

TEXAS HIGHER EDUCATION COORDINATING BOARD

Committee on Agency Operations

1200 EAST ANDERSON LANE, BOARD ROOM 1.170
AUSTIN, TEXAS
2:00 P.M., October 24, 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.thecb.state.tx.us/public_testimony.

I. Welcome and Committee Chair's Opening Remarks

II. Consideration of Approval of the Minutes from July 25, 2018, Committee Meeting

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

IV. Agency Operations

- A. Report on grants and contracts, including those exceeding \$1 million
- B. Consideration of adopting the staff's recommendation to the Committee relating to a contract with iSphere for Phase II of the WebFOCUS upgrade and security remediation project
- C. Consideration of adopting the Commissioner's recommendation to the Committee relating to the certification of Texas Research Incentive Program (TRIP) funds to the Emerging Research Universities

V. Finance

- A. Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series to refund the 2007A and 2008A bond series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds
- B. Consideration of adopting the staff's recommendation to the Committee to approve a two year extension for the current student loan software contract
- C. Review of the Fiscal Year End 2018 Financial Report to the Board

VI. Internal Audit

- A. Update on Internal Audit Reports and Activities
- B. Discussion of Approach for Obtaining an External Quality Assurance Review of the Internal Audit and Compliance Monitoring Functions

VII. Compliance Monitoring

- A. Update on Compliance Monitoring Reports and Activities

VIII. Adjournment

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 July 25, 2018, Committee meeting

RECOMMENDATION: Approval

DRAFT

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

Wednesday, July 25, 2018

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

2:00 p.m.

1200 East Anderson Lane, Austin, Texas

The Committee on Agency Operations convened at 2:00 p.m. on July 25, 2018, with the following members present: John Steen, presiding; Fred Farias; Javaid Anwar; and Stuart Stedman (Ex-Officio).

Members absent: Michael Plank; Ricky Raven

AGENDA ITEM	ACTION
I. Welcome and Committee Chair's Opening Remarks	Chair John Steen called the meeting of the Committee on Agency Operations to order and announced that a quorum was met for this Committee meeting.
II. Consideration of Approval of the Minutes from April 25, 2018, Committee Meeting	On a motion by Dr. Farias, seconded by Mr. Anwar, the Committee approved the April 25, 2018, Agency Operations Committee meeting minutes.
III. Public Testimony on Agenda Items Relating to the Committee on Agency Operations	No action required.
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	Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/Chief Operating Officer, presented this item to the Committee. On a motion by Dr. Farias, seconded by Mr. Anwar, the Committee approved the agency's Legislative Appropriation Request for FY 2020 and 2021.
B. Report on grants and contracts, including those exceeding \$1 million	No action required. Mr. Bill Franz, General Counsel was available for questions.

AGENDA ITEM	ACTION
C. Final report on the key initiatives recommended by NTT Data regarding the Agency Cybersecurity Framework	Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services, and Mr. John House, Information Security Officer, presented the final report to the committee regarding the Agency Cybersecurity Framework. This item did not require any action.
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)	On a motion by Mr. Anwar, seconded by Dr. Farias, the Committee approved the proposed amendments to the rules concerning 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 <i>Texas Register</i>	Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/Chief Operating Officer, and Bill Franz, General Counsel, were available to answer questions. This item did not require any action.
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	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee. Mr. Richard Donoghue, McCall Parkhurst & Horton (bond counsel) and Mr. Lee Donner, Hilltop Securities, Inc. (financial advisor), were 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. On a motion by Dr. Farias, seconded by Mr. Anwar, the Committee approved the resolution.
B. 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
VI. Internal Audit	
A. Discussion of the Audit of the Agency-Wide Financial Statements for Fiscal Year Ended August 31, 2017 by KPMG, LLP	Mr. David Harwood with KPMG, LLP presented this item to the Committee. This item did not require any action.
B. Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Internal Audit Plan for Fiscal Year 2019	Mr. Mark Poehl, Director of Internal Audit and Compliance, presented this item to the Committee. On a motion by Dr. Farias, seconded by Mr. Anwar, the Committee approved the Annual Internal Audit Plan for FY 2019.
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.
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	Mr. Mark Poehl, Director of Internal Audit and Compliance, presented this item to the Committee. On a motion by Dr. Farias, seconded by Mr. Anwar, the Committee approved the Annual Compliance Monitoring Plan for FY 2019.
B. 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 Dr. Farias, seconded by Mr. Anwar, the meeting adjourned at approximately 3:37 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

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-B

Consideration of adopting the staff's recommendation to the Committee relating to a contract with iSphere for Phase II of the WebFOCUS upgrade and security remediation project

RECOMMENDATION: Approval

Background Information:

The version of WebFOCUS, the agency's primary business intelligence and reporting tool, is out of date. Most recent security scans conducted by vendors and the Department of Information Resources also revealed vulnerabilities in various legacy reports built by WebFOCUS.

As a short-term solution, the Information Solutions and Services (ISS) division has remediated the known issues by taking the affected reports offline and implementing extra security controls around the WebFOCUS applications.

To better support the agency's data reporting and discovery needs in the long run, a project team is working with the WebFOCUS vendor on the upgrade and security remediation project which is aimed to upgrade the tool to its latest version, train the staff on best practices in terms of support and maintenance, and modernize the system architecture.

Phase I of the project was approved for FY2018 and is focused on software upgrade, requirements gathering and planning. For Phase II implementation staff is requesting authority to enter into a fixed-cost deliverable-based contract with a total amount of \$142,210 with iSphere, a DIR-approved vendor.

Main deliverables of Phase II include a fully functional upgraded WebFOCUS platform, enhanced reports and system design that incorporate best practices in coding and security controls, and a trained workforce to support the product and the agency's business needs in the long run. A full security scan will be conducted towards the end of the implementation to ensure all security issues have been remediated.

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services, will present this item to the committee.

Committee on Agency Operations

AGENDA ITEM IV-C

Consideration of adopting the Commissioner's recommendation to the Board relating to the certification of Texas Research Incentive Program gift funds to the Emerging Research Universities

RECOMMENDATION: Approval

Background Information:

The 81st Texas Legislature created the Texas Research Incentive Program (TRIP), establishing a research matching fund for the emerging research universities.

The legislation requires the Board to certify that the gifts or endowments received by each emerging research university were donated for the purpose of enhancing research activities at the institution, such as endowed chairs, professorships, research facilities, research equipment, program costs, or graduate research stipends or fellowships. Once the gifts are certified, the percentage matched is statutorily mandated leaving no discretion in the amount of matching funds that the institutions receive, subject to the amount appropriated.

The amounts are being certified so the Legislature will have a basis for determining the amounts to appropriate for the 2020-21 biennium. At the time of the printing of these agenda materials, the amount eligible for certification by institution was still being determined. For this reason, this item is coming before the Agency Operations Committee, rather than the September 27, 2018 meeting of the Committee on Affordability, Accountability and Planning, which has oversight of TRIP. Supplemental materials will be sent under separate cover. After the Governor signs the appropriations bill for the 2020-21 biennium, the Board will approve the distribution of the state match among institutions.

Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will be available for questions.

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 to refund the 2007A and 2008A bond 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:

The Texas Higher Education Coordinating Board (THECB) is requesting approval to issue up to \$110 million in aggregate principal amount of refunding bonds in Fiscal Year 2018 to pay off previously issued bonds for the 2007A and 2008A series bonds. Market rates remain low, and it is anticipated that issuing new bonds to pay off the older bonds will yield approximately an overall projected savings of \$35 million. Bonds are typically callable after the first 10 years from issuance. The 2007A and 2008A bonds are currently callable.

- Net present value of the savings is projected to be \$17.5 million.
- An analysis was performed by the agency's financial advisor to determine that refunding these bonds will have a small impact on the arbitrage liability.
- Estimated average coupon of refunded bonds is 5.0 percent.
- Par amount of refunded bonds is currently \$110,985,000.
- These bonds are authorized under the Texas Constitution, Sections 50b-4 through 50b-7.
- Total bond debt outstanding is currently \$1.1 million.
- Total bond funded student loans outstanding is currently \$1.3 billion.
- This refunding will not impact the current constitutional limit.
- The agency sells tax exempt private activity bonds.
- The agency is required to maintain compliance with various state statutes, Securities Exchange Commission, and Internal Revenue Service regulations.
- These bonds are general obligation bonds that are backed by the State with a AAA credit rating.
- An application to the Bond Review Board for volume cap will not be necessary, since this is paying off previously issued bonds. Due to large demand from other entities, volume cap is not available at this time.
- The Office of the Attorney General is required to approve the final sale.

Historical Bond Sales

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%
2103A	\$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

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

A representative from the Board's bond counsel McCall, Parkhurst & Horton, and a financial advisor from Hilltop Securities, Inc. are available to answer any questions regarding the proposed resolution authorizing the issuance of the bonds, the delegation of 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 and is available to answer any questions.

Committee on Agency Operations

AGENDA ITEM V-B

Consideration of adopting the staff's recommendation to the Committee to approve a two-year extension for the current student loan software contract

RECOMMENDATION: Approval

Background Information:

The Texas Higher Education Coordinating Board (THECB) is requesting approval to invoke an extension of the current contract for the student loan software for a two-year period from July 2019 through June 2021. The estimated cost is \$1.86 million over this two-year period. Nelnet is the current software vendor. The software supports loan origination, servicing, and litigation functions for all student loan programs. The current contract contains an initial four-year period and two two-year extensions, for a total of eight years.

The THECB Higher Education Loan Management System (HELMS) is very specialized for the student lending industry. There are very few vendors developing and supporting student loan servicing software that meet the THECB's needs. It would require at least a two-year cycle to source a new vendor, if one could be identified.

- The main loan programs utilizing this software are: College Access Loan (CAL), B-On-Time (BOT), and the Texas Armed Services Scholarship Program (TASSP).
- The current contract provides over \$600,000 in annual savings.
- The THECB Higher Education Loan Management System (HELMS) is very specialized toward the student lending industry.
- The number of federal loan originators was substantially reduced after 2010 when the Department of Education limited federal student loan originations to a few select vendors.
- The current contract allows for two two-year extensions after the initial four-year period ends June 2019.
- The extension will not change the current pricing and terms.
- The current contract was negotiated in 2015 after an extensive RFP period.
- The costs to support the loan software were \$1.4 million in FY15 under prior contract.
- The THECB issues approximately \$170 million of loans and related bonds annually.
- The THECB currently services \$1.5 billion of student loans.
- The THECB sells tax exempt private activity bonds to support the CAL program loan funding needs. General Revenue/GR-Dedicated funds support BOT and TASSP loan programs.

- The THECB is required to maintain compliance with various state statutes, Securities Exchange Commission rules and Internal Revenue Service regulations.
- These bonds are general obligation bonds that are backed by the State with a AAA credit rating.

HELMS Projected Two-Year Software Costs

HELMS Software Cost Breakout	July 19 - Jun 21
Annual Software License	\$ 695,000.00
Annual GT Software Maintenance	\$ 35,000.00
Enhancements/Upgrades	\$ 100,000.00
Litigation Upgrade	\$ 100,000.00
Projected Annual Cost	\$ 930,000.00
2 Year Contract Estimate	\$ 1,860,000.00

Historical Loan Software Costs

Fiscal Year	Cost
2014	\$1.2 million
2015	\$1.4 million
2016	\$.96 million
2017	\$.78 million
2018	\$.73 million

Student Loan History (all loans)

Fiscal Year	Outstanding Balance
2014	\$1.21 billion
2015	\$1.29 billion
2016	\$1.38 billion
2017	\$1.47 billion
2018	\$1.48 billion

Ken Martin, Assistant Commissioner for Financial Services/CFO, will present this item to the Committee and is available to answer any questions.

Committee on Agency Operations

AGENDA ITEM V-C

Review of the Fiscal Year End 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 September 1, 2017 through August 31, 2018 for the 2018 Appropriation Year.
- The report is distributed to agency executive management on a monthly basis.
- Report overview:
 - This report reflects the activities for the FY2018.
 - The B-On-Time program budget strategy for public and private universities (C.1.2, C.1.3) 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.
 - This is the first year within the biennium, and most of the trustee programs have the authority to carry forward any unexpended funding into FY2019.
 - Community college funds are distributed on a monthly basis over a 10-month period.
 - This is the last year of funding for the federal Teacher Quality Grant Program. No funding is anticipated in FY2019.
 - Loan balances will begin to increase month-to-month on a net basis during the year due to the start of the 2018/2019 academic year.
 - Defaulted loan collections from the Office of the Attorney General continue to grow on a year-over-year basis. Total collections were over \$12 million in FY2018.

Ken Martin, Assistant Commissioner for Financial Services/CFO, will present this item to the Committee and is available to answer any questions.

Committee on Agency Operations

AGENDA ITEM VI-A

Update on Internal Audit Reports and Activities

RECOMMENDATION: No action required

Background Information:

The Internal Audit Department completed two projects since the last Agency Operations Committee meeting in July 2018. The reports include:

1. *Final Report – A Review of the Physician Education Loan Repayment Program at the Coordinating Board*; this was a Category 2 Report with eight recommendations.
2. *Internal Audit Annual Report for Fiscal Year 2018*; this is a statutorily required report that provides the State Auditor's Office and other stakeholders a view of Fiscal Year 2018 internal audit activities.

Update on Internal Audit activities

Audits In Progress	Stage of Project
Review of Contract Administration	Planning
Status Assessment of Corrective Action Plan Implementation to Address NTT Texas Cyber Security Assessment Report	Reporting
Follow Up of College Access Loan Administration	Reporting

Other Internal Audit Activities

- Coordinated external audits – State Auditor's Office, KPMG, etc.
- Prepared the Internal Audit Annual Report
- Provided input on Accessibility Compliance

The final reports are attached. Mark Poehl, Director Internal Audit and Compliance, will present this item and be available to answer questions.



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

September 13, 2018

Stuart W. Stedman
CHAIR

Fred Farias III, O.D.
VICE CHAIR

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SECRETARY OF THE BOARD

Michelle Q. Tran
STUDENT REPRESENTATIVE

Arcilia C. Acosta
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Welcome Wilson, Jr.

Raymund A. Paredes
COMMISSIONER
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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 the *Review of the Physician Education Loan Repayment Program* at the Texas Higher Education Coordinating Board, Report No. THECB-IA-WP-18-201. This report will be presented at the October 2018 Agency Operations Committee meeting.

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

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

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

EXECUTIVE SUMMARY

The Physician Education Loan Repayment Program includes programmatic management and information technology components. Overall, the program is performing as intended and in alignment with program objectives.

This report is divided into two sections. First, issues are discussed that are specific to the PELRP program. Next, one issue is discussed that pertains to the Coordinating Board as a whole.

PELRP Program Issues

- 1. The MOU with HHSC to provide Medicaid encounter data lapsed and was not renewed until May 2, 2018.*
- 2. PELRP staff have included outdated statutes and rules in procedures as reference materials for program administration.*
- 3. The PELRP database contains data entry errors, indicating the need for stronger monitoring controls.*
- 4. Validation of physician citizenship is not adequately performed for the PELRP program.*
- 5. Segregation of duties is negated by current user access configurations and business processes.*
- 6. User access reviews are not completed for users with access to PELRP folders within the H: drive and the Laserfiche application.*
- 7. The PELRP database reconciliation process is inadequate and lacks appropriate monitoring.*

Agency-wide Issues

- 8. Risk management policy needs more comprehensive and consistent execution to better position the agency to identify and manage the array of risks it faces.*

Audit Objective, Scope and Methodologies

Our audit objective was to review the internal administrative processes associated with the Physician Education Loan Repayment Program. Our audit scope included current processes and data from FY15-FY17. Our audit included reviewing relevant statutes, rules, 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

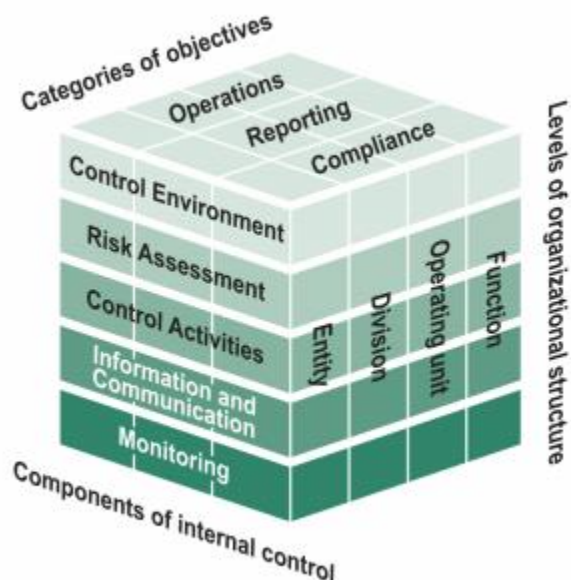
The Physician Education Loan Repayment Program was reviewed as part of the 2018 Internal Audit Plan. The PELRP is designed to encourage physicians to practice medicine in a Health Professional Shortage Area (HPSA). Under Texas Education Code (TEC) § 61.531 the Coordinating Board may provide assistance in repayment of student loans for physicians who qualify under PELRP, and create rules to administer PELRP under Texas Education Code § 61.537.

PELRP Program managers and staff use a SQL database to enter, track, and award physician's funds through PELRP. This database has several edit checks to ensure a physician is not awarded more than four years of awards, and does not exceed a total payout of \$160,000.

This review has provided an opportunity to further expand and highlight improved awareness and implementation of the agency's Risk Management Policy (THECB Agency Policy Chapter VV). This policy is further explained in the THECB Risk Management Training Handbook (RMTH) and the Addendum to the Risk Management Handbook (ARMTH) that are available on the Coordinating Board intranet (See Human Resources Information Center under Mandatory Training – Risk Management).

