

John T. Steen, Jr., Chair  
Ricky A. Raven, Vice Chair  
S. Javaid Anwar  
Fred Farias III, O.D.  
Stuart W. Stedman  
Lauren C. McKenzie  
Student Representative, Ex-Officio

## **TEXAS HIGHER EDUCATION COORDINATING BOARD**

### **Committee on Agency Operations**

1200 EAST ANDERSON LANE, BOARD ROOM 1.170  
AUSTIN, TEXAS

**July 24, 2019; 2:00 p.m.**

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

- I. Welcome and Committee Chair's Opening Remarks**
- II. Consideration of Approval of the Minutes from April 24, 2019, Committee Meeting**
- III. Public Testimony on agenda items relating to the Committee on Agency Operations**
- IV. Agency Operations**
  - A. Report on grants and contracts
  - B. Consideration of adopting the Commissioner's recommendation to the Committee relating to the certification of gifts that are fundable through the Texas Research Incentive Program (TRIP) for the Emerging Research Universities
  - C. Consideration of adopting the staff's recommendation to the Committee relating to amending the Board Operating Policies and Procedures
- V. Finance**
  - A. Review of the Fiscal Year 2019 Financial Report to the Board
  - B. Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's operating budget for fiscal year 2020
- VI. Internal Audit**
  - A. Discussion of the Audit of the Agency-Wide Financial Statements for Fiscal Year Ended August 31, 2018 by KPMG LLP

- B. Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Internal Audit Plan for Fiscal Year 2020
- C. Update on Internal Audit Reports and Activities

#### **VII. Compliance Monitoring**

- A. Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Compliance Monitoring Plan for Fiscal Year 2020
- B. Update on Compliance Monitoring Reports and Activities

#### **VIII. Executive Session**

- A. Pursuant to Texas Government Section 551.076 and 551.089, the Board will meet in closed session to discuss security recommendations from a Department of Information Resources contractor

#### **IX. 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 April 24, 2019, Committee meeting

RECOMMENDATION: Approval



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

**Wednesday, April 24, 2019; 2:00 p.m.**

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

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

**The Committee on Agency Operations convened at 2:00 p.m. on April 24, 2019, with the following members present: John Steen, presiding; Fred Farias; Stuart Stedman; and Michelle Tran (Ex-Officio).**

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

<b>AGENDA ITEM</b>	<b>ACTION</b>
<b>I. Welcome and Committee Chair's Opening Remarks</b>	Chair John Steen called the meeting of the Committee on Agency Operations to order.
<b>II. Consideration of Approval of the Minutes from January 23, 2019, Committee Meeting</b>	On a motion by Dr. Farias, seconded by Mr. Stedman, the Committee approved the January 23, 2019, Agency Operations Committee meeting minutes.
<b>III. Public Testimony on Agenda Items Relating to the Committee on Agency Operations</b>	No action required.
<b>IV. Agency Operations</b>	
A. Report on grants and contracts	Mr. Bill Franz, General Counsel was available for questions. This item did not require any action.
B. Consideration of adopting the staff's recommendation to the Committee relating to amending the Board Operating Policies and Procedures	On a motion by Mr. Stedman, seconded by Dr. Farias, the Committee recommended additional changes to the Board Operating Policies and Procedures and approved the revised version. Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications/Chief Operating Officer and Mr. Bill Franz were available for questions.

AGENDA ITEM	ACTION
C. Consideration of adopting the Commissioner's recommendation to the Committee relating to a proposed new subsection to Chapter 1, Subchapter A, Section 1.16 of Board rules concerning Agency Administration (Contracts, Including Grants, for Materials and/or Services)	On a motion by Dr. Farias, seconded by Mr. Stedman, the Committee approved the proposed new subsection to Chapter 1, Subchapter A, Section 1.16 of Board rules. Mr. Bill Franz was available for questions.
D. Update on the Board's budget priorities for the 86th Legislative Session	Mr. Linda Battles provided the Board with the latest update on the Board's budget in the House and Senate appropriations bills and was available for questions. This item did not require any action.
<b>V. Finance</b>	
A. Review of the Fiscal Year 2019 Financial Report to the Board	Mr. Ken Martin, Assistant Commissioner for Financial Services/CFO, presented this item to the Committee and was available for questions. This item did not require any action.
B. Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series to refund the 2009 bond series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds	On a motion by Dr. Farias, seconded by Mr. Stedman, the Committee approved the issuance of State of Texas College Student Loan Bonds 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 presented this item to the Committee and was available for questions. A representative from the Board's bond counsel McCall, Parkhurst & Horton, and financial advisors from Hilltop Securities, Inc. and YaCari Consultants LLC were also available for questions regarding the proposed resolution authorizing the issuance of the bonds, the delegation of authority to approve all final terms of the bonds, and the delegation of authority to file for the state's allocation of private activity volume cap.

AGENDA ITEM	ACTION
C. Consideration of authorization to enter into an agreement with the Office of the Attorney General (OAG) to provide collection services for the agency's student loan program	On a motion by Mr. Stedman, seconded by Dr. Farias, the Committee approved the agreement with the Office of the Attorney General. Mr. Ken Martin and Mr. Ron Del Vento, Assistant Attorney General, Bankruptcy & Collections Division, presented this item to the Committee and was available for questions. Ms. Rachel Obaldo, Deputy chief, Bankruptcy & Collections Division was also present and available for questions.
<b>VI. Internal Audit</b>	
A. Discussion of Statements on Auditing Standards No. 114, The Auditor's Communication with Those Charged with Governance	Ms. Susan Warren, Audit Partner, with KPMG LLP, presented this item to the Committee and was available for questions. This item did not require any action.
B. Discussion of the State of Texas Federal Portion of the Statewide Single Audit for the Fiscal Year Ended August 31, 2018, Report Number 19-315 issued March 2019 by the Texas State Auditor's Office	Ms. Susan Warren presented this item to the Committee and was available for questions. This item did not require any action.
C. Update on Internal Audit Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance, presented this item to the Committee and was available for questions. This item did not require any action.
<b>VII. Compliance Monitoring</b>	
A. Update on Compliance Monitoring Reports and Activities	Mr. Mark Poehl, Director of Internal Audit and Compliance, presented this item to the Committee and was available for questions. This item did not require any action.
<b>VIII. Adjournment</b>	On a motion by Dr. Farias, seconded by Mr. Stedman, the meeting adjourned at approximately 4:10 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

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 to answer questions.

Committee on Agency Operations

AGENDA ITEM IV-B

Consideration of adopting the Commissioner's recommendation to the Committee relating to the certification of gifts that are fundable through the Texas Research Incentive Program (TRIP) for the Emerging Research Universities

RECOMMENDATION: Approval

Background Information:

The 81st Texas Legislature in 2009 created the Texas Research Incentive Program (TRIP), establishing a research matching fund for the emerging research universities.

The legislation requires the Texas Higher Education Coordinating 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 2022-23 biennium. Due to the timing of the certification process, this agenda item was not ready in time for the Committee on Affordability, Accountability and Planning. Therefore, it is being brought to the Agency Operations Committee for consideration prior to the full Board meeting.

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will provide a brief presentation and be available to answer questions.

Below are certified TRIP gifts and the amount of the state match by institution. State matches are subject to the availability of funds appropriated for this purpose.

<b>Institution</b>	<b>Gifts Recommended for Certification - Cycles 19-2</b>	<b>Gifts Waiting for State Funding That Were Previously Certified by the Board*</b>	<b>Total Gifts Waiting for State Funding*</b>
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#### **Certified Gifts**

The University of Texas at Arlington	\$ 900,000.00	\$ 8,899,604.59	\$ 9,799,604.59
The University of Texas at Dallas	1,482,670.00	67,970,299.93	69,452,969.93
The University of Texas at El Paso	175,000.00	3,912,271.50	4,087,271.50
The University of Texas at San Antonio	1,612,197.00	12,394,408.80	14,006,605.80
University of Houston	2,460,532.00	49,297,375.83	51,757,907.83
University of North Texas	654,563.00	14,464,356.16	15,118,919.16
Texas Tech University	1,047,230.14	34,479,046.40	35,526,276.54
Texas State University	4,255,000.00	10,462,758.62	14,717,758.62
<b>Total Certified Gifts</b>	<b>\$ 12,587,192.14</b>	<b>\$ 201,880,121.83</b>	<b>\$ 214,467,313.97</b>

#### **State Match**

The University of Texas at Arlington	\$ 450,000.00	\$ 5,720,439.42	\$ 6,170,439.42
The University of Texas at Dallas	991,335.00	40,889,129.06	41,880,464.06
The University of Texas at El Paso	87,500.00	2,206,135.75	2,293,635.75
The University of Texas at San Antonio	806,098.50	7,369,541.90	8,175,640.40
University of Houston	1,480,266.00	42,481,786.09	43,962,052.09
University of North Texas	327,281.50	9,555,570.52	9,882,852.02
Texas Tech University	523,615.07	27,844,439.95	28,368,055.02
Texas State University	3,652,500.00	7,798,879.32	11,451,379.32
<b>Totals</b>	<b>\$ 8,318,596.07</b>	<b>\$ 143,865,922.01</b>	<b>\$ 152,184,518.08</b>

\*Adjusted to reflect the \$35 million appropriated for TRIP for the 2020-21 biennium.

**Report Date as of: 6/21/19**

## Committee on Agency Operations

### Agenda Item IV-C

#### Consideration of adopting the staff's recommendation to the Committee relating to amending the Board Operating Policies and Procedures

RECOMMENDATION: Approval

#### Background Information:

At the direction of the Agency Operations Committee in 2014, Texas Higher Education Coordinating Board staff developed the Board Operating Policies and Procedures document, which was adopted by the Board in October of that year. This document includes the Board members' code of conduct, conflict of interest/ethics, duties/responsibilities, and protocol in communicating with the media, elected officials, institutional representatives, and students.

Staff is recommending changing the annual performance evaluation date for the Commissioner, Director of Internal Audit and Compliance, and General Counsel from July to October. This will align the date with the annual performance evaluations conducted for other agency employees and the evaluation period will cover the previous fiscal year. Recommended changes are noted in red in the attached document on (page 10).

Linda Battles, Deputy Commissioner for Agency Operations and Communications/COO, will be available to answer questions.



# **BOARD OPERATING POLICIES AND PROCEDURES**

**July [~~April~~] 2019**

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## **I. PREAMBLE**

### **A. Purpose**

The Texas Higher Education Coordinating Board (the Board or Agency) adopts and implements the Board Operating Policies and Procedures to achieve the following purposes:

1. To outline the Board's general powers and duties under Chapter 61, Subchapter B, of the Texas Education Code, and other applicable laws;
2. To outline procedural rules governing the Board pursuant to Chapter 61 of the Texas Education Code, and other applicable laws;
3. To apprise Board members of the standards of conduct and conflict of interest provisions applicable to their conduct pursuant to chapter 572 of the Texas Government Code; and
4. To adopt protocols that define how Board members communicate with the media, elected officials, institutional representatives, and students.

### **B. Goals**

In exercising its powers and fulfilling its duties, the Board shall strive to:

1. Establish major visionary guiding policies affecting the state's higher education system;
2. Establish the goals that define the results that the Board seeks to achieve;
3. Serve as a link between the Agency and state policy makers;
4. Be accountable for its decisions and actions;
5. Maintain objectivity and a statewide perspective in considering matters that may come or are before it for decision;
6. Act in the best interests of students and the people of Texas;
7. Continually learn and work to enhance the Texas higher education system within the boundaries of statutory authority; and
8. Review the Board Operating Policies and Procedures each biennium.

### **C. Scope**

These Board Operating Policies and Procedures apply to all activities conducted by the Board.

### **D. Responsibility for Implementation**

The Board and its officers are responsible for ensuring the implementation and adherence to the Board Operating Policies and Procedures.

#### E. Nondiscrimination Policy

To the extent provided by applicable law, no person shall be excluded from participation in, denied the benefits of, or be subject to discrimination under, any program or activity sponsored or conducted by the Board, on the basis of race, color, national origin, religion, sex, age, veteran status, genetic information, or disability.

## **II. THE BOARD**

#### A. Purpose

The Board represents the highest authority in the state in matters of public higher education and is charged with the duty to take an active part in promoting quality education throughout the state. The Board performs its duty by:

1. Representing the State of Texas in the coordination of all higher education in the state;
2. Setting policies that formulate the course for higher education in Texas;
3. Maintaining an objective, statewide perspective;
4. Ensuring the efficient and effective use of higher education resources and eliminating unnecessary duplication;
5. Making recommendations to improve the efficiency and effectiveness of transitions, including between high school and postsecondary education, between institutions of higher education for transfer purposes, and between postsecondary education and the workforce;
6. Administering programs and trusteed funds for financial aid and other grants as necessary to achieve the state's long-range goals and as directed by the legislature;
7. Determining educational questions according to educational measures;
8. Collecting and making accessible data on higher education in the state and analyzing that data to support policy recommendations;
9. Setting policies for institutional and program excellence by balancing access and quality;
10. Discouraging the initiation and continuation of programs of substandard quality;
11. Recognizing community and technical colleges as full partners in higher education; and
12. Being spokespersons for higher education in Texas – to encourage Texas institutions, to monitor and praise their progress, to support their steps towards excellence, and to applaud their imagination and initiative in imparting knowledge.

