

## **TEXAS HIGHER EDUCATION COORDINATING BOARD**

### **Committee on Agency Operations**

1200 EAST ANDERSON LANE, BOARD ROOM 1.170

AUSTIN, TEXAS

**2:00 P.M., July 25, 2018**

*John T. Steen, Jr.,  
Chair  
Ricky A. Raven  
Vice Chair  
S. Javaid Anwar  
Fred Farias III, O.D.  
Michael J. Plank  
Michelle Q. Tran  
Student Representative,  
Ex-Officio  
Stuart W. Stedman, Ex-  
Officio*

*PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time. For procedures on testifying, please go to [http://www.theccb.state.tx.us/public\\_testimony](http://www.theccb.state.tx.us/public_testimony).*

#### **I. Welcome and Committee Chair's Opening Remarks**

#### **II. Consideration of Approval of the Minutes from April 25, 2018, Committee Meeting**

#### **III. Public Testimony on agenda items relating to the Committee on Agency Operations**

#### **IV. Agency Operations**

A. Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's Legislative Appropriation Request for Fiscal Years 2020 and 2021

B. Report on grants and contracts, including those exceeding \$1 million

C. Final report on the key initiatives recommended by NTT Data regarding the Agency Cybersecurity Framework

D. Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 1, Subchapter C, Sections 1.83 and 1.84 of Board rules concerning Agency Administration (Standards of Conduct)

E. Discussion of the Governor's Office new requirement to review all proposed rules introduced by state agencies prior to submission to the *Texas Register*

#### **V. Finance**

A. Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds.

- B. Review of the Fiscal Year to Date 2018 Financial Report to the Board

## **VI. Internal Audit**

- A. Discussion of the Audit of the Agency-Wide Financial Statements for Fiscal Year Ended August 31, 2017 by KPMG, LLP
- B. Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Internal Audit Plan for Fiscal Year 2019
- C. Update on Internal Audit Reports and Activities

## **VII. Compliance Monitoring**

- A. Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Compliance Monitoring Plan for Fiscal Year 2019
- B. Update on Compliance Monitoring Reports and Activities

*The Texas Higher Education Coordinating Board Committee on Agency Operations may convene in Executive Session at any point in this meeting, concerning any item listed in the agenda or to seek or to receive its attorney's advice on legal matters related thereto, pursuant to Texas Government Code Ann. 551.071.*

*Note: The Board will not consider or act upon any item before the Committee on Agency Operations at this meeting. This meeting is not a regular meeting of the full Board. Because the number of Board members who may attend the committee meeting may create a quorum of the full Board, the meeting of the Committee on Agency Operations is also being posted as a meeting of the full Board.*

*Texas Penal Code Section 46.035(c) states: "A license holder commits an offense if the license holder intentionally, knowingly, or recklessly carries a handgun under the authority of Subchapter H, Chapter 411, Government Code, regardless of whether the handgun is concealed or carried in a shoulder or belt holster, in the room or rooms where a meeting of a governmental entity is held and if the meeting is an open meeting subject to Chapter 551,*

*Government Code, and the entity provided notice as required by that chapter." Thus, no person can carry a handgun and enter the room or rooms where a meeting of the THECB is held if the meeting is an open meeting subject to Chapter 551, Government Code.*

**Please Note** that this governmental meeting is, in the opinion of counsel representing THECB, an open meeting subject to Chapter 551, Government Code and THECB is providing notice of this meeting as required by Chapter 551. In addition, **please note** that the written communication required by Texas Penal Code Sections 30.06 and 30.07, prohibiting both concealed and open carry of handguns by Government Code Chapter 411 licensees, will be posted at the entrances to this governmental meeting.

## Committee on Agency Operations

### AGENDA ITEM I

#### Welcome and Committee Chair's Opening Remarks

Mr. John Steen, Chair of the Committee on Agency Operations, will provide the Committee an overview of the items on the agenda.

Committee on Agency Operations

AGENDA ITEM II

Consideration of Approval of the Minutes from April 25, 2018, Committee meeting

RECOMMENDATION: Approval

**DRAFT**

**TEXAS HIGHER EDUCATION COORDINATING BOARD  
Committee on Agency Operations**

**Wednesday, April 25, 2018**

**Board Room, 1st Floor  
Room 1.170**

**11:00 a.m.**

**1200 East Anderson Lane, Austin, Texas**

**The Committee on Agency Operations convened at 11:00 a.m. on April 25, 2018, with the following members present: John Steen; presiding; Fred Farias; Michael Plank; Stuart Stedman (Ex-Officio); and Annie Jones (Ex-Officio)**

**Members absent: Javaid Anwar; Ricky Raven**

**Other Board Members present: Arcilia Acosta**

<b>AGENDA ITEM</b>	<b>ACTION</b>
<b>I. Welcome and Committee Chair's Opening Remarks</b>	Chair John Steen called the meeting of the Committee on Agency Operations to order and announced that Mr. Raven was unable to attend the committee meeting today due to duties requiring his attention elsewhere and Mr. Anwar was unable to attend the committee meeting today due to illness. On a motion by Dr. Farias, seconded by Mr. Plank, the Committee excused the absence of Mr. Raven and Mr. Anwar. A quorum was met for this meeting.
<b>II. Consideration of Approval of the Minutes from January 24, 2018, Committee Meeting</b>	On a motion by Dr. Farias, seconded by Mr. Plank, the Committee approved the January 24, 2018, Agency Operations Committee meeting minutes.
<b>III. Public Testimony on Agenda Items Relating to the Committee on Agency Operations</b>	No action required.
<b>IV. Agency Operations</b>	
A. Consideration of adopting the staff's recommendation to the Committee relating to the agency's 2018 Customer Service Report	Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO, presented this report to the Committee. On a motion by Dr. Farias, seconded by Mr. Plank, the Committee approved the agency's 2018 Customer Service Report.

AGENDA ITEM	ACTION
B. Report on grants and contracts, including those exceeding \$1 million	No action required. Mr. Bill Franz, General Counsel was available for questions.
C. Update on the key initiatives recommended by NTT Data regarding the Agency Cyber Security Framework	Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services, and Mr. John House, Information Security Officer, presented a progress report to the Board regarding the implementation of the key cybersecurity initiatives recommended by NTT Data, a vendor contracted by the Department of Information Resources. This item did not require any action.
D. Consideration of adopting the Commissioner's recommendation to the Committee relating to amendments to Chapter 1, Subchapter E. Sections 1.114 and 1.115 concerning the student complaint procedure	On a motion by Mr. Plank, seconded by Dr. Farias, the Committee approved the amendments to the rules concerning the student complaint procedure.
<b>V. Finance</b>	
A. Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's operating budget for fiscal year 2019	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee. On a motion by Dr. Farias, seconded by Mr. Plank, the Committee approved the Fiscal Year 2019 agency's operating budget.
B. Update to the Committee regarding the issuance of an RFQ and the resulting selection and award of Bond Counsel to perform legal services for the agency related to the student loan bond program	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee. This item did not require any action.
C. Update to the Committee regarding the issuance of an RFP and the resulting selection and award of a Financial Advisor to provide support for the agency's student loan bond issuance	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee. This item did not require any action.
D. Review of the Fiscal Year to Date 2018 Financial Report to the Board	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO presented this item to the Committee. This item did not require any action.

AGENDA ITEM	ACTION
<b>VI. Internal Audit</b>	
A. Discussion of Statements on Auditing Standards No. 114, The Auditor's Communication with Those Charged with Governance	Mr. David Harwood with KPMG, LLP presented this item to the Committee. This item did not require any action.
B. Discussion of the State of Texas Federal Portion of the Statewide Single Audit for the Fiscal Year Ended August 31, 2017, Report Number 18-314 issued March 2018 by the Texas State Auditor's Office	Ms. Susan Warren with KPMG, LLP presented this item to the Committee. KPMG, LLP performs this audit under contract with the Texas State Auditor's Office. This item did not require any action.
C. Update on Internal Audit Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance presented this item to the Committee. This item did not require any action.
<b>VII. Compliance Monitoring</b>	
A. Update on Compliance Monitoring Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance presented this item to the Committee. This item did not require any action.

With no further business, on a motion by Mr. Plank, seconded by Dr. Farias, the meeting adjourned at approximately 12:55 p.m.

Committee on Agency Operations

AGENDA ITEM III

Public Testimony on agenda items relating to the Committee on Agency Operations

RECOMMENDATION: No action required

Background Information:

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time as determined by the presiding chair.



## Committee on Agency Operations

### Agenda Item IV-A

#### Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's Legislative Appropriations Request for Fiscal Years 2020 and 2021

RECOMMENDATION:      Approval

#### Background Information:

On June 22, the Governor's Office and Legislative Budget Board issued a policy letter to all state agencies and institutions of higher education relating to the development of the Legislative Appropriations Request (LAR) for the 2020-2021 biennium. The letter states:

It is imperative that every state agency engage in a thorough review of each program and budget strategy and determine the value of each dollar spent. As a starting point for budget deliberations, an agency's baseline request for General Revenue (GR) and General Revenue-Dedicated (GR-D) funds may not exceed the sum of amounts expended in Fiscal Year 2018 and budgeted in Fiscal Year 2019. While the state's economic landscape is positive and a balance is projected to accrue in the treasury, agencies are directed to be vigilant in their spending and continue to be responsible stewards of state resources. Agencies must also submit a supplemental schedule detailing how they would reduce the baseline request by an additional 10 percent (in 2.5 percent increments) in GR and GR-D funds. Additional funding requests may be submitted as Exceptional Items. Agencies that request Exceptional Items should be prepared to identify lower-priority programs or other cost savings to help offset the increased costs associated with their requests.