The RMTH and the ARMTH are based on guidance titled "Internal Control – Integrated Framework" (2013) from the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO developed this framework for the creation of internal control systems and includes five key components and 17 guiding principles. These key components and principles are specifically listed in the agency's ARMTH. The federal government has used the COSO framework with the same 17 principles to develop "Standards for Internal Control in the Federal Government" (Green Book). These standards, published by the U.S. Government Accountability Office (GAO), support the framework created by COSO and are designed for the government environment, particularly those organizations that receive federal grants. At times, we may refer to the Green Book, since it describes in more detail, some of the same principles as COSO's internal control framework.

The Components, Objectives, and Organizational Structure of Internal Control



Sources: COSO and GAO. | GAO-14-704G

We appreciate the cooperation of PELRP staff and management for helping us explore and discuss how internal controls can be further implemented at the Coordinating Board by using this review of the PELRP program as a pilot to develop additional internal controls. This process has helped highlight some deficiencies in internal controls and the need to do more.

We expect that the observations and recommendations noted in this report will be taken in light of the recent amendment, in August 2017, of the Risk Management policy and the resulting need for continuing improvement of internal controls. The observations and recommendations noted below, particularly Observation 8, which is an agency-wide issue, represent updated expectations in light of the agency's revised Risk Management Policy and training.

PELRP Program Detailed Observations, Recommendations, and Management Responses

1. The MOU with HHSC to provide Medicaid encounter data lapsed and was not renewed until May 2, 2018.

The MOU with HHSC to provide Medicaid encounter data lapsed and was not renewed until May 2, 2018. The MOU with HHSC to provide Medicaid data, is required under Texas Administrative Code Title 19, Part 1, Chapter 23 Education Loan Repayment Programs, Subchapter C PELRP, § 23.66 (b)(1)(C). Since the MOU has lapsed, the Coordinating Board would be unable to meet the TAC requirement to obtain Medicaid encounter data from HHSC. The lapsed MOU could have inhibited the ability to administer program requirements related to the alternative pathway under TEC § 61.532 (HB 2550). In order to process eligibility on alternative pathway physicians, the Coordinating Board needs Medicaid encounter data from HHSC. The alternative pathway allows for physicians treating Medicaid clients outside of a HPSA to qualify for PELRP. The Coordinating Board's contract monitoring system (BMS) allows for a 30-day alert to be made to the program area when a contract is coming up for renewal. This timeframe was insufficient to ensure proper contract renewal and execution.

Recommendations:

Management should identify, analyze, and respond to risks related to achieving program objectives including identifying key contracts that impact program execution. Management should consider all significant interactions within the agency and with external parties. (COSO Principle 7; Green Book 7.01 and 7.04).

Management Response:

Agree. While renewal of the MOU was initiated in April, 2017 (four months prior to expiration of the previous version) miscommunication between THECB and HHSC created unnecessary delays in the process. THECB also recognizes that the standard 30-day alert for expiring contracts in BMS is inadequate for this particular contract and has put in place several calendar reminders to begin negotiations timely in the future.

Implementation Date:

May 2, 2018

Responsible Party:

Stacy Johnson, Program Manager – Loan Repayment Programs

2. PELRP staff have included outdated statutes and rules in procedures as reference materials for program administration.

PELRP staff have included outdated statutes and rules in procedures as reference materials for program administration. The version of Texas Administrative Code (TAC) provided by PELRP staff is Chapter 21 that was adopted in February 2016, the current version is Chapter 23 adopted in November 2016. The version of Texas Education Code (TEC) provided is from 2013, the most current version was amended in 2015. (See, for example, § 61.5391.) Insufficient programmatic oversight has led to the use of outdated statutes and rules in procedures. Although management participates in review of statutes and development of rules through the legislative review process and rule making process, there is no formal review of the impact of changes to procedures maintained for reference. Policies and procedures are not reviewed on a specific interval and are updated only on an ad hoc basis.

Recommendation:

Management should periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the agency's objectives or addressing related risks. If there is a significant change in an agency's process, management should review this process in a timely manner after the change to determine that the controls are designed and implemented appropriately. (COSO Principle 12; Green Book 12.05)

Management Response:

Agree. The PELRP procedural binders contained outdated paper copies of statute and rule. However, the authoritative electronic versions found on the Internet are used by staff for actual application of statute and rules. In order to prevent any potential for confusion, all hard-copy statute and rule documentation has now been removed from the procedural binders.

Implementation Date:

July 11, 2018

Responsible Party:

Stacy Johnson, Program Manager – Loan Repayment Programs

3. The PELRP database contains data entry errors, indicating the need for stronger monitoring controls.

The PELRP database contains data entry errors, indicating the need for stronger monitoring controls. A total of 60 physicians, (30 initial and 30 End of Service Period) were selected for testing, of the 60, 19 had data entry errors, (32%) of the total tested. It is important to ensure data collected to determine eligibility is accurate, which is difficult when applications are entered manually without review. In the current process, one employee reviews the paper application, and another employee enters the data into the PELRP database. Aside from an initial cursory review, data entry is not reviewed for accuracy. In addition, management does not perform oversight of the review process; therefore, data entry errors are missed. The following chart categorizes application type and attributes identified to have errors:

Application Type: Initial/End of Service Period	Attribute Name and #	Exception	Exception Type	Total # of Instances
Initial	Demographic Info Match? Y/N	Demographic Info did not match	Data Entry Errors	3 of 30
Initial	Application Receipt Date match LRP Y/N?	Application receipt date did not match LRP.	Data Entry Errors	7 of 30
Initial	Service Period Accurate Y/N?	Service period was recorded inaccurately.	Data Entry Errors	1 of 30
Initial	Does denial/award letter contain accurate information? Y/N	Denial or award letter contains inaccurate information.	Data Entry Errors	3 of 30
End of Service Period	Demographic Info match LRP Y/N?	Demographic Info did not match	Data Entry Errors	4 of 30
End of Service Period	Lender and Loan Amounts Accurate Y/N?	Loan amount was not accurate	Data Entry Errors	1 of 30

We Noted:

- Audit staff worked with the program manager to correct data entry errors, as of the date of this report.
- The PELRP database has a few controls to ensure physicians are not paid beyond the four-year statutory requirement, and are not exceeding yearly allowable amounts. It is worth noting that both of these controls are working accurately.
- In addition, the PELRP application data entry process has been automated as of March 1, 2018, allowing the physician to enter initial and end of service period applications into the PELRP database using a web interface, this may reduce data entry errors. However, the data available from the automated system was insufficient to test any new controls that may reduce data entry errors.

Recommendation:

Management should monitor the control of data entered into the PELRP database through ongoing monitoring and separate evaluations. Ongoing monitoring should be built into the agency's operations, performed continually, and responsive to change. Separate evaluations should be used periodically and may provide feedback on the effectiveness of ongoing monitoring. (COSO Principle 16; Green Book 16.01 and 16.04)

Management Response:

Agree. The database contained data entry errors created by THECB staff. Automation of the PELRP application process, implemented March 1, 2018, has reduced the likelihood of further data entry errors in areas such as demographics and the application receipt date. Of the 19 data entry errors identified in the audit, 14 (seven demographic, and seven application receipt date) would not have occurred had the automated application process been in place at that time. Additionally, a data entry quality control process will be implemented by October 1, 2018 to mitigate the recurrence of other types of data entry errors.

Implementation Date:

October 1, 2018

Responsible Party:

Ron Stroud, Assistant Director – Operations Center

4. Validation of physician citizenship is not adequately performed for the PELRP program.

Validation of physician citizenship is not adequately performed for the PELRP program. TAC Title 19 Chapter 23 Subchapter C Rule 23.66 Eligibility (a)(2) requires the physician to be a U.S. Citizen or Legal Permanent Resident. Although physicians are self-asserting their citizenship status on PELRP applications, some State Board physician applications showed that the country of origin was a country other than the U.S., or was blank. Of the sixty physicians tested, 22 were country unknown or a country other than the U.S., which is 36% of the total sample of physicians (60). In 100% of these cases, no further documentation was requested by the Coordinating Board to validate citizenship. The Coordinating Board is at risk by not validating U.S. Citizenship or Legal Permanent Resident status, and could potentially be paying physicians who do not qualify under Coordinating Board Rules.

Recommendation:

Management should design and implement controls for physician citizenship validation to achieve the agency's objectives. (COSO Principle 10; Green Book 10.01)

Management Response:

There is no statutory requirement in TEC §61.532 (physician eligibility to receive repayment assistance) regarding citizenship, whereas TAC Rule §23.66(a)(2) (physician eligibility for THECB to reserve loan repayment funds) requires that a physician be a "U.S. citizen or a Legal Permanent Resident". SFAP will pursue a revision to TAC Rule §23.66(a)(2) to require that a physician has either received Title IV funding, or is able to provide documentation of status as a U.S. Citizen or Legal Permanent Resident. Such revision would broaden the scope of this requirement by allowing all citizenship categories recognized by the Department of Education, thereby better aligning the Rule with the intent of the program, which is to get qualified physicians into underserved areas. Eligibility for PELRP would then be monitored by using NSLDS for confirmation of authorized citizenship status. Absent prior receipt of Title IV funding, LRP staff will review the physician's license found on the Texas Medical Board's website for "Place of Birth", aka "Country of Origin". If medical license information does not clearly indicate birth in the United States, LRP staff would contact an applicant for appropriate citizenship documentation. Prior to

such change, we will confer with the Family Practice Residency Program Advisory Committee for their input.

Implementation Date:

TBD

Responsible Parties:

Lesa Moller, Senior Director Student Financial Aid Programs, for rule change; Stacy Johnson, Program Manager – Loan Repayment Programs, for procedural changes

5. Segregation of duties is negated by current user access configurations and business processes.

Segregation of duties is negated by current user access configurations and business processes. Internal control of the PELRP program relies on the segregation of duties and user roles so that no single individual can enter, review, and approve an application. Individuals processing PELRP applications have asserted that one individual reviews paper applications, and the other performs data entry, achieving segregation of duties. However, in the current process both individuals have the same user access rights (IsUpdate) in the PELRP database, therefore negating the segregation of duties control. This occurs because the "IsUpdate" function allows both users the ability to enter records and create vouchers. There are currently two employees processing PELRP applications. In this scenario, segregation of duties is not achieved.

We noted:

- The PELRP database has three administrative accounts, these accounts are able to add users and create vouchers. It would be beneficial to clean up the admin accounts, reducing the number to one and adding a role that only approves vouchers such as "IsVoucher".

Recommendation:

Management should design proper controls to adequately enforce segregation of duties. Management should consider segregation of duties in designing controls so that incompatible duties of entering and approving applications are segregated. (COSO Principle 10; Green Book 10.12)

Management Response:

Agree. The current user access structure in the LRP database does not allow for complete segregation of duties. As this recommendation will require support from ISS, we will meet with ISS to discuss options for implementing additional access role(s).

Implementation Date:

Exploratory meetings to be held with ISS by October 1, 2018.

Responsible Party:

Ron Stroud, Assistant Director – Operations Center

6. User access reviews are not completed for users with access to PELRP folders within the H: drive and the Laserfiche application.

User access reviews are not completed for users with access to PELRP folders within the H: drive and the Laserfiche application. Agency policy HH-10 requires adequate user control for confidential and sensitive information. For example, PELRP database users are reviewed quarterly, however, access to other areas with sensitive information such as the H: drive and Laserfiche are not reviewed.

Recommendations:

1. Implement a review policy and procedure that aligns with the current quarterly PELRP database reviews. This policy and procedure should identify the individuals designated as reviewers and the frequency of reviews.
2. Create policies and procedures related to the provisioning of Laserfiche users and verify how the current setup controls user access.
3. Management should identify, analyze, and respond to risks related to protecting confidential and sensitive information. (COSO Principle 7; Green Book 7.01)

Management Response:

Agree. User access reviews are not completed for users with access to PELRP folders within either the H: drive or Laserfiche. As this recommendation will require support

from ISS, we will meet with ISS to discuss options for implementing user access reviews within both the H: drive and Laserfiche.

Implementation Date:

Exploratory meetings to be held with ISS by October 1, 2018.

Responsible Party:

Ron Stroud, Assistant Director – Operations Center

7. The PELRP database reconciliation process is inadequate and lacks appropriate monitoring.

The PELRP database reconciliation process is inadequate and lacks appropriate monitoring. Current processes do not include a full reconciliation or comparison of data in the PELRP database to data from Webfocus, the CB accounting database reporting application. Although a separate spreadsheet is maintained comparing some PELRP data to Webfocus data, it does not provide an item by item reconciliation that includes the detailed items as well as the totals that comprise the current amount of funds available by year.

The current process is limited due to the lack of a reporting function of the total amount available by year and associated details directly from the PELRP database. Therefore, the existing process relies on hand entry of data from the LRP voucher tab in the LRP database and cash return information, as it occurs, from the Cash Receipt System (CRS). Manual adjustments are made to match amounts in Webfocus. Lastly, there is no review of the process other than accounting staff separately reviewing expenditures and encumbrances each month without reconciling data to the PELRP database.

Recommendations:

1. Provide regular, detailed reconciliations of the PELRP database to the accounting database, with each database providing a separate itemized listing and total of available funds by year.
2. Provide a reporting function in the PELRP database that would allow direct reporting of the vouchers and cash receipts by year that could be directly reconciled with Webfocus.

3. Management should perform ongoing monitoring of the design and operating effectiveness of the reconciliation process as part of the normal course of operations. Management should establish and operate monitoring activities to monitor the reconciliation process and evaluate the results. (COSO Principle 16; Green Book 16.01 and 16.05)

Management Response:

Agree. While some regular reconciliation activities do occur, they are not as robust as they could be. Reconciling at the borrower-level, rather than the voucher level, will require programming changes to the software utilized in LRP operations. We will meet with ISS to discuss options for implementing a reconciliation process between the LRP database and financial data on WebFOCUS.

Implementation Date:

Exploratory meetings to be held with ISS by October 1, 2018.

Responsible Parties:

Ron Stroud, Assistant Director – Operations Center

Agency-wide Detailed Observations, Recommendations, and Management Responses

8. Risk Management policy needs more comprehensive and consistent execution to better position the agency to identify and manage the array of risks it faces.

Risk management policy needs more comprehensive and consistent execution to better position the agency to identify and manage the array of risks it faces. Although current risk management policy identifies the importance of internal control and risk management, the execution of policy requires strengthening.

Tools, such as a risk matrix consistent with COSO or the Green Book, (Also see 2 CFR §200.303 for Federal Grant applicability¹), would enable users such as PELRP

¹ 2 CFR §200.303 Internal Controls. The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller

managers to utilize the agency's Risk Management Handbook and Addendum to the Risk Management Handbook, in a more meaningful way. An example Risk Identification and Evaluation Matrix, used with PELRP managers, is included as an Appendix and could be adapted for broader use in the agency.

Recommendation:

Management should determine how to better leverage current risk management policy and training resources, to provide users a framework, such as COSO or the Green Book, and corresponding tools like the risk Identification and Evaluation Matrix. Once tools are made more readily available, management should train staff and incorporate the use of tools in periodic assessments (such as annually for key agency processes) and use them to enhance accountability or risk management. (COSO Principle 5; Green Book 5.03)

Management Response:

Agree. The Executive Officers will develop and implement a standard process for assessing risk in their respective divisions and departments, building on the existing agency risk management policy and handbook. This risk assessment will include the use of an Identification and Evaluation Matrix that identifies possible risk, the likelihood and impact of the risk occurring (high, medium, low), the identification of mitigating factors, and the determination whether additional controls can or should be implemented, taking into account available resources.

Implementation Date:

November 1, 2018

Responsible Party(ies):

Executive Officers

General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

PERFORMED BY:

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

CC:

THECB

Board Members

Commissioner's Office

Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communication and 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 CFO
Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner
Rinn Harper, Director – Borrower Services
Ron Stroud, Assistant Director – Operations Center
Stacy Johnson, Program Manager – Loan Repayment Programs

STATUTORY DISTRIBUTION REQUIREMENT

Legislative Budget Board

Ms. Julie Ivie

Governor's Office of Budget & Planning

Ms. Sarah Hicks

State Auditor's Office

Internal Audit Coordinator

Sunset Advisory Commission

Mr. Ken Levine

APPENDIX

Risk Identification and Evaluation Matrix: PELRP

Group & Number		Risk/Fraud			Control Activities	Source	COSO Components				
Group	#	Risks	Risk/ Likelihood	Fraud Risk: Y/N	Control Activities	Source	CE	RA	CA	I/C	M
Eligibility	1	PELRP Loans payments exceed threshold levels (\$ or %) and per statute.	HM	N	Initial Enrollment Checklist and End of Service period Checklist, System thresholds are set for each award year. Excel spreadsheet process for calculating lesser amounts	TAC 23.70, TEC 61.538; TEC Interview with Rinn, B.1.16			X		
Process	2	One user is able to create, update, and approve a LRP record.	HM	Y	Detective control: audit logging captures record created and last updated, voucher approved by, and BSS approval. However, this control is not reviewed.	Interview with Stacy Johnson, see B.1.35		X	X		X
User Access	3	Users gain access to LRP, Laserfiche, Voucher system, and/or paper files without a legitimate need for access	MM	Y	Periodic User access review and User access provisioning, and paper file physical control. Written ISS policies and procedures regarding application and data access and control	Auditor Judgment			X		
Information	4	Data used to create the LBB retention report is inaccurate.	HM	Y	None identified	TAC 21.262, 23.73, A-B				X	
Oversight	6	Checklist/processes outdated and do not adequately administer the program	MM	N	Application checklist reviewed by reviewer(Stacy)	Interview with Stacy Johnson, see B1.35	X				X

Select portions of Risk Identification and Evaluation Matrix conducted as a cooperative effort between Internal Audit and PELRP management.