#### B. Board Composition

1. The Board is composed of 9 members and one non-voting student representative appointed by the governor to provide representation from all areas of the state with the advice and consent of the senate, and as the constitution provides.
2. A Board member may not be employed professionally for remuneration in the field of education during the member's term of office.

3. Members of the Board shall serve without pay but shall be reimbursed for their actual expenses incurred in attending meetings of the Board or in attending to other work of the Board when that other work is approved by the Board Chair.

#### C. Restrictions on Board Appointment, Membership and Employment

1. A Board member must be a representative of the general public. A person is not eligible for appointment as a member of the Board if the person or the person's spouse:
  - a. is employed by or participates in the management of a business entity or other organization regulated by the board or receiving funds from the board;
  - b. owns or controls, directly or indirectly, more than a 10 percent interest in a business entity or other organization regulated by the board or receiving funds from the board; or
  - c. uses or receives a substantial amount of tangible goods, services, or funds from the board, other than compensation or reimbursement authorized by law for board membership, attendance, or expenses.
2. A person may not be a member of the board and may not be a board employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.), and its subsequent amendments, if:
  - a. the person is an officer, employee, or paid consultant of a Texas trade association (i.e. a cooperative and voluntarily joined statewide association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest) in the field of higher education; or
  - b. the person's spouse is an officer, manager, or paid consultant of a Texas trade association in the field of higher education.
3. A person may not be a member of the board or act as the general counsel to the board if the person is required to register as a lobbyist under Chapter 305, Government Code, because of the person's activities for compensation on behalf of a profession related to the operation of the board.

#### D. Terms

1. Board members hold office for staggered terms of six years with terms of one-third of the members expiring on August 31 of each odd-numbered year.
2. In the event of a vacancy during a term of a member appointed by the governor due to resignation or other reason, the Governor shall appoint a replacement who meets the qualifications of the vacated office to fill the unexpired portion of the term.

#### E. Removal of Board Member

1. It is a ground for removal from the Board that a member:

- a. does not have at the time of taking office the qualifications required by Section TEC, 61.0222(a);
  - b. does not maintain during service on the board the qualifications required by TEC, Section 61.0222(a);
  - c. is ineligible for membership under TEC, Section 61.022 or 61.0222;
  - d. cannot, because of illness or disability, discharge the member's duties for a substantial part of the member's term; or
  - e. is absent from more than half of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board.
2. The validity of an action of the Board is not affected by the fact that it is taken when a ground for removal of a board member exists.
  3. If the commissioner of higher education has knowledge that a potential ground for removal exists, the commissioner shall notify the Board Chair of the potential ground. The Board Chair shall then notify the governor and the attorney general that a potential ground for removal exists. If the potential ground for removal involves the Board Chair, the commissioner shall notify the next highest ranking officer of the board, who shall then notify the governor and the attorney general that a potential ground for removal exists.

#### F. New Board Member Orientation

A new appointee to the Board shall be given an orientation to the activities and functions of the Board prior to being able to fully participate in a Board meeting. The New Board Member Orientation shall include the following topics:

- a. Agency mission, goals, objectives, and strategic plan;
- b. Agency organization, function, and powers and duties;
- c. Board member responsibilities, including the proper role of the member in policy making, deliberations, communications, and relations with the administrative staff of the Agency;
- d. Standards of conduct as public officials, including conflict-of-interest laws;
- e. Board meetings and other Board functions;
- f. Legislation that created the Board;
- g. Rules of the Board;
- h. Current budget of the agency;
- i. Results of the most recent formal audit of the agency;
- j. Texas open government laws, including information regarding mandatory training in open meetings and public information as required by the chapters 551 and 552 of the Texas Government Code;
- k. Travel reimbursement/per diem procedures and state regulations; and
- l. Other topics deemed appropriate by the Board Chair.

### III. OFFICERS OF THE BOARD

The Governor shall designate a Board Chair and Vice Chair. The Board shall appoint a Secretary of the Board whose duties may be prescribed by law and by the Board.

#### **IV. BOARD MEMBER CODE OF CONDUCT/CONFLICT OF INTEREST AND ETHICAL CONDUCT**

A. Code of Conduct/Conflict of Interest. Board members shall adhere to the standards of conduct and conflict of interest provisions set out in section 572.051 of the Texas Government Code and other applicable laws. Pursuant to that section, a Board member must adhere to the following:

1. Not accept or solicit any gift, favor, or service that might reasonably tend to influence the Board member in the discharge of official duties or that the Board member knows or should know is being offered with the intent to influence the Board member's official conduct. Note: Accepting tickets, vouchers, or other forms of entry that typically have a cost of admission, to an event hosted by an institution of higher education (e.g., football tickets) is allowed under state ethics laws so long as a representative of the donor institution is present.

Please note that the appearance of accepting such tickets has been questioned in certain news media articles as potentially creating a conflict of interest for Board Members, and potentially influencing them to vote in favor of matters that may come before the Board from such institutions. To avoid any such appearance, it is recommended that Board Members planning to attend such an event should request an invoice for, and in turn pay, the base value of the tickets or other form of entry for that event.

2. Not accept employment or engage in a business or professional activity that the Board member might reasonably expect would require or induce the Board member to disclose confidential information acquired by reason of the official position;
3. Not accept employment or compensation that could reasonably be expected to impair the Board member's independence of judgment in the performance of the Board member's official duties;
4. Not accept an honorarium for services requested to be provided due to the Board member's official position or duties. This prohibition extends to an honorarium for in-state and out-of-state engagements if the Board member would not have been asked but for his/her official position. The honorarium may not be remitted to a third-party or tax-exempt charity if payment is made in consideration of the services performed and at the direction of the Board member. The Board member may accept food, transportation, and lodging when in connection with a conference or a similar event if within reason and, as required, reported in Section XI of her/his annual personal financial statement (Texas Penal Code, Section 36.07).
5. Not make personal investments that could reasonably be expected to create a substantial conflict between the Board member's private interest and the public interest;

6. Not intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the Board member's official powers or performed the official duties in favor of another;
  7. Complete and file a personal financial statement with the Ethics Commission on or before April 30 each year if they served at any time beginning on January 1 and continuing through April 30 of that year (Texas Government Code § 572.026(a)). Newly appointed individuals must file a statement within 30 days of taking office.
  8. Complete the open government training as required by Government Code sections 551.005 and 552.012;
  9. Comply with the Open Meetings Act when communicating with other Board members outside of a posted meeting of the Board; and
  10. Seek counsel when confronted with a situation that the Board member believes may present a conflict of interest.
- B. Appropriated Funds and Official Authority. All Board members must adhere to Texas Government Code §556 in using appropriated money, but may engage in political activity to the widest extent consistent with the restrictions imposed by law.
1. The Board may not use any appropriated money under its control to finance or otherwise support the candidacy of a person for office. This prohibition extends to direct or indirect employment of a person to perform such actions.
  2. The Board may not use appropriated money to employ a person who is required by Chapter 305 to register as a lobbyist.
  3. Board members may not use their official authority for the purpose of affecting the result of an election, under the Code of Federal Regulations, Title 5, Part 151.121.
- C. Principles of Ethical Conduct. Board members shall conduct themselves in a manner that strengthens the public's trust and confidence by adhering to the following principles:
1. Honesty, accountability, transparency, respect and trust;
  2. Integrity of the highest caliber;
  3. Conduct that is indisputable and beyond reproach;
  4. Openness and fairness; and
  5. Commitment to compliance with the law, rules and regulations, and Board Operating Policies and Procedures.
- Board members:
- a) shall be honest and ethical in their conduct and the performance of their duties;
  - b) shall adhere to all applicable state and federal laws and regulations, policies and regulations, and member rules and procedures;
  - c) shall protect and conserve state resources and shall not use them for unauthorized activities;



- d) shall endeavor to avoid any actions that would create the appearance that they are violating the law, rules and regulations, or Board Operating Policies and Procedures;
- e) shall not hold financial interests that are in conflict with the conscientious performance of their official duties and responsibilities;
- f) shall not engage in any financial transaction in order to further any private interest using nonpublic information which they obtain in the course of their Board service;
- g) shall not make unauthorized commitments or promises of any kind purporting to bind the Board;
- h) shall not use their public offices for private gain;
- i) shall act impartially with a statewide perspective and not give preferential treatment to any private or public institution of higher education, organization or individual;
- j) shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official duties and responsibilities;
- k) shall promptly disclose fraud, waste, abuse and corruption to the Director of Audit and Compliance; and
- l) shall strictly adhere to all state and federal laws and regulations, policies and regulations, and member rules and procedures regarding sexual harassment and equal opportunity for all persons regardless of race, color, religion, sex, national origin, age, disability, genetic information or veteran status.

#### D. General Duties and Responsibilities of Board Members

1. The Board is responsible for the hiring, evaluation and, if deemed necessary and appropriate, the termination of employment, of the Commissioner.
2. Duty of Loyalty - A Board member must be responsible and loyal to the interests of the state higher education system as a whole. A member does not represent any other constituency, person, or entity that conflicts with those interests.
3. Duties of the Board Chair - The Board Chair may speak for and represent the Board under a general grant of authority but may not take positions he or she knows to be contrary to Board policy.
4. Duty of Unity – Except as indicated in D.3., Duties of the Board Chair, no single member of the Board may speak for or otherwise bind the Board, unless authorized to do so by vote of a majority of the Board pursuant to an action taken in open, public session at a duly-constituted meeting of the Board.

5. Committee Authority - Board committees represent the Board and act on its behalf in preparation for Board meetings. They have authority to report and recommend various actions, including policy initiatives, to the Board.
6. It is the responsibility of each Board member to have a basic knowledge of the operations, management, finances, and effectiveness of the Agency, and each Board member has the right and authority to inform himself/herself as to the duties, responsibilities, and obligations of the member in such a manner as each may deem proper. Members of the Board are to be provided access to such information as in their individual judgments will enable them to fulfill their duties and responsibilities as members of the Board.
7. A Board member may not publicly disclose information that is confidential by law, unless disclosure is required by law or made pursuant to a vote of the Board to waive an applicable privilege.
8. Members of the Board shall bring concerns about operations, accountability, compliance, or the need for an investigation to the Commissioner, Board Chair, Vice Chair, General Counsel, Director of Audit and Compliance, or appropriate Committee of the Board.
9. Members of the Board shall respect the role of the Commissioner as the chief executive officer of the Agency and shall respect management and reporting lines for the agency.
10. Communication with Agency Staff. Members of the Board are to be provided access to agency personnel as in their individual judgments will enable them to fulfill their duties and responsibilities as Board members. The preferred regular channel of communication from Board members to agency personnel shall be made through the Commissioner and/or senior executive staff (i.e., Deputy Commissioners and General Counsel; also see IX. Board Communication with the Media, Elected Officials, Institutional Representatives, and Students). The Commissioner or senior executive staff member will alert the Board Chair and Vice Chair of any substantive communication with Board members that may directly impact the work of the Board.
11. The Board is responsible for the annual performance appraisal and compensation of the Commissioner of Higher Education, the General Counsel, and the Director of Internal Audit and Compliance. The Commissioner's annual compensation may not exceed the amount authorized in the General Appropriations Act and must be done in writing, approved by the Board in a public meeting, signed by the chair, and submitted to the Governor, the Legislative Budget Board and the Comptroller.

The Board Secretary shall work with the Director of Human Resources (HR) to develop the annual performance appraisal forms and disseminate them to Board members no later than September ~~[June]~~ 1 of each year. Each Board member shall complete the forms and return them to the HR Director by October ~~[July]~~ 1. The HR Director will combine and average the scores for each evaluation and include any comments without attributing the comments to a particular Board member. The HR Director shall send the final evaluations to the Board within 14 calendar days before the October ~~[July]~~ Agency Operations Committee meeting. Board members shall meet in Executive Session during the Agency Operations Committee

meeting to discuss the performance evaluation of the Commissioner, the General Counsel, and the Director of Internal Audit and Compliance.