LAR materials will be sent under separate cover. Linda Battles, Deputy Commissioner for Agency Operations and Communications/Chief Operating Officer, will present this item to the committee.

Committee on Agency Operations

AGENDA ITEM IV-B

Report on grants and contracts, including those exceeding \$1 million

RECOMMENDATION: No action required

Background Information:

Title 19 Texas Administrative Code, Rule 1.16(j) establishes that any contract for the purchase of goods or services that exceeds \$1 million may be entered into only if the contract is approved and signed by the Commissioner, to whom the Board, by virtue of this rule, delegates such approval and signature authority. In addition to the Board receiving a quarterly report on *Contracts Executed by the Agency in Accordance with Board Rule 1.16*, the Coordinating Board staff would like to also provide the Board a quarterly report highlighting and listing all grants and contracts exceeding \$1 million.

Bill Franz, General Counsel will be available for questions.

## Committee on Agency Operations

### Agenda Item IV-C

#### Final report on the key initiatives recommended by NTT Data regarding the Agency Cybersecurity Framework

RECOMMENDATION: No action required

#### Background Information:

Senate Bill 1134, 83rd Texas Legislature, required the Texas Department of Information Resources (DIR) develop strategies and a framework for the securing of cyber infrastructure by state agencies. DIR subsequently worked with a committee of agency representatives and private sector reviewers to develop a framework and template that can help agencies comply with requirements.

In 2017 NTT Data, Inc., a DIR-contracted vendor, assessed the alignment of the Coordinating Board's cybersecurity infrastructure with the Texas Cybersecurity Framework, and presented their findings and recommendations to the Board in a Special Called Board meeting on June 28, 2017.

In response to NTT Data's assessment, the Information Solutions and Services (ISS) Division implemented the agency cybersecurity framework by performing a holistic assessment of the threats facing the agency and the vulnerabilities in the current operating environment. An implementation roadmap made of 9 major security improvement initiatives was published in the 4th quarter of FY2017, and ISS has been providing a progress report to the Board at each Committee on Agency Operations meeting since then.

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services, and Mr. John House, Information Security Officer, will present a final report to the Board.

Committee on Agency Operations

AGENDA ITEM IV-D

Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 1, Subchapter C. Sections 1.83 and 1.84 of Board rules concerning Agency Administration (Standards of Conduct)

RECOMMENDATION:      Approval

Background Information:

Specifically, the amendments to Section 1.83 and 1.84 will correct a section reference and update the name of the official nonprofit partner (ONP) of the Board.

General Counsel William Franz is available for questions.

Date Approved by the Commissioner for Publication in the *Texas Register*: February 23, 2018

Date Published in the *Texas Register*: June 1, 2018

The 30 day comment period with the Texas Register ended on: July 1, 2018

No comments were received regarding the amendments to these rules.

The amendments have been prepared in the following format:

- New language is in lowercase, underlined, and shaded.
- Deleted language is bracketed and struck through.
- When new language replaces deleted language, the new language precedes the deleted language.

## Chapter 1. Agency Administration

## Subchapter C. Standards of Conduct

## Section

- 1.80. Scope and Purpose
- 1.81. Definitions
- 1.82. Donations by Private Donors to the Board
- 1.83. Donations by a Private Donor to a Private Organization That Exists To Further the Purposes and Duties of the Board
- 1.84. Organizing a Private Organization That Exists To Further the Duties and purposes of the Board
- 1.85. Relationship between a Private Organization and the Board
- 1.86. Standards of Conduct Between Board Employees and Private Donors
- 1.87. Miscellaneous

1.83. Donations by a Private Donor to a Private Organization That Exists To Further the Purposes and Duties of the Board.

(a) (No change.)

(b) The private organization shall administer and use the donation in accordance with the provisions in the memorandum of understanding between the private organization and the Board, as described in §1.85(c) [~~§1.65(e)~~] of this title (relating to Relationship between a Private Organization and the Board).

1.84. Organizing a Private Organization That Exists To Further the Duties and Purposes of the Board.

(a) The Texas Higher Education Foundation [~~"College for All Texans Foundation: Closing the Gaps"~~] is designated as the official nonprofit partner (ONP) of the Board.

(b) (No change.)

Committee on Agency Operations

Agenda Item IV-E

Discussion of the Governor's Office new requirement to review all proposed rules introduced by state agencies prior to submission to the *Texas Register*

RECOMMENDATION: No action required

Background Information:

On June 22, all state agencies received a letter from Luis Saenz, Chief of Staff to Governor Abbott, regarding a new requirement of the Governor's Office for all state agencies to follow when proposing new rules.

In an effort to eliminate redundancies and inefficiencies, the Governor's Office will review the costs and benefits of all proposed rules. Agencies are required to submit any new proposed rules to the Governor's Office prior to submitting them to the *Texas Register* for publication. Staff have implemented an internal process to comply with this requirement.

Linda Battles, Deputy Commissioner for Agency Operations and Communications/Chief Operating Officer, and Bill Franz, General Counsel, will be available to answer questions.



GOVERNOR GREG ABBOTT

June 22, 2018

Dear Agency Head:

In 1981, President Reagan issued Executive Order 12291, establishing White House review of new regulations proposed by federal agencies. Since then, presidents have reviewed new regulations in order to coordinate policy among agencies, eliminate redundancies and inefficiencies, and provide a dispassionate "second opinion" on the costs and benefits of proposed agency actions.

In light of the success of regulatory review at the federal level, Governor Abbott is clarifying the process for review of new rules proposed by state agencies. Prior to publication of a proposed rule in the *Texas Register*, the Office of the Governor will review the Notice of Proposed Rule as well as the agency's internal analysis of the rule. The rulemaking memorandum template enclosed with this letter contains instructions for providing that information.

Thank you for your cooperation with this initiative. If you have any questions about this process, please contact the policy advisor assigned to your agency.

Sincerely,

A handwritten signature in black ink, appearing to read "Luis Saenz", with a long horizontal flourish extending to the right.

Luis Saenz  
Chief of Staff  
Office of the Governor

LS:clk

Enclosure

## Proposed Rulemaking Memorandum

To: [Policy advisor]

From: [Counsel whose name will accompany the proposed rule in the *Texas Register*]

Date:

Subject: [Short description of nature of proposed rule]

The [name of agency] proposes a rulemaking for [citation to administrative code].

1. **Provide the draft Notice of Proposed Rule that you intend to submit to the *Texas Register*, including preambles, comments, notices, and any other text that will be submitted to the *Texas Register*.**
2. **Attach to this memorandum a complete copy of the following analyses:**
  - a. The analysis supporting the draft government growth impact statement required by Texas Government Code § 2001.0221.
  - b. The analysis supporting the economic impact statement required by Texas Government Code § 2006.002.
  - c. The analysis supporting the regulatory flexibility analysis required by Texas Government Code § 2006.002.
  - d. The analysis supporting the takings impact assessment required by Texas Government Code § 2007.043.
  - e. The analysis supporting the local employment impact statement required by Texas Government Code § 2001.024(a)(6).
  - f. The analysis supporting the cost-benefit analysis required by Texas Government Code § 2001.024(a)(5).
  - g. The analysis supporting the fiscal note required by Texas Government Code § 2001.024(a)(4).
3. **If Texas Government Code § 2001.0045(b) applies to the proposed rule, identify the proposed repeal or amendment that offsets the costs imposed by the proposed rule and explain the reasoning behind your estimates of the costs. If Texas Government Code § 2001.0045(b) does not apply to the proposed rule, explain why.**
4. **Is there anything else you would like the Office of the Governor to know about this proposed rule?**



Committee on Agency Operations

AGENDA ITEM V-A

Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds.

RECOMMENDATION:      Approval

BACKGROUND INFORMATION:

Staff is requesting approval to issue up to \$200 million in aggregate principal amount of new money bonds in Fiscal Year 2019 to fund College Access Loans (CAL) to eligible students under Texas Education Code, Chapter 52, Subchapter C. The Coordinating Board staff has determined that it will be necessary to issue these bonds in one or more series to provide adequate funding to maintain the program.

- The Coordinating Board is a state voted issuer of bonds.
- These bonds are authorized under the Texas Constitution, Sections 50b-4 through 50b-7.
- Total bond debt outstanding is currently \$1,176M.
- Total bond funded student loans outstanding is currently \$1,241M
- The THECB has \$959M of bond authority remaining.
- 8% of state volume cap is reserved for state voter issuers. (Tx Gov. Code, Sec. 1372)
- Agency sells tax exempt private activity bonds.
- Agency required to maintain compliance with various state statutes, Securities Exchange Commission and Internal Revenue Service regulations.
- These bonds are backed by the credit of the State (Moody's AAA rating December 2017).
- An application to the Bond Review Board will be submitted for a portion of the state's allocation of private activity volume cap.
- The office of Attorney General is required to approve the final sale.
- Historical bond sales are below.

