

May 12, 2022

Dr. Ron Clinton, President  
Northeast Texas Community College  
2886 FM 1735, Chapel Hill Rd.  
Mt. Pleasant, TX 75455

Re: *A Compliance Monitoring Audit of Formula Funding at Northeast Texas Community College,*  
Report No. THECB-CM-FF-22-002

Dear Dr. Clinton,

I am attaching the final report on *A Compliance Monitoring Audit of Formula Funding at Northeast Texas Community College*, Report No. THECB-CM-FF-22-002. There were no findings resulting from this engagement.

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

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

Sincerely,



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

## EXECUTIVE SUMMARY

Northeast Texas Community College complied with relevant Coordinating Board (THECB) rules and regulations for enrollment data used for formula funding and with Texas Education Code, Title 3, Subtitle B, Chapter 61, Section 61.035.

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

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

We reviewed the following areas:

Reported Semester Credit Hours were Eligible for Formula Funding

No reportable findings were noted.

Student Tuition Payments were Received in Accordance with Requirements

No reportable findings were noted.

Reported Enrollment and Contact Hours were Eligible for Formula Funding

No reportable findings were noted.

Instructors of Record met Applicable Requirements

No reportable findings were noted.

### Audit Scope, Objective, and Methodology

Our audit included tests of enrollment data reported and certified by Northeast Texas Community College. Our audit focused on the following enrollment data and time periods:

- CBM001 (Student Report) – Summer semester 2020, Fall semester 2020, and Spring semester 2021;
- CBM004 (Class Report) – Summer semester 2020, Fall semester 2020, and Spring semester 2021; and
- CBM00C (Continuing Education Class Report) – Summer semester 2020, Fall semester 2020, and Spring semester 2021.

Our work included procedures to verify:

- Reported semester credit hours were eligible for formula funding;
- Student tuition payment was received in accordance with requirements;
- Reported enrollment and contact hours reported were eligible for formula funding; and
- Evidence of academic credentials were maintained to support required instructor qualifications.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random sampling to determine the extent to which Northeast Texas Community College accurately reported semester credit hour data.

## Background

Fifty public community college districts receive state appropriations based on their student enrollment data. These institutions are governed by locally elected boards that have the authority to levy property taxes in their districts. The state appropriations the colleges receive are used to fund administrative and instructional (education and general) services for post-secondary academic and vocational/technical education.

State financing of higher education programs for public community colleges is provided from the State's General Revenue Fund. The THECB and the Comptroller of Public Accounts distributes these appropriations to colleges based on allocations and performance measures. Each college submits enrollment reports (CBM Reports) to the THECB to document the number of contact hours taught by the college in each semester. The formula for state funding involves multiplying the base period contact hours submitted by colleges by the applicable funding rates.

PERFORMED BY:

Ms. Elizabeth Steele, Compliance Specialist

cc:

THECB

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