## **V. MEETINGS OF THE BOARD**

- A. Regular Meetings. Regular meetings of the Board shall be held in the city of Austin at least once per quarter of the calendar year on dates determined by the Board.
- B. Emergency Meetings. An Emergency Meeting of the Board may be called by the Board Chair. Notice of such meeting shall be communicated in the manner most likely to give the greatest amount of notice to the members. Every meeting notice to Board members shall contain the meeting time, place, day, and general nature of the business to be transacted.
- C. Special meetings of the Board. Special meetings of the Board may be held at times and places as ordered by the Board during a regular meeting, or special meetings may be called by the Board Chair to be held at a time and place the Chair shall designate.
- D. Notice. The Board Chair shall designate a location for each Board meeting. Notice of the meetings, including the location shall be posted pursuant to the requirements of the Texas Open Meetings Act. All meetings shall be open to the public, except executive sessions as discussed below. Notice to the public of all meetings shall be given pursuant to the Open Meetings Act.
- E. Duties of Board Members at Board Meetings:
  - 1. Right to Speak - A Board member has the right to state his or her views, opinions, positions, and recommendations but should do so professionally and respectfully in the procedural manner established or directed by the Board Chair, who shall allow and facilitate expression of dissenting or minority viewpoints.
  - 2. Duty to Listen - A Board member should listen respectfully to the views, opinions, positions, and recommendations of others, even those with whom he or she disagrees.
  - 3. Duty to Respect Board Decisions - A Board member should abide by and not subvert or otherwise derogate to outside parties lawfully-taken Board decisions. If, as a matter of principle, a Board member must articulate a minority opinion, he or she may do so; however, such opinion should be announced to the Board through the Board Chair, who may call upon the dissenting Board member to articulate his or her opinion.
  - 4. Duty of Confidentiality - A Board member should not report the Board's executive session discussions, deliberations, or statements of Board members (including his or hers) to any third party without the Board's permission unless required by law to do so. Robert's Rules of Order (11th ed., 2011.)
  - 5. Duty of Attendance - Board members should make every attempt to attend Board meetings. However, if a Board member is unable to attend a Board meeting, he or she shall notify the Board Chair as soon as practicable. In accordance with state statute (Texas Education Code Section 61.0223(a)(5)) and Section II.E.1.e of the Board's Operating

Policies and Procedures, if a Board member is absent from more than half of the regularly scheduled Board meetings during a calendar year without an excuse approved by a majority vote of the Board, the Board member is subject to removal from the Board.

6. Duty of Disclosure - If a Board member has a real or potential private or personal interest in a measure, proposal, or decision pending before the Board, she/he should disclose this information to the remainder of the Board in open meeting and refrain from voting or otherwise participating concerning that matter (Texas Government Code §572.058). An individual who violates this duty is subject to removal from office on the petition of the Attorney General on the Attorney General's own initiative or on the relation of a resident or of any other member of the Board. For purposes of section 572.058, an individual does not have a "personal or private interest" in a measure, proposal, or decision if the individual is engaged in a profession, trade, or occupation and the individual's interest is the same as all others similarly engaged in the profession, trade, or occupation.

- F. Agendas. The Board Chair and Vice Chair shall determine the agenda for a Board meeting. Board members have a right and a duty to raise matters of concern related to Board oversight. In order that such matters can be discussed properly, it is important that a Board member with a concern mention it to the Board Chair and Vice Chair in time for the matter to be added to the agenda, if needed. The Board Chair makes the final determination as to whether to place an item on the agenda unless a majority of the Board members present request to add an item or otherwise amend the agenda. If an item is removed from the agenda, the Board Chair will timely inform other Board members of the reason for removing an agenda item after it has been posted. Board members shall receive the agenda and supporting materials for an upcoming meeting at least two weeks before the meeting, to the extent possible. Each matter to be considered at a meeting of the Board or a committee of the Board as an Agenda Item shall be accompanied by a summary of the facts pertaining thereto, the need for action thereon, and the recommendations of the Commissioner, staff, or advisory committee, where appropriate.
- G. Consent Agendas. A compilation of matters required to be approved by or reported to the Board via a Consent Agenda format shall be prepared as directed and approved by the Commissioner, Deputy Commissioners, and Assistant Commissioners, as appropriate. Any Board member may request that an item be added or removed from the Consent Calendar at the time it is being considered. Addition of an item from the Agenda to the Consent Agenda requires approval of a majority of Board members present. Removal of an item can be accomplished at the request of a single Board member.
- H. Quorum/Action. At each regular or emergency meeting, the Board Chair shall certify a quorum is present in order to conduct official business of the Board. A quorum of the Board is a majority of the number of members fixed by statute, not including the Board's student representative. Accordingly, five members is a quorum of the Board for all purposes. The Texas Open Meetings Act prohibits less than a quorum of members from discussing or deliberating official business of the Board at such a meeting. A majority of members present, whether or not they comprise a quorum, may adjourn the meeting from time to time. A majority shall mean, for all purposes, more than half of the votes cast, ignoring abstentions.

- I. Rules Governing Board Action. The Board Operating Policies and Procedures shall govern the action of the Board. In the event that the policies and procedures do not specify how an action shall be conducted, the Board, as appropriate, shall refer to pertinent statutes, rules, or the latest Robert's Rules of Order Newly Revised Edition.
- J. Recordation of Meetings. All or any part of the public meeting may be recorded by any person in attendance by means of tape recorder, video camera, or any other means of sonic or visual reproduction unless determined by the Board Chair to be disruptive of the meeting.
- K. Public Testimony. Opportunity for public testimony shall be provided at each regularly scheduled meeting of the Board and its standing committees.
  - 1. The Board or Committee Chair shall take appropriate action to avoid unnecessary, repetitive testimony and to assure that different members of the public with differing points of view have reasonable access to the Board or committee. The Board or Committee Chair shall strive to ensure that representatives from both sides of an issue are able to address the Board or committee.
  - 2. Oral and written testimony shall be limited to an existing agenda, including consent, item that is being considered by the Board.
  - 3. Individuals wishing to testify must register via mail, email, fax or online using the public comment form available on the agency's website at least 24 hours prior to the meeting. Exceptions may be made at the discretion of the Board or Committee Chair.
  - 4. Individuals must provide his or her name, organizational affiliation, if any, and indicate which agenda item shall be addressed. A separate form must be submitted for each agenda item on which the speaker will testify. Additionally, the registrant shall disclose his or her viewpoint on the agenda item. The date and time the registration was received shall be noted.
  - 5. Each speaker shall have three minutes, unless otherwise stated in advance by the Board or Committee Chair. Testimony is limited to one representative per organization.
  - 6. Special accommodations for individuals who may require auxiliary aids or other services shall be made by the Agency's ADA Coordinator. Individuals requiring these accommodations shall notify the ADA Coordinator at least five days prior to the meeting.
  - 7. A registrant offering written materials in lieu of oral testimony shall provide at least 10 copies of the materials to Agency staff for distribution to Board members.
- L. Executive Sessions. Executive Sessions of the Board are closed meetings of the Board which may be held as authorized by the Open Meetings Act.

## **VI. BOARD COMMITTEES**

- A. The Board Chair may establish regular, standing, or temporary committees of the Board as he/she deems appropriate.
- B. To the extent practicable, all subjects and matters requiring Board action shall be referred to the appropriate standing committee for consideration and recommendation before action is taken by the Board. If the matter could be considered by more than one committee, the Board Chair will determine the appropriate referral.
- C. The Board Chair shall appoint an appropriate number of members to serve on the standing committees, including one to serve as Committee Chair. The Board Chair has established the following standing committees:
  - 1. Agency Operations Committee (AOC). This committee is responsible for matters pertaining to agency operations. Responsibilities include:
    - a. Agency strategic plan;
    - b. Agency's legislative appropriations request;
    - c. Audit, Compliance, and IT functions;
    - d. Student loan portfolio;
    - e. Agency's continuous improvement initiatives; and
    - f. Any other issues, rules, reports, and studies relating to agency operations.
  - 2. Committee on Academic and Workforce Success (CAWS). This committee is responsible for all matters pertaining to academic excellence, research, health, and workforce development. Responsibilities include:
    - a. Academic and technical programs;
    - b. Data, information and reports relating to low producing degree programs;
    - c. Certificates of approval/accreditation;
    - d. Workforce Development (Perkins/Vocational Education);
    - e. Research programs;
    - f. GME and other health programs;
    - g. College Readiness and Success (TSI, Developmental Education, ABE, Educator Quality);
    - h. P-16 Outreach Initiatives;
    - i. Learning Technology;
    - j. Transfer Issues and Initiatives; and
    - k. Any other issues, rules, reports, and studies relating to academic excellence, research, health and workforce development.
  - 3. Committee on Affordability, Accountability and Planning (CAAP). This committee is responsible for policy development, strategic planning for statewide higher education, and monitoring of the state's progress in achieving the goals of the strategic plan. Responsibilities include:
    - a. Long-term Strategic Plan for Texas Higher Education;
    - b. Legislative Agenda;
    - c. Formula Funding;
    - d. Data, information and reports relating to Campus Facilities;

- e. Accountability System;
- f. Financial Aid;
- g. Higher Education Strategic Plan Progress Reports;
- h. Institutional Cost Efficiencies; and
- i. Any other issues, rules, reports, and studies relating to affordability, accountability, and planning.

The performance appraisals of the Commissioner, General Counsel, and Director of Internal Audit and Compliance, as well as all rules developed through the negotiated rulemaking process, shall be considered by the full Board, not a Board standing committee.

#### D. Advisory Committees

1. The Board may establish advisory committees and shall appoint advisory committee members; however, a Board member may not serve as a member of an advisory committee.
2. The Board shall adopt rules to establish advisory committees in accordance with 19 Texas Administrative Code, Part 1, Chapter 1, Subchapter A, Section 1.6.

### **VII. BOARD RULES**

- A. Rule Making Authority. The rules adopted by the Board are part of a larger body of state agency rules that are collected and published by the Office of the Secretary of State as the Texas Administrative Code (TAC). Board rules are codified under Title 19, Part I, of the TAC. Title 19 is Education, and Part I is the Texas Higher Education Coordinating Board. The Board may adopt new rules or abolish or amend existing rules.
- B. Rule Making Process. The rulemaking process is primarily governed by Chapter 2001 of the Texas Government Code and is designed to permit and encourage stakeholder participation in rule making. The Agency also utilizes Chapter 2008 of that Code when it engages in negotiated rulemaking. The process shall follow Board rules, Chapter 1, Subchapter A, Rule 1.14. Rules that have been developed through negotiated rulemaking process are not considered by a Board committee before being considered by the full Board.
- C. Rule Review Process. In accordance with Texas Government Code, §2001.039, the Board shall review its rules every four years to ensure that statutory authority and the reasons for the rules continue to exist.
- D. Filing Non-Substantive Rule Corrections with the Secretary of State. The Commissioner of Higher Education or the Commissioner's designee may approve and file with the Secretary of State non-substantive corrections to the Board's rules. Non-substantive rule corrections may include typographical, grammatical, referencing, or spelling errors and technical edits to comply with Texas Register style and format requirements.

## **VIII. CONTRACTS AND MEMORANDA OF AGREEMENT**

### **A. Contracts.**

1. The Board shall execute interagency contracts to perform routine administrative functions and may execute other contracts as allowed by law.
2. The Board shall not contract for goods or services with a relative of a Board member unless the contract results from a competitive process in compliance with state purchasing laws. "Relative" for the purpose of this subsection shall be based on the civil law standard for determining degrees of relationship and shall mean any persons related within the second degree by affinity (marriage) or within the third degree by consanguinity (blood). A Board member shall identify to the General Counsel any relative that may be considering a contractual relationship with the Board.

- B. Delegation. The Board Chair, Vice Chair, and Chair of the relevant Board standing committee may approve contracts on behalf of the Board in accordance with Board rule, Chapter 1, Subchapter A, Section 1.16.

## **IX. BOARD COMMUNICATIONS WITH THE MEDIA, ELECTED OFFICIALS, INSTITUTIONAL REPRESENTATIVES, AND STUDENTS**

### **A. Communications with the Media**

1. Reports on actions of the Board on matters of public interest will be given to the press as promptly as possible by the External Relations Department.
2. Statements on matters of an obviously controversial nature shall be made by the Board Chair or the Commissioner.
3. No Board member shall make or issue any public statement on an obviously controversial subject which might reasonably be construed as a statement of the official position of the Board without the advance approval of the Board Chair.
4. It is not the intent of this policy statement to stifle the right of freedom of speech of anyone speaking in a personal capacity where that person makes it clear that he or she is not speaking for the Board or the members of the Board. To the extent possible, Board members are expected to coordinate with the External Relations Department regarding any media contacts and press statements.

- B. Communications with Elected Officials. When a Board member would like to schedule a meeting with an elected official regarding matters relating to the Board, , it is preferred the Board member request that the External Relations Department schedule the meeting, provide all necessary information/talking points, and accompany the Board member as needed/requested.

- C. Communications with Institutional Representatives. When a Board member is contacted by an administrator, faculty member, or governmental relations staff member from an institution of



higher education regarding a controversial issue relating to the Board, the Board member shall notify the Board Chair and Vice Chair.

- D. Student Complaints. When a Board member is contacted by a student with a complaint or request for information, it is preferred that the Board member refer the individual to the General Counsel's Office for further assistance. The General Counsel's Office shall notify the Board member how the complaint or request for information was handled by Agency staff.
- E. Speaking Invitations. When a Board member accepts an invitation to speak at a public event on behalf of the Board, it is preferred that the Board member contact the External Relations Department to request necessary information/talking points. The External Relations Department shall also notify the Board Chair and Vice Chair of the speaking invitation.

## **X. REQUESTS FOR DATA AND INFORMATION**

- 1. Information requests from or on behalf of an individual member of the Board seeking the compilation of significant quantities of information or data maintained by the agency will be reviewed by the Board Chair, the Commissioner, and General Counsel and, if necessary, discussed with the requesting Board member to determine the appropriate scope of the request and timing of the response to avoid inefficiencies and duplication of effort but shall also ensure that requests are fulfilled in a timely manner consistent with applicable law and policy.
- 2. Smaller requests for existing information or data that do not appear to require significant time or effort may be processed promptly by Agency staff.
- 3. Within 5 business days of the receipt of a Board member's information request, the requesting Board member will be provided with an estimated date for delivery or production. The Board requires Agency staff to respond thoroughly and appropriately to requests for information from a member of the Board without undue delay. In the rare circumstance when there are concerns about a Board member's request, the matter will be discussed with the Board member within 5 business days of receipt of the request. If concerns are unresolved following discussion with the Board member, the matter will be presented to the Board as quickly as possible, including by call of a special meeting if necessary. Upon vote, if any two or more Board members support the request, the request will be filled without delay.
- 4. This process is not intended nor will it be implemented to prevent a member of the Board from access to information or data that the Board member deems necessary to fulfill his or her official duties and responsibilities.

