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September 10, 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 Human Resources Policy Compliance – Optional Retirement Program at the Texas Higher Education Coordinating Board*, Report No. THECB-IA-WP-20-226. This report will be presented at the October 2020 Agency Operations Committee meeting.

The issues presented in this report resulted in a Category 1 Report Rating. This report contains no or minimal reportable observations.

Other matters were communicated in a management letter and provided separately to the Deputy Commissioner and Chief of Staff, and to the Senior Director, Human Resources Division.

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

Current practices regarding the operation of the Statewide Optional Retirement Program (ORP) reporting system and the agency's ORP comply with current statutes, rules, and policies. While still in draft form, the ORP Statewide User Guide and the ORP Statewide Frequently Asked Questions document are nearing completion and should ensure uniform training and operations of the statewide program and as resources to the participating institutions of higher education.

For the agency ORP, we found the Tracker worksheet to be a useful tool for tracking ORP activities and responding to eligible agency employees' questions regarding ORP election dates. Fully utilizing the Tracker can assist in avoiding any misconceptions or miscommunications with Board employees regarding the ORP.

Audit Objective, Scope and Methodologies

The review objective was to review the Texas Higher Education Coordinating Board (THECB) Human Resources Division Policy Compliance; in particular, we reviewed the Optional Retirement Program for compliance with laws, rules, policies, and procedures. Our audit scope included:

- Recent ORP reports,
- Current policies and procedures, and business continuity,
- Relevant statutes, rules, agency policies and procedures, and documentation related to the ORP,
- Performing tests to address the audit objectives, and
- Interviews with selected agency staff.

We conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted this compliance 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 scope section and was not designed to identify all deficiencies in internal

control. THECB Internal Audit is independent per the GAGAS requirements for internal auditors.

Background

An audit of the THECB's Human Resources Division Policy Compliance was included on the 2020 Internal Audit Plan. Texas Administrative Code (TAC), Title 19, Part 1, Chapter 25, Subchapter A and Texas Government Code (TGC) Title 8, Subtitle C, Chapter 830, Subchapter A give statutory authority and responsibility to the Board for coordinating the IHE Statewide Reporting and for the operation of the Board's Optional Retirement Program for its employees.

Observations

The THECB developed policies, procedures, guides, and a reporting system to ensure that the governing board of each institution of higher education:

- Annually submits a report to the THECB that includes information concerning the number of participants and eligible positions and the amount of contributions, and
- Keeps records, makes certifications, and furnishes to the THECB information and reports as required by the THECB to enable it to carry out its legislatively mandated functions.

The THECB prepares the annual summary report based on information required by Item 1 above and maintains the information required in Item 2 with respect to its own employees.

Additionally, the agency's Tracker worksheet is a useful tool for managing ORP eligible agency employees' notifications for opting into or out of the ORP.

The audit team greatly appreciates the assistance provided by Human Resources Division staff members during this audit.

PERFORMED BY:

Mr. Bobby Lane, CFE, CICA, Compliance Specialist

cc:

THECB

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Ms. Nicole Bunker-Henderson, General Counsel

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