel for a 2-year period beginning 9/1/2020. The results of the RFP will be presented to the Agency Operations Committee at the April or July 2020 meeting, depending on the length of time needed to complete the process.

Key points:

- This request is for a 2-year period beginning on 9/1/2020.
- Final approval for a contract for legal services is required by the Office of the Attorney General.
- The College Access Loan program is financially self-supporting and does not receive general revenue from the state.
- The current outstanding program bond portfolio is \$1.2 billion.
- The cost of bond counsel services for each bond issue is approximately \$110,000. This includes expenditure reimbursement. The estimated legal fee charged is typically \$80K to \$90K.

- Staff anticipates issuing new money bonds and refunding two previous bond series within each year of this contract. This contract estimate is for four individual bond sales over the term of the contract.
- Bond counsel provides a critical role that supports the existing loan program and future bond issues.
- There is a very narrow field of legal firms who support bonding for student loan programs nationally.
- Statewide private activity bond demand has increased considerably over the past 3 years. This put constraints on the availability of private activity bonding authority.
- Bonds are authorized under the Texas Constitution, Sections 50b-4 through 50b-7.
- 10% of state volume cap is reserved for state voter issuers (Tx Gov. Code, Sec. 1372).
- These bonds are backed by the full credit of the state (AAA rating June 2019).
- The Board issues between \$150 and \$170 million of new bonds annually to fund new student loans.

Regulatory requirements

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

Historical Bond Sale Information

<u>Series</u>	<u>Par + Net Premium</u>	<u>TIC</u>	<u>Sale Type</u>
2010	\$ 124,997,798	4.75%	Negotiated
2010R	\$ 56,538,925	2.31%	Negotiated
2011A	\$ 124,995,000	4.52%	Negotiated
2011B	\$ 29,061,285	1.46%	Negotiated
2011C	\$ 7,425,538	3.40%	Negotiated
2012	\$ 99,995,837	2.74%	Competitive
2013A	\$ 112,785,395	2.74%	Competitive
2013B	\$ 127,419,151	3.35%	Competitive
2014	\$ 81,144,804	2.93%	Competitive
2015	\$ 169,502,971	3.05%	Competitive
2016	\$ 179,995,090	4.11%	Competitive
2017	\$ 170,613,632	3.11%	Competitive
2018R	\$ 103,848,967	2.68%	Competitive
2019	\$ 170,275,723	3.35%	Competitive
2019R	\$ 54,855,263	2.12%	Competitive

College Access Loan program disbursement history

	Total	
	# of Students	Gross Disbursed
PY 04	5,994	\$38,044,856.45
PY 05	6,243	\$41,442,307.08
PY 06	7,040	\$49,470,079.89
PY 07	11,944	\$102,756,666.88
PY 08	7,999	\$74,181,871.12
PY 09	8,702	\$79,778,517.38
PY 10	8,911	\$86,157,023.17
PY 11	8,378	\$87,521,197.15
PY 12	8,655	\$97,407,152.08
PY 13	8,102	\$100,585,758.18
PY 14	7,533	\$98,925,759.26
PY 15	9,080	\$118,877,752.87
PY 16	10,615	\$148,242,100.06
PY 17	11,921	\$172,867,455.17
PY 18	9,859	\$148,142,867.00
Total	130,976	\$1,444,401,363.74

General legal services provided

- (1) Respond to general questions and attend regular board meetings of the Agency and other meetings on general matters relating to the operations of the Agency and consult with staff and outside consultants regarding all finance-related matters, to the extent requested.
- (2) Meet with and review reports prepared by the Agency's Financial Advisors and other employees and consultants, to the extent requested.

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

- (14) Prepare all forms and responses that need to be filed with the IRS relating to any securities issued during this OCC Term or previously or to be issued by the Agency. Outside Counsel is not responsible for making calculations relating to rebate pursuant to Section 148 of the Internal Revenue Code of 1954, as amended.

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

Agency Operations Committee

AGENDA ITEM VI-D

Consideration of adopting the staff's recommendation to the Committee for approval to enter into a five-year lease agreement to secure the current agency location with 1200 Anderson Partners with an early termination clause option

RECOMMENDATION: Approval

Background Information:

The current ten-year lease is due to expire in June of 2020. The agency has been assigned by the Texas Facilities Commission (TFC) to the new George H. W. Bush building in the capitol complex. The construction of this building has commenced and is scheduled for completion in the summer of 2022. This five-year lease agreement will enable the agency to remain in the current location until completion of the new building.