List of Acronyms used in the chart:	
1. CE: Control Environment	
2. RA: Risk Assessment	
3. CA: Control Activities	
4. I/C: Information and Communication	
5. M: Monitoring	

TEXAS HIGHER EDUCATION COORDINATING BOARD

**INTERNAL AUDIT
ANNUAL REPORT**



**FOR
FISCAL YEAR 2018**

Fiscal year 2018 Internal Audit Annual Report Table of Contents

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Compliance with Texas Government Code, Section 2102.015

Texas Government Code, Section 2102.015 requires state agencies to post on the agency's Internet Web site its internal audit plan, internal audit annual report, and any weaknesses or concerns resulting from the audit plan or annual report. Please see the [Coordinating Board internet web site](#) and the "Internal Audit and Compliance Monitoring" tab under 'About Us' for this required information. The 2018 Internal Audit Annual Report will be posted following its presentation to the board in October, 2018.

The screenshot shows a web browser window displaying the THECB website. The address bar shows the URL: <http://www.thecb.state.tx.us/index.cfm?objectid=C22D5B80-1738-11E8-A6640050560100A9>. The browser has several tabs open, including 'CBNet', 'For Internal Audi...', 'Texas State Audit...', and 'THECB - Inter...'. The website's navigation bar includes links for 'Plan, Pay, & Complete College', 'Institutional Resources & Programs', 'Data & Reports', 'Legislative & Media Resources', and 'About Us'. A search bar is located on the right side of the navigation bar. The main content area is titled 'Internal Audit & Compliance Monitoring' and contains the following sections:

- Internal Audit Charter**

The Internal Audit Charter defines Internal Audit's purpose, authority, and responsibility as approved by the agency's governing board.
- Report Fraud**

The Texas Higher Education Coordinating Board along with its Stakeholders, are responsible for protecting the assets and resources of the agency, and its programs. To accomplish this, Stakeholders are encouraged to report factual information suggestive of dishonest or illegal activities involving the agency and its programs.
- Annual Internal Audit and Compliance Monitoring Plans**

The Annual Internal Audit Plan and Annual Compliance Monitoring Plan are reports of scheduled audits by process or location that are developed each year based on a comprehensive risk assessment. These plans are approved annually by the agency's governing board.
- Annual Internal Audit Reports**

The Texas Internal Auditing Act requires certain state agencies and higher education institutions to submit an internal audit annual report each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives.
- Internal Audit Reports**

An Internal Audit report is a formal document where Internal Audit summarizes audit results and reports its findings and recommendations based on that work.
- Compliance Monitoring Reports**

A Compliance Monitoring audit report is a formal document where Compliance Monitoring summarizes audit or desk review results and reports its findings and recommendations based on that work.

Inquiries should be directed to Mark.Poehl@thecb.state.tx.us.

Internal Audit Plan for Fiscal Year 2018

Explanatory Information - The table below indicates the status of FY 17 planned audits, as shown on the approved audit plan, versus those accomplished during the year.

Board-Approved FY 18 Audit Plan	Status of Audit at 8/31/18
Follow Up Audits	(1) Follow Up Audit of Data Administration and Governance: Planned to start in Fiscal Year 2019. (2) Follow Up Audit of Contract Management: Planned to start in Fiscal Year 2019. (3) Follow Up Audit of Texas Educational Opportunity Grant (TEOG) Administration: Planned to start in Fiscal Year 2019.
Self-Assessment of Work Quality, Internal Audit	Self-Assessment of Work Quality THECB-IA-WP-18-199 Report date September 12, 2017.
An Audit of Formula Funding	An Audit of Formula Funding THECB-IA-WP-18-201 Report date June 19, 2018.
Review of the Physician Education Loan Repayment Program	Review of Physician Education Loan Repayment Program THECB-IA-WP-18-204 Report date August 21, 2018.
Review of Contract Management Administration	Review of Contract Management Administration Planned to start in Fiscal Year 2019.

Consulting Engagements and Non-Audit Services Completed

The Texas Higher Education Coordinating Board internal audit function did not perform consulting or non-audit services in fiscal year 2018.

External Quality Assurance Review (Peer Review)

G Shemo Consulting Inc.
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Member: AICPA
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IIA



REPORT ON THE EXTERNAL QUALITY ASSESSMENT OF

**TEXAS HIGHER EDUCATION
COORDINATING BOARD**

INTERNAL AUDIT and COMPLIANCE DEPARTMENT

September 28, 2016

Overall Opinions on Conformance

September 20, 2016

Under a contractual agreement with the Texas Higher Education Coordinating Board (THECB), G Shemo Consulting Inc. (GSC) has conducted an independent External Quality Assessment (EQA) of the THECB Internal Audit activity (IA activity) in the Internal Audit and Compliance Department (IACD).

The review was conducted during the period of September 12, 2016 to September 20, 2016 at the offices of THECB in Austin, Texas. This EQA was conducted as required by the Institute of Internal Auditors' (IIA) *Standard 1312*, in accordance with the approach and procedures contained in the IIA "Quality Assessment Manual" (Issued August 1, 2013). Further, this EQA included a Peer Review of IA activity conformance with applicable GAO Standards, and was conducted according to the requirements contained in GAO Standards 3.96 to 3.107. Finally, this EQA included an assessment of IA activity compliance with the requirements of the Texas Internal Auditing Act.

GSC attests that it is fully qualified to conduct this EQA of the IA activity, and that GSC is independent in all respects to THECB and the IACD. Based on the results of this EQA, GSC has reached the following conclusions:

In regard to the IIA Standards:

It is our overall opinion that, as of September 15, 2016, the THECB IA activity "Generally Conforms" to the IIA *Standards*, the Code of Ethics, and Definition of Internal Auditing. "Generally Conforms" is the top rating provided within IIA QA guidance, with the others being "Partially Conforms" and "Does Not Conform". For a detailed list of conformance to individual IIA *Standards*, please see Attachment A. The QA team has identified opportunities for further enhancing the IA activity, details of which are provided in this report.

In regard to the GAO Standards:

It is our overall opinion that the THECB IA activity's QAIP was suitably designed and complied with, for the year ended August 31, 2016, in order to provide reasonable assurance of performing and reporting in conformity with applicable GAO standards in all material respects. Accordingly, in our opinion, the appropriate Peer Review Rating for the IA activity is "Pass". This rating is the highest of the three ratings provided within GAO Standards, with the other ratings being "Pass With Deficiencies", and "Fail". For a detailed list of conformance to individual GAO *Standards*, please see Attachment B.

In regard to the Texas Internal Auditing Act:

It is our overall opinion that, as of September 15, 2016, the IA activity conforms to all the requirements contained within the Texas Internal Auditing Act.



George J Shemo, CPA, CGMA
 President, G Shemo Consulting Inc.

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Executive Summary

Purpose

As requested by the Director, Internal Audit and Compliance (DIAC), G Shemo Consulting conducted an external EQA of the IA activity of THECB. The principal objectives of the EQA were to:

- Assess IA activity conformance to the IIA “Definition of Internal Auditing”, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Code of Ethics;
- Assess IA activity conformance to applicable GAO Standards;
- Assess IA activity compliance with the Texas Internal Auditing Act;
- Evaluate IA activity effectiveness in carrying out its mission, as set forth in its charter and expressed in the expectations of the THECB Agency Operations Committee (AOC) and senior management;
- Identify opportunities to enhance IA activity management and work processes, as well as its ability to add value to THECB.

Scope and Methodology

Prior to GSC arriving onsite at THECB to conduct the EQA, the DIAC provided advance preparation documents, which contained detailed information about the IA activity and THECB. Additionally, GSC conducted a preliminary meeting with the DIAC in order to gather additional background information, select executives and operating managers for interviews during our onsite field work, and to finalize planning and administrative arrangements for the EQA. Onsite fieldwork commenced on September 12, 2016 and concluded on September 20, 2016.

During the onsite fieldwork we conducted interviews with the Chair of the AOC, members of senior management, selected operating managers, a representative of the external CPA firm, and all members of the IA activity staff. We also evaluated the IA activity risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the IA activity work papers and reports.

We conducted the QA according to the IIA and GAO guidelines and procedures that were necessary to evaluate the following components of the IA activity:

- Director Reporting Lines and Quality Assurance
- Organization of the Audit Activity
- Communications with the AOC and Senior Management
- Risk Assessment and Engagement Planning
- Staff Professional Proficiency
- Information Technology Capabilities
- Productivity and Value Added to THECB
- Audit Engagement Work Papers and Reports
- Audit Tools and Methodologies
- Engagement and Staff Management Processes

Executive Summary

Summary of Recommendations for Conformance

Based on the results of this EQA, no issues affecting conformance, with either the IIA or GAO Standards, or compliance with the Texas Internal Auditing Act were found, and therefore, no recommendations are provided.

Summary of Recommendations for Enhancement

The following recommendations are identified as potential opportunities to enhance the IA activity ability to add value to THECB:

1. Broaden senior management's expectations for IA activity services
2. Increase AOC involvement in evaluating performance of the DIAC
3. Expand the Quality Assurance and Improvement Program (QAIP)
4. Enhance the IA activity Annual Planning Process

Commendations

During our review, we observed the IA activity environment to be well-structured and progressive; that the IIA Standards, the GAO Standards, and the requirements of the Texas Internal Auditing Act are appropriately understood; and IA activity management is endeavoring to provide useful audit tools and implement appropriate practices in order to add value to the operations of THECB. It is appropriate to commend the IA activity for the following:

- Results of this EQA are well above average relative to other EQAs performed throughout the profession
- Excellent relationship with and strong support from the AOC and executive management
- DIAC is recognized for leadership, experience, integrity, guidance, and emphasis on continuous improvement
- Staff is viewed positively for their professionalism, knowledge, demeanor, willingness to listen, and well written reports; and
- Competent and experienced staff with 12 professional certifications and five graduate degrees
- IA and Compliance viewed as adding value to THECB on a collaborative basis
- Annual visitation with key stakeholders soliciting input and ideas for the annual risk assessment
- IA and Compliance is instrumental in THECB risk management
- Embedding audit steps and procedures within the TeamMate audit software program
- IA activity maintains a publicly accessible website providing relevant information which promotes transparency

Recommendations for Enhancement

- 1. Consider broadening senior management's expectations for IA activity services and expand the scope of those services to increase focus on THECB governance and business processes**

**Implementing Stakeholders: Senior Management
Agency Operations Committee
IA activity**

Associated Stakeholder: Operating Management

Successful Practice

Related Practice Advisories: 2110-1, 2110-2, 2110-3

This EQA has determined that the DIAC has implemented a program of internal auditing that fully meets the AOC and senior managements' formally established expectations in a highly effective manner. Currently, those expectations focus on assurance services related to the control environment and compliance with the policies and procedures of THECB. As a result of the discussions with senior and operating management during the EQA interviews, there appears to be considerable interest in having the IA activity increase services that are more focused on process improvement. While current IA activity services do provide some elements of process improvement, the formal scope of services would need to be expanded to meet increased expectations.

Accordingly, senior management, the Agency Operations Committee, and the DIAC could consider the opportunity to formally increase expectations of expanded IA activity services. Such consideration would need to be viewed in light of recommendation #4 regarding a more in depth evaluation of Internal Audit resource requirements. Some elements of an expanded scope of services could include:

- The economic and efficient use of resources
- Performance measurement
- Business process improvement
- Administrative process improvement
- THECB governance processes

Recommendations for Enhancement

2. Increase AOC involvement in evaluating performance of the DIAC

Implementing Stakeholders: Senior Management

Agency Operations Committee

Associated Stakeholder: DIAC

Reference: Practice Advisory 1110-1

The structure of the functional and administrative reporting relationships of the IA activity within THECB is entirely appropriate, and achieves complete independence for the IA activity. It establishes the proper environment to allow the IA activity to effectively support THECB in fulfilling its mission and achieving its goals and objectives, in line with senior management's expectations. As a result of this EQA, there appears to be an opportunity to further enhance IA activity independence by increasing the responsibilities of the AOC in regard to the functional reporting relationship. The AOC could consider revising its Charter to include the following responsibilities:

- Approving all decisions regarding the performance evaluation, appointment, or removal of the DIAC.
- Approving the annual compensation and salary adjustment of the DIAC.

3. Expand the Quality Assurance and Improvement Program (QAIP)

Implementing Stakeholder: IA activity

Associated Stakeholders: Agency Operations Committee
Senior Management
Operating Management

Practice Advisories: 1311-1 and 1320-1

The DIAC has designed and implemented a fully functional QAIP which appropriately monitors and assesses IA activity performance, and its conformance with the IIA and GAO Standards, as well as the Texas Internal Auditing Act. The DIAC could increase the effectiveness of the QAIP even further by considering the following:

- Expanding the scope of periodic self-assessments to ensure that every IIA and GAO Standard is assessed at least once during a three year cycle;

Recommendations for Enhancement

3. Expand the Quality Assurance and Improvement Program (QAIP) (Cont.)

- Including the results of external assessments, internal self-assessments, and ongoing monitoring activities, as well as the resulting IA activity plans for continuous improvement, in periodic status reports to senior management and the AOC.

4. Enhance the IA activity Annual Planning Process

Implementing Stakeholder: IA activity

Associated Stakeholders: Agency Operations Committee
Senior Management
Operating Management

Practice Advisory: 2020-1

The annual planning process developed by the DIAC provides the AOC and senior management with a risk based plan that appropriately determines the priorities of the IA activity consistent with THECB's goals. The plan, as presented to senior management for their review, and for the approval of the AOC, properly communicates IA planned activities and the resource requirements needed to accomplish them. There are opportunities to further enhance annual planning by providing additional information which will provide the basis to better quantify IA resource requirements that are needed to meet the needs of THECB. For example, the DIAC could consider the following:

- Reviewing the detailed audit universe with the AOC and senior management to agree on the entities within the universe that need to be reviewed by IA at some point, over a period of time, in the future (the auditable segment), and those that do not need to be reviewed by IA at any point in the future (the non-auditable segment). Separation of the audit universe should be based upon an assessment of the THECB's need for support, not on the amount of current IA activity resources. Reviewing the audit universe in this manner needs to occur each year, as part of the annual planning process in order to determine if there is a need to shift entities between segments.
- Assessing risk of the entities within the auditable segment, and ranking the segment in risk rating order.
- Grouping the entities according to risk ratings. Establish groups consistent with AOC and senior management expectations. For instance, four groups could be established for

Recommendations for Enhancement

4. Enhance the IA activity Annual Planning Process (Cont.)

extremely high, high, moderate, and low risks. Assigning entities to the groups should be done with the agreement of the AOC and senior management.

- Establishing frequency guides for each risk group. For example: extremely high risk entities audited annually; high risk entities audited over two years; moderate risk entities over four years; and low risk entities over five years. The frequency guides should be established with the agreement of the AOC and senior management.
- Preparing an annual plan in a multi-year format. The number of years presented would be equal to the frequency guide established for the lowest risk group. It is important to note that the plan includes all entities assigned to the auditable segment of the audit universe, regardless of its risk group. The DIAC would prepare preliminary scope descriptions and resource estimates for the entities identified for audit in the upcoming year. Remaining entities would show an indication of the future year in which it is to be audited. In the example above, the upcoming year would include all extremely high risk, one-half of high risk, one-fourth of moderate risk, and one-fifth of low risk entities.

Following this approach will provide a result that specifically quantifies the IA activity resource requirements to service the needs of THECB in the upcoming year. It can serve as the basis for the AOC and senior management to make informed decisions on the quantity of IA activity resources to be provided, and the impact that any resource shortages will have on the multi-year plan.

Director Response

I have read this report in its entirety, and acknowledge responsibility for communicating it to the appropriate members of the Agency Operations Committee and senior management. I accept the "Recommendations for Enhancement" as advisory, and understand they are provided for consideration as potential opportunities to increase the value the IA activity adds to THECB. In consultation with the Agency Operations Committee and senior management, I will develop action plans as appropriate, and will share these plans with the Agency Operations Committee and senior management.



Mark Poehl

Director, Internal Audit and Compliance

THECB

Attachment A

IIA Standards

	GC	PC	DNC
OVERALL EVALUATION	x		
ATTRIBUTE STANDARDS	x		
1000 Purpose, Authority, and Responsibility	x		
1010 Recognition of the Definition of Internal Auditing	x		
1100 Independence and Objectivity	x		
1110 Organizational Independence	x		
1111 Direct Interaction with the Board	x		
1120 Individual Objectivity	x		
1130 Impairments to Independence or Objectivity	x		
1200 Proficiency and Due Professional Care	x		
1210 Proficiency	x		
1220 Due Professional care	x		
1230 Continuing Professional Development	x		
1300 Quality Assurance and Improvement Program	x		
1310 Requirements of the Quality Assurance and Improvement Program	x		
1311 Internal Assessments	x		
1312 External Assessments	x		
1320 Reporting on the Quality Assurance and Improvement Program	x		
1321 Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	x		
1322 Disclosure of Noncompliance	x		
PERFORMANCE STANDARDS	x		
2000 Managing the Internal Audit Activity	x		
2010 Planning	x		
2020 Communication and Approval	x		
2030 Resource Management	x		
2040 Policies and Procedures	x		

Attachment A

IIA STANDARDS

2050	Coordination	x		
2060	Reporting to Senior Management and the Board	x		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		
2100	Nature of Work	x		
2110	Governance	x		
2120	Risk Management	x		
2130	Control	x		
2200	Engagement Planning	x		
2201	Planning Considerations	x		
2210	Engagement Objectives	x		
2220	Engagement Scope	x		
2230	Engagement Resource Allocation	x		
2240	Engagement Work Program	x		
2300	Performing the Engagement	x		
2310	Identifying Information	x		
2320	Analysis and Evaluation	x		
2330	Documenting Information	x		
2340	Engagement Supervision	x		
2400	Communicating Results	x		
2410	Criteria for Communicating	x		
2420	Quality of Communications	x		
2421	Errors and Omissions	x		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	x		
2431	Engagement Disclosure of Nonconformance	NA		
2440	Disseminating Results	x		
2450	Overall Opinions	x		
2500	Monitoring Progress	x		
2600	Management's Acceptance of Risks	x		
	IIA Code of Ethics	x		

Attachment B

GAO STANDARDS

	PASS	FAIL
GENERAL (107)	X	
Independence (59)	x	
Professional Judgment (9)	x	
Competence (13)	x	
Quality Control & Assurance (26)	x	
PERFORMANCE (85)	X	
Planning (52)	x	
Supervision (3)	x	
Evidence (23)	x	
Documentation (7)	x	
REPORTING (44)	X	

Internal Audit Plan for Fiscal Year 2019

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.