## **XI. MISCELLANEOUS**

- A. Fiscal Year. The fiscal year of the Board is the same as the official fiscal year of the State of Texas. It shall begin on September 1 and end on August 31 of each year.

- B. Minutes. Minutes of the Board and Board committee meetings shall be prepared and maintained, as required in the Open Meetings Act.
1. Minutes of the Board meetings shall be approved by the Board and signed by the Secretary of the Board. Minutes of the Board committee meetings shall be approved by the appropriate Board committee.
  2. Before the Board or Board committee approves the minutes of the last meeting, the minutes shall be sent to each member of the Board (or each member of the Board committee) for review, comment, and correction prior to approval.
  3. Minutes are available for public review as authorized by the Open Meetings Act. All books and records of the Board shall be stored according to the records retention schedules as set forth by the State Library and Archives Commission.
  4. The Board or a Board standing committee must make either a certified agenda or recording of each closed session, except for an executive session held by the Board or Board committee to consult with its attorney in accordance with section 551.071 of the Government Code (the Attorney/Client privilege section). If a certified agenda is kept, the presiding officer (i.e., the Board Chair, Committee Chair, or other member presiding during the closed session) must certify that the agenda is a true and correct record of the executive session. A certified agenda must include "(1) a statement of the subject matter of each deliberation, (2) a record of any further action taken, and (3) an announcement by the presiding officer at the beginning and the end of the closed meeting indicating the date and time." While such agenda does not have to be a verbatim transcript of the meeting, it must at least provide a brief summary of each deliberation.

Any Board member participating in a closed session knowing that a certified agenda or recording is not being made commits a Class C misdemeanor. The certified agenda or recording of an executive session shall be destroyed after two years (absent litigation or threat thereof), in accordance with state law. A certified agenda or recording of an executive session is confidential. A person who knowingly and without lawful authority makes these records public commits a Class B misdemeanor and may be held liable for actual damages, court costs, reasonable attorney fees, and punitive damages. Section 551.104 provides for court-ordered access to the certified agenda or recording under specific circumstances.

A Board member has a right to inspect the certified agenda or tape recording of a closed meeting, even if he or she did not participate in the meeting. This is not a release to the public in violation of the confidentiality provisions of the Act, because a Board member is not a member of the public within that prohibition. A Board member may not copy the recording or certified agenda of a closed meeting, nor may a former member inspect these records once he or she leaves office.

## **XII. POLICIES AND PROCEDURES: GUIDELINES**

- A. Effective Date of Policies and Procedures. These policies and procedures and any amendments to them shall become effective upon approval of the Board.
- B. Amendments to Policies and Procedures. Any of these policies and procedures may be altered, amended, or repealed, and new policies and procedures may be adopted by an affirmative vote of a majority of the Board, unless to do so would be contrary to law.
- C. The Board Operating Policies and Procedures create no substantive or procedural rights. They are guidelines for the Board's internal governance only.
- D. The Board Operating Policies and Procedures shall be reviewed by the Board in October of even numbered years unless (1) an earlier modification is required by law or (2) a proposal is made by a Board member to modify such policies and procedures at an earlier date.

## Committee on Agency Operations

### AGENDA ITEM V-A

#### Review of the Fiscal Year 2019 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 through the third quarter of FY19.
  - September 1, 2018 through May 31, 2019.
- The report is distributed to agency executive management on a monthly basis.
- Report overview:
  - Budget adjustments are primarily related to carrying forward of unexpended balances (UB) from FY18 into FY19. THECB received new Federal funding of \$800,000 relating to the Mental Health Loan Repayment Program and \$1.8 million from Texas Workforce Commission for the Advise Texas program.
  - College Access Loan program demand is approximately 11% higher than the previous year due to the low interest rate. Rate is currently 5.2%.
  - Completed refunding bond sale for the 2009 bond series on June 26, 2019. True Interest Cost was 2.1%. This yielded \$11.2 million in cash flow savings over a 14 year period. These savings will be passed on to future loans in the form of a lower interest rates.
  - Implemented automated ACH programming that allows a borrower to sign up for automated drafting of their checking or savings account. A 0.25% interest rate reduction is provided as an incentive. This enhances cash flow and overall efficiency of the loan program.

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

## Committee on Agency Operations

### AGENDA ITEM V-B

#### Consideration of adopting the Commissioner's recommendation to the Committee relating to the agency's operating budget for fiscal year 2020

RECOMMENDATION: Approval

#### BACKGROUND INFORMATION:

The General Appropriations Act (GAA) is approved after each legislative session. This act funds both years of the upcoming biennium. The agency develops an operating budget before the start of each fiscal year and submits the budget for Board approval. The budget that is being presented today is aligned with the General Appropriations Act (GAA) for the 2020-21 biennium as approved by the 86th Texas Legislature.

#### Key points:

- The budget is for fiscal year 2020, which starts on 9/1/2019 and ends on 8/31/2020.
- The budget delineates funding between agency operations and statewide programs (Trusted funds).
- Divisions and departments submit a draft budget based on remaining funds from the prior fiscal year plus additional funding requests for high priority needs.
- The Deputy Commissioners for Agency Operations and Academic Planning, as well as, General Counsel review the submissions. The Chief Financial Officer validates the availability of funding. A final recommendation is then forwarded to the Commissioner for review and approval.
- The total budget requested is \$1.84 billion. This is a 10% increase from the previous fiscal year.
- The administrative budget is \$31.0 million, the trusted budget is \$868.8 million and the budget for community colleges is \$936.5 million.
- The agency administration budget is 1.35% of the total budget (-0.10%). Fiscal year 2019 was 1.45%.
- This budget includes new funding for IT Application Portfolio Modernization, Peace Officer Loan Repayment Program, Advise Texas-TWC, and National Student Data.
- This budget has been reviewed and approved by the Commissioner and Chief Financial Officer.

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

## Committee on Agency Operations

### Agenda Item VI-A

#### Discussion of the Audit of the Agency-Wide Financial Statements for fiscal year ended August 31, 2018 by KPMG, LLP

RECOMMENDATION: No action required

#### Background Information:

The Board originally contracted with KPMG, LLP to conduct the agency-wide financial statement audit for fiscal year ended August 31, 2016 with renewal options for four, one-year terms. The current contract to conduct an agency-wide financial statement audit for fiscal year ended August 31, 2018 was executed with KPMG for a fixed fee of \$171,600.

KPMG, LLP has conducted the agency-wide financial statement audit for fiscal year ended August 31, 2018. The auditors rendered an unqualified or "clean" opinion on the financial statements, noting no reportable material weaknesses nor significant deficiencies during the audit.

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

Committee on Agency Operations

AGENDA ITEM VI-B

Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Internal Audit Plan for Fiscal Year 2020

RECOMMENDATION: Approval

BACKGROUND INFORMATION:

In accordance with the Texas Internal Auditing Act, for the Committee's consideration and approval, the Internal Audit function has developed the Risk-Based Audit Work Plan for Fiscal Year 2020 using risk assessment techniques as required. The Risk-Based Audit Work Plan for Fiscal Year 2020 presents the individual audits to be performed in Fiscal Year (FY) 2020.

The FY 2020 Audit Work Plan is attached. Mark Poehl, Director, Internal Audit and Compliance, will present this item and be available to answer questions.

**TEXAS HIGHER EDUCATION COORDINATING BOARD**

**INTERNAL AUDIT & COMPLIANCE MONITORING**

**Internal Audit Plan**

**Fiscal Year 2020**

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 Audits <i>Assess the implementation status of previously reported internal audit findings in the areas of College Access Loan Program, 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>	130
3. Investigations <i>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</i>	335



*or may monitor any investigation conducted by the agency.*

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|---|-----|
| 4. Provide Assistance-External Audit of Agency Financial Statements<br><i>Internal Audit provides 50 hours of audit support to reduce external audit fees and to increase the level of knowledge of external auditors' assessment of the agency's financial statements and associated risks.</i>  | 50  |
| 5. Ongoing Status Assessment of Corrective Action Plan Implementation to Address NTT Texas and AT&T Cybersecurity Assessment Reports<br><i>Perform an ongoing status assessment to assess the implementation status of the corrective action plan prepared to address recommendations from the 2017 NTT Texas Cyber Security Assessment Report<sup>1</sup>, and from the 2019 AT&amp;T Cybersecurity Assessment Report.</i> | 470 |
| 6. SAO Performance Measures Follow Up Audit<br><i>Perform a follow up audit of SAO Performance Measures at the Coordinating Board.</i>  | 200 |

## **B. Risk-Based Audits**

- |   |     |
|---|-----|
| 7. Information Security Policy Compliance<br><i>Review compliance with select provisions of agency information security policy.</i>   | 470 |
| 8. Review of Bonds Program<br><i>Review the internal administrative activities of bonds for compliance, effectiveness and efficiency. Bonds for FY 2019 were budgeted at approximately \$120 million.</i> | 470 |
| 9. Human Resources Policy Compliance<br><i>Review compliance with select provisions of agency human resources policy.</i>   | 460 |
| 10. Review of Contract Management Administration<br><i>Review of agency contract administration processes for compliance with laws, regulations, policies, and procedures.</i>                            | 460 |

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

Committee on Agency Operations

AGENDA ITEM VI-C

Update on Internal Audit Reports and Activities

RECOMMENDATION: No action required

Background Information:

The Internal Audit Department completed two projects since the last Agency Operations Committee meeting in April 2019. The reports include:

1. *Final Report – An Audit of Formula Funding Community College 'Ten Pay' system at the Texas Higher Education Coordinating Board*
2. *Final Results Letter – Complaint Regarding Alleged Inappropriate Data Access and Competitive Grant Selection Bias*

Update on Internal Audit activities

<b>Audits In Progress</b>	<b>Stage of Project</b>
Review of Contract Administration	Fieldwork
Review of Scholarship Programs	Fieldwork

**Other Internal Audit Activities**

- Coordinating external audits:
  - CLA Single Audit
  - KPMG Financial Statement Audit
  - State Auditor's Office Performance Measures Audit
  - U.S. Department of Education - FFELP Audit
- Preparing to host peer review team

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



# TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

Stuart W. Stedman  
CHAIR

Fred Farias III, O.D.  
VICE CHAIR

John T. Steen, Jr.  
SECRETARY OF THE BOARD

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April 1, 2019

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

Dear Dr. Paredes:

I am attaching the final report of *An Audit of Formula Funding-Community College 'Ten Pay' Payment System* at the Texas Higher Education Coordinating Board, Report No. THECB-IA-WP-19-213.

The issue 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 it does 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

Formula funding for the community colleges is effective in ensuring that formula calculations, allocations, reconciliations, and disbursements to the institutions are made according to Texas Education Code and General Appropriations Act. However, access control to sensitive data and information related to this program requires improvement to provide greater assurance over integrity and accuracy of data.

### Audit Objective, Scope and Methodologies

Our audit objective was to review the internal administrative activities associated with the community colleges 'ten pay' formula funding payment processes. Our audit scope focused on current process. Our audit included reviewing relevant statutes, rules and THECB policies and procedures, manuals and documentation related to the audit area, and performing various testing to address the audit objectives. We also interviewed appropriate THECB staff.

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

### Background

An Audit of Formula Funding-Community Colleges 'Ten Pay' Payment System was included on the 2019 Internal Audit Plan. Texas Education Code, Section 130.0031 described the calculation methodologies to determine the disbursements for the community colleges. Calculations are made based on the appropriations as set by General Appropriations Act.

Formula Funding Levels	2016-17 Biennium (millions)	2018-19 Biennium (millions)
Community Colleges	\$1,743.8	\$1,902.6

## Detailed Observation, Recommendation, and Management Response

### 1. **Access controls to sensitive data and information related to the “ten pay” payment system require improvement to strengthen data integrity and accuracy.**

Access controls to sensitive information related to the “ten pay” payment system require improvement to strengthen data integrity and accuracy. Fourteen employees have access to an agency network folder and subfolders that house sensitive formula funding information such as the payment schedule supporting documentation, funding and contact hours, and the ten pay calculation and payment spreadsheet. None of these documents are further password protected. Of the fourteen employees with access to this information, eight do not require access according to their current job responsibilities including two who have the ability to modify data.

Over-broad network folder privileges especially modify access, put sensitive information at risk for accidental or intentional modification. Agency Policy HH-10 Security, Privacy and Data Stewardship Responsibilities, states, “In relation to the agency’s information resources, all users shall: (a) comply with information security controls and agency policies designed to prevent unauthorized or accidental disclosure, modification, or destruction.”

#### **Recommendations:**

Implement a periodic review policy to revise and limit employee modify access to the program folder. Implement a routine system of access review to align employee access levels with employee job functions and business needs.