Key points:

- The George H. W. Bush building is part of phase I of the capitol complex project.
- The new lease agreement will be for a period of five years for a total cost of \$7.5 million.
 - Lease agreement will be for the term from July 2020 through June 2025.
- The agreement contains an early termination clause that requires six months advanced notice.
- The agency continues to work with the TFC to coordinate the timing of the agency relocation.
- The agency will be responsible for payment of moving and any related relocation costs.
 - Associated costs by include: moving equipment and furniture, cabling and IT infrastructure buildout, procurement of new furniture and building signage.
- The Agency was appropriated \$150,000 for FY20 to bridge the costs associated with entering into a shorter-term lease agreement.
- The agency will submit a request to legislature for additional funding to help offset the costs associated with the relocation.
- The new building will be fourteen stories with 447,000 usable space.
 - Included will be a secured lobby, fitness center, loading dock, common break rooms and secure access to agency space.

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

Agency Operations Committee

AGENDA ITEM VII-A

Update on Internal Audit Reports and Activities

RECOMMENDATION: No Action Required

Background Information:

The Internal Audit team completed two projects during the reporting period since the October 2019 Agency Operations Committee meeting. The final reports are attached.

Internal Audit Engagements Completed

- Review of Contract Administration (one finding)
- Follow Up Audit of Formula Funding (no findings)

Internal Audit Projects In Progress	Stage of Project
Review of Bonds Program	Planning
Review of Selected Academic Grant Programs (GME)	Fieldwork

Other Internal Audit Activities

- Coordination of External Audit(s)
 - Single Audit (CLA)
 - KPMG Financial Statement Audit
 - SAO Audit – TEXAS Grants and Contract Management

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



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

October 23, 2019

Stuart W. Stedman
CHAIR

Fred Farias III, O.D.
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Dr. Harrison Keller
Commissioner of Higher Education
1200 E. Anderson Lane
Austin, TX 78752

Dear Dr. Keller:

I am attaching the final report for the *Review of Contract Management at the Texas Higher Education Coordinating Board*, Report No. THECB-IA-WP-19-214. This report will be presented at the January 2020 Agency Operations Committee meeting.

The issues presented in this report resulted in a Category 1 Report Rating. These reports contain no or minimal reportable observations. While the noted observations require management attention, if addressed timely they do not pose a significant risk for negative reputational or financial consequences.

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive.

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

EXECUTIVE SUMMARY

Current practices with regard to competitive grant selection meet current statutes, rules, and policies. Additional evaluation of risks and controls over competitive grants are needed to ensure that potential reputational risks to the Coordinating Board are appropriately identified and mitigated.

The Coordinating Board should review its current policies and controls for grantee selection with regard to the risks and best practices, and revise policies and controls as necessary to adequately address potential reputational risks including bias in the selection process.

Review Objective, Scope and Methodologies

The project objective was to review certain aspects of contract management for compliance, effectiveness, and efficiency. Based on risk, our scope was refined to review current processes in the selection process for competitive grants. The audit included reviewing relevant documentation related to the review area, performing various testing to address the review objectives, and interviewing appropriate THECB staff.

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

Background

Contract administration is the subject of ongoing review by Internal Audit, given the continuing interest of stakeholders to ensure that inherent risks are adequately controlled. This review focused on an employee complaint that questioned, among other items, the current Coordinating Board practices for grantee selection for competitive grants. The complaint alleged that the selection practices for a specific grant originating in the College Readiness and Success division were not appropriate because the grantee selection process did not follow the same process as vendor selection for contracts. However, there are less stringent requirements for competitive grants than for vendor contracts. The Coordinating Board's current policies and procedures meet the less stringent requirements for competitive grants.

Even though the current competitive grant practice meets requirements, the less restrictive policies and procedures allowed the program manager, in this instance, significantly more latitude in grantee selection, leaving a greater potential for bias in the selection process. The primary restriction on the grantee selection process is that the selection process is disclosed in the grant application materials and often includes a selection committee that scores applications on a predetermined rubric.

Unlike competitive grants, the current process for contract vendor selection is more restrictive. Vendor selection must follow state procurement statutes and rules that include specific rules requiring vendor selection committees and their operation, such as limiting communication between members of the selection committee and vendors. These additional restrictions limit potential bias in the selection process.

In addition to the differences between contracts and grants, there are also differences in grant management depending on the division and the grant. For example, some grants use a grantee selection process that is very similar to contracts, while others are much less restrictive. Although this provides flexibility, it introduces risk for potential bias in the selection process at the agency level. Two other Texas state agencies that we reviewed provide agency-wide policies that are more restrictive. Both Texas Education Agency and the Texas Health and Human Services Commission manage competitive grants the same as contracts.

The audit team greatly appreciates the efforts of program staff and assistance during this project.