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Year	Principal	Yield
2011A	\$124,995,000	4.52%
2011B	\$29,061,285	1.46%
2011C	\$7,425,538	3.40%
2012	\$99,995,837	2.74%
2013A	\$112,785,395	2.74%
2013B	\$127,419,151	3.35%
2014	\$81,144,804	2.93%
2015	\$169,502,971	3.05%
2016	\$179,995,090	4.11%
2017	\$170,613,632	3.11%

College Access Loan disbursement history

	<b>Total # of Students</b>	<b>Gross Disbursed</b>
<b>PY 04</b>	5,994	\$38,044,856.45
<b>PY 05</b>	6,243	\$41,442,307.08
<b>PY 06</b>	7,040	\$49,470,079.89
<b>PY 07</b>	11,944	\$102,756,666.88
<b>PY 08</b>	7,999	\$74,181,871.12
<b>PY 09</b>	8,702	\$79,778,517.38
<b>PY 10</b>	8,911	\$86,157,023.17
<b>PY 11</b>	8,378	\$87,521,197.15
<b>PY 12</b>	8,655	\$97,407,152.08
<b>PY 13</b>	8,102	\$100,585,758.18
<b>PY 14</b>	7,533	\$98,925,759.26
<b>PY 15</b>	9,080	\$118,877,752.87
<b>PY 16</b>	10,615	\$148,242,100.06
<b>PY 17</b>	11,921	\$172,867,455.17
<b>PY 18*</b>	9,056	\$137,778,835.30
<b>Total</b>	<b>130,173</b>	<b>\$1,434,037,332.04</b>

A representative from the Board's bond counsel McCall, Parkhurst & Horton and a financial advisor from Hilltop Securities, Inc. is available to answer any questions regarding the proposed resolution authorizing the issuance of the bonds, the delegation the authority to approve all final terms of the bonds, or the delegation of authority to file for the state's allocation of private activity volume cap.

Ken Martin, Assistant Commissioner for Financial Services/CFO will present this item to the committee.

## Committee on Agency Operations

### AGENDA ITEM V-B

#### Review of the Fiscal Year to Date 2018 Financial Report to the Board

RECOMMENDATION: No action required

#### BACKGROUND INFORMATION:

During each quarterly committee meeting, the Finance Department provides a financial report summarizing the agency's fiscal year to date budgetary and financial activities. This is a financial management report that is developed for both agency and Board use. Staff may revise this report periodically to present the most relevant information.

#### Key points:

- This report reflects data for the period of 9/1/17 through 5/31/18 for the 2018 appropriation year.
- The report is distributed to agency executive management on a monthly basis.
- Report overview:
  - The first nine months of the 2018 fiscal year are reflected in this report.
  - Expenditures and encumbrances will continue to increase as the year progresses due to the unique timing of each program.
  - The Be-On-Time (C.1.2, C.1.3) program is being phased out in accordance with the legislative repeal of the program. Excess funding is anticipated due to lower student persistence within the program.
  - Funds previously expended to an entity that are returned in a subsequent fiscal year (Refunds) can be credited to the program in the current fiscal year. Developmental Education (D.1.2) has accumulated refunds in the amount of \$651K year to date, as noted by the negative expense balance. GME (F.1.3) and Autism (I.1.2) have received refunds as well and reflect a negative balance in the expense column. Future expenditures within these programs will offset these negative balances.
  - This is the first year within the biennium and most of the trustee programs have the authority to carry forward any unexpended funding into the following fiscal year.
  - Community College funds are distributed on a monthly basis over a 10 month period.

Agenda Item V-B

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- This is the last year of funding for the federal Teacher Quality Program. No funding is anticipated in fiscal year 2019.
- Loan balances decline month to month on a net basis during the time between semesters when loan volume is at its lowest. This is due to the fact that borrower payments exceed any new loan distributions.
- Defaulted loan collections from the Office of the Attorney General continue to grow on a year over year basis (3%).

Ken Martin, Assistant Commissioner for Financial Services/CFO will present this item to the committee.

Committee on Agency Operations

Agenda Item VI-A

Discussion of the Audit of the Agency-Wide Financial Statements for fiscal year ended August 31, 2017 by KPMG, LLP

RECOMMENDATION: No action required

Background Information:

The Board contracted with KPMG, LLP to conduct the agency-wide financial statement audit for fiscal year ended August 31, 2016. The contract provided renewal options for four, one-year terms. The current contract to conduct an agency-wide financial statement audit for fiscal year ended August 31, 2017 was executed with KPMG for a fixed fee of \$177,080.

KPMG, LLP has conducted the agency-wide financial statement audit for fiscal year ended August 31, 2017. The auditors rendered an unqualified or "clean" opinion on the financial statements, noting one significant deficiency identified during the audit. KPMG's presentation also includes "verbal comments" that are considered internal control deficiencies.

A hard copy of the auditor's reports will be available at the meeting. Representatives from KPMG will present the report to the committee.

Committee on Agency Operations

AGENDA ITEM VI-B

Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Internal Audit Plan for Fiscal Year 2019

RECOMMENDATION:      Approval

BACKGROUND INFORMATION:

In accordance with the Texas Internal Auditing Act, the Internal Audit function has developed the Risk-Based Audit Work Plan for Fiscal Year 2019 using risk assessment techniques as required. The Risk-Based Audit Work Plan for Fiscal Year 2019 presents the individual audits to be performed in fiscal year 2019.

The FY 2019 Audit Work Plan is attached. Mark Poehl, Director of Internal Audit and Compliance will present this item to the Committee.

**TEXAS HIGHER EDUCATION COORDINATING BOARD**

**INTERNAL AUDIT & COMPLIANCE MONITORING**

**Internal Audit Plan**

**Fiscal Year 2019**

The Texas Internal Auditing Act requires state agency Internal Auditors to conduct a program of auditing that includes an annual audit plan, is prepared using risk assessment techniques, and identifies the individual audits to be conducted during the year. The following proposed plan meets the requirements of the Texas Internal Auditing Act.

Specific risk factors were considered as they apply to the agency's significant operational activities. These risk factors included:

- Financial significance
- Reputational significance and visibility
- Complexity; inherent risk; and the potential for abuse
- Prior audit and compliance monitoring results as an indicator of control effectiveness
- Audit recency – internal audit, compliance monitoring (as applicable), KPMG, SAO, and/or Federal auditors
- Changes in mission or key management

A risk-ranked listing of significant operational activities became the basis for the audits proposed for consideration herein.

**A. Required Audits**

	<u>Estimated Hours Required</u>
1. Follow Up of Prior Internal Audits <i>Assess the implementation status of previously reported internal audit findings in the areas of Texas Educational Opportunity Grant, Data Administration and Governance, Formula Funding, Physician Education Loan Repayment Program, and Contract Management.</i>	460
2. Self-Assessment of Work Quality, Internal Audit <i>Perform a self-assessment of internal audit work quality, in accordance with the requirements of professional auditing standards.</i>	210
3. Investigations	355

*Texas Government Code Chapter 321.022, Coordination of Investigations, requires the coordination of investigations between the agency and the Texas State Auditor's Office. If the administrative head of an agency that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the agency or by a client/department of the agency may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the agency, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the agency.*

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|----|---|-----|
| 4. | Provide Assistance--External Audit of Agency Financial Statements<br><i>Internal Audit provides 50 hours of audit support to reduce external audit fees and to increase the level of knowledge of external auditors' assessment of the agency's financial statements and associated risks.</i>  | 50  |
| 5. | Ongoing Status Assessment of Corrective Action Plan Implementation to Address NTT Texas Cyber Security Assessment Report<br><i>Perform an ongoing status assessment to assess the implementation status of the corrective action plan prepared to address recommendations from the 2017 NTT Texas Cyber Security Assessment Report.<sup>1</sup></i> | 470 |

## B. Risk-Based Audits

- |    |   |     |
|----|---|-----|
| 6. | Review of Formula Funding (Community College "Ten Pay" Payment System)<br><i>Review of internal administrative activities associated with the community college "ten pay" payment system. The appropriation for FY 2018 was \$900 million.</i>                          | 440 |
| 7. | Review of Selected Academic Grant Programs<br><i>Review the internal administrative activities of selected academic grant programs for compliance effectiveness and efficiency. Academic grant program appropriations for FY 2018 were approximately \$216 million.</i> | 625 |
| 8. | Review of Scholarship Programs<br><i>Review of scholarship programs for compliance, effectiveness, and efficiency. Scholarship program appropriations for FY 2018 were approximately \$3 million.</i>   | 640 |
| 9. | Review of Contract Management Administration<br><i>Review of agency contract administration processes for compliance with laws, regulations, policies, and procedures.</i>  | 415 |

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<sup>1</sup> Texas Administrative Code (TAC) 202 requires an independent review of the state agency's information security program.