#### **Management Response:**

Information about the ‘Ten-Pay’ process has traditionally been kept in the ‘Resource’ folder on the H-Drive that is accessible by the Funding (formerly called Resource) unit staff in the Strategic Planning and Funding Division (SPF). Internal auditors were concerned that a few staff members from outside the unit and division have access to the Resource folder along with, by design, all of the members of the Funding/Resource team. This access was based on a need for access to other areas in the folder, but because of the importance of maintaining the integrity of the Ten-Pay spreadsheet and other documentation we agree that

it is appropriate to further limit access to Ten-Pay documents to only those employees with a legitimate workforce need.

We have requested that a new Ten-Pay subfolder be established in the PAForum folder (SPF's main administrative folder on the H-Drive). This folder will limit access to Ten-Pay materials to funding team staff who administer the Ten-Pay activities, back-up staff from the funding team who are trained to handle these materials, and the Assistant Commissioner, SPF. This special restricted folder will be included in the quarterly review of special permissions folders provided by ISS, and reviewed by the Assistant Commissioner, SPF. Ten-Pay information beginning with the 20-21 biennium will be kept in this folder which will be named 'Ten Pay for Community Colleges.'

**Implementation Date:**

May 2019

**PERFORMED BY:**

Ms. Aporajita Ahmed, CPA, CFE, CITP, CGMA, CICA, Certified Cybersecurity Fundamentals for Finance and Accounting Professionals, Internal Audit Lead

CC:

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

Dr. David Gardner, Deputy Commissioner for Academic Planning and Policy  
Ms. Linda Battles, Deputy Commissioner for Agency Operations and Communications  
Mr. William Franz, General Counsel  
Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding

**STATUTORY DISTRIBUTION REQUIREMENT****Legislative Budget Board**

Ms. Julie Ivie

**Governor's Office of Budget & Planning**

Mr. John Colyandro

**State Auditor's Office**

Internal Audit Coordinator

**Sunset Advisory Commission**

Ms. Jennifer Jones



# TEXAS HIGHER EDUCATION COORDINATING BOARD

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June 3, 2019

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

## **RE: Complaint Regarding Access to Research Data and Regarding Competitive Grant Vendor Selection**

We completed an inquiry regarding an administrative complaint regarding access to agency data by non-employee outside researchers and regarding the vendor selection process for competitive grants. The first portion of the complaint alleged that an external academic researcher obtained inappropriate access to agency research databases. In addition, the complaint alleged that management did not adequately respond to potential issues regarding agency policies and procedures controlling access to academic research databases. The second portion of the complaint alleged that the vendor selection process for a particular competitive grant was biased and did not follow CB policy.

## **Inappropriate Access by external researcher to THECB Research database**

The complaint regarding inappropriate access to research data and inadequate management response to issues regarding research data access was not substantiated.

The outside researcher adequately met CB requirements for access to agency data through the CB LAN agreement and various research agreements. Even though the outside researcher followed FERPA requirements, there was some question on the timing of access to specific research materials. Several research agreements overlapped in both time period and content. Potential early access to particular information was prevented because of specific actions by the complainant until questions regarding eligibility for access were resolved. The complainant further requested review of policies regarding access, resulting in action by management to revise CB practices, strengthening controls to reduce risk of



inadvertent access to data beyond the scope of research agreements. Management's response to the issues raised was appropriate.

### **Competitive Grant Vendor Selection bias**

The complaint regarding vendor selection bias for competitive grants was not substantiated. However, current CB policy may inadequately control risk with regard to vendor selection bias.

Complainant was mistakenly applying contract procurement vendor rules to vendor selection for competitive grants. The policies and procedures for vendor selection for competitive grants are significantly less restrictive than policies and procedures for vendor selection under procurement contracts. The complainant's expectations for vendor selection for a particular grant were aligned with the more restrictive contract procurement rules and therefore, the complainant perceived bias in the process. The complainant's perceptions were misplaced.

For example, contract procurement does not allow members of an application review committee to discuss or influence each other outside of specific meetings of the entire group. In a competitive grant application review process in which the complainant participated, there were alleged discussions regarding scores and influencing to revise such scores. Although these practices are allowed under current competitive grant vendor selection policies and procedures, additional controls and guidance may be appropriate to reduce the potential for bias and to provide greater transparency of expectations for the process.

In light of the potential risk in the competitive grant selection process, we are further reviewing the risks and possible controls as part of our current contract management review.

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 letters of the first and last names being capitalized and prominent.

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

Committee on Agency Operations

AGENDA ITEM VII-A

Consideration of adopting the Commissioner's recommendation to the Committee relating to the Annual Compliance Monitoring Plan for Fiscal Year 2020

Background Information:

In accordance with Texas Administrative Code, Section 1.13, Internal Auditor and Compliance Monitoring, for the Committee's consideration and approval, the Compliance Monitoring function has developed the Risk-Based Compliance Monitoring Plan for Fiscal Year 2020. The Risk-Based Compliance Monitoring Work Plan for Fiscal Year (FY) 2020 presents the individual projects to be performed in Fiscal Year 2020.

The FY 2020 Compliance Monitoring Plan is attached. Mark Poehl, Director, Internal Audit and Compliance, will present this item and be available to answer questions.

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

**Compliance Monitoring Plan**

**Fiscal Year 2020**

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

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

<b>Risk-Based Reviews</b>	<b><u>Hours</u></b>	<b><u>%</u></b>
1. Formula Funding at Institutions of Higher Education	1,925	50%

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

***Public Universities – Four institutions, based on risk assessment***

Onsite Reviews

The University of Texas at Tyler  
The University of Texas at Austin  
Angelo State University

Desk Reviews

Midwestern State University

***Public Community/Junior Colleges – Six institutions, based on risk assessment***

Onsite Reviews

Amarillo College  
Coastal Bend College  
Temple College  
Cedar Valley College

Desk Reviews

College of the Mainland  
Laredo Community College

2. Financial Assistance Compliance at Institutions of Higher Education	1,925	50%
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Perform compliance reviews of student financial assistance or grant programs at public community/junior colleges or other public/private institutions of higher education. Financial assistance disbursed to colleges and universities in Texas totals approximately \$870 million annually.

***Public Universities*** – Four institutions, based on risk assessment

Onsite Review

Texas State University – San Marcos  
The University of Texas at Arlington  
The University of North Texas

Desk Review

Texas Woman's University

***Public Community/Junior Colleges*** – Three institutions, based on risk assessments

Onsite Review

Austin Community College  
Angelina College

Desk Review

Central Texas College

***Private Universities*** – Two institutions, based on risk assessment

Onsite Review

Huston Tillotson University

Desk Review

Baylor University

***Public Health Related Institutions*** – One institution, based on risk assessment

Onsite Review

Texas Tech University Health Sciences Center

<b>TOTAL RISK-BASED REVIEWS</b>	<b>3,850</b>	<b>100%</b>
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<b>Completion of FY19 Risk-Based Reviews</b>	<b><u>Hours</u></b>	<b><u>%</u></b>
--	---------------------	-----------------

1. Formula Funding at Institutions of Higher Education One institution	175	30%
2. Financial Assistance Compliance at Institutions of Higher Education Two institutions	400	70%

<b>TOTAL COMPLETION of FY18 REVIEWS</b>	<b>575</b>	<b>100%</b>
---	------------	-------------

<b>Follow-Up Reviews</b>	<b><u>Hours</u></b>	<b><u>%</u></b>
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Agenda Item VII-A

- 3. Formula Funding at Institutions of Higher Education
- 1. Seven institutions

1100 100%

**TOTAL FOLLOW-UP REVIEWS**

**1100** **100%**

Committee on Agency Operations

AGENDA ITEM VII-B

Update on Compliance Monitoring Reports and Activities

RECOMMENDATION: No action required

Background Information:

Update on Compliance Monitoring Reports

The Compliance Monitoring team completed 11 projects during the reporting period since the April 2019 Agency Operations Committee meeting.

Formula Funding Engagements Completed

- A Compliance Audit of Formula Funding at McLennan Community (one finding)
- A Compliance Desk Review of Formula Funding at University of Houston-Downtown (no findings)
- A Compliance Desk Review of Formula Funding at Grayson College (no findings)
- A Compliance Desk Review of Formula Funding at Texas A&M University-Corpus Christi (no findings)
- A Compliance Desk Review of Formula Funding at Texas A&M University-Kingsville (one finding)
- A Follow Up Audit of Formula Funding at Cisco College (no findings)

Financial Assistance Engagements Completed

- A Compliance Audit of TEXAS Grant at the University of Houston (no findings)
- A Compliance Audit of TEXAS Grant at the University of Texas El Paso (no findings)
- A Compliance Audit of BOT and CAL Loan Programs at Sam Houston State University (no findings)
- A Compliance Desk Review of TEXAS Grant at Texas A&M University-Commerce (no findings)

Other Compliance Monitoring Engagements Completed

- The University of Texas Permian Basin Fiscal Year 2016-18 Teacher Quality Grant Review Report (two findings)

<b>Projects In Progress</b>	<b>Stage of Project</b>
Northwest Vista College	Fieldwork
Tarleton State University	Fieldwork
Clarendon College	Planning
Del Mar College	Planning
South Texas College (N1)	Carry Forward to FY20
Tyler College (N1)	Carry Forward to FY20
Weatherford College (N1)	Carry Forward to FY20

N1 - This follow up engagement will be performed in fiscal year 2020 to allow sufficient time to test continuing education formula funding during the period after legislative changes took effect on September 1, 2018.

Other Compliance Monitoring Activities

- FY 2019 External Peer Review
- Completion of the FY 2020 Risk Assessment and Compliance Plan

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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April 8, 2019

Dr. Johnette McKown, President  
McLennan Community College  
1400 College Drive  
Waco, Texas 76708

Dear Dr. McKown,

I am attaching the final report on *A Compliance Monitoring Audit of Formula Funding at McLennan Community College*, Report No. THECB-CM-FF-19-003. There was one finding related to information technology controls resulting from this engagement.

## Summary

Information security controls over student enrollment information at McLennan Community College require improvement. Audit trails over key enrollment data such as class meeting days and times must be established to ensure the reliability and integrity of data used for formula funding decision making purposes. Therefore, our original review objectives, including a determination of the accuracy of contact hours reported by McLennan Community College, were unable to be met.

A follow up audit will be performed to evaluate McLennan Community College's information security controls. This will serve as a basis for future base period assessments of the accuracy of contact hours reported for formula funding purposes.

This Compliance Monitoring report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in July 2019.

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".

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



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

### **1. Information technology processes and controls over student information system enrollment data should be strengthened.**

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

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

The lack of audit logs or change history limits the ability to rely upon the integrity of the data. McLennan Community College implemented student information audit logs (change history) for the critical data in November 2018; however, due to the time period to be audited, (Summer 2017, Fall 2017, and Spring 2018), the change did not occur in time to adequately cover the audit period.

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

#### **Recommendation:**

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

#### **Management Response:**

On November 26, 2018, McLennan Community College adjusted the Ellucian Colleague system to capture and retain student information system audit logs or change history for critical data used for formula funding enrollment data. McLennan Community College now has the capability to provide audit logs for critical formula funding data.

**Responsible Parties:** Michael Searight, Director Information Systems and Services; Don Hurst, Systems Analyst, Information Systems and Services; Herman Tucker, Director Records and Registration

**Completion and Effective Date:** November 26, 2018

**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

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

Mr. William Franz, General Counsel

**Strategic Planning and Funding**

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

**McLennan Community College**

Mr. K. Paul Holt, Chairman, Board of Trustees

Mr. Herman Tucker, Director of Records and Registration

Mr. Mike Searight, Director of Information Systems and Services

**Texas Association of Community Colleges**

Ms. Jacob Fraire, President and Chief Executive Officer

**State Auditor's Office**

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**Office of the Governor-Budget and Policy Division**

Mr. John Colyandro, Policy Director

**Legislative Budget Board**

Ms. Julie Ivie, Assistant Director



# TEXAS HIGHER EDUCATION COORDINATING BOARD

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April 23, 2019

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Dr. Juan Sánchez Muñoz, President  
University of Houston - Downtown  
One Main Street  
Houston, Texas 77002

RE: Desk Review of Formula Funding at University of Houston - Downtown

Dear Dr. Muñoz,

University of Houston - Downtown complied with relevant Coordinating Board rules and regulations for enrollment data used for formula funding and with Texas Administrative Code (TAC) Title 19, Section 13.100, 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 University of Houston - Downtown 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 2017, fall 2017, and spring 2018; and
- Enrollment for CBM004 (Class Report) during summer 2017, fall 2017, and spring 2018.