Detailed Observation, Recommendation, and Management Response

1. Coordinating Board policies and procedures for competitive grant selection need review with regard to the risks and best practices, and revision of policies and controls as necessary to adequately address bias risk and limit reputational harm.

Coordinating Board policies and procedures for competitive grant selection need review with regard to the risks and best practices, and revision of policies and controls as necessary to adequately address bias risk and limit reputational harm.

Effective internal controls include identifying and analyzing risks and selecting and deploying appropriate controls through policies and procedures. (COSO Internal Control principles 7 and 12). The Coordinating Board manages a broad range of grant types, from formulaic to competitive in nature. Our review disclosed that structure and guidance for competitive grant administration at the Coordinating Board appears less restrictive than how some other state agencies administer grants. Guidance over competitive grants administered by the Coordinating Board should be evaluated and expanded in the context of bias risks and how to appropriately mitigate such risks. For example, current guidance does not explicitly address competitive grant manager/reviewer discussions regarding applications that are intended to unduly influence a fellow reviewer, nor does it address the propriety of adding additional reviewers, after the review process is well under way, simply to achieve the grant manager's desired outcome.

Examples of potential bias risk include the ability of program managers or others to a) influence reviewers of applications in discussions separate from the application review process, b) influence reviewers to change scores, c) choose, add, or replace reviewers that are favorable to the program manager's choices, and d) override the preferred choice of the reviewers.

A risk assessment of the competitive grant process would provide an opportunity to identify and analyze these bias risks. As part of the Coordinating Board's updated risk management policy, risk assessments are required to be completed by each division and department by November 1, 2020.

Recommendations:

- A. Conduct a current risk assessment of the competitive grants selection process.
- B. Review and revise policies and procedures with regard to competitive grants to address bias risk.

Management Response:

Management acknowledges that a risk assessment will be performed regarding the competitive grants selection process. Based on the results of the risk assessment, policies and procedures will be modified as appropriate.

Implementation Date:

A risk assessment and any resulting changes to policies and procedures will be performed by January 31, 2020.

Responsible Party (ies):

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

PERFORMED BY:

Mr. Paul Maeyaert, JD, MBA, CIA, CGAP, CFE, Assistant Director, Internal Audit and Compliance

cc:

THECB**Board Members****Commissioner's Office**

Mr. Rey Rodriguez, Transition Chief of Staff

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Mr. William Franz, General Counsel

Academic Quality and Workforce

Dr. Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

College Readiness and Success

Dr. Jerel Booker, Assistant Commissioner for College Readiness and Success

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Governor's Office - Budget and Policy Division

Mr. John Colyandro

State Auditor's Office

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TEXAS HIGHER EDUCATION COORDINATING BOARD

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

Dear Dr. Keller:

The Texas Higher Education Coordinating Board implemented all outstanding audit recommendations from the *Audit of Formula Funding* issued June 2018.

Management implemented audit recommendations by:

- Documenting and separating edit checks by reporting type that better promotes quality control and update.
- Implementing a periodic review policy to revise and limit employee access to align with job functions and business needs.
- Complying with written procedures covering the retention of sensitive enrollment information.
- Developing and implementing written policies and procedures;
 - on creating and resetting MOVEit DMZ login information, and
 - on password expiration and password history for MOVEit DMZ.
- Developing written procedures including appropriate timetables to periodically update CBM reporting manuals.

We conducted this follow-up audit in conformance with the International Standards for the Professional Practice of Internal Auditing and in accordance with the Generally Accepted Government Auditing Standards (GAGAS).

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

Sincerely,

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

PERFORMED BY:

Ms. Aporajita Ahmed, CPA, CFE, CITP, CGMA, CICA, Internal Audit lead

cc:

THECB**Board Members****Commissioner's Office**

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services

Rey Rodriguez, Transition Chief of Staff

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Agency Operations Committee

AGENDA ITEM VIII-A

Update on Compliance Monitoring Reports and Activities

RECOMMENDATION: No Action Required

Background Information:

The Compliance Monitoring team completed eight projects during the reporting period since the October 2019 Agency Operations Committee meeting. The final reports are attached.