Committee on Agency Operations

AGENDA ITEM VI-C

Update on Internal Audit Reports and Activities

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

The Internal Audit Department completed two projects during the reporting period since the April 2018 Agency Operations Committee meeting. The reports include:

1. **Final Report – *An Audit of Formula Funding at the THECB***; this was a Category 2 Report with audit observations that, if addressed timely, do not pose a significant risk for negative reputational or financial consequences.
2. **Final Results Letter - *Alleged Financial Aid Impropriety SAO Complaint Referral #18-1679***; the complaint alleged that a student falsified information on the Free Application for Federal Student Aid (FASFA) in order to receive financial aid benefits they were presumably not qualified to receive. We were unable to substantiate the complaint. The student was determined to have attended a Texas higher education institution, however, the institution provided evidence that appropriate financial aid verification procedures were followed.

Update on Internal Audit activities

<b>Audits In Progress</b>	<b>Stage of Project</b>
An Assessment of the Implementation Status of NTT Data Recommendations	Planning
A Follow Up Review of College Access Loan Administration	Fieldwork
A Review of the Physician Education Loan Repayment Program	Fieldwork
Investigation Support	Ongoing

Other Internal Audit Activities

- Coordinated external audits—SAO, KPMG, etc.
- Developed internal audit plan and updated the audit coverage diagram
- Provided feedback regarding risk and control activities, including management's development of an agency-wide contract and ethics training program.

The final reports are attached. Mark Poehl, Director of Internal Audit and Compliance will present this item to the Committee.



# TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

June 19, 2018

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Raymund A. Paredes  
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Dr. Raymund A. Paredes  
Commissioner of Higher Education  
1200 E. Anderson Lane  
Austin, TX 78752

Dear Dr. Paredes:

I am attaching the final report of *An Audit of Formula Funding* at the Texas Higher Education Coordinating Board, Report No. THECB-IA-WP-18-201.

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,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

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

## EXECUTIVE SUMMARY

The Database (EDC PROD) that contains enrollment data submitted by the institutions of higher education (IHEs) to calculate formula funding is generally effective in ensuring that data is protected. However, issues that warrant attention to strengthen database maintenance and better protect the agency's information include:

- *Data owner oversight on EDC PROD is limited.*
- *User access to EDC PROD is not current.*
- *Enrollment files containing confidential student information submitted by IHEs are retained longer than allowed by policy.*
- *Security processes to create and reset access information for IHEs to submit enrollment files requires improvement.*
- *Coordinating Board Management (CBM) manuals are not current.*

### Audit Objective, Scope and Methodologies

Our audit objective was to review the administration of formula funding processes for compliance, effectiveness, and efficiency. Our audit scope focused on EDC PROD that retains enrollment data for formula funding. Our audit included reviewing relevant statutes, rules and THECB policies and procedures, manuals and documentation related to the audit area, and performing various testing to address the audit objectives. We also interviewed appropriate THECB 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.

### Background

Formula funding was included on the 2018 Internal Audit Plan. Texas Education Code, Section 61.059(b) requires THECB to devise, establish, and periodically review and revise formulas for the use of the governor and the Legislative Budget Board in making appropriations recommendations to the legislature for all institutions of higher education, including the funding of postsecondary vocational-technical programs.

<b>Funding Levels</b>	<b>2016-17 Biennium (millions)</b>	<b>2018-19 Biennium (millions)</b>
Community Colleges	\$1,743.8	\$1,902.6
State Colleges	42.9	45.2
Technical Colleges	140.7	156.6
General Academic Institutions	4,676.3	5,099.4
Health-Related Institutions	1,904.1	2,065.5
<b>Total</b>	<b>\$8,507.8</b>	<b>\$9,269.3</b>

The formula funding database (referred to as EDC PROD) that manages enrollment data was developed in house over twenty years ago. Institutions submit enrollment data referred to as "CBM reports" through secured file transfer protocol. EDC PROD processes and edits data for any errors and notifies institutions until data is corrected and certified by the institutions. To identify errors, EDC PROD applies several programmed edit checks to find errors.

## **Detailed Observations, Recommendations, and Management Responses**

### **1. Data owner oversight on EDC PROD is limited.**

Data owner oversight on EDC PROD is limited. Information to effectively manage the complex database that stores information submitted by institutions of higher education (IHEs) is not easy to manage from a data owner's perspective. Strategic Planning and Funding (SPF) owns the information submitted by IHEs and used by the Coordinating Board for formula funding and other important decision-making purposes. Data owners need information about logic tests, data validation, types of data errors and edit checks, cross-relationships between data elements and across reports, and

**Data Owner**—SPF is the data owner who has administrative control and is accountable for formula funding data.

**Data Custodian**—Information Solutions and Services is the data custodian who has technical control over data.

**Data User**—IHEs who are authorized by the data owner and are required to follow policies, guidelines and procedures pertaining to the protection of data.



revision information to effectively manage the information and to enhance communication with data custodians and data users.

Currently, Strategic Planning and Funding manages the formula funding database reporting manuals (commonly referred to as the CBM Manuals) that are primarily written from a user perspective. This limits the level of oversight that the data owner, Strategic Planning and Funding, is able to provide over the data reporting process. Robust oversight practices are necessary given that over \$4 billion is annually allocated to IHEs using information self-reported to THECB.

Database development over the life cycle of EDC PROD did not follow best practices to maintain the application. For example, edit checks were not written in a way that helps for easy modification. Therefore, the ease with which EDC PROD can be modified to correct faults, improve performance, or adapt to changes is limited. Well-written programs are easier to debug, maintain, and have fewer errors.

Currently, all edit checks are stored in one place for multiple required enrollment-related reports. If an edit check needs to be made for a specific enrollment report, the database is currently configured to update all enrollment reports that use the edit check. A project was initiated on February 2018 to separate edit checks by enrollment report type. However, a project end date has not been identified and the project is a low priority.

The ongoing need to maintain and improve edit checks was noted in a formula funding audit at Del Mar College. The audit noted 91 students out of 6,206 on the CBM00A (continuing education report with the same birth date (1/1/1999). Current data validation techniques do not address anomalies of this type.

### **Recommendations:**

1. Document edit checks in a way that better promotes quality control and update.
2. Reconsider the priority to separate edit checks by enrollment report type.

### **Management Response:**

1. We agree that more documentation of these edit checks would be beneficial. Staff will create a new Excel Spreadsheet to keep track of all of the Sysaid tickets sent to ISS requesting new edit checks. The spreadsheet will include applicable dates and justifications each addition or deletion. Documentation of

this new process will be written up for our policies and procedures manual.

2. As of the May 25, 2018 ISS Steering Committee meeting, the edit check update project is a top priority. SPF staff will be assigned to work with ISS to ensure:
  - a. the update process includes quality control for all changes,
  - b. coding and documentation of previous edits is consistent with the new update process, and
  - c. creating edit checks by enrollment report remains a priority.

**Implementation Date:**

1. July 2, 2018, for SPF spreadsheet
2. final date for completing the edit check update will be determined by ISS by August 31, 2018.

**Responsible Party(ies):**

1. Victor Reyna, Director of Education Data Center, Strategic Planning and Funding (SPF)
2. Victor Reyna and Stacie Jackle, Senior Director, Application Development and Support, Information Solutions and Services (ISS)

**2. Access to EDC PROD is not current.**

Access to EDC PROD is not current. Our survey of 10 agency staff (quarter 4 of fiscal year 2017 and quarter 1 of fiscal year 2018) indicated that:

- Seven staff are not aware if they have access to the database and they never used the database,
- One used the database until 2014 and then moved to a new position and did not login since then.

**Data Set**—A data set is a collection of data, which corresponds to the contents of a single database table. There are multiple data sets under EDC PROD (database).

Additionally, multiple users have access to more than one data set within EDC PROD. It is not clear if those employees still need access to all the data sets.

**Recommendations:**

Implement a periodic review policy to revise and limit employee access to align with job functions and business needs.

**Management Response:**

ISS will work toward creating an updated list of EDC Prod database users. A reason will be required for access and details about type of access will be recorded in the system. ISS will add the Assistant Commissioner of SPF to the quarterly review emails.

**Management Response Details:**

In addition to its primary use for storing institutional student-level data, data in the EDC Prod database is used to populate several applications used by areas other than SPF. Historical documentation of who requires access for these applications is weak.

ISS will conduct a needs analysis for EDC Prod access and also remove access to users who are not approved by their division leadership. ISS will improve documentation of EDC Prod database access to be clear which applications rely on EDC Prod for data; justifications for access will be included, as appropriate.

ISS will change the periodic review policy for EDC Prod. Rather than requiring quarterly access permissions review and approval by the Director of the Education Data Center (EDC) alone, the Assistant Commissioner, SPF, will be copied on the review correspondence to ensure a more thorough review.

**Implementation Date:**

Remove non-verified access by June 30, 2018. Include Assistant Commissioner in access reviews beginning with the next review cycle.