4. Provide Assistance--External Audit of Agency Financial Statements 50
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.
5. Ongoing Status Assessment of Corrective Action Plan Implementation to Address 470
NTT Texas Cyber Security Assessment Report
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.¹

B. Risk-Based Audits

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

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

External Audit Services Procured in Fiscal Year 2018

The agency contracted with KPMG, LLP, to perform an independent audit of the agency's Fiscal Year 2017 Financial Statements. As part of the agreement, the agency provided 50 hours of internal audit staff support to KPMG, LLP.

Reporting Suspected Fraud and Abuse

Actions taken by the agency to address the requirements of Section 7.10.Fraud Reporting, General Appropriations Act (82nd Legislature), Article IX and Government Code, Section 321.022.Coordination of Investigations, include:

- 1) Established a fraud prevention policy and posted the policy on the agency intranet for the employees. The policy encourages reporting of suspected violations to the State Auditor's Office Fraud Hotline.
- 2) Established a link to the State Auditor's Office Fraud Hotline on the agency's home page to enable the general public or employees to report suspected fraud or misconduct directly to the State Auditor's Office.
- 3) Coordinated with the Special Investigations Unit of the State Auditor's Office to investigate suspected fraud.
- 4) Provided ethics-related information to all new employees as part of the orientation process.

Committee on Agency Operations

AGENDA ITEM VI-B

Discussion of Approach for Obtaining an External Quality Assurance Review of the Internal Audit and Compliance Monitoring Functions

RECOMMENDATION: No action required

Background Information:

The Texas Internal Auditing Act, Texas Government Code, Chapter 2102, requires that internal auditors “conduct quality assurance reviews in accordance with professional standards...and periodically take part in a comprehensive external peer review.” Government Auditing Standards require that external peer reviews be performed every three years, at a minimum. These standards also encompass the site visits performed by Compliance Monitoring.

The Director, Internal Audit and Compliance obtained external peer reviews in Fiscal Years 2013 and 2016. The next external peer review is due to be conducted in Fiscal Year 2019. These two prior external peer reviews were conducted by experienced audit practitioners, based on a comprehensive, competitive procurement process. The cost of the last external peer review was approximately \$24,000.

Other alternative external peer review approaches involve less formalized evaluations of conformance with auditing standards, such as peer volunteers who typically perform the external peer review for travel cost only. These approaches typically require a reciprocal service arrangement, whereby the Director, Internal Audit and Compliance would be required to perform an external peer review of another organization’s audit function during some future period. Prior Committee on Agency Operations discussions regarding these approaches to obtaining an external peer review resulted in concern expressed about the rigor and independence of such evaluations.

Should the AOC express interest in procuring an external peer review, as in FY 2013 and FY 2016, a request to issue a Request for Proposals will be brought to the Committee for approval in January, 2019. The selected vendor will then be disclosed to the AOC at the April 2019 AOC meeting.

Mark Poehl, Director, Internal Audit and Compliance, will present this item and be available to answer questions.

Committee on Agency Operations

AGENDA ITEM VII-A

Update on Compliance Monitoring Reports and Activities

RECOMMENDATION: No action required

Background Information:

Update on Compliance Monitoring Reports

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

Formula Funding Engagements Completed

A Compliance Desk Review of Formula Funding at Sam Houston State University (no findings)

Financial Aid Engagements Completed

A Follow-Up Audit of TEXAS Grant at Lamar State College-Port Arthur (no findings)

A Compliance Audit of TEXAS Grant at Texas Tech University (no findings)

A Compliance Desk Review of Graduate Medical Education at Doctors Hospital at Renaissance (one finding)

A Compliance Desk Review of the Texas Educational Opportunity Grant (TEOG) at Northeast Texas Community College (no findings)

A Compliance Audit of TEOG and TEXAS Grant at Trinity Valley Community College (five findings)

Projects In Progress	Stage of Project
Wharton County Junior College	Fieldwork
Coastal Bend College	Fieldwork

Other Compliance Monitoring Activities

- Training of two new Compliance Specialists
- Preparing FY 2019 Notification Letters
- Performing Quality Assurance Activities for FY 2018
- Planning for FY 2019 External Peer Review

The final reports are attached. Mark Poehl, Director, Internal Audit and Compliance, will present this item to the committee and be available to answer questions.



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July 13, 2018

Dr. Dana G. Hoyt, President
Sam Houston State University
1806 Avenue J
Huntsville, Texas 77340

RE: Desk Review of Formula Funding at Sam Houston State University

Dear Dr. Hoyt,

Sam Houston State University complied with relevant Coordinating Board rules and regulations for enrollment data used for formula funding and with Texas Administrative Code (TAC) Section 13, in the areas of student semester credit hour eligibility, tuition payment, and enrollment.

Summary

Our review included tests of relevant enrollment data reported and certified by Sam Houston State University for accuracy and completeness in accordance with TAC, Section 13. Our desk review focused on the following enrollment data and time periods:

- Semester Credit Hours and Tuition Payments for CBM001 (Student Report) during summer 2016, fall 2016, and spring 2017; and
- Enrollment for CBM004 (Class Report) during summer 2016, fall 2016, and spring 2016.

Our work included procedures to verify:

- Reported semester credit hours were eligible for formula funding;
- Student tuition payment was received in accordance with requirements; and
- Reported enrollment was eligible for formula funding.

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".

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 A. Paredes, Commissioner of Higher Education

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

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

Mr. William Franz, General Counsel

Strategic Planning and Finance

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

Sam Houston State University

Ms. Donna Artho, MBA, Assistant Vice President, Institutional Effectiveness

Texas State University System

Ms. Rossanna Salazar, Chairman, Board of Regents

Dr. Brian McCall, Chancellor

Ms. Carole Fox, CPA, Director of Audits and Analysis

Texas Council of Public University Presidents and Chancellors

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June 21, 2018

Dr. Betty J. Reynard
President
Lamar State University-Port Arthur
1500 Procter Street
Port Arthur, Texas 77640

Dear Dr. Reynard,

Lamar State University-Port Arthur implemented the recommendations in our prior report *A Compliance Desk Review of TEXAS Grant at Lamar State College-Port Arthur*, issued September 15, 2015.

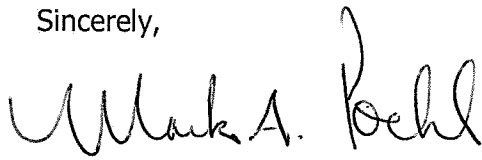
Management has implemented the audit recommendations by:

- Ensuring that controls over access to educational records, including both security class controls and user access permission controls, are improved to comply with Texas Administrative Code (TAC) §§ 202.70 – 202.76 and 34 CFR 99.31, Family Educational Rights and Privacy Act (FERPA) to better protect financial aid and other student data from unauthorized use;
- Ensuring that controls over segregation of financial aid awarding duties and financial aid disbursing duties are enhanced to comply with TAC §§ 202.70 – 202.76 and 34 CFR 99.31 FERPA to better protect financial aid and other student data from unauthorized use and to limit the risk of unauthorized awarding and disbursing of financial aid funds; and
- Improving timeliness of TEXAS grant disbursements so that funds can be more efficiently utilized for the benefit of eligible students and to ensure compliance with Texas Administrative Code Section 22.236(c).

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". 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:

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

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

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Lamar State College - Port Arthur

Dr. Deborah Hebert, Dean, Student Services

Ms. Connie Riley, Director, Financial Aid

Mr. Samir J. Ghorayeb, Director, Information Technology Services

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June 28, 2018

Dr. Lawrence Schovanec
President
Texas Tech University
2500 Broadway
Lubbock, Texas 79409

Dear Dr. Schovanec,

I am attaching the final report on *A Compliance Audit of TEXAS Grant at Texas Tech University*, Report No. THECB-CM-FA-18-029. 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 October 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 written in a cursive style with a large, stylized "M" and "P".

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

EXECUTIVE SUMMARY

Texas Tech University (TTU) complied with relevant Coordinating Board (THECB) rules and regulations for the Toward EXcellence, Access, and Success (TEXAS) Grant Program and with Texas Administrative Code (TAC) 19, Chapter 22, Sections §22.225 - 22.240, 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.

The following observations were noted during our review:

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 TEXAS Grant 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 Texas Tech University's Banner data system 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 Texas Tech University accurately reported TEXAS Grant data.

Background

The purpose of the Toward EXcellence, Access, and Success (TEXAS) Grant 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, Texas Tech University awarded \$11,269,259 in TEXAS Grants to 2,078 students.

PERFORMED BY:

Ms. Carol Conner, 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

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Texas Tech University

Dr. Ethan Logan, Associate Vice President, Enrollment Management

Ms. Shannon L. Crossland, Interim Executive Director, Student Financial Aid and
Scholarships

Texas Tech University System

Mr. L. Frederick "Rick" Francis, Chairman, Board of Regents, TTUS

Mr. Robert Duncan, Chancellor, TTUS

Ms. Kimberly F. Turner, Chief Audit Executive, Office of Audit Services, TTUS

Texas Council of Public University Presidents and Chancellors

Dr. Rissa McGuire, Executive Director

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June 21, 2018

Ms. Susan Turley, President
Doctors Hospital at Renaissance
5501 S. McColl Rd.
Edinburg, TX 78539

RE: Desk Review of Graduate Medical Education at Doctors Hospital at Renaissance

Dear Ms. Turley,

I am attaching the final report on *A Compliance Desk Review of Graduate Medical Education (GME) at Doctors Hospital at Renaissance*, Report No. THECB-CM-FA-DR-18-013.

This Compliance Monitoring audit report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in October 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 black ink that reads "Mark A. Poehl". The signature is fluid and cursive.

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

EXECUTIVE SUMMARY

Doctors Hospital at Renaissance (DHR) generally complied with relevant Coordinating Board rules and regulations for the Graduate Medical Education (GME) grant and with Texas Administrative Code (TAC) Chapter 6, Subchapters G, H, and I, in the areas of institution eligibility, resident position eligibility, and allowability of grant expenditures. However, improvement is needed to ensure that all expenditures for the GME program are reconciled to the DHR and the University of Texas Rio Grande Valley (UTRGV) general ledgers and source documents prior to being reported to the Texas Higher Education Coordinating Board.

Our review included tests of relevant eligibility and expenditure data reported and certified by Doctors Hospital at Renaissance for accuracy and completeness in accordance with TAC Chapter 6, Subchapters G, H, and I.

Our desk review focused on the following expenditure data and time period:

- Reported salary expenditures and malpractice insurance expenditures; and
- For FY 2016 through FY 2017.

Our work included procedures to verify:

- Expenditures reported reconcile with official accounting records, and
- Expenditures reported were allowable.

Detailed Observation, Recommendation and Management's Response

1. Reconciliation processes should ensure that grant expenditures are reconciled, between the official accounting records of the grantee and the grant reports the grantee submits to the Coordinating Board.

Reconciliation processes should ensure that grant expenditures are reconciled, between the official accounting records of the grantee and the grant reports submitted to the Coordinating Board. Doctors Hospital at Renaissance (DHR) along with The University of Texas Rio Grande Valley partnered in this award did not prepare reconciliations of reported expenditures to official accounting records, as required by the GME grant. Specifically, the Notice of Grant Award states, "Awarded Applicant shall maintain its records and accounts in a manner which shall assure a full accounting for all funds received and expended by Awarded Applicant in connection with the contract."

Documented reconciliations position DHR to ensure all funds are accurately and completely accounted to satisfy GME grant requirements.

Recommendation:

Ensure DHR procedures, as well as any partner institutions, result in fully reconciled and documented expenditures for the GME grant.

Management Response:

Thank you for the opportunity to review the internal audit report regarding the Desk Review of Graduate Medical Education at Doctors Hospital at Renaissance (DHR). We have discussed your findings with Mr. Michael Patriarca, MBA, Executive Vice Dean, Finance and Administration, School of Medicine at the University of Texas Rio Grande Valley (UTRGV) and we concur with your findings.

DHR has implemented a process for validation and reconciliation of reports provided by UTRGV to the grant reports submitted by DHR. The reports provided by UTRGV will be validated against full supporting documentation in lieu of the summarized reports prior to the preparation of the grant expenditure report.

DHR and UTRGV School of Medicine are appreciative of the opportunity to be a grant recipient under this program and we look forward to continuing to increase the quality of healthcare received by the citizens of the Rio Grande valley.

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

Academic Quality and Workforce

Mr. Rex Peebles, Assistant Commissioner for Academic Quality and Workforce

Dr. Stacey Silverman, Deputy Assistant Commissioner for Academic Quality and
Workforce

Ms. Suzanne Pickens, Senior Program Director for Academic Quality and Workforce

**Doctors Hospital at Renaissance and The University of Texas Rio Grande
Valley**

Dr. Carlos Cardenas, Chairman of the Board

Ms. Melba M. Sanchez, Associate Dean for Finance and Administration

Ms. Mariela Ruiz, Director, Finance and Accounting

Mr. Harvey Torres, Chief Financial Officer

Mr. Ron Tupper, Director, Grants and Foundation Programs

Ms. Lidia Alameda, Senior Accountant

Ms. Elizabeth F. Sheller, Accountant

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September 12, 2018

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

Dear Dr. Clinton,

I am attaching the final report on *A Compliance Desk Review of Texas Educational Opportunity Grant at Northeast Texas Community College*, Report No. THECB-CM-FA-DR-18-033. There were no findings resulting from this engagement.

Northeast Texas Community College 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 NTCC 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 Northeast Texas Community 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 that reads "Mark A. Poehl". The signature is written in a cursive style with a large, stylized 'M' and 'P'.

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

PERFORMED BY:

Ms. Carol Conner, Compliance Specialist

CC:

THECB

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Dr. Jerry King, President
Trinity Valley Community College
100 Cardinal Drive
Athens, TX 75751

RE: A Compliance Monitoring Audit of Texas Educational Opportunity Grant (TEOG)
and TEXAS Grant at Trinity Valley Community College

Dear Dr. King,

I am attaching the final report of *A Compliance Monitoring Audit of Texas Educational Opportunity Grant (TEOG) and TEXAS Grant at Trinity Valley Community College*, Report No. THECB-CM-FA-18-028.

This Compliance Monitoring audit report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, on October 24, 2018.

The cooperation of your staff during this audit is greatly appreciated. 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

EXECUTIVE SUMMARY

Trinity Valley Community College (TVCC) partially complied with relevant THECB rules and regulations for the TEOG Program. TVCC awarded \$1,609,105 of TEOG financial aid to students during fiscal years 2015, 2016, and 2017.

Several observations warrant attention to strengthen compliance and internal controls:

1. TEOG award disbursements plus other eligible award disbursements did not provide adequate matching of tuition and fees as required by TAC §22.260(b)(4) and TEC §56.407(f-g), totaling \$260,790.48 in under matching for award years 2015-2017.
2. TEOG awards did not meet eligibility requirements in 15% of sampled student records, totaling \$17,023.
3. TVCC student financial aid data was not accurately reported to the THECB on the Financial Aid Database (FADs) report in 20% of sampled student records.
4. The information in the TVCC financial aid database is not completely accurate and needs more frequent and thorough reconciliation with the TVCC general ledger and reports submitted to the THECB.
5. Internal controls and risk management policies need further development, including implementing internal control standards that align with federal Green Book standards or a suitable alternative framework.

See the Detailed Observations, Recommendations and Management's Response on page four of this report.

Trinity Valley Community College (TVCC) generally complied with relevant THECB rules and regulations for the TEXAS Grant Program. TVCC awarded \$103,350 of TEXAS Grant financial aid to students during fiscal years 2015, 2016, and 2017.

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

Scope, Objective, and Methodology

Our compliance audit included tests of TEOG and TEXAS Grant disbursements during fiscal years 2015, 2016, and 2017 for compliance with relevant criteria, including but not limited to the following:

- 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
- Reportable award amounts reconciled between the student information system data and payment records

The methodology employed during this audit included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and other tests necessary to achieve the objectives of the audit. THECB used judgmental sampling as well as a 100% review of the TEOG tuition and fees matching data to determine the extent to which TVCC accurately reported TEOG data and met eligibility requirements.

Background

TEOG is a Texas public two-year college financial aid program designed to provide grant aid to eligible students with financial need. Trinity Valley Community College disbursed the following TEOG aid:

- 2015: 362 students; \$605,486
- 2016: 308 students; \$510,410
- 2017: 248 students; \$493,209

TEXAS Grant is a Texas public college financial aid program designed to provide grant aid to eligible students with financial need. Trinity Valley Community College disbursed the following TEXAS Grant aid:

- 2015: 76 students; \$88,650
- 2016: 12 students; \$13,500
- 2017: 2 students; \$1,200

Detailed Observations, Recommendations and Management's Response

1. TEOG award disbursements plus other eligible award disbursements did not provide adequate matching of tuition and fees as required by TAC §22.260(b)(4) and TEC §56.407(f-g), totaling \$260,790.48 in under matching for award years 2015-2017.

TEOG award disbursements plus other eligible award disbursements did not provide adequate matching of tuition and fees as required by TAC §22.260(b)(4)ⁱ and TEC §56.407(f-g)ⁱⁱ totaling \$260,790.48 in under matching for award years 2015-2017. TEOG awarding rules require that the TEOG award plus other non-loan, non-Pell¹ aid covers the cost of tuition and fees.