Formula Funding Engagements Completed

- A Follow Up of Formula Funding at McLennan Community College (no findings)
- A Follow Up of Formula Funding at South Texas College (no findings)
- A Follow Up of Formula Funding at Wharton County Junior College (no findings)
- A Follow Up of Formula Funding at Weatherford College (no findings)

Financial Assistance Engagements Completed

- A Compliance Monitoring Audit of the Nursing Shortage Reduction Program at the University of Mary Hardin Baylor (no findings)
- A Compliance Monitoring Review of the Nursing Shortage Reduction Program at The University of Texas at Arlington (no findings)
- A Compliance Monitoring Audit of the Nursing Shortage Reduction Program at Clarendon College (one finding)
- A Compliance Monitoring Audit of the Nursing Shortage Reduction Program at The University of Texas of the Permian Basin (two findings)

Projects In Progress	Stage of Project
Texas A&M University - Kingsville	Reporting
Tyler Junior College	Reporting
Midwestern State University	Fieldwork
The University of Texas Health Science Center at Houston	Planning
University of North Texas	Planning
Temple College	Planning

Other Compliance Monitoring Activities

- Training of new Compliance Specialist
- Presentation at the Texas Higher Education Leadership Conference on 11/21/19
- Meeting with new President of Coastal Bend College on 12/5/19

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



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November 25, 2019

Dr. Johnette McKown
President
McLennan Community College
1400 College Drive
Waco, Texas 76708

Dear Dr. McKown,

McLennan Community College implemented the recommendation in our prior report *A Compliance Monitoring Audit of Formula Funding at McLennan Community College*, issued April 8, 2019.

Management has implemented the audit recommendation by:

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

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

Sincerely,

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

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

PERFORMED BY:

Ms. Shebah W. Spears, Compliance Specialist
 Ms. Carol Conner, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education
 Mr. Rey Rodriguez, Transition Chief of Staff
 Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications
 Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy
 Mr. William Franz, General Counsel

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner

McLennan Community College

Mr. K. Paul Holt, Chair, Board of Trustees
 Mr. Herman Tucker, Director of Records and Registration
 Mr. Michael Searight, Director of Information Systems and Services
 Dr. Andrew Canham, Vice President, Student Success/Title IX Coordinator
 Dr. Phillip Rhodes, Vice President, Research, Effectiveness, & Information Tech
 Dr. Stephen Benson, Vice President Finance & Administration
 Dr. Fred Hills, Vice President, Instruction

Texas Association of Community Colleges

Mr. Jacob Fraire, President and Chief Executive Officer

Office of the Governor-Budget and Policy Division

Mr. John Colyandro, Policy Director

Legislative Budget Board

Mr. Christopher Mattsson, Assistant Director

State Auditor's Office

Internal Audit Coordinator

Sunset Advisory Commission

Ms. Jennifer Jones, Director



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November 20, 2019

Dr. Shirley A. Reed, President
South Texas College
P.O. Box 9701
McAllen, Texas 78502

Dear Dr. Reed:

South Texas College implemented the recommendations in the prior report *An Audit of Formula Funding at South Texas College*, issued July 7, 2016.

Management has implemented the recommendations by:

- Adjusting policies and procedures in accordance with Texas Education Code's statutory change (§130.303) effective September 1, 2017; and
- Complying with relevant statutes and Coordinating Board (THECB) rules for enrollment data used for formula funding, in the area of continuing education contact hour reporting.

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
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education

Mr. Rey Rodriguez, Transition Chief of Staff

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy Communications

Mr. William Franz, General Counsel

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner, Strategic Planning and Funding

South Texas College

Mr. Paul R. Rodriguez, Chairman, Board of Trustees

Ms. Olivia D. De La Rosa, Director of Professional and Workforce Education

Mr. Khalil Abdullah, Internal Auditor

Texas Association of Community Colleges

Mr. Jacob Fraire, President and Chief Executive Officer

State Auditor's Office

Internal Audit Coordinator

Sunset Advisory Commission

Ms. Jennifer Jones, Director

Office of the Governor-Budget and Policy Division

Mr. John Colyandro, Policy Director

Legislative Budget Board

Mr. Christopher Mattsson, Assistant Director



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November 20, 2019

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

Dear Ms. McCrohan:

I am attaching the results of the follow up review regarding the implementation of information security controls over student enrollment at Wharton County Junior College (WCJC).

WCJC implemented the recommendation in our prior report *A Compliance Desk Review of Formula Funding at Wharton County Junior College*, issued November 27, 2018.

Management has implemented the recommendation by:

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

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

Sincerely,

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

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

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

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Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner

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December 5, 2019

Dr. Tod Allen Farmer
President
Weatherford College
225 College Park Drive
Weatherford, Texas 76086

Dear Dr. Farmer,

Weatherford College implemented recommendations in our prior report *A Compliance Monitoring Audit of Formula Funding at Weatherford College*, issued April 13, 2016.

Management has implemented the audit recommendations by:

- Complying with statutory and rule limitations regarding immediate employability and paid tuition for continuing education contact hours reported for formula funding.
- Enhancing controls over access to educational records, in particular user access permission, to comply with 34 CFR § 99.91, Family Educational Rights and Privacy Act (FERPA) and align with the best practices of Texas Administrative Code (TAC) §§ 202.70 - 202.76 to better protect registration information and other student data from unauthorized use.