**Responsible Party(ies):**

- John House, Information Security Officer, ISS
- Victor Reyna, Director of Education Data Center, SPF
- Julie Eklund, Assistant Commissioner, SPF



### **3. Enrollment files containing confidential student information submitted by IHEs are retained longer than allowed by policy.**

Enrollment files containing confidential student information submitted by IHEs are retained longer than allowed by policy. Enrollment files are retained for more than 90 days, which is non-compliant with the policy (MOVEit DMZ manual). According to instructions for data file submission, institutions submit their enrollment-related files through secure portal. Procedures for the secure portal require that files be deleted after 90 days. Coordinating Board staff who have access to the secure portal, can download the files. We noted:

- 26,211 files were retained for more than 90 days, ranging from 91 to 785 days.
- IHE folders that are more than 90 days old, contained from 1 to 3,176 files.

Enrollment files maintained longer than procedures specify results in unnecessary storage costs and places sensitive information at risk for misuse.

#### **Recommendations:**

Comply with written procedures covering the retention of sensitive enrollment information.

#### **Management Response:**

ISS and SPF propose adding the following automatic deletion schedules to the data files in MoveIt. Regular EDC data submission files will be automatically deleted file after 90 days. Ad hoc and special project files will be automatically deleted after 180 days.

#### Management Response Details:

The MoveIt DMZ folders contain a wide range of confidential data files that are passed between the EDC and institutions. ISS will ensure compliance with the 90-day period for EDC data to be scrubbed from the main MoveIT by automating a file deletion process. ISS will also create a subfolder for special projects which will have a 180-day window before automatic deletion. SPF will notify institutions of this change. Should a need for longer windows of time become evident, SPF and ISS will work with agency leadership to adjust deletion time frames.



**Implementation Date:**

Will be completed before next (Fall) reporting cycle begins.

**Responsible Party(ies):**

- John House, Information Security Officer, ISS
- Victor Reyna, Director of Education Data Center, SPF

**4. Security processes to create and reset access information for IHEs to submit enrollment files requires improvement.**

Security processes to create and reset access information for IHEs to submit enrollment files requires improvement. No written procedures exist to create and/or reset login information for IHEs to share files with THECB staff through the secured portal (MOVEit DMZ). One set of login information is provided to each higher education institution. Institutions share the login information with other staff to send enrollment data to MOVEit DMZ. Therefore, staff at the institution who receive the initial login information are responsible for any activity conducted under their username.

Additionally, no policy exists on password expiration and previous passwords are not saved to require users to reset their passwords with a new and unique one. Strict password procedures provide greater security. Even with the best procedures in place, passwords can be shared or otherwise become known over time, thereby necessitating. Also, password histories should be established so that users cannot use the same password twice within a defined period.

**Recommendations:**

1. Develop and implement written policies and procedures on creating and resetting MOVEit DMZ login information.
2. Develop and implement written policies and procedures on password expiration and password history for MOVEit DMZ.

**Management Response:**

SPF will develop written policies on creating and resetting log-in information. Institutions will be required to update passwords at least once a year.

#### Management Response Details:

ISS and SPF will work together to develop written policies and procedures for login information and updating passwords including information for institutional users. SPF will require institutions to have an institutional email box for password information so that all users that are granted access by an institution will be aware of password change activities. Institutions will be required to update passwords at least once a year at a set time for all institutions, and may update passwords at any time in the interim. The once a year reset will need to be done manually and the resets will follow accepted password parameters.

#### **Implementation Date:**

The manual password update will occur in September of each year, right before the MoveIt System is open for fall reporting. Processes will be documented and shared with institutions prior to the first password update in September 2018.

#### **Responsible Party(ies):**

- John House, Information Security Officer, ISS
- Victor Reyna, Director of Education Data Center, SPF

### **5. Coordinating Board Management (CBM) manuals are not current.**

CBM reporting manuals are not current. CBM reporting manuals are the guidelines for institutions of higher education to submit their enrollment data timely and accurately. Texas Higher Education Coordinating Board staff communicates revisions made to the reporting manuals each semester to the institutions. However, no formal written procedures exist to communicate the revisions. Written procedures are beneficial to:

- identify specific actions,
- explain when to take actions,
- describe alternatives,
- show emergency procedures,
- retain and transfer valuable knowledge, and
- give examples.

We noted:

- CBM reporting manual for Public Universities was last updated in fall 2017, and it has the Former Director of Education Data Center name.
- CBM reporting manual for Private Universities was last updated in January

2013. It does not have the Director of Education Data Center name.
- CBM reporting manual for Health Related Institutions was last updated in fall 2016, and it has the Former Director of Education Data Center name.

**Recommendations:**

Develop written procedures including appropriate timetables to periodically update CBM reporting manuals.

**Management Response:**

SPF will write procedures for updating manuals which will include appropriate timetables for standard information (such as staff contacts) to be reviewed and updated as well as information about how institutions will be informed regarding changes to manuals due to legislative/rule changes. SPF will provide as much lead time as possible to institutions and will post all official notifications about manual updates and reporting clarifications online.

**Implementation Date:**

First Review and preparation of procedures will be completed by July 31, 2018.

**Responsible Party(ies):**

Torca Bunton, Data Specialist, SPF

**PERFORMED BY:**

Ms. Aporajita Ahmed, CPA, CFE, CITP, CGMA, CICA, Internal Audit Lead

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications

Mr. William Franz, General Counsel

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services

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Mr. Ken Levine



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April 26, 2018

FILE

We have closed our inquiry into complaint 18-1679 referred to us by the Texas State Auditor's Office, regarding an allegation that a resident of Silsbee, Texas, falsified information on the Free Application for Federal Student Aid (FAFSA) in order to obtain student financial aid. The complaint was dismissed through our inquiry with the higher education institution that indicated that the institution followed appropriate verification procedures regarding the student's FAFSA and supporting documentation.

We plan no further action on this matter.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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

Cc: Jennifer Weiderhold, SAO Investigations and Audit Support Manager



Committee on Agency Operations

AGENDA ITEM VII-A

Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Compliance Monitoring Plan for Fiscal Year 2019

RECOMMENDATION: Approval

BACKGROUND INFORMATION:

In accordance with Texas Administrative Code Section 1.13 Internal Auditor and Compliance Monitoring, the Compliance Monitoring function has developed the Risk-Based Compliance Monitoring Plan for Fiscal Year 2019. The Risk-Based Work Plan for Fiscal Year 2019 presents the individual engagements to be performed in fiscal year 2019.

The Fiscal Year 2019 Compliance Monitoring Plan is attached. Mark Poehl, Director of Internal Audit and Compliance will present this item to the Committee.

**TEXAS HIGHER EDUCATION COORDINATING BOARD**  
**INTERNAL AUDIT & COMPLIANCE MONITORING**

**Compliance Monitoring Plan**

**Fiscal Year 2019**

Specific risk factors from Texas Administrative Code Section 1.13 Internal Auditor and Compliance Monitoring, were used to develop the Compliance Monitoring Annual Plan. These factors included:

- The amount of student financial assistance or grant funds allocated to the institution by the Board;
- Whether the institution is required to obtain and submit an independent audit;
- The institution's internal controls;
- The length of time since the institution's last desk review or site visit;
- Past misuse of funds or misreported data by the institution; and
- In regard to data verification, whether the data reported to the Board by the institution is used for determining funding

<b>Risk-Based Reviews</b>	<b><u>Hours</u></b>	<b><u>%</u></b>
1. Formula Funding at Institutions of Higher Education	3,075	67%

Perform reviews of contact hours at public community/junior colleges and formula variable reviews at other public institutions of higher education. Formula funding for institutions of higher education totals approximately \$4.2 billion annually.

***Public Universities – 6 institution(s), based on risk assessment***

Onsite Reviews

The University of Texas Rio Grande Valley  
 Tarleton State University  
 Stephen F. Austin University  
 University of Houston-Downtown

Desk Reviews

Texas A&M University – Corpus Christi  
 Texas A&M University - Kingsville

***Public Community/Junior Colleges – 8 institution(s), based on risk assessment***

Onsite Reviews

Central Texas College  
 Howard College  
 North Central Texas College  
 McLennan Community College  
 Temple College

Desk Reviews

Grayson College  
Laredo Community College  
Lee College

**Public State Colleges** – 2 institution(s), based on risk assessment

Onsite Reviews

Lamar Institute of Technology  
Lamar State College-Port Arthur

2. Financial Assistance Compliance at Institutions of Higher Education	1,525	33%
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Perform compliance reviews of student financial assistance programs at public community/junior colleges or other public/private institutions of higher education. Student financial assistance disbursed to colleges and universities in Texas totals approximately \$1.7 billion annually.