Semester	NUMBER TEOG AWARDS	NUMBER UNDER MATCHED	AMOUNT
Fall 14	315	5	\$ 2,571.00
Sp 15	318	3	\$ 617.00
Fall 15	279	149	\$ 74,884.83
Sp 16	265	160	\$ 94,482.58
Fall 16	185	73	\$ 36,867.97
Sp 17	199	92	\$ 51,367.10
TOTAL	1561	482	\$ 260,790.48

Recommendation:

Develop procedures to ensure compliance with TAC §22.260(b)(4) and TEC §56.407(f-g), including sound financial aid eligibility review practices. Reimburse the \$260,790.48 in insufficient matching directly to the students or provide an alternative corrective action with the affected students to make the students whole.

Management Response:

The under-matching in award year 14-15 was due to human error related to manual award processing. The under-matching in award years 15-16 and 16-17 was due to the TVCC Financial Aid department failing to implement the new match guidelines implemented by THECB effective with the fall semester of 2015. The new matching guidelines were issued during a period of extended FMLA absences for the Director of Financial Aid followed by her retirement on 12-31-15, and were unfortunately overlooked as duties were being transferred to the new Financial Aid Director during the 9-1-15 through 1-1-16 training period. In addition, TVCC was provided notification at the end of each year from the THECB stating "Congratulations! Your data had no errors!" as shown on Exhibits A and B. If TVCC had been notified the matching

¹ Note that Pell was allowed by TAC rule for matching purposes prior and including 2014-15.

guidelines were not met, the matching requirements would have been adjusted at that time.

Corrective action and date for completion:

TVCC Financial Aid administration discovered the matching error while preparing for THECB's audit. The error was corrected immediately for award year 17-18. A procedures manual entitled *Trinity Valley Community College Financial Aid Procedures Non-Federal Funds Fall 2018 to Summer 2 2019* has been developed and implemented, see Exhibit C. TVCC Financial Aid management will ensure ongoing compliance with these procedures and the relevant TAC and TEC sections, and will conduct regular training for appropriate staff regarding the procedures. The manual is maintained on the TVCC Financial Aid department network share and is considered a living document, updated as necessary on a routine basis. Procedures have been further refined for award year 18-19 to include a student level TEOG award match control process and report. A sample page from the report is shown in Exhibit D.

TVCC staff, administration, and board of trustees are committed to making the students whole for the entire \$260,790.48 with direct cash payment to the students and/or through other means including but not limited to applying the funds to balances owed by the student to the college, providing TPEG assistance, institutional scholarships, TVCC Foundation scholarships, and/or waiving or exempting charges for future TVCC coursework over a three to five year time period. TVCC administration is currently considering these and other alternatives in order to achieve optimal resolution for both students and the institution. Administration intends to evaluate, select and implement resolution(s) beginning in the spring of 2019 and extending over a three to five year timeframe. The entire \$260,790.48 will be reimbursed to students. If near the end of the three to five year timeframe there are students remaining who have not been reimbursed through one of the alternatives listed above, TVCC will remit direct cash payments to those remaining students.

Responsible parties for implementing matching controls:

VP of Student Services, Dr. Jay Kinzer; AVP of Enrollment Management, Dr. Colette Hilliard; and Financial Aid staff

Responsible parties for reimbursement to students:

Above parties; VP of Administrative Services & CFO, Jean McSpadden; Director of Accounting Services & Controller, Courtney Walker; and Accounting Services staff

While taking full responsibility for failing to implement the revised THECB match guidelines effective with award year 15-16, TVCC respectfully requests that THECB consider Exhibits A and B for award years 15-16 and 16-17 respectively. As previously noted, the exhibits contain certification documents from THECB pertaining to TEOG

student-by-student data and state "CONGRATULATIONS! Your End-of-Year Report did not have any errors."

Additionally, TVCC requests that THECB implement additional TEOG grant controls to assist institutions in detecting matching and similar errors during each reporting cycle, and provide guideline updates in a more timely manner. TVCC began awarding TEOG funds for award year 18-19 in May 2018 based on the then current THECB guidelines. The guidelines were changed in September 2018, causing TVCC and likely other institutions to amend amounts previously awarded.

2. TEOG awards did not meet eligibility requirements in 15% of sampled student records, totaling \$17,023.

TEOG awards did not meet eligibility requirements in 15% of sampled student records, totaling \$17,023. TEOG eligibility, as required by TEC §56.404ⁱⁱⁱ, TEC §56.405^{iv}, and TAC §22.256^v, was not met in 17 instances out of 111 sampled records as noted below. The amount of over awarding of TEOG for the 17 eligibility errors was \$17,023. Note that this amount is in addition to the under awarding of \$260,790.48 noted above in Observation 1. Note that two of the instances of ineligibility related to students with relationships to financial aid department staff and may have resulted in misappropriation of TEOG funds of up to \$850².

- a. In ten student records, the financial aid award, including TEOG, exceeded financial need, as not allowed by TAC §22.256(a)(2), TAC §22.256(b)(2), TEC §56.404(a)(2), and TEC §56.405(a)(1).
- b. Three students exceeded 75 attempted credits as not allowed by TAC §22.256(c)(1) and TEC §56.404(d).
- c. One student exceeded the financial need requirements (Maximum Expected Family Contribution) for an initial TEOG award as required by TAC §22.256(a)(8) and TEC §56.404(a)(2).
- d. One student was not a Texas resident as required by TAC §22.256(a)(1) and TEC §56.404(a)(1).
- e. One record failed to adequately document lack of a controlled substance conviction as required by TAC §22.256(c)(3), TEC §56.404(b), and TEC §56.405(b). The student indicated a prior conviction on the controlled substance form, but other documents provided by the student indicated no prior conviction. Although the other documents support that the student likely did not have a prior conviction, TVCC did not request the student to update the controlled substance certification nor request the student to explain the discrepancy even though the controlled substance form requires the student to update their status if it changes.
- f. One student had previously been granted an associate degree as not allowed by TAC §22.256(a)(6), TAC §22.256(b)(5), and TEC §56.404(c).

² Possible criminal acts were reported to relevant state and federal authorities.

Recommendation:

Develop procedures to ensure compliance with the statutes and rules noted above, including sound financial aid eligibility review practices. Refund \$17,023 in TEOG disbursed for the above ineligible awards to the Texas Higher Education Coordinating Board.

Management Response:Corrective action and date for completion:

As noted in the response to Finding 1, TVCC Financial Aid administration has developed and implemented procedures as shown on Exhibit C and will ensure ongoing compliance with these procedures and the relevant TAC and TEC sections. TVCC will remit \$17,023 to THECB immediately upon audit closure.

Responsible parties for implementing eligibility controls:

VP of Student Services Dr. Jay Kinzer; AVP of Enrollment Management, Dr. Colette Hilliard; and Financial Aid department staff

Responsible parties for disbursement of funds:

VP of Administrative Services & CFO Jean McSpadden; Director of Accounting Services & Controller Courtney Walker; and Accounting Services staff

3. TVCC student financial aid data was not accurately reported to the THECB on the Financial Aid Database (FADs) report in 20% of sampled student records.

TVCC student financial aid data was not accurately reported to the THECB on the Financial Aid Database (FADs) report in 20% of sampled student records. TVCC misreported the Expected Family Contribution (EFC) on 11 out of the 111 student records sampled and other financial aid data was misreported on an additional 11 out of 111 sampled student records. According to TAC §1.3^{vi}, TVCC is required to submit such reports so that the Board may comply with requirements of the legislature concerning the collection of data. According to TAC §22.255(c)(3)^{vii}, all institutions must meet Board reporting requirements including the Financial Aid Database Report. In addition, various memorandums of understanding relating to financial aid between TVCC and the Board require that TVCC submit such financial aid reports as required and that all reports are complete and accurate³.

³ See, for example, the current Memorandum of Understanding for State Financial Aid programs, THECB contract No. 18909, executed 7/19/2017, Section 3.0 (C).

Recommendation:

Develop procedures to ensure compliance with the rules and agreements noted above, including sound data integrity, review, and reporting practices.

Management Response:

The misreported Expected Family Contribution (EFC) amounts were due to manual human error related to the inability to timely and accurately identify the most recent EFC for each student among thousands of records in the existing antiquated financial aid software.

Corrective action and date for completion:

Prior to Colleague implementation, the financial aid department will, to the extent possible and practical in the current manual environment, implement control procedures in order to capture the most current EFC amounts prior to FADS reporting. The procedures will be implemented by the FADS reporting deadline for the fall semester of 2018. Colleague implementation is scheduled for award year 19-20 and will supply automated and integrated EFC amounts from the federal calculation to the state calculation, enabling TVCC to use the software itself to significantly enhance the accuracy of EFC data reported in FADS.

Responsible parties:

VP Student Services, Dr. Jay Kinzer; AVP Enrollment Management, Dr. Colette Hilliard; and Financial Aid staff

4. The information in the TVCC financial aid database is not completely accurate and needs more frequent and thorough reconciliation with the TVCC general ledger and reports submitted to the THECB.

The information in the TVCC financial aid database is not completely accurate and needs more frequent and thorough reconciliation with the TVCC general ledger and reports submitted to the THECB. The information differs between the TVCC financial aid database, the TVCC general ledger, and the FADs report submitted and certified to the THECB. The total TEOG disbursed reported in the TVCC Financial Aid database did not match total amounts in the FADs report submitted and certified to the THECB nor to the TVCC general ledger. Although TEOG financial records were sufficient to determine total amounts for all three years reviewed and a student-by-student reconciliation for FY2017, financial records were not sufficient to complete a full student-by-student reconciliation between the general ledger, FADs, and the TVCC financial aid database for FY2015 and FY2016.

TEOG Award Year	TVCC Financial Aid Database	CB Financial Aid Database (FADs) (certified)	TVCC General Ledger
FY 2015	\$618,317	\$605,486	\$605,486
FY 2016	\$517,410	\$510,410	\$511,410
FY 2017	\$498,459	\$493,209	\$493,209

The TEOG amounts disbursed to students reported in the TVCC financial aid database are not adequately reconciled with the TVCC general ledger. A school's financial management system must provide effective control over and accountability for all funds received. According to TAC §22.255(c)(2)(A)^{viii}, the institution must maintain records to prove the receipt of program funds by the student or the crediting of such funds to the student's account. In addition, a fiscal management system, as described in the Federal Student Aid Handbook⁴, includes procedures for disbursing funds, accounting for funds and financial activities, keeping accurate and auditable records including providing accounting records that are supported by audit trail documentation, and monthly reconciliation of individual student awards as recorded in the financial aid, business office, student account, and federal systems.

The financial management system at TVCC failed to provide adequate accounting for funds and financial activities on a student-by-student basis for two of three years and failed to keep accurate and auditable records. TVCC was not able to provide complete accounting records supported by audit trail documentation. In addition, TVCC has not completed monthly reconciliations.

Recommendation:

Develop policies and procedures to ensure that the school's financial management system provides effective control over and accountability for all funds received. The financial management system should comply with the recommendations of the Federal Student Aid Handbook regarding financial management. The financial management system should include accounting for funds and financial activity, keep accurate and auditable records, provide accounting records supported by audit trail documentation, and provide monthly reconciliation of individual student awards as recorded in the financial aid, business office, student account, and federal and state systems.

⁴ See, for example, 2016-17 Federal Student Aid Handbook, Appendix B, page 4-185.

Management Response:

Corrective action and date for completion:

Reconciliation procedures have been strengthened and implemented, see Exhibit E. Additional reconciliation controls will be implemented effective with September 2018 accounting as indicated in Exhibit E.

As previously noted, TVCC is in the process of replacing its existing antiquated student information ERP software which requires significant manual intervention with the Colleague system. Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and timely three-way reconciliation between the TVCC financial aid database, the TVCC general ledger, and the THECB FADS report. Accounting Services and Financial Aid will evaluate Federal Student Aid Handbook recommendations and coordinate implementation of the handbook's recommendations with Colleague implementation.

TVCC respectfully requests that THECB implement additional TEOG grant controls to assist institutions in detecting FADS errors during each reporting cycle by comparing the amounts reported to THECB in FADS to the amounts reported to THECB in the student-by-student certification process noted in Exhibits A and B.

Responsible parties:

VP Student Services, Dr. Kinzer; AVP Enrollment Management, Dr. Colette Hilliard; Financial Aid staff; VP Administrative Services & CFO, Jean McSpadden; Director of Accounting Services & Controller, Courtney Walker; and Accounting Services staff

5. Internal controls and risk management policies need further development, including implementing federal Green Book internal control standards or a suitable alternative framework.

Internal controls and risk management policies need further development, including implementing federal Green Book internal control standards or a suitable alternative framework. Review of various TVCC departmental policies and procedures indicate that internal control and risk management standards have not been fully implemented or, where implemented, have not been adequately followed. In addition, federal grant rules strongly suggest the implementation of internal controls as described in "Standards for Internal Control in the Federal Government," commonly referred to as the "Green Book". (See 2 CFR §200.303⁵).

⁵ 2 CFR §200.303 Internal Controls. The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government"

Furthermore, review of the TVCC financial aid department, as well as other departments, identified several issues that correlate to weaknesses in implementation of internal control, such as inadequate identification of key risks, inadequate controls to manage risks, inadequate documentation of TVCC policies, and inadequate monitoring or oversight of internal controls. References to internal control weaknesses as identified in the Green Book are included after the relevant recommendations.

Recommendation:

Develop policies and procedures to ensure that internal controls and risk management policy are effective, including implementing internal control standards that align with federal Green Book standards or a suitable alternative framework.

- a. Management should document in policies the internal control responsibilities of the institution. Specifically, management should adopt the "Standards for Internal Control in the Federal Government," or an alternative framework commonly referred to as the "Green Book" as institution policy. (Green Book 12.02).
- b. Management should hold institution personnel accountable for performing their assigned internal control responsibilities. (Green Book 5.03). Assigned internal control responsibilities should include the following for areas of responsibility:
 1. Identification, analysis, and response to risks related to achieving institution, division, and program objectives. (Green Book 7.01).
 2. Design of appropriate controls to achieve objectives and respond to risks. (Green Book 10.01).
 3. Providing appropriate segregation of duties in designing control responsibilities so that incompatible duties are segregated. (Green Book 10.12).
 4. Management should implement control activities through policies. (Green Book 12.01).
 5. Establishment and operation of monitoring activities to monitor the internal control system and evaluate results. (Green Book 16.01).

issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management Response:

Corrective action, date for completion and responsible parties:

Through the following personnel, organizational, operational, and technology changes, TVCC has addressed or is in the process of addressing internal control and risk management concerns. These actions were reported to and discussed with the TVCC board of trustees at the August 15, 2018 board meeting. TVCC staff, administration, and trustees fully support the actions taken to date, and are committed to implementing future actions. An implementation plan and schedule will be developed after further evaluation of specific needs and prioritization by administration.

FINANCIAL AID DEPARTMENT PERSONNEL CHANGES

- Director was immediately put on administrative leave then terminated as a result of internal and external investigations prompted by TVCC accounting services personnel discovering apparent improper awards by the director.
- Other Financial Aid staff on all campuses were investigated including a review of financial aid transactions processed by each staff member since 2010.
- Evidence suggesting inappropriate actions was reviewed resulting in resignation of a Pell Specialist and the Veterans Specialist, and initiation of Performance Improvement Plans for other staff members as appropriate.
- The Lead Specialist position has been filled with a new qualified employee with fourteen years' experience as a financial aid director at a private Texas college. She was selected from a large competitive applicant pool of twenty-four by a selection committee including Dr. Kinzer and Dr. Hilliard. The committee thoroughly vetted the applications and interviewed the leading candidates.
- The Lead Specialist is currently serving as Acting Director.
- The Lead Specialist will cross train extensively and work closely with the Director when the director position is filled, ensuring that both positions have full knowledge of all aspects of financial aid processing, are both involved in state and federal training, and that both receive official email communications from DoE, THECB, Veteran's Administration, and similar regulatory bodies.
- The Veterans/Pell Specialist position has been filled with a new qualified employee with twenty years of financial aid experience in Texas public college and university environments.

- Additional staffing needs are currently being evaluated by Dr. Kinzer and Dr. Hilliard.

ORGANIZATIONAL CHANGES

In order to establish additional hands-on oversight of departmental operations, Dr. Kinzer placed the Financial Aid department under the supervision of Dr. Hilliard, Associate VP of Enrollment Management, who reports to Dr. Kinzer. Dr. Hilliard has been meeting on a daily basis with the financial aid employees. Additional organizational changes are currently being evaluated by Dr. Kinzer and Dr. Hilliard.

OPERATIONAL CHANGES

- Numerous operational changes have been implemented to strengthen internal control processes related to financial aid awarding, processing, disbursement and reconciliation, including but not limited to:
 - modifying (restricting or expanding as appropriate) computer login and application access to specified staff members,
 - expanding official college contact information with THECB and DoE to include all appropriate personnel vs. limited to the Director,
 - revising procedures for awarding, processing and disbursing financial aid of all types both within Financial Aid and across all involved college departments,
 - establishing a specific award order to ensure correct TEOG matching and significantly reducing the possibility of over awarding TEOG and TPEG,
 - requiring additional financial aid training for all financial aid employees,
 - additional training for accounting services employees responsible for reconciling financial aid disbursements to the financial aid award system and the general ledger
 - creating a Financial Aid policy and procedures manual, revising as needed, directed staff to utilize it in their daily job activities
 - establishing new general ledger accounts that mirror the THECB Financial Aid Database System (FADS) structure and provide more granularity for TEOG reconciliation
- Additional changes currently in progress are as follows:
 - identifying risks related to achieving the Financial Aid department's objectives and designing appropriate controls to respond to those risks,
 - conducting detailed process reviews and discussions between Financial Aid and Accounting Services staff members on a regular basis
 - working to implement more timely reconciliations between the TVCC Financial Aid system, FADS, and the TVCC general ledger. Colleague implementation will significantly enhance and greatly assist staff in accomplishing this objective.
 - performing and documenting reconciliations between the above data sources more often.