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
Director, Internal Audit and Compliance

PERFORMED BY:

Ms. Carol Conner, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education

Mr. Rey Rodriguez, Transition Chief of Staff

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner

Weatherford College

Mr. Mac Smith, Chair, Board of Trustees

Dr. Arleen Atkins, Dean of Institutional Effectiveness

Mr. Michael Endy, Vice President of Instruction and Student Services

Texas Association of Community Colleges

Mr. Jacob Fraire, President and Chief Executive Officer

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October 22, 2019

Dr. Randy O'Rear, President
University of Mary Hardin-Baylor
900 College Street
Belton, TX 76513

Dear Dr. O'Rear:

I am attaching the final report on *A Compliance Monitoring Audit of the Nursing Shortage Reduction Program at the University of Mary Hardin-Baylor*, Report No. THECB-CM-FA-19-021. There were no reportable observations from this engagement.

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, on January 23, 2020.

The cooperation of your staff during this engagement 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".

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

Executive Summary

University of Mary Hardin-Baylor (UMHB) generally complied with relevant Coordinating Board (THECB) rules and regulations for the Nursing Shortage Reduction Program (NSRP) in accordance with the Texas Administrative Code Section §22.508.

Audit Scope, Objective, and Methodology

UMHB utilizes NSRP funds to award scholarships to nursing students. Therefore, our compliance audit included testing NSRP disbursements during fiscal year 2018.

Our work included procedures to verify:

- Students demonstrated financial need;
- Students met UMHB's eligibility criteria including Satisfactory Academic Progress (SAP) requirements; and
- Reported award amounts reconciled with UMHB's student information system data and payment records.

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 reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

Our consideration of internal control was for the compliance purposes described in the scope section and was not designed to identify all deficiencies in internal control.

Background

The purpose of the Nursing Shortage Reduction Program is to provide grants to public and private institutions of higher education, and other entities involved with a professional nursing program to reduce the nursing shortage and meet the need for registered nurses in the state of Texas.

PERFORMED BY:

Ms. Jamyen Robinson-Hall, Compliance Specialist

Ms. Elizabeth Steele, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Mr. Rey Rodriguez, Transition Chief of Staff

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Financial Services

Mr. Kenneth Martin, Assistant Commissioner for Financial Services/CFO

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

University of Mary Hardin-Baylor

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Mr. Ron Brown, Director, Financial Aid

Mr. Gary Lamm, Vice President, Enrollment Management

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November 22, 2019

Dr. Vistasp M. Karbhari, President
The University of Texas at Arlington
701 S Nedderman Dr.
Arlington, TX 76019

RE: Review of the Nursing Shortage Reduction Program at The University of
Texas at Arlington

Dear Dr. Karbhari:

I am attaching the final report for *A Compliance Monitoring Review of the Nursing Shortage Reduction Program at The University of Texas at Arlington*, Report No. THECB-CM-FA-20-004. During planning we determined that your internal audit department provides adequate review of this program through required audits of the Nursing Shortage Reduction Program. There were no findings resulting from this engagement.

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 January 2020.

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

Sincerely,

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

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

Executive Summary

The University of Texas at Arlington (UTA) generally complied with relevant Coordinating Board (THECB) rules and regulations for the Nursing Shortage Reduction Program (NSRP), in accordance with TAC §22.501-508 and TEC §61.9621-9629.

During planning, we determined that the UTA internal audit department provides adequate review of this program through required audits of the NSRP program. Due to the size of awards, UTA is required to audit these projects after they are closed. We contacted UTA's Office of Internal Audit and obtained copies of audit reports and audit programs for closed projects. We determined that scope, objective, and methodology employed by the UTA internal audit Department was consistent with our planned engagement.

In addition, due to past findings on other institutions' NSRP projects, we requested, received, and reviewed FY2019 NSRP general ledgers to confirm that separate ledgers were provided for each program and year in accordance with TAC §22.501-508 and TEC §61.9621-9629.

Since the planned engagement of UTA's FY2019 NSRP activities would duplicate efforts provided by UTA's Office of Internal Audit, we plan to pass on further review and rely on their work.

Review Scope, Objective, and Methodology

UTA utilizes NSRP funds for Nursing faculty salary support. Therefore, our compliance review was planned to include tests of relevant expenditures reported and certified by UTA for the NSRP activities during FY2019.

Our work planned to include procedures to verify that:

- Expense totals correlated to submitted program reports; and
- The control system provided reasonable assurance that the data reported by UTA to the THECB was accurate and complete.