**Public Universities** – 4 institution(s), based on risk assessment

Onsite Review

The University of Texas of the Permian Basin  
The University of Texas at El Paso  
Sam Houston State University

Desk Review

Texas A&M Commerce

**Public Community/Junior Colleges** – 3 institution(s) based on risk assessment

Onsite Review

Clarendon College  
Alamo Community College District

Desk Review

Ranger College

**Private Health Related Institutions** - 1 institution, based on risk assessment

Desk Review

Baylor College of Medicine

<b>TOTAL RISK-BASED REVIEWS</b>	<b>4,600</b>	<b>100%</b>
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<b>Completion of FY18 Risk-Based Reviews</b>		<b><u>Hours</u></b>	<b><u>%</u></b>
1. Formula Funding at Institutions of Higher Education 1 institution		175	47%
2. Financial Aid Compliance at Institutions of Higher Education -1 institution		200	53%
<b>TOTAL COMPLETION of FY18 REVIEWS</b>		<b>375</b>	<b>100%</b>
<b>Follow-Up Reviews</b>		<b><u>Hours</u></b>	<b><u>%</u></b>
3. Formula Funding at Institutions of Higher Education 6 institution(s)		600	<b>100%</b>
<b>TOTAL FOLLOW-UP REVIEWS</b>		<b>600</b>	<b>100%</b>

Agency Operations Committee

AGENDA ITEM VII-B

Update on Compliance Monitoring Reports and Activities

RECOMMENDATION: No action required

BACKGROUND INFORMATION:

Update on Compliance Monitoring Reports

The Compliance Monitoring team completed nine projects during the reporting period since the April 2018 Agency Operations Committee meeting. The final reports are attached.

Formula Funding Engagements Completed

Follow Up Audit of Formula Funding at Blinn College (no findings)

Follow Up Audit of Formula Funding at Texas Southern University (no findings)

Compliance Audit of Formula Funding at Del Mar College (three findings)

Financial Aid Engagements Completed

Follow Up Audit of the College Access Loan Program at Rice University (no findings)

Compliance Audit of the College Access Loan Program at the University of Texas Medical Branch at Galveston (no findings)

Compliance Audit of the Texas Educational Opportunity Grant at Lone Star College - CyFair (no findings)

Compliance Desk Review of the Developmental Education Program at San Jacinto College District (no findings)

Compliance Desk Review of the Texas Educational Opportunity Grant at Texas State Technical College – Waco (no findings)

Compliance Desk Review of TEXAS Grant at Texas Southern University (no findings)

<b>Projects In Progress</b>	<b>Stage of Project</b>
Lamar State College-Port Arthur	Planning
The University of Texas Health Science Center at Houston	Planning
Coastal Bend College	Planning
Wharton County Junior College	Planning
Texas Tech University	Fieldwork
Sam Houston State University	Fieldwork
Doctors Hospital at Renaissance	Reporting
Trinity Valley Community College	Reporting
Lamar State College – Orange (N1)	Carry Forward to FY19
Weatherford College (N2)	Carry Forward to FY19
South Texas College (N2)	Carry Forward to FY19
Tyler College (N2)	Carry Forward to FY19

N1 – This engagement will be performed in fiscal year 2019 at the request of the institution, based upon the impacts associated with Hurricane Harvey

N2 – This follow up engagement will be performed in fiscal year 2019 to allow sufficient time to test continuing education formula funding during the period after legislative changes took effect on September 1, 2018.

**Other Compliance Monitoring Activities**

- Completion of the FY 2019 Risk Assessment and Compliance Plan
- Performing unplanned high priority work at TVCC and CBC

The final reports are attached. Mark Poehl, Director of Internal Audit and Compliance will present this item to the Committee.



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April 30, 2018

Dr. Mary Hensley  
District President/CEO  
Blinn College  
902 College Ave.  
Brenham, Texas 77833

Dear Dr. Hensley,

Blinn College implemented the recommendations in our prior report *A Follow Up Audit of Formula Funding at Blinn College*, issued January 30, 2017.

Management has implemented the audit recommendations by:

- Ensuring that the assignment of user access matches job responsibilities and complies with 34 CFR 99.31 Family Educational Rights and Privacy Act (FERPA) requirements; and
- Establishing a formal, periodic review of user access to the Banner student information system.

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 recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

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  
Director, Internal Audit and Compliance

**PERFORMED BY:**

Ms. Carol Conner, Compliance Specialist

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. Raymund Paredes, Commissioner of Higher Education

Ms. Linda Battles, Deputy Commissioner for Agency Operations and  
Communications/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

**Blinn College**

Mr. Charles Moser, Chair, Board of Trustees

Dr. Dennis Crowson, Vice Chancellor, Student Services

Ms. Andrea "Andi" Liner, Dean, Admissions and Records/Registrar

Ms. Christine Wied, Director, Administrative Computing

Ms. Laurie Clark, Special Assistant to the Chancellor and Board of Trustees

**Texas Association of Community Colleges**

Mr. Jacob Fraire, President and Chief Executive Officer

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Mr. Ken Levine, Director



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June 11, 2018

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Dr. Austin A. Lane, President  
Texas Southern University  
3100 Cleburne St.  
Houston, Texas 77004

Dear Dr. Lane:

Texas Southern University implemented the recommendations in our prior report *A Compliance Audit of Formula Funding at Texas Southern University*, issued June 23, 2016.

Management has implemented the audit recommendations by:

- Establishing a formal, periodic review of user access permissions to ensure compliance with the Texas Administrative Code (TAC)§202 Department of Information Resources (DIR) security standards, and 34 CFR 99.31;
- Developing policies and procedures to ensure class enrollment on the CBM004 are correct and appropriately documented;
- Ensuring that instructors reported on the CBM004 are correct and appropriately documented; and
- Ensuring accurate and complete student records are maintained, and only eligible students are reported for formula funding.

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 recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

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  
Director, Internal Audit and Compliance

**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. Raymund Paredes, Commissioner of Higher Education

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

**Texas Southern University**

Mr. Glenn O. Lewis, Chairman, Board of Regents

Mrs. Charla Parker-Thompson, Chief Audit Executive

Mrs. Marilyn Square, Executive University Registrar

**Texas Council of Public University Presidents and Chancellors**

Dr. Rissa Potter, Executive Director

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Mr. Ken Levine



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May 14, 2018

Dr. Mark Escamilla, President  
Del Mar College  
101 Baldwin Blvd.  
Corpus Christi, TX 78404

Dear Dr. Escamilla,

I am attaching the final report on *A Compliance Monitoring Audit of Formula Funding at Del Mar College*, Report No. THECB-CM-FF-18-014.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in July 2018.

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

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



## EXECUTIVE SUMMARY

Del Mar College (DMC) generally complied with relevant Coordinating Board (THECB) rules and regulations for enrollment data used for formula funding with Texas Education Code Section 61. However, improvement is needed in the following areas:

- Information security controls, specifically audit logs, over key enrollment data must be established to ensure the reliability and integrity of data used for formula funding decision making purposes;
- Formula funding course contact hour information should be accurate and compliant with reporting requirements; and
- Procedures should be established to safeguard against data entry errors.

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 recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

### **Audit Scope, Objective, and Methodology**

Our audit included tests of enrollment data reported and certified by Del Mar College for accuracy and completeness in accordance with TAC Section 13. Our audit focused on the following enrollment data and time periods:

CBM001 (Student Report) – Summer semester 2016; Fall semester 2016; Spring Semester 2017.

CBM004 (Class Report) – Summer semester 2016; Fall semester 2016; Spring semester 2017.

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 was eligible for formula funding; and
- Evidence of academic credentials was maintained to support required instructor qualifications.

Because of the limitation on verifying Del Mar College's audit logs, we had to rely on CBM reports, user access controls, and recent internal audit reports over Information Technology General Controls to determine Del Mar College's level of compliance.

The review methodology included objectively reviewing and analyzing various forms of documentation of controls necessary to achieve the objectives of the review.

## **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 distribute 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.

## **Detailed Observation, Recommendation and Management's Response**

### **1. Information technology processes and controls over audit logs are needed to enable monitoring and reporting of unauthorized system activity.**

Information technology processes and controls over audit logs and student information system data should be strengthened. Although DMC has policies and procedures in place to limit access to information systems, the student information system does not provide audit logs or change history for critical formula funding data such as:

- |                     |                         |
|---------------------|-------------------------|
| • Credit hours      | • Lecture hours         |
| • Lab hours         | • Lecture contact hours |
| • Lab contact hours | • Type of Instruction   |
| • Instruction mode  | • Meeting days          |
| • Meeting times     | • Instructor of record  |

Audit logs provide documentary evidence to track a sequence of events, and the ability to monitor unauthorized system use or unusual activity. Without audit logs, maintaining the integrity of system information, and ensuring the reliability of data is limited.

FERPA 34 CFR 99.31(a)(1)(ii) requires that "An educational agency or institution must use reasonable methods to ensure that school officials obtain access to only those education records in which they have legitimate educational interests." Security standards (TAC 202) established by the Department of Information Resources (DIR) for institutions of higher education are also a good source of information to strengthen the information technology control environment.

**Recommendation:**

Capture and retain student information system audit logs or change history for the critical data used for formula funding.

