

An Audit of the Community College Finance Division's Payment Calculation Process

**The Community College Finance Division complied with Fiscal
Year 2024 payment calculation requirements.**

July 2024

Report No. 24-252

Table of Contents

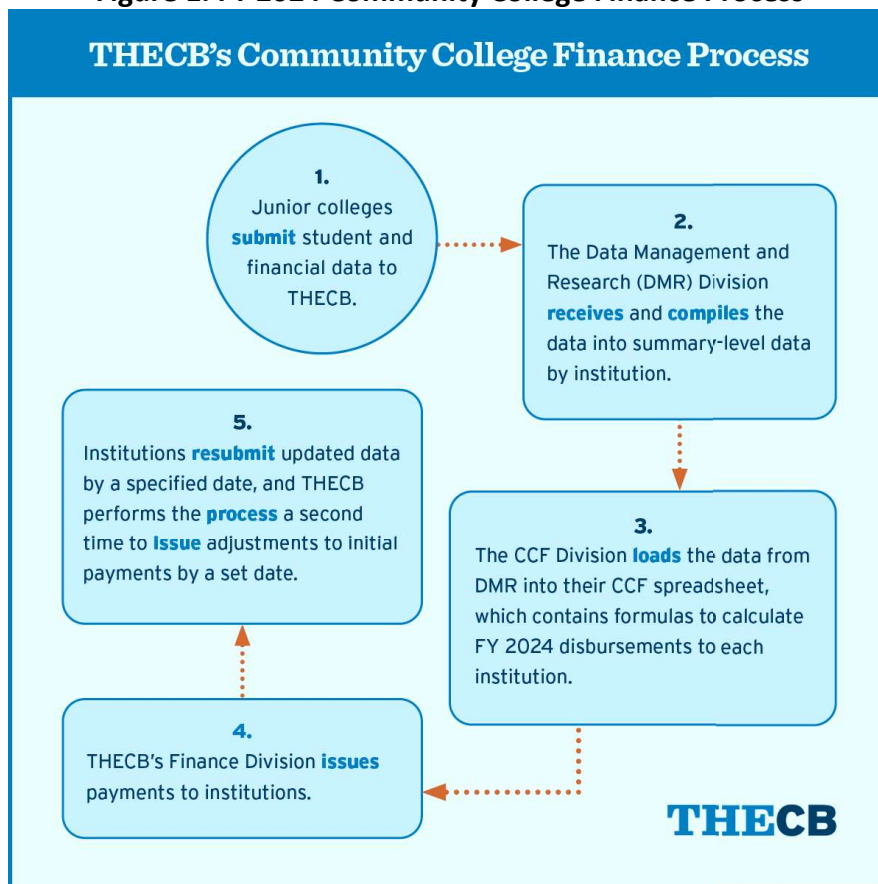
Executive Summary.....	2
Conclusion.....	2
Why Internal Audit Conducted This Audit.....	2
Chapter 1: Community College Finance Division Accurately Applied Community College Funding Formulas	3
Detailed Requirements Review	3
Institutional Data	3
Appendix A: Objective, Scope, Criteria, and Methodology	5
Appendix B: Background Information.....	7
Appendix C: Distribution List	8

Executive Summary

Conclusion

The Texas Higher Education Coordinating Board (THECB) Community College Finance (CCF) Division's payment calculation process ensured THECB allocated and distributed Fiscal Year (FY) 2024 funds to Texas public junior colleges¹ in accordance with applicable statutes, rules, and regulations. Internal Audit identified less significant observations and communicated opportunities to improve existing processes to the CCF Division. Figure 1 outlines the community college finance process for FY 2024.² This audit focused on the CCF Division's funding calculation process (see Step 3 of Figure 1).³

Figure 1. FY 2024 Community College Finance Process



Why Internal Audit Conducted This Audit

This project was added to the FY 2024 Internal Audit Plan to address emerging risks related to legislative changes affecting community college finance.

¹ The term "public junior college" is found in the Texas Education Code while the term "community college" is used internally by the CCF Division. These terms are used interchangeably throughout this report.

² The audit did not include the data collection and analysis processes managed by the DMR Division.

³ CCF is currently in the process of updating their processes and Texas Administrative Code rules for Fiscal Year 2025.

Chapter 1: Community College Finance Division Accurately Applied Community College Funding Formulas

Overall, Internal Audit determined CCF's process for calculating community college funding:

- Adhered to applicable requirements (see Detailed Requirements below).
- Ensured CCF used correct data from the Data Management and Research (DMR) Division.
- Accurately and consistently applied formulas to all institutions.

Detailed Requirements Review

CCF complied with key requirements we reviewed related to calculating community college funding, and CCF accurately and consistently applied the formulas to all institutions. The following laws and rules provide guidance for community college funding requirements:

Table 1. Requirements for FY 2024 Community College Finance

Title	Requirements
General Appropriation Act, HB 1, 88th Texas Legislature, Article III-242 through III-243, Sections 21 through 25	Defines outcomes and directs the THECB to determine the attainment of measurable outcomes.
Texas Education Code (TEC), Title 3, Section 130A	New requirements for community college finance added by the House Bill (HB) 8, 88 th Legislature, Regular Session. Defines the Performance Outcomes and Base Tier funding structure.
Texas Administrative Code (TAC), Title 19, Part 1, Chapter 13, Subchapters P and R	Rules enacted by THECB in 2024 directing how the agency calculates outcome counts and establishes outcome weights.