Our consideration of internal control was for the compliance purpose described in the scope section and was not designed to identify all deficiencies in internal control.

Background

The purpose of the Nursing Shortage Reduction Program is to provide grants to public and private institutions of higher education, and other entities involved with a professional nursing program to reduce the nursing shortage and meet the need for registered nurses in the state of Texas.

Detailed Observations, Recommendation, and Management's Response

None.

PERFORMED BY:

Ms. Elizabeth M. Steele, Compliance Specialist

cc:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education

Mr. Rey Rodriguez, Transition Chief of Staff

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Financial Services

Mr. Kenneth Martin, Assistant Commissioner for Financial Services/CFO

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

The University of Texas at Arlington

Dr. Teik C. Lim, Provost & Vice President for Academic Affairs

Ms. Kelly Davis, Chief Financial Officer and Vice President

Mr. David Price, Chief Audit Executive

Ms. Dana Nuber, Assistant Director, Office of Internal Audit

The University of Texas System

Mr. Kevin P. Eltife, Chairman, Board of Regents

Mr. James B. Milliken, Chancellor

Mr. J. Michael Peppers, Chief Audit Executive

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Mr. Christopher Mattsson, Assistant Director



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Dr. Robert Riza, President
Clarendon College
1122 College Dr.
Clarendon, TX 79226

RE: Audit of the Nursing Shortage Reduction Program at Clarendon College

Dear Dr. Riza:

I am attaching the final report for *A Compliance Monitoring Audit of the Nursing Shortage Reduction Program at Clarendon College*, Report No. THECB-CM-FA-19-014. There was one finding related to program requirements, resulting from this engagement. Management's response has been incorporated into the final report.

Summary

Improvement is needed to assure funds are accounted for separately by program and award year in accordance with Texas Administrative Code Section §22.508. Management's response indicates that procedures regarding grant requirements and standards have been updated.

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, on January 23, 2020.

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
Director, Internal Audit and Compliance

Executive Summary

Clarendon College generally complied with relevant Coordinating Board (THECB) rules and regulations for the Nursing Shortage Reduction Program (NSRP). However, improvement is needed to assure funds are accounted for separately by program and award year in accordance with Texas Administrative Code Section §22.508.

Audit Scope, Objective, and Methodology

Clarendon College utilizes NSRP funds for Nursing faculty salary support and Nursing faculty professional development. Therefore, our compliance audit included testing NSRP expenditures for fiscal year 2018.

Our work included procedures to verify:

- Awarded salaries for Nursing faculty;
- Nursing faculty activities related to project;
- Professional development expenditures for Nursing related activities; and
- Reported award amounts reconciled with Clarendon College's system data and system payment records.

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 reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any based on the audit objectives.

Our consideration of internal control was for the compliance purpose described in the scope section and was not designed to identify all deficiencies in internal control.

Background

The purpose of the Nursing Shortage Reduction Program is to provide grants to public and private institutions of higher education, and other entities involved with a professional nursing program to reduce the nursing shortage and meet the need for registered nurses in the state of Texas.

Detailed Observations, Recommendation, and Management's Response

Nursing Shortage Reduction Program (NSRP) awards must be accounted for separately by NSRP program and by year to facilitate the recordkeeping requirements associated with multiple NSRP programs that may be open over a several year period to ensure compliance with the Texas Administrative Code Section §22.508.

Nursing Shortage Reduction Program (NSRP) awards must be accounted for separately by NSRP program and by year to facilitate the recordkeeping requirements associated with multiple NSRP programs that may be open over a several year period to ensure compliance with the Texas Administrative Code Section §22.508. This requirement is further emphasized in the NSRP Program Announcement in which institutions respond with application for funds. Clarendon College demonstrated separation of NSRP Regular program and NSRP Under 70 program but did not indicate separation of these programs by award year as required.

The Texas Administrative Code Section §22.508 states, that as an Accounting Requirement "Each award from this program shall be accounted for separately in the books and records of receiving institutions."

The program announcement for the Nursing Shortage Reduction Program states, that "[a]ny award under this program must be accounted for separately by institution, by NSRP program, and by year in order to facilitate the recordkeeping requirements associated with multiple NSRP programs that may be open over a several year period."

Recommendation:

Ensure awards under the Nursing Shortage Reduction Program are separated by award type, NSRP program, and by year in order to comply with Texas Administrative Code §22.508 and with program requirements and standards.