**Management Response:**

*Student Services staff will identify those fields critical to formula funding. These fields will be used to populate a screen which will begin an Audit process that identifies date of change, time of change, record ID that was modified, change operator, field that was changed, old value and new value.*

*On demand, the Student Services administration will be able to inquire on any of these pre-identified fields and trace changes as necessary.*

*It is anticipated a soft launch will begin in Second Summer 2018 and be in full effect by Fall.2018.*

*Responsible Parties: Denise Simpson, Interim Director Operations and Programming*

*Patricia Dominguez: Dean of Student Outreach and Enrollment Services*

*Effective Dates July 9, 2018*

**2. Formula funding information should be accurate, compliant with reporting requirements, and supported by sufficient documentation.**

Del Mar College over reported contact hours for the summer 2016 Spanish courses on the Class Report (CBM004):

Subject Prefix	Course No.	Section No.	Contact Hours Reported	Mode of Instruction	Contact Hours Verified	Exception
<b>Summer 2016</b>						
SPAN	1411	002S1	80	Face to Face	70	Over-reported
SPAN	1411	500S1	80	Face to Face	70	Over reported
SPAN	1411	001S2	80	Face to Face	70	Over reported
SPAN	1412	001S1	80	Face to Face	70	Over reported
SPAN	1412	002S2	80	Face to Face	70	Over reported

At Del Mar College, the number of lab hours for a Spanish course during the fall and spring semesters are typically two hours for a standard sixteen (16) week term.

During the summer, DMC's lab hours for Spanish courses were increased to three hours per week, for six (6) weeks to compensate for the shorter summer term. The adjustment of lab hours for the summer course with no corresponding re-calculation of contact hours resulted in over reporting contact hours. The contact hours were over reported only for the summer semester, as the fall and spring semester's contact hours were reported accurately.

All course contact hours reviewed were reported within the Academic Course Guide Manual (AGCM) maximum contact hour limits.

Texas Administrative Code (TAC) Section 13.103(a) requires that institutions not submit excess hours to the Board for the purposes of formula funding unless those hours are exempt. TAC §1.13 (b)(2)(B) requires that compliance monitoring verify data reported by institutions of higher education for formula funding allocations to ensure the data is accurately and consistently reported.

**Recommendation:**

Improve internal controls to ensure that the amounts reported on the CBM004 are correct and supported by appropriate documentation.

**Management Response:**

*In order to ensure the accuracy of our data, the Registrar's office has updated procedures to include a random sampling of courses/sections throughout the semester. The sampling will take place within each respective division, and the results will be forwarded to the Registrar's office. These results will be reviewed, and will be shared with departmental Chairs and Deans. In the event that errors are found, the results will serve as a catalyst for training opportunities. This information has been shared with the Deans Council, as well as with other departmental representatives. Each department also received information pertaining to the methodology used by the THECB in calculating contact hours.*

*In addition to those efforts, a representative within the Registrar's office will continue to evaluate the schedule build/course creation process for inconsistencies.*

*Future plans include possibly creating a new position within the Registrar's office, whose primary responsibility will be the creation and maintenance of the entire schedule build/course creation process.*

*Responsible person: Elizabeth Adamson, Registrar*

*Effective date: February 5, 2018*

**3. Del Mar College should establish controls to capture data entry errors.**

Del Mar College incorrectly reported the date of birth for ninety-one (91) students in continuing education (CBM00A report) for the 2016-2017 base period. The hours associated with the ninety-one students did not have an impact on the funding distributed to Del Mar College during this time period.

The community college included the names of students needing to be registered for courses which did not include the student's correct birthdate. In order to expedite the admission process a generic DOB was used (1/1/1999) until the official birthdate was obtained. Once the official birthdate was received, DMC did not update the student information system.

**Recommendation:**

Develop procedures to ensure that the date of birth reported on the CBM00A report are correct and appropriately documented.

**Management Response:**

*In an effort to prevent data entry errors (i.e., birthdate errors) into the Del Mar College's Enterprise Resource Planning (ERP) system the Division of Continuing Education will employ the following standard operating process (SOP):*

- 1. Establish a double check contingency process for originating course information and verifying accuracy. The respective CE program manager will provide all CE course information directly to the Director of CE for review and to ensure all course information (i.e., meeting dates, times, days of the week, course code and contact hours) is verified and accurate. The Director of CE will provide all verified CE course information directly to the Manager for CE Business and Registration Services. The Manager for CE Business and Registration Services will review all received course information (i.e., meeting dates, times, days of the week, course code and contact hours) to ensure its verified and accurate. If there are any errors noted (i.e., wrong course dates, rubrics, census dates, etc.) the schedule is returned to the originating person for corrections and returned to the respective individual for review and verification before progressing to the next level.*
- 2. Establish a double check contingency process for inputting (data entry) all verified course information into Datatel. The Manager for CE Business and Registration Services will provide all verified course information to a data entry clerk for input into Datatel. Once all course information is inputted into Datatel, the data entry clerk's entries are reviewed and verified by the Manager for CE Business and Registration Services. The Dean of CE will provide the final review and verification of all CE course information. Course information revisions will be made at each level of the process.*

**Implementation:** February 1, 2018

**Responsible Party:** CE Business & Registration Services, CE Managers, CE Directors, and CE & Off-Campus Dean.

**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist (Lead Auditor)  
Ms. Carol Conner, Compliance Specialist  
Mr. David Mahoney, Compliance Specialist  
Mr. Daniel Nzeka, Compliance Specialist

cc:

**THECB****Board Members****Commissioner's Office**

Dr. Raymund A. Paredes, Commissioner of Higher Education  
Ms. Linda Battles, Deputy Commissioner for Agency Operations and  
Communication  
Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy  
Mr. William Franz, General Counsel

**Strategic Planning and Funding**

Dr. Julie Eklund, Assistant Commissioner Strategic Planning and Funding

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Dr. Elizabeth Lewis, Executive Vice President and Chief Academic Officer  
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Human Resources  
Mr. August Alfonso, Vice President of Facilities Operations and  
Chief Information Officer  
Dr. Leonard Rivera, Dean of Continuing Education  
Ms. Patricia Benavides-Dominguez, Dean of Student Outreach and  
Enrollment Services  
Ms. Elizabeth Adamson, Registrar

**Texas Association of Community Colleges**

Mr. Jacob Fraire, President and Chief Executive Officer

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May 15, 2018

Dr. David W. Leebron, President  
Rice University  
440 Allen Center-MS1  
6100 Main Street  
Houston, Texas 77005

Dear Dr. Leebron:

Rice University implemented the recommendation in our prior report *A Compliance Desk Review of the College Access Loan Program at Rice University*, issued May 26, 2015.

Management has implemented the audit recommendation by:

- Enhancing controls to ensure that Rice University fully complies with Texas Administrative Code requirements related to maintaining residency questionnaires for students applying for financial aid.

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 recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

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  
Director, Internal Audit and Compliance



**PERFORMED BY:**

Mr. David Mahoney, Compliance Specialist (Lead Auditor)

cc:

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Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

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Mr. William Franz, General Counsel

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**Student Financial Aid**

Dr. Charles Puls, Deputy Assistant Commissioner

**Rice University**

Ms. Anne Walker, Director of Financial Aid

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April 13, 2018

Dr. David L. Callender  
President  
The University of Texas Medical Branch at Galveston  
301 University Blvd.  
Galveston, Texas 77555-0129

Dear Dr. Callender,

I am attaching the final report on *A Compliance Audit of College Access Loan at The University of Texas Medical Branch at Galveston, Report No. THECB-CM-FA-18-021*. 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 2018.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Poehl".

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

## **EXECUTIVE SUMMARY**

The University of Texas Medical Branch at Galveston complied with relevant Coordinating Board (THECB) rules and regulations for the College Access Loan (CAL) Program and with Texas Administrative Code (TAC) §22.42 - 22.55.

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 reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

We reviewed the following areas:

### **Award Amounts**

No reportable findings were noted.

### **Student Eligibility**

No reportable findings were noted.

### **Financial Need**

No reportable findings were noted.

### **Satisfactory Academic Progress**

No reportable findings were noted.

### **Residency**

No reportable findings were noted.

### **Enrollment Requirement**

No reportable findings were noted.

### **Approved Degree Program**

No reportable findings were noted.

### **Reconciliation of CAL Funds**

No reportable findings were noted.

## **Audit Scope, Objective, and Methodology**

Our audit included tests of CAL eligibility requirements data reported and certified by The University of Texas Medical Branch at Galveston. Our audit focused on CAL data for the financial aid year 2016-2017.

Our work included procedures to verify:

- Students met all eligibility criteria including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Reported award amounts reconciled with between the student information, system data and payment records;
- Students were enrolled at least half-time; and
- Students were in a course of study leading to an associate, bachelor's, graduate, or higher degree.

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.

## **Background**

The CAL Program provides alternative educational loans to Texas students who are unable to meet the cost of attendance. Students must meet the following eligibility requirements to receive a CAL:

- Be a Texas resident;
- Be enrolled at least half-time in a course of study leading to an associate, bachelor's, graduate, or higher degree, or be enrolled in an approved Alternative Educator Certification Program; and
- Meet the satisfactory academic progress requirements set by the institution.

Texas Administrative Code §1.13 (b)(2) states, "The purpose of the Board's risk assessment process and compliance methodologies is to maximize the effectiveness of monitoring funds allocated by the Board and data reported to the Board. The agency-wide, risk-based compliance monitoring function is established for... (A) funds allocated by the Board to institutions of higher education, private or independent institutions of higher education, and other entities, including student financial assistance funds, academic support grants, and any other grants, to ensure that those funds are distributed in accordance with applicable law and Board rule."

The University of Texas Medical Branch at Galveston was awarded \$569,650 in College Access Loans for the financial aid year 2016-2017.

