



# TEXAS HIGHER EDUCATION COORDINATING BOARD

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September 18, 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 *A Review of Bond Program at the Texas Higher Education Coordinating Board*, Report No. THECB-IA-WP-20-222. 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 Chief Financial Officer and Assistant Commissioner, Financial Services Division.

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  
Assistant Commissioner, Internal Audit and Compliance

## EXECUTIVE SUMMARY

Current practices regarding the operation of the bond program comply with current statutes, rules, and policies.

Our review included an assessment of third-party risk management, risk assessment, reconciliations, data collection and reporting, long-term and short-term cash flow, and business continuity.

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

The review objective was to review the Texas Higher Education Coordinating Board (THECB) Bond Program policy compliance, effectiveness, and efficiency. Our fieldwork consisted of testing in the following areas:

- Third-party risk management,
- Risk assessment,
- Reconciliations,
- Data collection and reporting,
- Long-term and short-term cash flow,
- Business continuity,
- Recent bond reports,
- Relevant statutes and rules,
- Agency policies and procedures,
- Other documentation related to bond administration,
- 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. We further acknowledge that, as internal auditors, we are independent according to the requirements specified in Government Auditing Standards.

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 and Observations**

A review of the THECB's Bond Program was included on the 2020 Internal Audit Plan. The bond program currently supports a student loan portfolio of approximately \$1.5 Billion in loans for approximately 60,000 Texas higher education students.

Current practices regarding the operation of the bond program comply with current statutes, rules, and policies.

While conducted as part of this review, the risk assessment for the bond program was reviewed and adapted by Financial Services. In addition, Financial Services has an ongoing plan to provide risk assessments for all Financial Services program areas within the next two years.

In addition, user access reviews of important folders and files were conducted as part of this review. Financial Services modified user access as appropriate to strengthen controls in these areas. The agency continues to address issues regarding user access review by moving folder and file storage to SharePoint, as well as utilizing Stealthbits software for easier, direct retrieval of user access information by data owners.

The audit team greatly appreciates the assistance provided by Financial Services Division staff members during this audit.

**PERFORMED BY:**

Mr. Paul Maeyaert, JD, MBA, CIA, CGAP, CFE, Assistant Director  
Ms. Michelle Koog, CFE, CISA, Internal Auditor

cc:

**THECB**

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