Management Response:

*"Clarendon College (CC) has had policy **1760 Externally Funded Grants and Contracts** in place for many years. CC failed to separate NSRP funds by award type, NSRP program and by year to ensure compliance with both CC Policy 1760 and TAC §22.058.*

***"Corrective Action:** Clarendon College (CC) has implemented procedures [as of September 14, 2019] to have all grants reviewed by Tex Buckhaults, VP of Academic Affairs (VPAA), SACSCOC Liaison and by the new CFO/VP of Administrative Services (VPAS) prior to the expenditure of any funds. Until a new*

CFO/VPAS is hired this role will be handled by Clarendon College CEO/President, Dr. Robert Riza.

"Grants Procedure: *Clarendon College upon receipt of a grant award notification will conduct a review of the grant by the VPAA and the VPAS to ensure grant requirements and standards will be met, and to establish appropriate grant award accounts. Documentation of this review will be kept by the VPAA's Administrative Assistant."*

PERFORMED BY:

Ms. Elizabeth M. Steele, Compliance Specialist
Ms. Carol Conner, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education
Mr. Rey Rodriguez, Transition Chief of Staff
Ms. Linda Battles, Deputy Commissioner for Agency Operations and
Communications/COO
Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy
Mr. William Franz, General Counsel

Financial Services

Mr. Kenneth Martin, Assistant Commissioner for Financial Services/CFO

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

Clarendon College

Mr. Tex Buckhaults, Vice President of Academic Affairs
Mr. Tommy Waldrop, Chairman, Board of Regents

Texas Association of Community Colleges

Mr. Jacob Fraire, President

State Auditor's Office

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November 7, 2019

Dr. Sandra Woodley, President
The University of Texas of the Permian Basin
4901 East University
Odessa, TX 79762

RE: Audit of the Nursing Shortage Reduction Program at The University of Texas
of the Permian Basin

Dear Dr. Woodley:

I am attaching the final report for *A Compliance Monitoring Audit of the Nursing Shortage Reduction Program at The University of Texas of the Permian Basin*, Report No. THECB-CM-FA-19-020. There were two findings related to program requirements and institution policies and procedures, resulting from this engagement. Management's response has been incorporated into the final report.

Summary

Improvement is needed to confirm funds are accounted for separately by program and award year in accordance with Texas Administrative Code Section §22.508. Management's response indicates that procedures regarding grant requirements and standards have been updated.

Improvement is needed to verify travel expenses charged in whole or in part to an externally funded project comply with institutional travel policy requirements. Management's response indicates that a refund for expenses that exceeded allowable amounts will be sent and that travelers and administration will follow policy requirements in place.

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, on January 23, 2020.

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
Director, Internal Audit and Compliance

Executive Summary

The University of Texas of the Permian Basin (UTPB) generally complied with relevant Coordinating Board (THECB) rules and regulations for the Nursing Shortage Reduction Program (NSRP). However, improvement is needed to confirm funds are accounted for separately by program and award year in accordance with Texas Administrative Code Section §22.508; and to verify UTPB travelers and administration follow established travel policy requirements.

Audit Scope, Objective, and Methodology

UTPB utilizes NSRP funds for Nursing faculty salary support and Nursing faculty professional development. Therefore, our compliance audit included testing NSRP expenditures for fiscal year 2018.

Our work included procedures to verify:

- Awarded salaries for Nursing faculty;
- Nursing faculty activities related to project;
- Professional development expenditures for Nursing related activities; and
- Reported award amounts reconciled with UTPB's system data and system payment records.

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 reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any based on the audit objectives.

Our consideration of internal control was for the compliance purpose described in the scope section and was not designed to identify all deficiencies in internal control.

Background

The purpose of the Nursing Shortage Reduction Program is to provide grants to public and private institutions of higher education, and other entities involved with a professional nursing program to reduce the nursing shortage and meet the need for registered nurses in the state of Texas.

Detailed Observations, Recommendation, and Management's Response

- 1. Nursing Shortage Reduction Program (NSRP) awards must be accounted for separately by NSRP program and by year to facilitate the recordkeeping requirements associated with multiple NSRP programs that may be open over a several year period to ensure compliance with the Texas Administrative Code Section §22.508.**

Nursing Shortage Reduction Program (NSRP) awards must be accounted for separately by NSRP program and by year to facilitate the recordkeeping requirements associated with multiple NSRP programs that may be open over a several year period to ensure compliance with the Texas Administrative Code Section §22.508. This requirement is further emphasized in the NSRP Program Announcement in which institutions respond with application for funds. The University of Texas of the Permian Basin demonstrated separation of NSRP Regular program and NSRP Under 70 program but did not indicate separation of these programs by award year as required.

The Texas Administrative Code Section §22.508 states that as an Accounting Requirement "Each award from this program shall be accounted for separately in the books and records of receiving institutions."