- Areas needing attention and more work include:
 - designing more extensive internal controls and risk management policies including implementation of internal control standards that align with Federal Control Standards or a suitable alternative framework.
 - developing a more extensive policy and procedures manual with software available from the National Association of Student Financial Aid Administrators (NASFAA) that includes all federal guidelines. There is no additional cost for software to TVCC as a NASFA member.

TECHNOLOGY CHANGES

One of the most significant changes impacting future financial aid processing is the implementation of the new Ellucian Colleague ERP system. This new system will transform the college's financial aid award and disbursement processing controls. Currently every student's financial aid package is processed manually. Disbursement control and reconciliation between the financial aid system and the general ledger is manual as well. These manual processes allow opportunity for human error or human manipulation. Once the new ERP system is implemented the large majority of the aid packaging process will be automated. Additionally, the Colleague software fully integrates the award and disbursement processes, significantly improving disbursement control.

Colleague is designed to use federal and state rules/regulations to determine each student's eligibility and then apply appropriate financial aid. The TVCC Financial Aid ERP team is currently working with Ellucian consultants to write rules and establish criteria that will become the foundation of aid processing, enabling the college to use the software itself as an internal control and to minimize the opportunity for human error or human manipulation in addition to the personnel, organizational, and operational changes discussed above.

PERFORMED BY:

Mr. Paul Maeyaert, Auditor, JD, MBA, CIA, CGAP (Lead Auditor)
Ms. Michelle Koog, CISA, Internal Auditor
Ms. Carol Conner, 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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Mr. William Franz, General Counsel
Mr. Ken Martin, Assistant Commissioner for Financial Services and Chief Financial
Officer

Student Financial Aid Programs

Dr. Charles Puls, Deputy Assistant Commissioner

Trinity Valley Community College

Mr. Ray Raymond, President, Board of Trustees
Dr. Jay Kinzer, VP of Student Services
Ms. Jean McSpadden, VP of Administrative Services & CFO
Dr. Colette Hilliard, Associate VP of Enrollment Management
Ms. Courtney Walker, Director of Accounting Services & Controller

Texas Association of Community Colleges

Mr. Jacob Fraire, President and CEO

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Internal Audit Coordinator

Sunset Advisory Commission

Mr. Ken Levine, Director

Endnotes of Selected Statutes and Rules

ⁱ Texas Administrative Code Title 19, Part 1, §22.260(b)

(4) An approved institution may not charge a person receiving a Texas Educational Opportunity Grant through that institution, an amount of tuition and required fees in excess of the amount of the Texas Educational Opportunity Grant award received by the person. Nor may it deny admission to or enrollment in the institution based on a person's eligibility to receive or actual receipt of a Texas Educational Opportunity Grant award. If an institution's tuition and fee charges exceed the Texas Educational Opportunity Grant award amount, it may address the shortfall in one of two ways:

(A) It may use other available sources of financial aid, other than a loan or Pell grant to cover any difference in the amount of a Texas Educational Opportunity Grant award and the student's actual amount of tuition and required fees at the institution; or

(B) it may waive the excess charges for the student. However, if a waiver is used, the institution may not report the recipient's tuition and fees in a way that would increase the general revenue appropriations to the institution.

ⁱⁱ Texas Education Code Title 3, Subtitle A, §56.407(f) An eligible institution may not:

(1) charge a person attending the institution who also receives a grant under this subchapter an amount of tuition and required fees in excess of the amount of the grant under this subchapter received by the person; or

(2) deny admission to or enrollment in the institution based on a person's eligibility to receive a grant under this subchapter or a person's receipt of a grant under this subchapter.

TEC §56.407(g) An institution may use other available sources of financial aid, other than a loan or a Pell grant, to cover any difference in the amount of a grant under this subchapter and the actual amount of tuition and required fees at the institution.

ⁱⁱⁱ TEC §56.404. INITIAL ELIGIBILITY FOR GRANT.

(a) To be eligible initially for a grant under the grant program, a person must:

- (1) be a resident of this state as determined by coordinating board rules;
- (2) meet financial need requirements as defined by the coordinating board;
- (3) be enrolled in an associate degree or certificate program at an eligible

institution;

(4) be enrolled as an entering student for at least one-half of a full course load for an entering student in the associate degree or certificate program, as determined by the coordinating board;

(5) have applied for any available financial aid or assistance; and

(6) comply with any additional nonacademic requirement adopted by the coordinating board under this subchapter.

(b) A person is not eligible to receive a grant under this subchapter if the person has been convicted of a felony or an offense under Chapter 481, Health and Safety Code (Texas Controlled Substances Act), or under the law of another jurisdiction involving a controlled substance as defined by Chapter 481, Health and Safety Code, unless the person has met the other applicable eligibility requirements under this subchapter and has:

(1) received a certificate of discharge by the Texas Department of Criminal Justice or a correctional facility or completed a period of probation ordered by a court and at least two years have elapsed from the date of the receipt or completion; or

-
- (2) been pardoned, had the record of the offense expunged from the person's record, or otherwise been released from the resulting ineligibility to receive a grant under this subchapter.
 - (c) A person is not eligible to receive a grant under this subchapter if the person has been granted an associate or baccalaureate degree.
 - (d) A person may not receive a grant under this subchapter for more than 75 semester credit hours or the equivalent.
 - (e) A person may not receive a grant under this subchapter and a TEXAS grant under Subchapter M for the same semester or other term, regardless of whether the person is otherwise eligible for both grants during that semester or term. A person who but for this subsection would be awarded both a grant under this subchapter and a TEXAS grant for the same semester or other term is entitled to receive only the grant of the greater amount.
 - (f) A person's eligibility for a grant under this subchapter ends on the fourth anniversary of the initial award of a grant under this subchapter to the person and the person's enrollment in an eligible institution.

iv TEC §56.405. CONTINUING ELIGIBILITY AND ACADEMIC PERFORMANCE REQUIREMENTS.

- (a) After initially qualifying for a grant under this subchapter, a person may continue to receive a grant under this subchapter during each semester or term in which the person is enrolled at an eligible institution only if the person:
 - (1) meets financial need requirements as defined by the coordinating board;
 - (2) is enrolled in an associate degree or certificate program at an eligible institution;
 - (3) is enrolled for at least one-half of a full course load for a student in an associate degree or certificate program, as determined by the coordinating board;
 - (4) makes satisfactory academic progress toward an associate degree or certificate;and
 - (5) complies with any additional nonacademic requirement adopted by the coordinating board.
- (b) A person is not eligible to continue to receive a grant under this section if the person has been convicted of a felony or an offense under Chapter 481, Health and Safety Code (Texas Controlled Substances Act), or under the law of another jurisdiction involving a controlled substance as defined by Chapter 481, Health and Safety Code, unless the person has met the other applicable eligibility requirements under this subchapter and has:
 - (1) received a certificate of discharge by the Texas Department of Criminal Justice or a correctional facility or completed a period of probation ordered by a court and at least two years have elapsed from the date of the receipt or completion; or
 - (2) been pardoned, had the record of the offense expunged from the person's record, or otherwise been released from the resulting ineligibility to receive a grant under this subchapter.
- (c) If a person fails to meet any of the requirements of Subsection (a) after the completion of any semester or term, the person may not receive a grant under this subchapter during the next semester or term in which the person enrolls. A person may become eligible to receive a grant under this subchapter in a subsequent semester or term if the person:
 - (1) completes a semester or term during which the student is not eligible for a scholarship; and
 - (2) meets all the requirements of Subsection (a).
- (d) For the purpose of this section, a person makes satisfactory academic progress toward an associate degree or certificate only if:
 - (1) in the person's first academic year the person meets the satisfactory academic progress requirements of the institution at which the person is enrolled; and
 - (2) in a subsequent academic year, the person:

(A) completes at least 75 percent of the semester credit hours attempted in the student's most recent academic year; and

(B) has earned an overall grade point average of at least 2.5 on a four-point scale or the equivalent on course work previously attempted at institutions of higher education.

(e) A person who is eligible to receive a grant under this subchapter continues to remain eligible to receive the grant if the person enrolls in or transfers to another eligible institution.

(f) The coordinating board shall adopt rules to allow a person who is otherwise eligible to receive a grant under this subchapter, in the event of a hardship or for other good cause shown, including a showing of a severe illness or other debilitating condition that may affect the person's academic performance or that the person is responsible for the care of a sick, injured, or needy person and that the person's provision of care may affect the person's academic performance, to receive a grant under this subchapter:

(1) while enrolled in a number of semester credit hours that is less than the number of semester credit hours required under Subsection (a)(3); or

(2) if the student's grade point average or completion rate falls below the satisfactory academic progress requirements of Subsection (d).

✓ TAC §22.256

(a) To receive an initial award through the Texas Educational Opportunity Grant Program, a student must:

(1) be a resident of Texas;

(2) show financial need;

(3) have applied for any available financial aid assistance;

(4) be enrolled as an entering student on at least a half-time basis in an associate's degree or certificate program at an eligible institution;

(5) not be concurrently receiving a TEXAS Grant;

(6) not have been granted an associate's or baccalaureate degree; and

(7) have a statement on file with the institution of higher education indicating the student is registered with the Selective Service System as required by federal law or is exempt from Selective Service registration under federal law.

(8) In determining initial student eligibility for Texas Educational Opportunity grant awards pursuant to subsections (a), (b) and (c) of this section, priority shall be given to those students who have an expected family contribution that does not exceed the lesser of the limit set by the Board for the relevant fiscal year or 60 percent of the average statewide amount of tuition and fees for general academic teaching institutions for the relevant academic year.

(b) To receive a continuation award through the Texas Educational Opportunity Grant Program, a student must:

(1) have previously received an initial award through this program;

(2) show financial need;

(3) be enrolled on at least a half-time basis;

(4) be enrolled in an associate's degree or certificate program at an eligible institution;

(5) not have been granted an associate or baccalaureate degree;

(6) not be concurrently receiving a TEXAS Grant;

(7) have a statement on file with the institution of higher education indicating the student is registered with the Selective Service System as required by federal law or is exempt from Selective Service registration under federal law; and

(8) make satisfactory academic progress towards an associate degree or certificate, which requires:

(A) for persons receiving their first awards prior to fall semester, 2005,

completion of at least 75% of the hours attempted in the student's most recent academic year, and maintenance of an overall grade point average of at least 2.5 on a four point scale or its equivalent.

(B) for persons receiving their first awards for fall 2005 or later:

(i) compliance with the academic progress requirements of the institution as of the end of the first academic year; and

(ii) in subsequent academic years, completion of at least 75% of the hours attempted in the student's most recent academic year, and maintenance of an overall grade point average of at least 2.5 on a four point scale or its equivalent.

(C) The completion rate calculations may be made in keeping with institutional policies.

(D) Grade point average calculations may be made in keeping with institutional policies except that if a grant recipient's grade point average falls below program requirements and the student transfers to another institution, the receiving institution cannot make a continuation award to the transfer student until he/she provides official transcripts of previous coursework to the new institution's financial aid office and that office re-calculates an overall grade point average, including hours and grade points for courses taken at the old and new institutions that proves the student's overall grade point average now meets or exceeds program requirements.

(c) Discontinuation of Eligibility or Non-Eligibility.

(1) A student may not receive a Texas Educational Opportunity Grant for more than 75 semester credit hours or its equivalent. Beginning with awards for the 2015-2016 academic year, a student's eligibility for a Texas Educational Opportunity Grant ends once he or she has attempted 75 semester credit hours or the equivalent unless the student is granted a hardship extension in accordance with §22.257(b) of this chapter.

(2) A student's eligibility for a Texas Educational Opportunity Grant award ends four years from the start of the semester or term in which the student received his or her initial award.

(3) A person is not eligible to receive an initial or continuation Texas Educational Opportunity Grant award if the person has been convicted of a felony or an offense under Chapter 481, Health and Safety Code (Texas Controlled Substances Act), or under the law of any other jurisdiction involving a controlled substance as defined by Chapter 481, Health and Safety Code, unless the person has met the other applicable eligibility requirements under this subchapter and has:

(A) received a certificate of discharge by the Texas Department of Criminal Justice or a correctional facility or completed a period of probation ordered by a court, and at least two years have elapsed from the date of the receipt or completion; or

(B) been pardoned, had the record of the offense expunged from the person's record, or otherwise been released from the resulting ineligibility to receive a grant.

(4) Unless granted a hardship extension in accordance with §22.257 of this title (relating to Hardship Provisions), if a person fails to meet any of the requirements for receiving a continuation award as outlined in subsection (b) of this section after completion of any year, the person may not receive a Texas Educational Opportunity Grant award until he or she completes courses while not receiving a Texas Educational Opportunity Grant and meets all the requirements of subsection (b) of this section as of the end of that period of enrollment.

^{vi} TAC §1.3 To enable the Board to comply with requirements of the legislature concerning the collection of data, each public junior and senior institution of higher education shall submit such reports to the Board as may be prescribed by the Educational Data Reporting System.

^{vii} TAC §22.255(c)(3) Reporting Requirements/Deadlines. All institutions must meet Board reporting requirements in a timely fashion. Such reporting requirements shall include reports specific to allocation and reallocation of grant funds (including the Financial Aid Database Report) as well as progress and year-end reports of program activities.

^{viii} TAC §22.255(c)(2)(A) Documentation. The institution must maintain records to prove the receipt of program funds by the student or the crediting of such funds to the student's school account.

EXHIBIT A

From: TEOG@theccb.state.tx.us [<mailto:TEOG@theccb.state.tx.us>]

Sent: Thursday, July 28, 2016 10:57 AM

To: Evilsizer, Jennifer <jevilsizer@tvcc.edu>

Cc: TEOG@theccb.state.tx.us

Subject: PROD--FICE Code 003572 Academic Year 2015-2016 TEOG Data Certification -- Congratulations!
Your data had no errors!

TEOG STUDENT-BY-STUDENT DATA CERTIFICATION

CONGRATULATIONS! Your End-of-Year Report did not have any errors.

-----	Number of Students Awarded	Funds Awarded
Initial	205	\$348508
Renewal	104	\$162902
Grand Total	309	\$511410
-Disbursed-	----	\$511410

By replying to this e-mail, I hereby certify that the figures in the table accurately reflect the TEOG Program totals for academic year 2015-2016.

Fice Code: 003572

Institution: TRINITY VALLEY COMM COLLEGE

Certifying Official

Name: [Jennifer Evilsizer](#)

Title: [Director, Student Financial Aid](#)

Phone Number: (903) 675-6387

Email: jevilsizer@tvcc.edu

Please submit this completed form **ASAP** by e-mail to TEOG@theccb.state.tx.us. Institutions are not considered certified until all refunds are received and the signed certification statement is collected.

EXHIBIT B

From: TEOG@theccb.state.tx.us [mailto:TEOG@theccb.state.tx.us]

Sent: Wednesday, July 12, 2017 9:27 AM

To: TXG-mail@tvcc.edu

Cc: TEOG <TEOG@THECB.state.tx.us>

Subject: PROD--FICE Code 003572 Academic Year 2016-2017 TEOG Data Certification -- Congratulations! Your data had no errors!

TEOG STUDENT-BY-STUDENT DATA CERTIFICATION

CONGRATULATIONS! Your End-of-Year Report did not have any errors.

-----	Number of Students Awarded	Funds Awarded
Initial	158	\$314300
Renewal	90	\$178909
Grand Total	248	\$493209
-Disbursed-	----	\$493209

By replying to this e-mail, I hereby certify that the figures in the table accurately reflect the TEOG Program totals for academic year 2016-2017.

Fice Code: 003572

Institution: TRINITY VALLEY COMM COLLEGE

Certifying Official

&nb sp; Name:

Title:

Phone Number:

Email:

Please submit this completed form **ASAP** by e-mail to TEOG@theccb.state.tx.us. Institutions are not considered certified until all refunds are received and the signed certification statement is collected.

EXHIBIT C

Trinity Valley Community College

Financial Aid Procedures Non-Federal Funds

Fall 2018 to Summer 2 2019

Overview

The Financial Aid Procedures for Non-Federal Funds is a guide for financial aid staff to allocate and award nonfederal funds to students. The procedures also provide daily, weekly and monthly processes for financial aid and accounting services staff to follow in regards to financial aid non-federal funds. As procedures change, the appropriate staff will update the guide.

Payout Order of Financial Aid Funds

Federal, State and Local

1. TEOG
2. Scholarships
3. TPEG
4. SEOG
5. PELL
6. Federal Student Loans

TEOG Procedures

Returning Year (RY) Awards

1. At close of a spring semester, after grades are posted, the Financial Aid Director will request an Excel spreadsheet of students who received TEOG funds. Submit the request to Administrative Computing via a Service Now ticket.
2. Once the spreadsheet is received from Administrative Computing, the Financial Aid Director or designee will create and label columns:
 - a. Graduated
 - b. Met Satisfactory Academic Progress (SAP)
 - c. Total number of hours earned
 - d. Tuition status
 - e. Estimated Financial Contribution (EFC) for the next financial aid year
3. Then, populate the fields based on the following criteria:
 - a. Graduation field should be populated with a C or A for certificate or associates degree.

- b. SAP field should be populated with cumulative GPA

ACADEMIC YEAR	SATISFACTORY ACADEMIC PROGRESS (SAP) REQUIREMENTS	
END OF 1 ST ACADEMIC YEAR	Institutional SAP policy	
END OF 2ND ACADEMIC YEAR OR LATER	75% completion rate in the most recent academic year	2.5 cumulative GPA on a 4-point scale

- c. Total hours earned includes all hours earned, including transfer.
 - d. EFC is the number from Institutional Student Information Record (ISIR) for the next financial aid year
 - e. Tuition status from AS400
4. All students who graduated with an associate's degree will be dropped from the list as not eligible.
 5. All students who have earned more than 75 semester hours will be dropped from the list as not eligible.
 6. All students who did not meet SAP will be notified of the chance to appeal if they meet the hardship policy requirements.
 7. The remaining students are the only students who are still eligible.
 8. All students meeting the requirements will have TEOG calculated on their current enrollment or on 15 hours.
 9. If already enrolled, you will need to lock number of hours with the number of hours enrolled in. See the table below, as it will need to be updated with the current year guidelines for each fall semester and again in the spring semester if tuition and fees increase.
 10. Once awards for returners have been entered:
 11. Run the awards for this department to determine the amount allocated.
 12. Subtract this amount from the fall dollars allocated.
 13. This amount will determine the amount that can be spent on new TEOG eligible students.
 14. The financial aid award number for Initial Year is 4410-095.