Our work included procedures to verify:

- Reported semester credit hours were eligible for formula funding;
- Student tuition payments were 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. Jamyen Robinson-Hall, 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 Funding**

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

**University of Houston – Downtown**

Dr. Eric Link, Provost and Senior Vice President for Academic Affairs and Student Affairs

Mr. David Bradley, Vice President for Administration and Finance

Dr. Faiza Khoja, Associate Vice President for Academic Affairs

Mr. Hossein Shahrokhi, Associate Vice President, Information Technology

Mr. Daniel Villanueva, Assistant Vice President, Enrollment Management & Registrar

Ms. Carol Tucker, Director, Institutional Research

**University of Houston System**

Mr. Tilman J. Fertitta, Chairman, UH System Board of Regents

Dr. Renu Khator, Chancellor

Mr. Don Guyton, Chief Audit Executive, Internal Auditing Department

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

Dr. Rissa McGuire, Executive Director

**State Auditor's Office**

Internal Audit Coordinator

**Sunset Advisory Commission**

Ms. Jennifer Jones, Director

**Office of the Governor-Budget and Policy Division**

Mr. John Colyandro, Policy Director

**Legislative Budget Board**

Ms. Julie Ivie, Assistant Director



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May 24, 2019

Dr. Jeremy P. McMillen, President  
Grayson College  
6101 Grayson Drive (Hwy 691)  
Denison, Texas 75020

RE: Desk Review of Formula Funding at Grayson College

Dear Dr. McMillen,

Grayson College complied with relevant Coordinating Board rules and regulations for enrollment data used for formula funding and with Texas Administrative Code (TAC) Title 19, Part 1, Chapter 13, in the areas of contact hours eligibility, tuition payments, and enrollments.

## Summary

Our review included tests of relevant enrollment data reported and certified by Grayson College for accuracy and completeness in accordance with TAC, Chapter 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 2017, fall 2017, and spring 2018;
- Contact Hours and Enrollment for CBM004 (Class Report) during summer 2017, fall 2017, and spring 2018; and
- Contact Hours and Enrollment for CBM00C (Continuing Education Class Report) during summer 2017, fall 2017, and spring 2018.

Our work included procedures to verify:

- Student tuition payment was received in accordance with requirements;
- Reported contact hours were eligible for formula funding; 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

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

**Strategic Planning and Funding**

Dr. Julie Eklund, Assistant Commissioner Strategic Planning and Funding

**Grayson College**

Mr. Ronnie Cole, Chair, Board of Trustees

Dr. Regina Organ, Vice President of Student Affairs

Dr. Dava Washburn, Vice President of Instruction

Ms. Brandi Furr, Director of Admissions and Registrar

Mr. Casey Ticknor, Director of Administrative Computing

**Texas Association of Community Colleges**

Jacob Fraire, President and Chief Executive Officer

**State Auditor's Office**

Internal Audit Coordinator

**Sunset Advisory Commission**

Ms. Jennifer Jones, Director

**Office of the Governor-Budget and Policy Division**

Mr. John Colyandro, Senior Advisor and Policy Director

**Legislative Budget Board**

Ms. Julie Ivie, Assistant Director



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May 7, 2019

Dr. Kelly M. Quintanilla  
President/CEO  
Texas A&M University-Corpus Christi  
6300 Ocean Dr.  
Corpus Christi, Texas 78412

RE: Desk Review of Formula Funding at Texas A&M University-Corpus Christi

Dear Dr. Quintanilla,

Texas A&M University-Corpus Christi complied with relevant Coordinating Board rules and regulations for enrollment data used for formula funding and with Texas Administrative Code (TAC) Title 19, Part 1, Chapter 13, in the areas of student semester credit hour eligibility, tuition payment, and enrollment with no reportable conditions resulting from this engagement.

## Summary

Our review included tests of relevant enrollment data reported and certified by Texas A&M University-Corpus Christi for accuracy and completeness in accordance with TAC, Chapter 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 2017, fall 2017, and spring 2018; and
- Enrollment for CBM004 (Class Report) during summer 2017, fall 2017, and spring 2018.

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 cursive script 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 Funding**

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

**Texas A&M University-Corpus Christi**

Dr. Katie Bontrager, Senior Associate Vice President, Planning, Institutional  
Research and Special Projects (Enrollment Management)

Dr. Michelle Singh Durán, Associate Vice President, Teaching and Learning  
Technologies, Division of Information Technology

**Texas A&M University System**

Mr. Charles W. Schwartz, Chairman, Board of Regents

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

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# TEXAS HIGHER EDUCATION COORDINATING BOARD

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June 20, 2019

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Dr. Mark A. Hussey, President  
Texas A&M University – Kingsville  
700 University Blvd., MSC 102  
Kingsville, TX 78363

RE: Desk Review of Formula Funding at Texas A&M University – Kingsville

Dear Dr. Hussey:

I am attaching the final report for *A Compliance Monitoring Desk Review of Formula Funding at Texas A&M University-Kingsville*, Report No. THECB-CM-FF-19-006.

There was one finding related to information technology controls resulting from this engagement. Management's response has been incorporated into the final report.

## Summary

Information security controls over student enrollment information at Texas A&M University – Kingsville (TAMUK) require improvement. TAMUK did not perform an information security review, as required biennially by Texas Administrative Section §202.76(c) Security Control Standards Catalog. Management's response indicates that an IT audit is scheduled for June-July 2019.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in July 2019.

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".

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

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

### **1. Information technology processes and controls over security access to the student information system should be strengthened to ensure compliance with the Texas Administrative Code Section §202.76.**

Information technology processes and controls over security access to the student information system should be strengthened to ensure compliance with the Texas Administrative Code Section §202.76. There has not been a comprehensive or formalize information security review performed over the student information system at Texas A&M University – Kingsville in over four years, in 2014. Texas A&M University - Kingsville has not met the security standards requirement established by the Department of Information Resources (DIR) for institutions of higher education.

The Texas Administrative Code Section §202.76(c) states that "a review of the institution's information security program for compliance with these standards will be performed at least biennially...."

Enhanced oversight of the University's student information system and compliance with statutory requirements provides greater assurance that student information security and integrity are achieved.

#### **Recommendation:**

Strengthen oversight of student information security and comply with Texas Administrative Code §202.76 and DIR security standards.

#### **Management Response:**

*"We concur with the findings of the Desk Review of Formula Funding at Texas A&M University – Kingsville. The iTech Department will undergo a TAMU System IT audit during June-July, 2019, which will address the findings. The report of the TAMU System IT audit will be submitted to the THECB, if requested."*

**PERFORMED BY:**

Ms. Elizabeth M Steele, Compliance Specialist  
Ms. Jamyen Robinson-Hall, Compliance Specialist

Cc:

**THECB**

**Board Members**

**Commissioner's Office**

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

**Strategic Planning and Funding**

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

**Texas A&M University-Kingsville**

Mr. J. Randy Hughes, Chief of Staff  
Dr. Jaya Goswami, Associate Vice President for Academic Affairs  
Mr. Robert Paulson, Chief Information Officer

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April 23, 2019

Dr. Thad Anglin, President  
Cisco College  
101 College Heights  
Cisco, Texas 76437

Dear Dr. Anglin:

Cisco College implemented the recommendation in our prior report *A Compliance Desk Review of Formula Funding at Cisco College*, issued November 13, 2017.

Management has implemented the audit recommendation by:

- Capturing and retaining student information system audit logs or change history for the critical data used for formula funding.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

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

Sincerely,

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

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

**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

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Dr. Raymund Paredes, Commissioner of Higher Education

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

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

Mr. William Franz, General Counsel

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

**Cisco College**

Ms. Shirley Dove, Director of Enrollment Services/Registrar

Dr. Jerry Dodson, Vice-President of Student Services

**Texas Association of Community Colleges**

Mr. Jacob Fraire, President and Chief Executive Officer

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April 23, 2019

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Dr. Renu Khator, President and Chancellor  
University of Houston System  
4800 Calhoun Road  
Houston, TX 77004

Dear Dr. Khator,

I am attaching the final report on *A Compliance Audit of the Toward EXcellence Access and Success (TEXAS) Grant at the University of Houston*, Report No. THECB-CM-FA-19-004. There were no findings resulting from this engagement.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in July, 2019.

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**

University of Houston complied with relevant Coordinating Board (THECB) rules and regulations for the TEXAS Grant Program and with Chapter 19 Texas Administrative Code (TAC) Sections 22.225 – 22.242, in the areas of eligibility and award amounts.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

We reviewed the following areas:

### **Award Amounts**

No reportable findings were noted.

### **Student Eligibility**

No reportable findings were noted.

### **Financial Need**

No reportable findings were noted.

### **Satisfactory Academic Progress**

No reportable findings were noted.

### **Residency**

No reportable findings were noted.

### **Selective Service Registration**

No reportable findings were noted.

## Scope, Objective, and Methodology

Our compliance audit included tests of TEXAS GRANT disbursements during fiscal year 2018 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 UH's student information system data and payment records.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random and judgmental sampling to determine the extent to which UH accurately reported TEXAS Grant data.

## Background

The purpose of the 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 2018, there were 3,891 students who received award disbursements totaling \$22,910,339.



**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist

CC:

**THECB**

**Board Members**

**Commissioner's Office**

Dr. Raymund A. Paredes, Commissioner of Higher Education

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

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

Mr. William Franz, General Counsel

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

**Student Financial Aid Programs**

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

**University of Houston**

Ms. Briget Jans, Executive Director of Financial Aid

Mr. Scott Moore, Director of Financial Aid

Ms. Mara Affre, Associate Vice Chancellor, President, Enrollment Services

**University of Houston System**

Mr. Tilman J. Fertitta, Chairman, Board of Regents

Mr. Don Guyton, Director of Internal Audit

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Mr. John Colyandro, Policy Director

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Ms. Julie Ivie, Assistant Director



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May 24, 2019

Dr. Diana Natalicio, President  
University of Texas at El Paso  
500 University Avenue  
El Paso, TX 79968

Dear Dr. Natalicio,

I am attaching the final report on *A Compliance Audit of the Toward EXcellence Access and Success (TEXAS) Grant at the University of Texas at El Paso*, Report No. THECB-CM-FA-19-011. There were no findings resulting from this engagement.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in July, 2019.

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

Sincerely,

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

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

## EXECUTIVE SUMMARY

University of Texas at El Paso complied with relevant Coordinating Board (THECB) rules and regulations for the TEXAS Grant Program and with Chapter 19 Texas Administrative Code (TAC) Sections 22.225 – 22.242, in the areas of eligibility and award amounts.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

We reviewed the following areas:

### **Award Amounts**

No reportable findings were noted.

### **Student Eligibility**

No reportable findings were noted.

### **Financial Need**

No reportable findings were noted.

### **Satisfactory Academic Progress**

No reportable findings were noted.

### **Residency**

No reportable findings were noted.

### **Selective Service Registration**

No reportable findings were noted.

## Scope, Objective, and Methodology

Our compliance audit included tests of TEXAS Grant disbursements during fiscal year 2018 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 UTEP's student information system data and payment records.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random and judgmental sampling to determine the extent to which UTEP accurately reported TEXAS Grant data.

## Background

The purpose of the 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 2018, there were 4,907 students who received award disbursements totaling \$23,461,152.

**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist (Lead Auditor)  
Ms. Elizabeth Steele, Compliance Specialist

CC:

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

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

**Student Financial Aid Programs**

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

**University of Texas at El Paso**

Ms. Heidi Granger, Assistant Vice President, Student Financial Services  
Dr. Gary Edens, Vice President, Student Affairs  
Dr. Stephen Riter, Vice President, Information Resources  
Ms. Lori Wertz, Chief Audit Executive

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May 7, 2019

Dr. Dana Hoyt  
President  
Sam Houston State University  
1905 University Ave.  
Huntsville, Texas 77340

Dear Dr. Hoyt,

I am attaching the final report on *A Compliance Audit of B-On-Time (BOT) and College Access Loan (CAL) Programs at Sam Houston State University*, Report No. THECB-CM-FA-19-012. There were no findings resulting from this engagement.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in July 2019.

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".

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

## EXECUTIVE SUMMARY

Sam Houston State University complied with relevant Texas Higher Education Coordinating Board (THECB) rules and regulations for the B-On-Time (BOT) and College Access Loan (CAL) Programs and with the Texas Administrative Code (TAC) Title 19, Part 1, Chapter 21, Subchapter E §21.123 - §21.129 and §22.42 - 22.55 respectively.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

We reviewed the following areas for compliance with the B-On-Time (BOT) loan program requirements as noted in the table below:

<b>BOT Compliance Items Reviewed</b>	<b>Results</b>
Award Amounts	No reportable findings were noted.
Student Eligibility	No reportable findings were noted.
Cumulative GPA	No reportable findings were noted.
Cumulative Credit Hours	No reportable findings were noted.
Satisfactory Academic Progress	No reportable findings were noted.
Residency	No reportable findings were noted.
Graduated within Maximum Timeframe	No reportable findings were noted.
Disbursed Funds to Students within the Allowable Timeframe	No reportable findings were noted.
Reconciliation of BOT Funds	No reportable findings were noted.

We reviewed the following areas for compliance with the College Access Loan (CAL) program requirements as noted in the table below:

<b>CAL Compliance Items Reviewed</b>	<b>Results</b>
Award Amounts	No reportable findings were noted.
Student Eligibility	No reportable findings were noted.
Financial Need	No reportable findings were noted.
Satisfactory Academic Progress	No reportable findings were noted.
Residency	No reportable findings were noted.
Enrollment Requirement	No reportable findings were noted.
Approved Degree Program	No reportable findings were noted.
Reconciliation of CAL Funds	No reportable findings were noted.

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

Our audit included tests of BOT and CAL eligibility requirements data reported and certified by Sam Houston State University. Our audit focused on BOT and CAL data reported for the financial aid year 2017-2018.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls as necessary to achieve the objectives of the audit.