The program announcement for the Nursing Shortage Reduction Program states, that "[a]ny award under this program must be accounted for separately by institution, by NSRP program, and by year in order to facilitate the recordkeeping requirements associated with multiple NSRP programs that may be open over a several year period."

Recommendation:

Ensure awards under the Nursing Shortage Reduction Program are separated by award type, NSRP program, and by year in order to comply with Texas Administrative Code §22.508 and with program requirements and standards.

Management Response:

"Agree with finding.

In August 2019, UT Permian Basin incorporated and communicated changes to our policy and procedures to ensure all future awards under the Nursing Shortage Reduction program are separated by award type, NSRP program, and by year in order to comply with Texas Administrative Code §22.508 and with program requirements and standards.

Corrective Action Completion date: August 31, 2019"

2. Lodging and related travel costs in an amount of \$1,671.75 were charged to the Nursing Shortage Reduction Program, however these lodging expenses exceeded allowable amounts and did not comply with required institutional travel policies and procedures.

Lodging and related travel costs in an amount of \$1,671.75 were charged to the Nursing Shortage Reduction Program, however these lodging expenses exceeded allowable amounts and did not comply with the required institutional travel policies and procedures. Lodging expenses for five (5) separate trips were paid with program funds and were over the allowable lodging rate.

The University of Texas of the Permian Basin Travel Policy states that the institution follows Textravel, explaining that "Textravel requires agencies to use the General Services Administration (GSA)'s federal travel rates to determine the maximum meals and lodging reimbursement rates for both in-state and out-of-state travel."

Further, this policy states that "Travelers should always seek State of Texas contract or government lodging rates."

Recommendation:

- A. Refund \$1,671.75 in reported Nursing Shortage Reduction Program travel expenditures to the Texas Higher Education Coordinating Board.
- B. Ensure travel expenses charged in whole or in part to an externally funded project comply with The University of Texas of the Permian Basin Travel Policy requirements.

Management Response:

"Agree with finding.

In August 2019, we reviewed and communicated with the administration of the College of Nursing the travel policy for The University of Texas Permian Basin. Said policy states that the institution follows Textravel, explaining that 'Textravel requires agencies to use the General Services Administration (GSA)'s federal travel rates to determine the maximum meals and lodging reimbursement rates for both in-state and out-of-state travel.'

Refund check in the amount of \$1,671.75 is included for payment back to the Texas Higher Education Coordinating Board.

Travelers will seek State of Texas contract or government lodging rates; administration will review and process at approved lodging rates; NSRP funds allocation will not exceed the approved rate of lodging.

Corrective Action Completion date: November, 2019"

PERFORMED BY:

Ms. Elizabeth M. Steele, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

Dr. Harrison Keller, Commissioner of Higher Education

Mr. Rey Rodriguez, Transition Chief of Staff

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Financial Services

Mr. Kenneth Martin, Assistant Commissioner for Financial Services/CFO

Strategic Planning and Funding

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

The University of Texas of the Permian Basin

Dr. Donna Beuk, Dean of Nursing

Dr. Daniel Heimmermann, Provost and Vice President for Academic Affairs

Mr. Cesario Valenzuela, Vice President of Business Affairs and Chief Financial Officer

Mr. Glenn Spencer, Chief Audit Executive

The University of Texas System

Mr. Kevin P. Eltife, Chairman, Board of Regents

Mr. James B. Milliken, Chancellor

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Mr. Christopher Mattsson, Assistant Director

Agency Operations Committee

AGENDA ITEM IX-A

Pursuant to Texas Government Code Section 551.076, the Board will meet in closed session to discuss the agency Legacy Modernization Project

RECOMMENDATION: No action required

Background Information:

Senate Bill 1 (85th Texas Legislature, Regular Session), Article IX, Section 9.10 (General Appropriations Act) required the Department of Information Resources (DIR) to submit to the Legislative Budget Board a prioritization of state agencies' cybersecurity projects and projects to modernize or replace legacy systems to be considered for funding.

To be included in this prioritization, 80 state agencies, excluding institutions of higher education, were provided the opportunity to submit information about their cybersecurity and legacy systems modernization projects to the DIR.

The report submitted by the DIR to the Legislative Budget Board in October 2018 contains information about 67 projects from 28 agencies totaling an estimated funding request of \$482 million.

The 86th legislature appropriated \$520K to fund the THECB's Legacy Modernization Project.

During this presentation staff from the Information Solutions and Services (ISS) division will present an overview of the PCLS (Prioritization of Cybersecurity and Legacy Systems) process, brief the Board on the status of the Legacy Modernization Project, and discuss the next steps.

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services/Chief Information Officer, and Ms. Stacie Jakle, Senior Director for Business Solutions and User Engagement, will present this item and be available to answer questions.