**PERFORMED BY:**

Ms. Carol Conner, Compliance Specialist (Lead Auditor)  
Mr. David Mahoney, Compliance Specialist  
Mr. Daniel Nzeka, Compliance Specialist

CC:

**THECB****Board Members****Commissioner's Office**

Dr. Raymund A. Paredes, Commissioner of Higher Education  
Ms. Linda Battles, Deputy Commissioner for Agency Operations and  
Communication/COO  
Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy  
Mr. William Franz, General Counsel  
Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial  
Officer

**Loan Program Operations**

Dr. Charles Puls, Deputy Assistant Commissioner

**The University of Texas Medical Branch at Galveston**

Ms. Kimberly Hagara, Vice President, Audit Services  
Ms. Carol Cromie, Director, Student Financial Services  
Mr. Scott Boeh, Assistant Vice President, Student Services and University Registrar  
Mr. Frank Valiulis, Associate Director, Administrative Information Systems

**The University of Texas System**

Mr. William H. McRaven, Chancellor  
Ms. Sara Martinez Tucker, Chair, Board of Regents  
Mr. J. Michael Peppers, Chief Audit Executive

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Dr. Seelpa Keshvala, President  
Lone Star College - CyFair  
9191 Barker Cypress Road  
Cypress, TX 77433

Dear Dr. Keshvala,

I am attaching the final report on *A Compliance Audit of the Texas Educational Opportunity Grant at Lone Star College - CyFair*, Report No. THECB-CM-FA-18-024. 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, 2018.

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

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

## EXECUTIVE SUMMARY

Lone Star College - CyFair (LSC) complied with relevant Coordinating Board (THECB) rules and regulations for the Texas Educational Opportunity Grant (TEOG) Program and with Texas Administrative Code (TAC) Sections 22.253 – 22.263, in the areas of eligibility and award amounts.

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 reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

We reviewed the following areas:

### **Award Amounts**

No reportable findings were noted.

### **Student Eligibility**

No reportable findings were noted.

### **Financial Need**

No reportable findings were noted.

### **Satisfactory Academic Progress**

No reportable findings were noted.

### **Residency**

No reportable findings were noted.

### **Selective Service Registration**

No reportable findings were noted.

## **Scope, Objective, and Methodology**

Our compliance audit included tests of TEOG disbursements during fiscal year 2017 for compliance with relevant criteria, including:

- Student Eligibility
- Financial Need
- Satisfactory Academic Progress (SAP)
- Residency
- Selective Service Registration
- Award Amounts

Our work included procedures to verify:

- Students met all eligibility criteria including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Applicable students registered with the selective service system; and
- Reported award amounts reconciled with LSC's student information system data and payment records.

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 and judgmental sampling to determine the extent to which LSC accurately reported TEOG data.

## **Background**

The purpose of the Texas Educational Opportunity Grant (TEOG) Program is to provide grants of money to enable eligible students to attend public institutions of higher education in this state. During fiscal year 2017, there were 1,645 students who received award disbursements totaling \$3,048,218.



**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. Raymund A. Paredes, Commissioner of Higher Education

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communication/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner of Financial Services & Chief Financial Officer

**Student Financial Aid Programs**

Dr. Charles Puls, Deputy Assistant Commissioner, Student Financial Aid Programs

**Lone Star College System**

Dr. Stephen C. Head, Chancellor

Dr. Alton Smith, Chair, Board of Trustees

Ms. Tracie Hunter, Executive Director of Financial Aid

Ms. Monica Young, Financial Aid Director, CyFair Campus

Ms. Zena Williams, Senior System Director of Financial Aid

Ms. Jennifer Mott, Chief Financial Officer

Ms. Leticia Charbonneau, Director of Internal Audit

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Dr. Reynaldo Garcia, President

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April 13, 2018

Dr. Brenda Hellyer, Chancellor  
San Jacinto College District  
8060 Spencer Hwy  
Pasadena, TX 77505

RE: Desk Review of Developmental Education Program (DEP) Grant at San Jacinto  
College District

Dear Dr. Hellyer:

San Jacinto College District (SJCD) complied with relevant Coordinating Board rules and regulations for the Developmental Education Program Grant, and with Texas Administrative Code (TAC) Chapter 4, Subchapter C, Rule 4.51, in the area allow-ability of grant expenditures and student eligibility. The term of the grant for \$370,750 was from August 15, 2016 to August 31, 2018 with the objective of providing targeted accelerated support for underprepared students to successfully complete their first college level course(s) in one semester.

### Summary

Our review included tests of relevant expenditure and student data reported and certified by SJCD for accuracy and completeness in accordance with TAC Chapter 4, Subchapter C, Rule 4.51. Our desk review focused on the following expenditure and student data for the time period:

- August 15, 2016 to February 28, 2016

Our work included procedures to verify:

- The accuracy and validity of reported expenses; and
- The accuracy and validity of eligible students.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments on the conduct of this review, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

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

**PERFORMED BY:**

Mr. David Mahoney, Compliance Specialist

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. Raymund A. Paredes, Commissioner of Higher Education

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communication/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

**College Readiness and Success**

Dr. Jerel Booker, Assistant Commissioner College Readiness and Success

Dr. Suzanne Morales-Vale, Director, Developmental & Adult Education

**San Jacinto College District**

Dr. Laurel Williamson, Deputy Chancellor/ President

Ms. Marie Flickinger, Chairman of the Board

Teri Zamora, Vice Chancellor of Fiscal Affairs

Dr. Rebecca Goosen, Associate Vice Chancellor for College Preparatory & PI on the CRSM 60X30TX Grant

Mr. Michael Moore, Director, Office of Grants Management

Ms. Cathy Rau, Grant Accounting Coordinator

Ms. Linda Torres, CPA, CIA, CFE, Director of Internal Audit

Ms. Tomoko Olson, Director, Grants Accounting

**Texas Association of Community Colleges**

Mr. Jacob Fraire, President and Chief Executive Officer

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Mr. Ken Levine, Director



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May 9, 2018

Mr. Michael Reeser, Chancellor  
Texas State Technical College - Waco  
3801 Campus Drive  
Waco, TX 76705

Dear Mr. Reeser,

I am attaching the final report on *A Compliance Desk Review of Texas Educational Opportunity Grant at Texas State Technical College - Waco*, Report No. THECB-CM-FA-18-025. There were no findings resulting from this engagement.

Texas State Technical College - Waco (TSTC) complied with relevant Coordinating Board (THECB) rules and regulations for the Texas Educational Opportunity Grant (TEOG) and with the Texas Administrative Code (TAC) §22.253 through 22.263.

## Summary

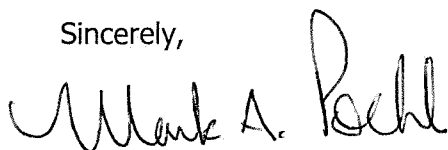
Our desk review included tests of relevant financial data reported and certified by TSTC for award year 2016-2017. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the desk review objectives.

Our work included procedures to verify:

- Students met all eligibility criteria, including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Applicable students registered with the selective service system; and
- Reported award amounts reconciled with Texas State Technical College's student data system and payment records.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments on the conduct of this engagement, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" being more prominent than the last name "Poehl".

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

**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist

cc:

**THECB**

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Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communication/COO

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

Mr. William Franz, General Counsel

Mr. Ken Martin, Assistant Commissioner of Financial Services & Chief Financial Officer

**Student Financial Aid Programs**

Dr. Charles Puls, Deputy Assistant Commissioner, Student Financial Aid Programs

**Texas State Technical College**

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Mr. Adam Hutchison, Provost

Mr. Rick Herrera, Vice Chancellor

Ms. Christine Stuart-Carruthers, Division Manager

Ms. Jackie Adler, Executive Director of Financial Aid

Mr. Jason Mallory, Director of Internal Audit

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Mr. Ken Levine, Director



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June 11, 2018

Dr. Austin A. Lane  
President  
Texas Southern University  
3100 Cleburne Street  
Houston, TX 77004

Dear Dr. Lane,

I am attaching the final report on *A Compliance Desk Review of TEXAS Grant at Texas Southern University*, Report No. THECB-CM-FA-18-016. There were no findings resulting from this engagement.

Texas Southern University (TSU) complied with relevant Coordinating Board (THECB) rules and regulations for the Toward EXcellence, Access, & Success (TEXAS) Grant and with the Texas Administrative Code (TAC) §22.21 through 22.32.

## Summary

Our desk review included tests of relevant financial data reported and certified by Texas Southern University for award year 2016-2017. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the desk review objectives.

Our work included procedures to verify:

- Students met all eligibility criteria including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Applicable students registered with the selective service system; and
- Reported award amounts reconciled with Texas Southern University's student data system and payment records.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments on the conduct of this engagement, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" and last name "Poehl" clearly legible.

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



**PERFORMED BY:**

Mr. David Mahoney, Compliance Specialist

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. Raymund A. Paredes, Commissioner of Higher Education

Ms. Linda Battles, Deputy Commissioner for Agency Operations and  
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Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy

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**Student Financial Aid Programs**

Dr. Charles Puls, Deputy Assistant Commissioner, Student Financial Aid Programs

**Texas Southern University**

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