### **Background**

The purpose of the BOT loan program is to provide eligible Texas students no-interest loans to attend colleges and universities in Texas. The purpose of the CAL program is to provide alternative educational loans to Texas students who are unable to meet the cost of attendance requirements.

Texas Administrative Code Title 19, Part 1, Subchapter A, Rule §1.13 (b)(2) states, "The purpose of the Board's risk assessment process and compliance methodologies is to maximize the effectiveness of monitoring funds allocated by the Board and data reported to the Board. The agency-wide, risk-based compliance monitoring function is established for... (A) funds allocated by the Board to institutions of higher education, private or independent institutions of higher education, and other entities, including student financial assistance funds, academic support grants, and any other grants, to ensure that those funds are distributed in accordance with applicable law and Board rule."

Sam Houston State University was awarded \$379,111 in B-On-Time and \$1,513,105 in College Access Loan programs for the financial aid year 2017-2018.



**PERFORMED BY:**

Ms. Carol Conner, Compliance Specialist (Lead Auditor)  
Ms. Jamyen Robinson-Hall, Compliance Specialist  
Mr. Bobbly Lane, Compliance Specialist  
Ms. Elizabeth Steele, Compliance Specialist

CC:

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

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

**Loan Program Operations**

Dr. Charles Puls, Deputy Assistant Commissioner

**Sam Houston State University**

Ms. Lydia Hall, Director of Financial Aid and Scholarships  
Ms. Kelly R. Bielamowicz, Director of Office of Audits and Analysis  
Mr. Charles Mize, Director of Application Support, IT Enterprise Services

**Texas State University System**

Mr. William F. Scott, Chairman, Board of Regents  
Dr. Brian McCall, Chancellor  
Ms. Carole Fox, CPA, Chief Audit Executive

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Dr. Rissa McGuire, Executive Director

**State Auditor's Office**

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Ms. Jennifer Jones, Director

**Office of the Governor-Budget and Policy Division**

Mr. John Colyandro, Senior Advisor and Policy Director

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Ms. Julie Ivie, Assistant Director



# TEXAS HIGHER EDUCATION COORDINATING BOARD

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April 8, 2019

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Dr. Mark Rudin, President  
Texas A&M University - Commerce  
2200 Campbell St.  
Commerce, Texas 75428

Dear Dr. Rudin,

I am attaching the final report on *A Compliance Desk Review of TEXAS Grant at Texas A&M University – Commerce*, Report No. THECB-CM-FA-19-007. There were no findings resulting from this engagement.

Texas A&M University – Commerce complied with relevant Coordinating Board (THECB) rules and regulations for the Towards EXcellence, Access, and Success (TEXAS) Grant and with Chapter 19, Texas Administrative Code (TAC) §§22.225-22.239.

## Summary

Our desk review included tests of relevant financial data reported and certified by Texas A&M University - Commerce for award year 2017-2018. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the desk review objectives.

Our work included procedures to verify:

- Students met all eligibility criteria, including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Applicable students registered with the selective service system; and
- Reported award amounts reconciled with Texas A&M Commerce'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, looped 'M' and a distinct 'P'.

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

**PERFORMED BY:**

Mr. Bobby Lane, CFE, CICA, Compliance Specialist

CC:

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

Dr. Raymund A. Paredes, Commissioner of Higher Education

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

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

Mr. William Franz, General Counsel

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

**Student Financial Aid Programs**

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

**Texas A&M University - Commerce**

Dr. Lee Young, Vice President, Enrollment Management

Ms. Alicia Currin, Vice President, Business and Administration & CFO

Ms. Paula Hanson, Associate Vice President, Business Administration

Mr. Tim Murphy, Chief Information Officer

Ms. Ladosia Arize, Financial Aid Advisor for Federal and State Grants

Ms. Renee Walker, Assistant Director, Financial Aid & Scholarships

Ms. Maria del C. Perez-Ramos, Director, Financial Aid and Scholarships

**Texas A&M University System**

Mr. Charles W. Schwartz, Chairman, Board of Regents

Mr. John Sharp, Chancellor

Mr. Charlie Hrnir, CPA, Chief Auditor, Office of Internal Audit

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Mr. Ken Levine, Director

**Office of the Governor-Budget and Policy Division**

Mr. John Colyandro, Policy Director

**Legislative Budget Board**

Ms. Julie Ivie, Assistant Director



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May 28, 2019

Dr. Sandra Woodley  
President  
The University of Texas at Permian Basin  
4901 E. University  
Odessa, TX 79762

RE: Response to The University of Texas at Permian Basin 2016-2018 Teacher  
Quality Grant Internal Review Report

Dear Dr. Woodley:

The Texas Higher Education Coordinating Board (THECB), as a federal pass-through entity, provides due diligence to ensure its subrecipients meet the requirements of the Single Audit Act Amendments of 1996, as prescribed in OMB circular A-133 Compliance Supplements and Government Auditing Standards. The University of Texas at Permian Basin (UTPB) is a subrecipient of a Teacher Quality Award, CFDA 84.367, for 2014-2016 (award# 14286) and for 2016-2018 (award# 16275).

The purpose of this letter is to issue our acceptance of UTPB's 2016-2018 Teacher Quality Grant Internal Review Report (UTPB Report), which is attached. This UTPB Report was a fundamental part of the UTPB's Corrective Action Plan submitted in response to findings on their FY2014-2016 Teacher Quality Grant.

We appreciate and recognize UTPB's effort in conducting the review of their FY2016-2018 Teacher Quality grant. The exceptions noted in this UTPB Report reflect similar issues and findings identified in our FY2014-2016 UTPB Teacher Quality Grant desk review, also attached. Therefore, we do not have any additional findings related to the UTPB Report.

The UTPB Report indicates the following:

Total FY16-18 UTPB TQ Expenses per Final Financial Report:	\$679,507
FY16-18 UTPB Report Amount tested (36.381% of Total Expended):	\$247,212.04
FY16-18 UTPB Identified Non-Compliance: Services and Supplies	\$552.81
<u>FY16-18 UTPB Identified Non-Compliance: Personnel</u>	<u>\$27,367.25</u>
Total FY16-18 UTPB Identified Exceptions:	\$27,920.06

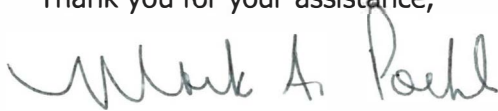
The attached UTPB Report indicates that the estimated the total dollar value of exceptions for the entire FY16-18 project is \$82,883.

It is recommended that UTPB reimburse the THECB the UTPB calculated total dollar value of exceptions for the entire FY16-18 project: **\$82,883**.

The previously submitted corrective action plan adequately covers the findings noted in the UTPB Report. Therefore, an additional corrective action plan is not needed, subject to payment of \$82,883.

We greatly appreciate the cooperation and assistance provided by your staff during our review. If you have any questions or comments, please contact Mark Poehl via email at [Mark.Poehl@theeb.state.tx.us](mailto:Mark.Poehl@theeb.state.tx.us).

Thank you for your assistance,



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

Cc: Kevin P. Eltife, Chairman, Board of Regents, The University of Texas System  
James B. Milliken, Chancellor, The University of Texas System  
J. Michael Peppers, Chief Audit Executive, The University of Texas System  
Cesario Valenzuela, CFO and Vice President of Business Affairs  
Sandra Garcia, Assistant Vice President of Research and Dean of Graduate Studies  
Felicia Burns, Accounting Director  
La Tanya Lowery, Chief Compliance Officer  
Glenn Spencer, Chief Audit Executive  
Juanita Chavez, Treasury Accountant  
Chris Hiatt, Associate Professor, Dept of Math and Computer Science



May 10, 2019

Dr. Sandra Woodley, President  
The University of Texas Permian Basin  
4901 E. University Boulevard  
Odessa, Texas 79762

RE: 2016-2018 Teacher Quality Grant Internal Review – FOLLOW-UP

Dear Dr. Woodley:

On 4/30/2016 we issued to you a report of our internal review of the 2016-2018 Teacher Quality (TQ) grant at the University Texas Permian Basin (UTPB). The purpose of this engagement was to provide you with an overview of UTPB's compliance with grant/federal requirements. This is a follow-up to that report.

To recap, the scope of our internal review entailed selecting a representative sample of transactions and testing those transactions for compliance with grant and federal requirements as well as with UTPB policies and procedures.

The grant's final financial report to the Texas Higher Education Coordinating Board (THECB) listed a total of \$720,747 in expenditures, which included \$679,507 in direct program costs.

We initially selected a sample of 60 transactions. As we noted in the prior report, the sample was selected using auditor's judgment and weighted toward larger transactions in expenditure categories more prone to exception based on the recent THECB audit.

Subsequent to our initial report, we have followed up on all items previously noted as outstanding, and we have tested 13 additional personnel transactions - for a total of 40 - in order to obtain more comprehensive results that are representative of the entire population.

For the remaining transactions under services and supplies, we did not increase our overall sample size of 33 transactions but followed up on obtaining as much of the outstanding documentation as possible. As a result, the overall combined number of transactions tested has risen from 60 to 73. The dollar amount tested represents over 36% of total reported direct costs.

A revised comparison between the final report submitted to the THECB and the UTPB general ledger (GL) along with the results of our additional testing is presented on the following page.

A	B	C	D	E	F	G	H	I
Expenditure Category	Total expenditures per Final Financial Report	Total expenditures per GL*	# transactions selected	\$ amount tested	% tested (E/B)	\$ exceptions	(G/E)	Estimated exceptions (B*I)
1 - Personnel	\$306,441.00	\$306,440.07	40	\$113,830.30	37.15%	\$27,367.25		
2 - Participant	\$306,321.00	\$311,682.29	27	\$92,276.43	30.12%	\$552.81		
3 - Non-Participant	\$6,004.00	\$6,227.81	3	\$1,792.32	29.85%	\$0.00		
4 - Supplies	\$301.00	\$340.81	1	\$37.99	12.62%	\$0.00		
5 - Equipment	\$1,878.00	\$1,878.00	0	\$0.00	0.00%	\$0.00		
6 - Contractual	\$58,562.00	\$58,562.00	2	\$39,275.00	67.07%	\$0.00		
7 - Other	\$0.00	\$0.00	0	\$0.00	0.00%	\$0.00		
Total Direct	\$679,507.00	\$685,130.98	73	\$247,212.04	36.38%	\$27,920.06	0.1129	\$76,743
Indirect	\$41,240.00	\$27,124.53						\$6,139
	\$720,747.00	\$712,255.51						\$82,883

\* Reconciliation between the GL and Final Report not available; expenditures categorized as shown using Auditor's judgment based upon purpose and nature of individual transactions

As indicated in Column I, we have estimated the total dollar value of exceptions at \$82,883. We feel this provides you with an accurate assessment of grant compliance.

We have summarized the exceptions below. As before, these are grouped by the following areas: services and supplies; personnel (effort certification); and personnel (PO-1 forms). Consequently, we have listed those transactions that we consider to be exceptions, along with detailed explanations in order to assist the THECB in determining allowable or disallowable expenditures.

#### Services and Supplies

Transaction Posting Date	Amount	Expenditure Category	Comments
2/28/2018	\$118.81	2F - Participant	Appears to be participant lodging in Odessa for TQ session. Hotel invoice available to support actual expenditure of funds for TQ participant. Unable to locate approved travel request or other documentation confirming purpose of transaction.
1/27/2017	\$434.00	2F - Participant	Working lunch for TQ participants. No detail on number of meals served.

#### Personnel (Effort Certification)

Transaction Posting Date	Amount	Expenditure Category	Comments
7/31/2016	\$5,000.00	1 - Personnel	No effort certification for this 6 month reporting period. For Co-PI.
8/31/2016	\$15,400.00	1 - Personnel	For February 2016 - August 2016. No effort certification for this period for Project Director/PI.
11/30/2016	\$2,200.00	1 - Personnel	For 6 month reporting period, effort certification shows 0% but actual level of effort based upon salary distribution was 11.5%. Project Director/PI.
12/31/2016	\$2,200.00	1 - Personnel	For 6 month reporting period, effort certification shows 0% but actual level of effort based upon salary distribution was 11.5%. Project Director/PI.
6/30/2016	\$367.25	1 - Personnel	No effort certification for this 6 month reporting period. For Co-PI.
10/31/2016	\$2,200.00	1 - Personnel	For 6 month reporting period, effort certification shows 0% but actual level of effort based upon salary distribution was 11.5%. Project Director/PI.



**Personnel (PO-1 Form)**

Transaction Posting Date	Amount	Expenditure Category	Comments
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No exceptions noted pursuant to follow-up

We will be forwarding this report to the THECB auditors to assist them in their monitoring efforts. Please let me know if you should have any questions.