Table for 18-19 TEOG awards

Semester Hours	Indistrict	TEOG	Amount of scholarship or TPEG required	Out of District Palestine	TEOG	Amount of scholarship or TPEG required	Out of District	TEOG	Amount of scholarship or TPEG required
1	\$ 166.00	NA	NA	\$ 188.00	NA	NA	\$ 242.00	NA	NA
2	\$ 215.00	NA	NA	\$ 259.00	NA	NA	\$ 367.00	NA	NA
3	\$ 264.00	NA	NA	\$ 330.00	NA	NA	\$ 492.00	NA	NA
4	\$ 352.00	NA	NA	\$ 440.00	NA	NA	\$ 656.00	NA	NA
5	\$ 440.00	NA	NA	\$ 550.00	NA	NA	\$ 820.00	NA	NA
6	\$ 528.00	\$ 788.00	\$ -	\$ 660.00	\$ 788.00	\$ -	\$ 984.00	\$ 788.00	\$ 196.00
7	\$ 616.00	\$ 788.00	\$ -	\$ 770.00	\$ 788.00	\$ -	\$ 1,148.00	\$ 788.00	\$ 360.00
8	\$ 704.00	\$ 788.00	\$ -	\$ 880.00	\$ 788.00	\$ -	\$ 1,312.00	\$ 788.00	\$ 524.00
9	\$ 792.00	\$1,181.00	\$ -	\$ 990.00	\$ 1,181.00	\$ -	\$ 1,476.00	\$ 1,181.00	\$ 295.00
10	\$ 880.00	\$1,181.00	\$ -	\$1,100.00	\$ 1,181.00	\$ -	\$ 1,640.00	\$ 1,181.00	\$ 459.00
11	\$ 968.00	\$1,181.00	\$ -	\$1,210.00	\$ 1,181.00	\$ -	\$ 1,804.00	\$ 1,181.00	\$ 623.00
12	\$1,056.00	\$1,575.00	\$ -	\$1,320.00	\$ 1,575.00	\$ -	\$ 1,968.00	\$ 1,575.00	\$ 393.00
13	\$1,144.00	\$1,575.00	\$ -	\$1,430.00	\$ 1,575.00	\$ -	\$ 2,132.00	\$ 1,575.00	\$ 557.00
14	\$1,232.00	\$1,575.00	\$ -	\$1,540.00	\$ 1,575.00	\$ -	\$ 2,231.00	\$ 1,575.00	\$ 656.00
15	\$1,320.00	\$1,575.00	\$ -	\$1,650.00	\$ 1,575.00	\$ 75.00	\$ 2,319.00	\$ 1,575.00	\$ 744.00
16	\$1,408.00	\$1,575.00	\$ -	\$1,760.00	\$ 1,575.00	\$ 185.00	\$ 2,407.00	\$ 1,575.00	\$ 832.00
17	\$1,496.00	\$1,575.00	\$ -	\$1,870.00	\$ 1,575.00	\$ 295.00	\$ 2,495.00	\$ 1,575.00	\$ 920.00
18	\$1,584.00	\$1,575.00	\$ 9.00	\$1,980.00	\$ 1,575.00	\$ 405.00	\$ 2,583.00	\$ 1,575.00	\$ 1,008.00
19	\$1,672.00	\$1,575.00	\$ 97.00	\$2,090.00	\$ 1,575.00	\$ 515.00	\$ 2,671.00	\$ 1,575.00	\$ 1,096.00
20	\$1,760.00	\$1,575.00	\$ 185.00	\$2,200.00	\$ 1,575.00	\$ 625.00	\$ 2,759.00	\$ 1,575.00	\$ 1,184.00
21	\$1,818.00	\$1,575.00	\$ 243.00	\$2,280.00	\$ 1,575.00	\$ 705.00	\$ 2,817.00	\$ 1,575.00	\$ 1,242.00
22	\$1,857.00	\$1,575.00	\$ 282.00	\$2,341.00	\$ 1,575.00	\$ 766.00	\$ 2,856.00	\$ 1,575.00	\$ 1,281.00

This chart is a beginning look and lab and internet fees will be added to the tuition and fee amount.

Initial (IY) Year Awards

After RY awards are determined, if funds are available, determine IY awards in the following way:

1. Query the ISIRs for the next year for the students who applied for financial aid from opening to March 15th.
2. Place these students in Excel. Create and label the columns with the following:
 - a. Total number of semester hours earned after high school
 - b. Total number of transfer hours earned after high school.
 - c. EFC for the next financial aid year
 - d. Tuition status
3. Enter the semester hours earned after graduating high school and number of transfer hours completed after high school graduation.
4. Mark all students with more than 30 combined semester credit hours.
5. If a student has an ISIR but has no residency status, this student needs to be sent an email to apply for admission to the College.
6. Sort students by EFC.
7. Mark students with high EFC as not eligible.
8. Take the lowest EFC and award money until the money available is gone.
9. All students meeting the requirements will have TEOG calculated on their current enrollment or on 15 hours.

- a. If already enrolled you need to lock number of hours with the number of hours enrolled in.
10. See the table below for allocation amounts.
 - a. Table will need to be updated with the current year guidelines for each fall semester and spring semester if tuition and fees increase.
11. Once amounts for new awards have been entered, run the awards for this department to determine the amount allocated.
12. Subtract this amount from the fall dollars allocated, and that will determine the amount of TEOG that is left to be awarded to eligible students.
13. If money is still available, then follow the above procedure for ISIRs from March 15 to May 31.
14. A date-applied column will need to be added to the Excel spreadsheet so awards may be made based on date and need; because money is available on a first come first serve basis.
15. The financial aid award number for Initial Year is 4410-091.

Table for 18-19 TEOG awards

Semester Hours	Indistrict	TEOG	Amount of scholarship or TPEG required	Out of District Palestine	TEOG	Amount of scholarship or TPEG required	Out of District	TEOG	Amount of scholarship or TPEG required
1	\$ 166.00	NA	NA	\$ 188.00	NA	NA	\$ 242.00	NA	NA
2	\$ 215.00	NA	NA	\$ 259.00	NA	NA	\$ 367.00	NA	NA
3	\$ 264.00	NA	NA	\$ 330.00	NA	NA	\$ 492.00	NA	NA
4	\$ 352.00	NA	NA	\$ 440.00	NA	NA	\$ 656.00	NA	NA
5	\$ 440.00	NA	NA	\$ 550.00	NA	NA	\$ 820.00	NA	NA
6	\$ 528.00	\$ 787.50	\$ -	\$ 660.00	\$ 787.50	\$ -	\$ 984.00	\$ 787.50	\$ 196.50
7	\$ 616.00	\$ 787.50	\$ -	\$ 770.00	\$ 787.50	\$ -	\$ 1,148.00	\$ 787.50	\$ 360.50
8	\$ 704.00	\$ 787.50	\$ -	\$ 880.00	\$ 787.50	\$ -	\$ 1,312.00	\$ 787.50	\$ 524.50
9	\$ 792.00	\$1,181.50	\$ -	\$ 990.00	\$ 1,181.50	\$ -	\$ 1,476.00	\$ 1,181.50	\$ 294.50
10	\$ 880.00	\$1,181.50	\$ -	\$1,100.00	\$ 1,181.50	\$ -	\$ 1,640.00	\$ 1,181.50	\$ 458.50
11	\$ 968.00	\$1,181.50	\$ -	\$1,210.00	\$ 1,181.50	\$ -	\$ 1,804.00	\$ 1,181.50	\$ 622.50
12	\$1,056.00	\$1,575.00	\$ -	\$1,320.00	\$ 1,575.00	\$ -	\$ 1,968.00	\$ 1,575.00	\$ 393.00
13	\$1,144.00	\$1,575.00	\$ -	\$1,430.00	\$ 1,575.00	\$ -	\$ 2,132.00	\$ 1,575.00	\$ 557.00
14	\$1,232.00	\$1,575.00	\$ -	\$1,540.00	\$ 1,575.00	\$ -	\$ 2,231.00	\$ 1,575.00	\$ 656.00
15	\$1,320.00	\$1,575.00	\$ -	\$1,650.00	\$ 1,575.00	\$ 75.00	\$ 2,319.00	\$ 1,575.00	\$ 744.00
16	\$1,408.00	\$1,575.00	\$ -	\$1,760.00	\$ 1,575.00	\$ 185.00	\$ 2,407.00	\$ 1,575.00	\$ 832.00
17	\$1,496.00	\$1,575.00	\$ -	\$1,870.00	\$ 1,575.00	\$ 295.00	\$ 2,495.00	\$ 1,575.00	\$ 920.00
18	\$1,584.00	\$1,575.00	\$ 9.00	\$1,980.00	\$ 1,575.00	\$ 405.00	\$ 2,583.00	\$ 1,575.00	\$ 1,008.00
19	\$1,672.00	\$1,575.00	\$ 97.00	\$2,090.00	\$ 1,575.00	\$ 515.00	\$ 2,671.00	\$ 1,575.00	\$ 1,096.00
20	\$1,760.00	\$1,575.00	\$ 185.00	\$2,200.00	\$ 1,575.00	\$ 625.00	\$ 2,759.00	\$ 1,575.00	\$ 1,184.00
21	\$1,818.00	\$1,575.00	\$ 243.00	\$2,280.00	\$ 1,575.00	\$ 705.00	\$ 2,817.00	\$ 1,575.00	\$ 1,242.00
22	\$1,857.00	\$1,575.00	\$ 282.00	\$2,341.00	\$ 1,575.00	\$ 766.00	\$ 2,856.00	\$ 1,575.00	\$ 1,281.00

This chart is a beginning look and lab and internet fees will be added to the tuition and fee amount.

Hardship Policy and Procedure for TEOG

If a student receiving TEOG fails to maintain SAP, the student may appeal based on hardship. The student will be notified if they did not meet SAP and may appeal. If a student appeals, they will need to submit the following information and meet with the Financial Aid Appeals Committee prior to the semester beginning.

Submission includes:

1. Written statement of what happened and circumstance in their life that caused issue.
2. Provide documented proof of hardship.

The committee will review the information provided by the student. Based on the review and information provided a determination will be made whether the student is eligible to continue receiving TEOG. All documents and the official decision will be placed in the student's electronic financial aid file so that the information can be submitted on request to the THECB.

TASFA Procedures

1. Collect TASFA application and all required documentation.
2. Check to make sure the student has applied for admission.
3. Check student tuition status. This status must be an “A”—in district, “B”—out of district, or a “C” out of district Palestine. If the student's tuition status is anything other than A, B, or C please contact Tammy Denney to review the student records.
4. If the student has not registered, send them to advising to register.
5. If all TEOG requirements are met, then award the student TEOG based on enrollment and lock hours to match current registration.
6. Then award \$750 in TPEG.

TPEG Procedures

1. TPEG budget allocations are determined by the Director of Accounting Services in the college-operating budget. Budget funds are allocated for use in financial aid, TDCJ and continuing education.
2. Allocations of monies by student is determined by the following:
 - TDCJ—College personnel
 - Continuing Education—The Dean of this area and Director of Financial Aid
 - Financial Aid—the Director of Financial Aid or the Lead Specialist of Financial Aid.
3. The Director or Lead Specialist of Financial Aid are the only authorized college personnel to award TPEG to credit students. Credit students are those considered regular students or out of district students for tuition and fee purposes.
4. No TPEG funds will be awarded to either financial aid employees or a relative of a financial aid employee without the authorization of the Vice President of Student Services.
5. The maximum allocation of TPEG to any student is \$750; unless approved by the Vice President of Student Services.
 - a. The only exception is if TPEG funds are required to match TEOG funds awarded.
6. Allowable expenses for TPEG awards is tuition, fees, and bookstore charges. TPEG awards may never be paid directly to the student.
7. The awarding of TPEG is on a first come basis; determined by the funds allocated for each semester in the college budget.
8. Before TPEG is awarded, the following criteria must be met:
 - a. Student must have documents on file with financial aid showing financial need
 - b. Student must not be on scholastic probation
 - c. Student must not be on financial aid suspension.
 - d. Student must not be on disciplinary probation
 - e. Student cannot be in default of any student loans.
9. The Vice President of Student Services or his /her designee, (the designee cannot be the Director or Lead Specialist of Financial Aid) must review the financial aid pay out. This includes all financial aid runs and semester payouts.

Prior to Census Day (Review before Payout)

1. The first day of class, print the financial aid award report for TEOG and TPEG.
2. The students must be verified for enrollment.
3. If a student is not enrolled then their allocations must be deleted.
4. By the third day of class, the following must be sent to athletics for verification of Letter of Intent (LOIs):
 - a. Scholarship list of all sports
 - b. TEOG list
 - c. TPEG list

Athletics must review and return the above reports to the Financial Aid Director by the 5th class day. The financial aid office will verify LOIs and update to include TEOG and TPEG awards, as applicable.

5. On the fifth class day of the semester, the following must occur:
 - a. A list of TEOG and TPEG awards for tuition and fees be sent to Accounting Services, Senior Accountant - Grants for review of dollars allocated. If amounts are not within the TPEG award allocations the Senior Accountant - Grants will contact the Financial Aid Director or Lead Specialist via email to inform them of the discrepancy.
 - b. A list of all TEOG student awards will be printed and reviewed by financial aid staff for the following:
 - i. Amount awarded based on number of hours;
 - ii. the order in which aid should be distributed,
 - iii. Changes needed for match of funds.
 - c. Any corrections should be given to the Director of Financial Aid for approval.
 - d. A list of all TEOG students should be printed and given to the Associate Vice President of Enrollment Management to be reviewed for accuracy and total dollars awarded.
6. All corrections or changes for TEOG will be sent to the Director of Financial Aid no later than the end of the 10th class day.
7. Once these corrections are completed, by the 11th class day a new report will be generated and sent to the AVP of Enrollment Management and the Director of Accounting Services to approve for payout on census (12th class day).

Scholarship Procedure for Non-Performing Groups

1. All scholarships applications must be submitted to the financial aid office.
2. Only the financial aid office can award scholarships that are non-performing groups.
3. Student must apply by the college stated deadline. If the deadline date is extended, a new time frame will be established for late scholarships applications.
4. Late scholarship period will be established if money exists for the scholarship.
5. When a student applies, they must have performed the following:
 - a. Made application to the college or be a current student

- b. Submitted all documents required by the scholarship criteria
 - c. Submitted a FAFSA if scholarship is based on financial need.
- 6. The student will be sent a letter indicating the scholarship award. Letter will indicate how to accept or reject the scholarship and the deadline date.
 - a. Student must submit the form stating their intention to accept or reject scholarship.
 - b. If a student rejects the scholarship, then the award will be distributed to another student.

Hardship Scholarship Procedure for Non-Performing Groups

- 1. All scholarships must be applied for and submitted to the financial aid office.
- 2. A student must submit a FAFSA to qualify
- 3. Financial need must be determined.
- 4. A sub group of the scholarship committee must meet to award funds.
 - a. Sub group committee must be 2 to 3 people, minimum.
- 5. A student must accept the award.

Scholarship Procedures for Departmental Scholarships

- 1. Students apply online with google documents. This is on the departmental website.
Deadlines to apply:
 Fall—July 15
 Spring—Nov 15
- 2. Student must have completed FASFA or affidavit for the current year and have it sent to TVCC financial aid office.
- 3. Student must submit a copy of their TVCC degree plan with application
- 4. Student must submit a copy of their schedule for the semester they are applying for scholarship
- 5. Financial Aid will receive a list from the department with the following signatures:

Division Chair
 Associate Vice President
 Vice President of Instruction

The deadline to submit to the Financial Aid Office is August 1 for Fall semester and December 1 for the Spring semester.

- 6. The departments will be responsible for determining the eligibility of the student and financial aid will not check these students for departmental qualifications.

Scholarship Procedures for Performing Groups

- 1. Student must have completed FASFA or affidavit for the current year and have it sent to TVCC financial aid office
- 2. Sponsors will have performance specific requirements

3. Sponsor will monitor all requirements
4. Financial Aid will receive a list from the department with the following signatures:

Director and Division Chair

The deadline to submit to the Financial Aid Office is August 1 for Fall semester and December 1 for the Spring semester.

5. The financial aid office will check to assure student is meeting scholarship requirements in regard to SAP established by the college.

Weekly Financial Aid Runs

Every week there should be a Financial Aid Run. The only exception would be if the college is closed on either Wednesday or Thursday.

The Financial Aid Office prepares the proposed run. The Director of Financial Aid will either email or deliver a copy of the proposed weekly run to the Accounts Receivable Specialist no later than 11:30 on Tuesday.

1. Accounts Receivable Specialist will review the proposed run, checking for any amounts due from the student for either T&F or R&B and amounts listed on the Overdue Menu. Accounts Receivable Specialist will note on the Proposed Award Disbursement Report the amount to be deducted from the disbursement and the account numbers it needs to be receipted to.
2. Accounts Receivable Specialist will make two copies of the proposed run. One copy for Accounts Receivable Specialist and one copy for Senior Accountant, Grants.
3. Accounts Receivable Specialist will only email the Controller the following information. The information is found on the last two pages of the proposed run report. The information needs to be sent for each semester that has a proposed run report.