Institutional Data

CCF accurately included all institutional data provided by DMR in the funding spreadsheet.⁴ DMR determined the following data elements based on data they received from institutions:

- Performance Tier:
 - Total number of students who achieved each fundable outcome, including the number of students who qualified for additional weighted funding.
- Base Tier:
 - Number of full-time student equivalents by institution, including the number of students who qualify for additional weighted funding.
 - Contact Hours by institution by discipline fund group.

⁴ Auditors did not determine the accuracy and completeness of the DMR data but did perform limited steps to gain an understanding of the data and where final versions are saved.

CCF also performed separate data collections to obtain self-reported institutional data for 1) summary of expenses, 2) local tax information, and 3) outcomes for Institutional Credentials leading to Licensure and Occupational Skills Awards. CCF used the correct information from internally generated documents.

Appendix A: Objective, Scope, Criteria, and Methodology

Audit Objective

Does the THECB Community College Finance Division's payments calculation process ensure funds are allocated to Texas public junior colleges in accordance with applicable statutes, rules, and regulations?

We also reviewed CCF's system of internal controls, including components of internal control, within the context of the audit objectives. Based on the period reviewed, the THECB has generally effective control processes over the community college finance spreadsheet and calculations.

Audit Scope

We reviewed the formula funding spreadsheet calculations produced by the CCF Division for funds disbursed for fiscal year 2024 to Texas public junior colleges.

We did not review:

- The data collection and analysis processes that are the responsibility of the DMR Division are not included in the scope of this engagement.
- The data collection and reporting processes for Texas public junior colleges were not assessed during this engagement but may be within the scope of a future audit.

Criteria

We used the following criteria to evaluate the information provided:

- General Appropriation Act, HB 1, 88th Texas Legislature, Article III-242 through III-243, Sections 21 through 25
- TAC, Title 1, Part 10, Section 202.22
- TAC, Title 19, Part 1, Chapter 13, Subchapters P and R
- TEC, Title 3, Section 130A
- Texas Department of Information Resources Security Control Standards Catalog Version 2.1 (2023)

Methodology

To accomplish the audit objective, we:

- Conducted interviews with Funding and Resource Planning Division staff who have direct responsibility for calculating community college funding amounts.
- Conducted interviews with DMR staff to understand how THECB receives and documents self-reported outcome and base tier numbers from institutions.
- Reviewed selected rules and requirements, and tested CCF's compliance with those requirements.
- Reviewed user access over final spreadsheets and datasets created using self-reported institutional data.

We assessed data reliability by:

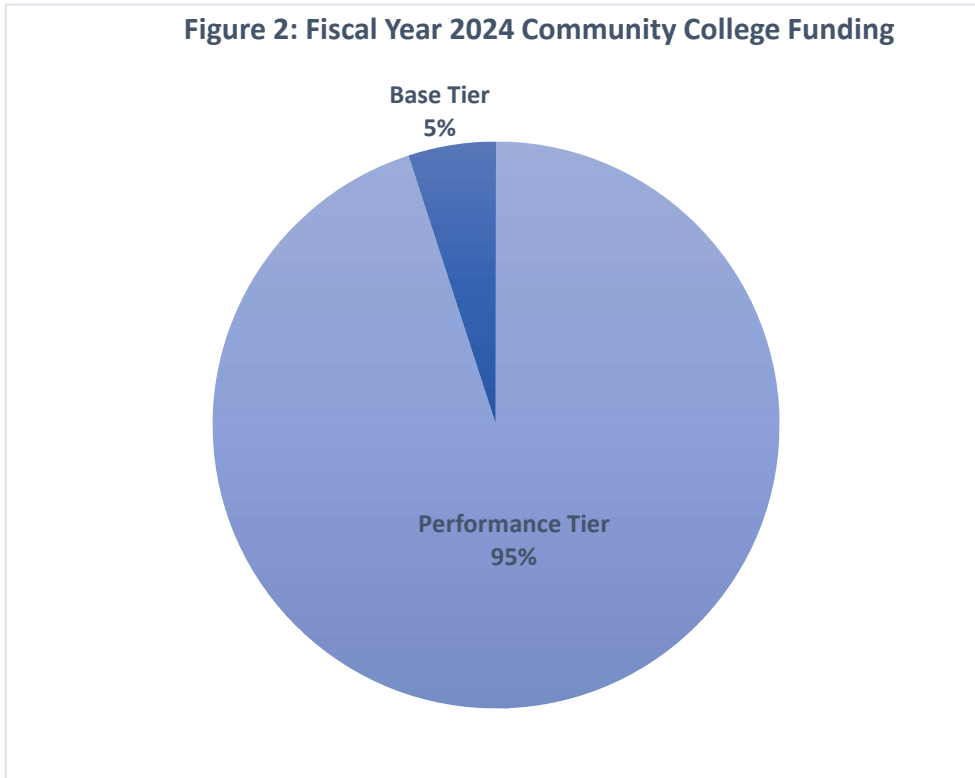
- Conducting interviews with CCF and DMR staff.

- Comparing the final spreadsheet to payment vouchers and the version saved on the THECB website.
- Reviewing spreadsheet formulas for accuracy and consistency.

We completed audit fieldwork in May 2024. We conducted this audit in accordance with generally accepted government auditing standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards required 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.

Appendix B: Background Information

The Legislature significantly changed how it funds Texas community colleges through the passage of House Bill 8 (HB 8). Beginning in FY 2024, every college receives specific Performance Tier funding based on measurable outcomes achieved by their students. In addition, a subset of colleges are eligible for additional Base Tier funding, which is based on the availability of local resources. The Performance Tier made up 95 percent of FY 2024 community college funding.



Appendix C: Distribution List

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