



# TEXAS HIGHER EDUCATION COORDINATING BOARD

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March 11, 2020

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

Dear Dr. Keller,

I am attaching the final report of *An Audit of Academic Grant Program Administration-GME Expansion Program at the Texas Higher Education Coordinating Board*, Report No. THECB-IA-WP-20-221. This report will be presented at the April 2020 Agency Operations Committee meeting.

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

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

Sincerely,

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

## EXECUTIVE SUMMARY

The administration of the GME (Graduate Medical Education) Expansion program was generally effective:

1. Alignment exists between the program statute, rules and procedures.
2. Performance measure calculations are accurate and properly documented.
3. Award approval process agrees with requirements defined in Texas Administrative Code.
4. RFA (Request for Action) review process is performed timely and adequately.
5. 1:1 ratio was maintained as outlined in statute resulting in conformance with the law.

However, issues that warrant attention for better administration of the program include:

1. GME Expansion grant refund process should be defined and published.
2. Electronic folder and file proliferation across the agency, including the folders and files containing GME Expansion program information, is evidence of an undefined data administration process.

### **Audit Objective, Scope and Methodologies**

Our audit objective was to review the internal administrative activities associated with the GME Expansion program. Our audit scope focused on current process. Our audit included reviewing relevant statutes, rules and agency policies and procedures, manuals and documentation related to the audit area, and performing various testing to address the audit objectives. We also interviewed appropriate agency 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. We further acknowledge that, as internal auditors, we are independent according to the requirements specified in Government Auditing Standards.

## Background

An audit of the GME Expansion program was included on the 2019 Internal Audit Plan. Texas Education Code, Graduate Medical Education Residency Expansion, Sections 58A.001 - 58A.026 gives statutory authority to the agency to award grant funding to allow GME programs to increase the number of first-year resident positions. Beginning in the 83<sup>rd</sup> legislature the GME expansion program was allocated funds to increase the number of first-year residency positions available in the state of Texas. Funding for the GME Expansion program has steadily increased since the 83<sup>rd</sup> legislature as represented in the following table.

Appropriation Year	Strategy	GME Funding
86 <sup>th</sup> legislative session 2020-2021	F.1.3	\$157,200,000
85 <sup>th</sup> legislative session 2018-2019	F.1.3	\$97,050,000
84 <sup>th</sup> legislative session 2016-2017	D.1.8	\$53,000,000
83 <sup>rd</sup> legislative session 2014-2015	D.1.7	\$14,250,000

## Detailed Observation, Recommendation, and Management Response

### 1. GME Expansion grant refund process should be defined and published.

GME Expansion grant refund process should be defined and published. No written policies or procedures exist to document how GME Expansion grant refunds should be processed. Neither the Texas Education Code (TEC) nor the Texas Administrative Code (TAC) mentions GME Expansion program refunds. The written procedures for the GME Expansion program only reference refunds in one sentence, "Refunds to THECB of unexpended grant funds are processed as appropriate." Written procedures for this program do not detail the step-by-step process for administering refunds.

In FY 2018 and FY 2019, the agency received \$1,647,991.23 in refunds for the GME Expansion program.

Better definition of GME Expansion grant refund process could be incorporated by Rule and would serve to inform stakeholders of this important facet of program administration. If rules are updated to comply with the current practice, written procedures also need to be updated to consistently, and timely manage refunds.

**Recommendations:**

1. Revise written procedures to capture the step-by-step refund process.
2. Revise Texas Administrative Code to address the refund process.

**Management Response:**

Management agrees with the audit finding and recommendations that written procedures should be in place to ensure that awarded grantees understand the process to follow, if a refund is required. Additionally, internal procedures for processing refunds will be added to the Grant Management Handbook, which outlines grant procedures for staff to follow.

**Implementation Date:**

AQW staff incorporated the following language in the publication of the most recent GME Expansion Program Request for Applications, issued in November 2019.

*Return of Unexpended Funds:*

Grant funds are awarded for the duration of the grant period for the filled positions, as long the resident who initially fills the funded position continues to hold that position, and the expansion is maintained. Vacated funded positions may be refilled, and funding continued, with approval of the THECB. Vacated funded positions that are not refilled shall require a return of unexpended funds to the THECB within ninety (90) days after the position is vacated, unless otherwise agreed by the THECB and grantee.

Staff is considering adding the following language to Texas Administrative Code in fall 2020.

The Board shall require the return of any unused grant money by a graduate medical education program or sponsoring institution that receives a grant but fails to create and fill, within the timeframe specified in applicant's application, the number of residency positions proposed in the program's or sponsoring institution's grant application.

**Responsible Party (ies):**

- Stacey Silverman, Assistant Commissioner for Academic Quality and Workforce, Academic Affairs and Workforce Education
- Cindy Fisher, Program Specialist for Academic Quality and Workforce

**2. Agency wide issue: Electronic folder and file proliferation across the agency, including the folders and files containing GME Expansion program information, is evidence of an undefined data administration process.**

Electronic folder and file proliferation across the agency, including the folders and files containing GME Expansion program information, is evidence of an undefined data administration process.

This audit noted staff unrelated to the GME program having access to folders and files containing GME information. Further, access to these folders and files had not been reviewed by GME program management on a periodic basis. The lack of an undefined folder and file review process has been noted on other Internal Audits in other agency areas.

Similar Findings:
<ul style="list-style-type: none"><li>• An Audit of Formula Funding-Community College 'Ten Pay' Payment System</li><li>• Review of Physician Education Loan Repayment Program</li><li>• An Audit of Formula Funding</li></ul>

Over broad or outdated access and information that should no longer be retained results in unnecessary costs and risks. The agency pays for file storage space and is therefore paying for storage on files that are outdated and should no longer be retained. Likewise, these practices result in information being unnecessarily placed at risk of data security

compromise. The agency should only store and secure information that is within its records retention lifespan.

Folder Name	Number of Files	Number of Folders
Agency	49,384	3,558
APP	1,319,048	149,582
BF	715,508	104,633
CBX	109,000	11,079

**Recommendations:**

Develop an agency wide method for managing folders and files to ensure that information stored is only accessible to relevant staff and is only retained in accordance with records retention policy.

**Management Response:**

The agency will convene a group of key stakeholders to evaluate options and coordinate a path for implementation. By July 2020 the group will propose a formal execution plan for the Commissioner's consideration. This plan will include a timeline, with activities and milestones, to bring the agency into compliance with record management and retention standards.

**Implementation Date:**

July 2020 and ongoing thereafter

**Responsible Party (ies):**

Rey Rodriguez, Deputy Commissioner and Chief of Staff

**PERFORMED BY:**

Ms. Aporajita Ahmed, CPA, CFE, CITP, CGMA, CICA, Internal Audit lead  
Ms. Michelle Koog, CFE, CISA, Internal Auditor

cc:

**THECB**

**Board Members**

**Commissioner's Office**

Mr. Ray Martinez, Deputy Commissioner for Academic Affairs and Workforce Education  
Mr. Rey Rodriguez, Deputy Commissioner and Chief of Staff  
Mr. William Franz, General Counsel  
Stacey Silverman, Interim Assistant Commissioner for Academic Quality and Workforce  
Cynthia Fisher, Program Specialist for Academic Quality and Workforce  
Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services

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