	QTY	AMOUNTS
TOTAL REFUNDS IN THIS REPORT:		
TOTAL AMOUNT OF REFUNDS:		
TOTAL REFUND CHECKS TO STUDENTS:		
TOTAL PELL CHECKS:		
TOTAL SEOG CHECKS:		
TOTAL TPEG RES CHECKS:		
TOTAL TPEG NON-RES CHECKS:		
TOTAL TEXAS GRANT CHECKS		
TOTAL TEOG CHECKS		
TOTAL LEAP CHECKS		
TOTAL SLEAP CHECKS		
TOTAL FED DIR LOAN CHECKS		
TOTAL OTHER AWARDS		
GRAND TOTAL		

4. Take original proposed run with adjustments to the Director of Financial Aid.
5. Director of Financial Aid or designee will enter corrections/adjustments.
6. After corrections/adjustments have been entered, Director of Financial Aid will email only the Controller and include the 2nd Proposed Award Disbursement Report and the Possible Late Room & Board Award Report.
7. Controller will use the 2nd Proposed Award Disbursement Report and the Possible Late Room & Board Award Report to verify corrections/adjustments were made and the totals match that the Accounts Receivable Specialist sent in earlier email.
 - a. If the dollar amount on second set of runs is different than the first the Controller will verify with the AVP of Enrollment Management that additions are okay.
8. If the 2nd proposed run is accurate, the Controller will submit a ticket to admin computing requesting the final financial aid run be processed.
9. If the Controller is out of the office, emails will need to be sent to the Accounts Receivable Specialist (Delana) and she will request the run.

Example of Service Ticket Request:

Please run the Proposed Award Disbursement TOMORROW for the following:

S2 2018

Also, please place the direct deposit file(s) out on the business office "A-FS" drive, EFT's- Financial Aid folder, and notify the business office when done. The effective date for this run is 8.30.18

Please place a copy of the "SSN" report(s) out on the financial aid "A-FS" drive AS-400 DISBURSEMENT REPORTS/Reports from Computer Center/Proposed Award Disbursements folder.

And, please send an email and attach all reports to the following:

finaid@tvcc.edu

businessoffice@tvcc.edu

On the morning of the run:

Checks will print and Admin Computing will e-mail reports to the financial aid and accounting services distribution email groups.

1. Accounts Receivable Specialist will e-mail a copy of the check summary (Refund Disb Payout Check Summary) to:
Palestine – Gail McInnis, Melissa Singletary
Terrell – Angel Hutto, Linda White, Kathey Taldo
Kaufman – Shelia Goldman
2. Accounts Receivable Specialist will print one copy of all reports except check summary

3. Accounts Receivable Specialist will collate and sort checks together as they will run in several different batches & need to be in alpha order.
 - Sort checks in campus stacks.
 - Verify all checks on "Check release form" are there by either counting checks or checking names.
 - Put a post it note on the front & write **"Checks for Friday, Oct 8th. Please do not release early."** If you do not put post it note, they think they can go at any time. Put checks for other campuses into Envelopes for delivery thru Campus mail
4. There should only be one or two checks made out to "TVCC" or "TVCC for"
 - The "TVCC" check has already been automatically receipted. Admin Computing will automatically print these receipts. If for some reason they do not print, Accounts Receivable Specialist or Cashier will need to go into the AS400 to get the receipt #'s from the non-tuition screen (#17, #2, #10) the receipt #'s are marked on the report by each student's name that had something withheld from their original amount.
 - Accounts Receivable Specialist or Cashier will write the receipt numbers on the TVCC checks. Receipt #'s also have to be written on the TVCC check. This also has to be done for any checks for R&B. These checks have to be down to the cashier prior to balancing.
 - The "TVCC for" checks are for T&F payments. These have to be individually receipted & the receipt # marked on the report. These do not have to be done by balancing but should be done that day or at the latest the next.
 - Copies of receipts need to be printed for:
 - Payments to Pell (1 copy Director of Financial Aid)
 - Payments to Direct Loan (1 copy Director of Financial Aid, 1 copy to Senior Accountant, Grants)
 - Payments for traffic, library, ID, dorm charges, etc. (1 copy to Cashier)
5. The Over Due screen **must** be updated for any amounts that were paid from the run.
 - Anything that is maintained by Cashier (LRC, ID, fines) and was paid on this run must be given to the Cashier. The Cashier will update their records and the Overdue Screen.
 - Temp loans paid by Pell or Direct Loan will need to be updated by either the Cashier or Accounts Receivable Specialist.
 - Accounts Receivable Specialist will need to update their 1098T spreadsheet for any Temp Loans that are paid by Pell.

Reconciliation

TVCC's Financial Aid Office enters all student award information and balances due to students. TVCC's Accounting Services controls the disbursement of funds; disbursement is payable to the student by either direct deposit or paper check. A subsidiary ledger exists for each award. The subsidiary ledgers can include the following account types: cash, expense, income, accounts receivable and accounts payable. Receipt and disbursement of grant and contract funds are subject to the same policies and procedures as institutional receipts and disbursements.

1. Each month the Senior Accountant – Financial Reporting reconciles all bank accounts to ensure the subsidiary cash balances are correct. If there are any discrepancies at the bank designation code level for the financial aid subsidiary ledger accounts, the Senior Accountant – Financial Reporting will contact the Senior Accountant- Grants Accounting and/or the Director of Financial Aid to resolve. The Controller reviews and approves all bank reconciliations.
2. Monthly, the Senior Accountant- Grant Accounting, and/or other Business Office personnel will reconcile state grant general ledger accounts. If there are reconciliation discrepancies, the Senior Accountant will work with TVCC's Financial Aid department personnel to resolve within 30 days.
3. Monthly, the Lead Financial Aid Specialist will reconcile TVCC Financial Aid Award Database to the general ledger expenditure account for the specific grant award.
4. Both the Lead Financial Aid Specialist and Senior Accountant – Grants submit monthly reconciliation reports to their immediate supervisors for review and approval.

Example of bank code reconciliation:

TEOG (All Accounts tied to bank ID 0010-094-1)								
Dept	Object Class	Campus	Account Name	Account Type	Bank Code	Beginning Balance	Transactions as of 7.31.18	Ending Balance
0010	090	1	PB GEN&FED: TEXAS GRANT & TEOG	A		-	150,587.56	150,587.56
0030	094	1	A/R - TEXAS GRANT & TEOG	A	00100901	-	-	-
0380	090	1	TEXAS GRANT ALLOCATION	I	00100901	-	-	-
0380	091	1	TEXAS EDUC'L OPPORTUNITY GRANT	I	00100901	-	(480,676.00)	(480,676.00)
0380	098	1	TEOG - PRIOR YEARS	I	00100901	-	-	-
4410	090	1	TEXAS GRANT ALLOCATION	E	00100901	-	(3.06)	(3.06)
4410	091	1	TEXAS EDUC'L OPPORTUNITY GRANT	E	00100901	-	330,091.50	330,091.50
4410	094	1	TEOG - PRIOR YEAR	E	00100901	-	-	-
Balance								-

Example of general ledger account reconciliation:

Reconciliation Spreadsheet: FWS 2015-2016 PO33A154032									
FWS as of 09.30.2015									
Year	1/1-1/31	2/1-2/29	3/1-3/31	4/1-4/30	5/1-5/31	6/1-6/30	7/1-7/31	8/1-8/30	Total
4410 070 1 FWS July/Aug	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,092.13
4410 054 1 FWS Sep/June	\$ 952.95	\$ 1,344.88	\$ 12,076.02	\$ 10,043.21	\$ 12,391.88	\$ 3,667.75	\$ (5,174.30)	\$ -	\$ 38,297.71
4410 055 1 FWS Community Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,320.43	\$ -	\$ 9,320.43
4410 064 1 FWS Prior Year Carryover	\$ -	\$ -	\$ -	\$ (38.70)	\$ -	\$ -	\$ -	\$ -	\$ 2,411.25
4410 069 1 FWS Prior Year Carryback	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expense per General Ledger	\$ 952.95	\$ 1,344.88	\$ 12,076.02	\$ 10,004.51	\$ 12,391.88	\$ 3,667.75	\$ 4,146.13	\$ -	\$ 53,121.52
0380 079 1 FWS July/Aug	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,092.13)
0380 063 1 WS - Fed Contribution	\$ (1,950.78)	\$ (1,344.88)	\$ (12,076.02)	\$ (10,004.51)	\$ (12,430.58)	\$ (3,667.75)	\$ (4,146.13)	\$ -	\$ (47,618.14)
0380 076 1 FWS Prior Year Carryforward	\$ -	\$ -	\$ -	\$ -	\$ 38.70	\$ -	\$ -	\$ -	\$ (2,411.25)
0380 073 1 FWS from SEOG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Less FWS Admin)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Income Per General Ledger	\$ (1,950.78)	\$ (1,344.88)	\$ (12,076.02)	\$ (10,004.51)	\$ (12,391.88)	\$ (3,667.75)	\$ (4,146.13)	\$ -	\$ (53,121.52)
Difference	\$ (997.83)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.00

Example of financial aid award transactions reconciliation to general ledger:

Financial Aid Award Transactions by Semester - Per Report in AS400							
Semester	Award Number	T&F	R & B	Books	Paid to Student	Other	Total
S2 2016	4410-050	167,595.88	25,823.41	26,501.35	78,941.41	3,452.51	302,314.56
FL 2016	4410-050				812.00	-	812.00
Fall 2016	4410-051	1,951,423.70	303,350.49	586,969.37	1,494,952.99	35,217.67	4,371,914.22
S2 2016	4410-051	2,637.59	878.41		5,118.00	862.99	9,496.99
FL 8Wk 1 M5 2016	4410-051	2,658.00	-	529.00	2,971.00	1.00	6,159.00
FL 8Wk 2 M6 2016	4410-051	9,016.00	555.00	1,139.01	10,859.23		21,569.24
SP 2017	4410-051	2,073,618.83	210,797.49	419,736.03	1,352,392.60	24,582.15	4,081,127.10
M0 2017 SP 8WK 1	4410-051	2,126.00	-	108.25	634.75		2,869.00
M1 2017 SP 8WK 2	4410-051	11,161.00	369.00	1,842.93	9,348.89	-	22,721.82
M2 2017 Nursing	4410-051	12,805.00		342.35	5,499.65	444.00	19,091.00
M3 2017 All Summer	4410-051	100,374.25	-	6,311.90	43,434.29	172.38	150,292.82
S1 2017	4410-051	137,371.10	1,908.53	20,208.38	56,670.13	316.00	216,474.14
MY 2017 Jan Fast Track	4410-051	-	-	-	-	-	-
MZ 2017 May Fast Track	4410-051	-	-	-	-	-	-
SP 2017	4410-067				6,944.00		6,944.00
M3 2017 All Summer	4410-067					403.00	403.00
Totals		4,470,787.35	543,682.33	1,063,688.57	3,068,578.94	65,451.70	9,212,188.89

EXHIBIT D

	A	C	D	E	F	G	H	I	J	K
1	student names redacted	# of semes ter hours	Amount Tuition & Fees	Amount awarded	Amount matched	what account matched	Amount to pay out at census T & F, R&B, Books as of 9/2	Amount TEOG and Match	difference	difference between award and pay out
2	student names redacted	12	\$ 2,128.00	\$ 1,575.00	\$ 553.00	TEOG match	\$ 1,575.00	\$ 2,128.00	\$ -	\$ -
3		12	\$ 1,480.00	\$ 1,575.00	\$ -		\$ 1,575.00	\$ 1,575.00	\$ (95.00)	\$ -
4		14	\$ 2,371.00	\$ 1,575.00	\$ 796.00	TEOG match	\$ 1,575.00	\$ 2,371.00	\$ -	\$ -
5		17	\$ 2,685.00	\$ 1,575.00	\$ 1,110.00	TEOG match	\$ 1,575.00	\$ 2,685.00	\$ -	\$ -
6		12	\$ 1,216.00	\$ 1,575.00	\$ -		\$ 1,575.00	\$ 1,575.00	\$ (359.00)	\$ -
7		13	\$ 2,272.00	\$ 1,575.00	\$ 697.00	TEOG match	\$ 1,575.00	\$ 2,272.00	\$ -	\$ -
8		10	\$ 995.00	\$ 1,182.00	\$ -		\$ 1,181.00	\$ 1,182.00	\$ (187.00)	\$ 1.00
9		9	\$ 1,801.00	\$ 1,182.00	\$ 620.00	TEOG match	\$ 1,181.00	\$ 1,802.00	\$ (1.00)	\$ 1.00
10		9	\$ 1,666.00	\$ 1,182.00	\$ 485.00	TEOG match	\$ 1,181.00	\$ 1,667.00	\$ (1.00)	\$ 1.00
11		12	\$ 1,515.00	\$ 1,575.00	\$ -		\$ 1,575.00	\$ 1,575.00	\$ (60.00)	\$ -
12						300 SEOG TEOG match				
13		12	\$ 2,163.00	\$ 1,575.00	\$ 588.00	TEOG match	\$ 1,575.00	\$ 2,163.00	\$ -	\$ -
14		8	\$ 949.00	\$ 788.00	\$ 161.00		\$ 788.00	\$ 949.00	\$ -	\$ -
15		10	\$ 1,000.00	\$ 1,182.00	\$ -		\$ 1,181.00	\$ 1,182.00	\$ (182.00)	\$ 1.00
16		13	\$ 1,445.00	\$ 1,575.00			\$ 1,471.00	\$ 1,575.00	\$ (130.00)	\$ 104.00
17		10	\$ 1,255.00	\$ 1,182.00	\$ 73.00	TEOG match	\$ 1,181.00	\$ 1,255.00	\$ -	\$ 1.00
18		11	\$ 1,128.00	\$ 1,182.00			\$ 1,181.00	\$ 1,182.00	\$ (54.00)	\$ 1.00
19		6	\$ 608.00	\$ 788.00			\$ 748.73	\$ 788.00	\$ (180.00)	\$ 39.27
20		14	\$ 1,342.00	\$ 1,575.00			\$ 1,342.00	\$ 1,575.00	\$ (233.00)	\$ 233.00
21		6	\$ 740.00	\$ 788.00			\$ 787.99	\$ 788.00	\$ (48.00)	\$ 0.01
22		13	\$ 1,179.00	\$ 1,575.00			\$ 1,575.00	\$ 1,575.00	\$ (396.00)	\$ -
23		16	\$ 2,547.00	\$ 1,575.00	\$ 972.00	TEOG match	\$ 1,575.00	\$ 2,547.00	\$ -	\$ -
24		12	\$ 2,128.00	\$ 1,575.00	\$ 553.00	TEOG match	\$ 1,575.00	\$ 2,128.00	\$ -	\$ -
25		14	\$ 2,556.00	\$ 1,575.00	\$ 981.00	TEOG match	\$ 1,575.00	\$ 2,556.00	\$ -	\$ -
26		15	\$ 2,589.00	\$ 1,575.00	\$ 588.00	TEOG match	\$ 1,575.00	\$ 2,163.00	\$ 426.00	\$ -
27		9	\$ 912.00	\$ 1,182.00	\$ -		\$ 1,181.00	\$ 1,182.00	\$ (270.00)	\$ 1.00
28		12	\$ 1,216.00	\$ 1,575.00	\$ -		\$ 1,216.00	\$ 1,575.00	\$ (359.00)	\$ 359.00
29		7	\$ 1,298.00	\$ 788.00	\$ 510.00	TEOG match	\$ 788.00	\$ 1,298.00	\$ -	\$ -
30		19	\$ 1,907.00	\$ 1,575.00	\$ 726.00	Texas Rehab	\$ 1,575.00	\$ 2,301.00	\$ (394.00)	\$ -
31			\$ 45,091.00	\$ 38,201.00	\$ 9,413.00		\$ 37,458.72			\$ 742.28

EXHIBIT D

EXHIBIT E

Reconciliation Controls Financial Aid Accounts

Procedures prior to the THECB TEOG audit were as follows:

A subsidiary ledger exists for each Title IV, THECB and similar awards. The subsidiary ledgers can include the following account types: cash, expense, income, accounts receivable and accounts payable. TVCC's Financial Aid Office enters all student award information and balances due to students. TVCC's Accounting Services controls the disbursement of funds; disbursement is payable to the student by either direct deposit or paper check. Receipt and disbursement of grant and contract funds are subject to the same policies and procedures as institutional receipts and disbursements.

As a result of the THECB audit, the following procedures and actions have been added and taken to strengthen reconciliation and reporting processes:

- Created two new expense general ledger accounts and financial award numbers to document TEOG initial year and returning year award disbursements. The new ledgers will allow ease of tracking disbursements by different categories eligible for funding by TEOG.
- Improved communication between financial aid and accounting services staff has enhanced review of financial data review before submission to reporting entities.
- Created the TVCC Financial Aid Procedures Non-Federal Funds (Exhibit C) as discussed in responses above.
- Documented, updated and trained staff on Weekly Financial Aid Run Procedures. The updated procedures clearly outline roles and responsibilities for financial aid and accounting services personnel as they pertain to disbursements to or on behalf of students. The procedures are included in the Financial Aid Procedures Non-Federal Funds (Exhibit C) for financial aid and accounting services staff to reference.

The following additional controls will be implemented monthly effective with 9/1/18 accounting:

- Each month the Senior Accountant – Financial Reporting reconciles all bank accounts. In the future the Senior Accountant – Financial Reporting will also reconcile cash accounts by bank designation code. If there are any discrepancies at the bank designation code level for the nonfederal financial aid subsidiary ledger accounts, the Senior Accountant – Financial Reporting will contact the Senior Accountant- Grants Accounting and/or the Director of Financial Aid to resolve.
- Monthly, the Senior Accountant- Grant Accounting, and/or other Accounting Services personnel will reconcile state grant general ledger accounts. If there are reconciliation discrepancies, the Senior Accountant will work with Financial Aid department personnel to resolve within 30 days.
- Monthly, the Lead Financial Aid Specialist (acting as director) will reconcile the TVCC Financial Aid Award Database to the general ledger expenditure account for the specific grant award.
- Both the Lead Financial Aid Specialist and Senior Accountant – Grants will submit monthly reconciliation reports to their immediate supervisors for review and approval.