Sincerely,



Glenn Spencer, CPA, CGMA  
Chief Audit Executive

cc: Dr. Sandra Garcia, Assist. Vice President of Research and Dean of Graduate Studies  
Dr. Chris Hiatt, TQ Grant Principal Investigator  
Cesar Valenzuela, CPA, Chief Financial Officer  
Felecia Burns, Director of Accounting  
Dr. LaTanya Lowery, Chief Compliance Officer  
Mark Poehl, Director, Internal Audit and Compliance, Texas Higher Education  
Coordinating Board



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Dr. Sandra Woodley  
President  
The University of Texas at Permian Basin  
4901 E. University  
Odessa, TX 79762

RE: AY 2016 A-133 Evaluation and Desk Review Corrective Action Plan Acceptance  
Letter  
CFDA# 84.367, Award# 14286, Teacher Quality

Dear Dr. Woodley:

The Texas Higher Education Coordinating Board (THECB), as a federal pass-through entity, provides due diligence to ensure its subrecipients meet the requirements of the Single Audit Act Amendments of 1996, as prescribed in OMB Circular A-133 Compliance Supplement and Government Auditing Standards. The University of Texas at Permian Basin (UTPB) is a subrecipient of a Teacher Quality Award, #14286, CFDA 84.367.

The purpose of this letter is to issue our acceptance of the corrective action plan submitted in response to (a) the Findings from our fiscal review of your organization's Appropriation Year 2016 A-133 evaluation; and (b) any compliance issue(s) identified by our desk review of federal funds awarded to your institution by THECB.

The original findings from our January 17, 2019 Management Letter and your corresponding corrective action for each finding are noted below.

**A-133 Audit Findings:** Our evaluation resulted in no findings regarding UTPB's compliance with the Appropriation Year 2016 requirements of OMB Circular A-133.

**Desk Review Findings:** The review resulted in a total of \$186,723.23 in compliance issues. This includes \$30,303.21 in non-compliance due to a lack of supporting documentation for expenses, \$142,588.67 in non-compliance due to expenses not meeting program criteria, and \$13,831.35 in applicable corresponding indirect costs.

Lack of Supporting Documentation for Expenses.

These are items listed on the UTPB provided FY14-16 Teacher Quality general ledger that could not be reconciled to any UTPB provided supporting documentation. These amounts are listed by the related Teacher Quality categories:

Personnel	\$16,346.47
Participant Costs	\$12,021.74
Non-Participant Meeting and Travel Costs	\$1,935.00
Supplies:	\$0.00
Equipment:	\$0.00

Contractual:	\$0.00
<b>Lack of Supporting Documentation for Expenses:</b>	<b><u>\$30,303.21</u></b>

Non-Compliance Due to Expenses Not Meeting Program Criteria.

Non-compliance findings are detailed in the attached document and summarized by related Teacher Quality categories:

Personnel	\$108,153.60
Participant Costs	\$26,845.03
Non-Participant Meeting and Travel Costs	\$3,579.66
Supplies:	\$1,151.96
Equipment:	\$0.00
Contractual:	\$2,858.42
<b>Non-Compliance Due to Expenses Not Meeting Program Criteria:</b>	<b><u>\$142,588.67</u></b>

It is recommended that UTPB reimburse the THECB:

Lack of Supporting Documentation for Expenses:	\$30,303.21
Non-Compliance Due to Expenses Not Meeting Program Criteria:	\$142,588.67
	\$172,891.88
Associated Indirect Costs:	\$13,831.35
<b>Total to Return to the THECB:</b>	<b><u>\$186,723.23</u></b>

It is further recommended that UTPB tighten controls to ensure compliance with future federal grant requirements.

**THE UNIVERSITY OF TEXAS AT PERMIAN BASIN Response:** See Attachment 2 for UTPB Corrective Action Plan.

We have reviewed the corrective action plan submitted by UTPB and find the plan acceptable.

We greatly appreciate the cooperation and assistance provided by your staff during our review. If you have any questions or comments, please contact Elizabeth Steele via email at [Elizabeth.Steele@THECB.state.tx.us](mailto:Elizabeth.Steele@THECB.state.tx.us) or call 512-427-6418.

Thank you for your assistance,



*Mark Poehl, CPA, CIA, CISA, CFE*  
Director, Internal Audit & Compliance

cc: Cesario Valenzuela, CFO and Vice President of Business Affairs

Sandra Garcia, Assistant Vice President of Research and Dean of Graduate  
Studies

Felecia Burns, Accounting Director

LaTanya Lowery, Chief Compliance Officer

Glenn Spencer, Chief Audit Executive

Juanita Chavez, Treasury Accountant



**UTPB – FY2014-2016 Teacher Quality Federal Desk Review**  
**Attachment 1 – Findings and Reference Citations**

**Findings**

*Lack of Supporting Documentation for Expenses: \$30,303.21*

Category 1 Personnel	Personnel expenses were charged to the general ledger, but no corresponding expenses were included on the payroll register provided.	\$16,346.47
Category 2 Participant Costs	Participant cost expenses (including stipends and activity tools) were charged to the general ledger, but no corresponding documentation was provided to support these costs.	\$12,021.74
Category 3 Non-Participant Meeting and Travel Costs	Non-Participant Meeting and Travel cost expenses (including various travel costs) were charged to the general ledger, but no corresponding documentation was provided to support these expenses.	\$1,935.00
		<b>\$30,303.21</b>

The Teacher Quality RFA requires participants to follow the Uniform Grant Guidance for applicable federal regulations. The Uniform Grant Guidance for federal funding, requires awardees establish internal controls and ensure accurate records within its financial management system.

§200.302 Financial management (a), (b) (5) and (7)

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §200.450 Lobbying.

(b) The financial management system of each non-Federal entity must provide for the following (see also §§200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records):

(5) Comparison of expenditures with budget amounts for each Federal award.

(7) Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.

*Non-Compliance Due to Expenses Not Meeting Program Criteria: \$142,588.67*

Category 1 Personnel	Time and Effort Reports and Certifications were not provided for identified personnel as listed on the general ledger and payroll register. REFERENCE/CITATION: Per Uniform Grant Guidance §200.430(i), "Charges to Federal awards for salaries and	\$108,153.60
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	wages must be based on records that accurately reflect the work performed. These records must: (i) be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated."	
	<b>Category 1 Subtotal:</b>	<b>\$108,153.60</b>

Category 2 Participant Costs	Corresponding supporting documentation (including receipts, data related to vehicle use and facility use charges, unknown purchases, mileage breakdowns, payment confirmations, meeting/workshop agendas, original charges and backup for journal entries, and travel receipts) were not provided for identified expenses listed on the general ledger. REFERENCE/CITATION: Per Uniform Grant Guidance §200.302 (a) Financial management, financial management systems "must be sufficient to permit ... the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."	\$25,708.44
Category 2 Participant Costs	Unallowable expenses in the form of various snacks and refreshments, along with dinner, were purchased with federal grant funds over the grant review period and as listed on the general ledger. REFERENCE/CITATION: Per Teacher Quality RFA help Buttons, "No snacks, breakfast and/or dinner can be provided at Teacher Quality Grant professional development sessions and/or faculty/TQ personnel planning meetings. Refreshments are considered something to drink with the working meal (lunch) not snacks." Documentation was not provided that demonstrated an exception to this TQ practice.	\$390.71
Category 2 Participant Costs	Unallowable expenses in the form of gratuities and airfare upgrades were purchased with federal grant funds over the grant review period and as listed on the general ledger. REFERENCE/CITATION: Per UTPB Travel Policies, and Textravel as referred in UTPB Travel Policies, "tips and gratuities are NOT reimbursable under the Textravel". Further the travel policies state, "unusual expenses ... require receipts, signed advance approvals and reimbursement requests, plus a detailed explanation of why the expense was reasonable and necessary as opposed to other alternatives." Documentation was not provided that demonstrated the airfare upgrades were an exception to this UTPB travel procedure.	\$187.60
Category 2 Participant Costs	Unallowable expenses in the form of meals purchased with federal grant funds for non-overnight activities.	\$22.91



	<p>REFERENCE/CITATION: Per Textravel, as referred in UTPB Travel Policies, "The meal expense is only reimbursable if the employee is outside of his or her designated headquarters for at least six consecutive hours."</p> <p>Documentation was not provided that demonstrated activities were an exception to this UTPB travel procedure.</p>	
Category 2 Participant Costs	<p>The project requires institutions to adhere to the federal uniform grant guidance. Hotel costs exceeding the GSA rate were paid with project federal grant funds. The cost difference is unallowable.</p> <p>REFERENCE/CITATION: The Teacher Quality RFA requires participants to follow the Uniform Grant Guidance for applicable federal regulations.</p> <ul style="list-style-type: none"> <li>• §48 CFR 31.2015-46 (a) (2) (i) Title 48 - Federal Acquisition Regulations System 31.205-46 Travel costs. <i>(a) Costs for transportation, lodging, meals, and incidental expenses.</i> (2) Except as provided in paragraph (a)(3) of this section, costs incurred for lodging, meals, and incidental expenses (as defined in the regulations cited in (a)(2) (i) through (iii) of this paragraph) shall be considered to be reasonable and allowable only to the extent that they do not exceed on a daily basis the maximum per diem rates in effect at the time of travel as set forth in the— (i) Federal Travel Regulation, prescribed by the General Services Administration, for travel in the conterminous 48 United States, available on a subscription basis from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, Stock No. 922-002-00000-2;</li> <li>• §200.474 Travel Costs (d) (d) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11, ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205-46(a)).</li> </ul>	\$175.75
Category 2 Participant Costs	<p>Cash management issues regarding purchases with project federal grant funds including meal overcharges, unknown vendor payments, and delayed financial processing.</p> <p>REFERENCE/CITATION: Per Uniform Grant Guidance §200.302 (a) Financial management, financial management</p>	\$359.62

	systems "must be sufficient to permit ... the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."	
Category 2 Participant Costs	<p>Miscategorized (allowable) expenses total \$132,294.20</p> <ul style="list-style-type: none"> <li>Costs for project funded personnel should be under Category 3: Non-Participant Travel &amp; Meeting Costs.</li> <li>Project related consumable supplies purchased with project grant funds should be under Category 4: Supplies.</li> <li>"Controlled asset" technology purchased with project grant funds should be under Category 5: Equipment.</li> </ul> <p>REFERENCE/CITATION: Per the Teacher Quality RFA and Teacher Quality Help Buttons related project costs should be listed in the specific budget categories.</p>	\$0.00
	<b>Category 2 Subtotal:</b>	<b>\$26,845.03</b>
Category 3 Non-Participant Meeting and Travel Costs	<p>Corresponding supporting documentation (including backup documents, meeting/workshop agendas, and travel calculations and receipts) were not provided for identified expenses listed on the general ledger.</p> <p>REFERENCE/CITATION: Per Uniform Grant Guidance §200.302 (a) Financial management, financial management systems "must be sufficient to permit ... the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."</p>	\$2,198.83
Category 3 Non-Participant Meeting and Travel Costs	<p>Unallowable expenses in the form of various snacks and refreshments, along with dinner, were purchased with federal grant funds over the grant review period and as listed on the general ledger.</p> <p>REFERENCE/CITATION: Per Teacher Quality RFA help Buttons, "No snacks, breakfast and/or dinner can be provided at Teacher Quality Grant professional development sessions and/or faculty/TQ personnel planning meetings. Refreshments are considered something to drink with the working meal (lunch) not snacks." Documentation was not provided that demonstrated an exception to this TQ practice.</p>	\$1,380.83
Category 3 Non-Participant Meeting and Travel Costs	<p>Miscategorized (allowable) expenses total \$2,077.17</p> <ul style="list-style-type: none"> <li>Project related consumable supplies purchased with project grant funds should be under Category 4: Supplies.</li> </ul>	\$0.00



	REFERENCE/CITATION: Per the Teacher Quality RFA and Teacher Quality Help Buttons related project costs should be listed in the specific budget categories.	
	<b>Category 3 Subtotal:</b>	<b>\$3,579.66</b>

Category 4 Supplies	Corresponding supporting documentation (including backup documents, and meeting/workshop agendas) were not provided for identified expenses listed on the general ledger. REFERENCE/CITATION: Per Uniform Grant Guidance §200.302 (a) Financial management, financial management systems "must be sufficient to permit ... the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."	\$1,089.15
Category 4 Supplies	Unallowable expenses in the form of various snacks and refreshments, along with dinner, were purchased with federal grant funds over the grant review period and as listed on the general ledger. REFERENCE/CITATION: Per Teacher Quality RFA help Buttons, "No snacks, breakfast and/or dinner can be provided at Teacher Quality Grant professional development sessions and/or faculty/TQ personnel planning meetings. Refreshments are considered something to drink with the working meal (lunch) not snacks." Documentation was not provided that demonstrated an exception to this TQ practice.	\$62.81
Category 4 Supplies	Miscategorized (allowable) expenses total \$2,318.84 <ul style="list-style-type: none"> <li>"Controlled asset" technology purchased with project grant funds should be under Category 5: Equipment.</li> </ul> REFERENCE/CITATION: Per the Teacher Quality RFA and Teacher Quality Help Buttons related project costs should be listed in the specific budget categories.	\$0.00
	<b>Category 4 Subtotal:</b>	<b>\$1,151.96</b>

Category 5 Equipment	Miscategorized (allowable) expenses total \$391.32 <ul style="list-style-type: none"> <li>Participant training tools purchased with project grant funds should be under Category 2: Participant Costs.</li> </ul> REFERENCE/CITATION: Per the Teacher Quality RFA and Teacher Quality Help Buttons related project costs should be listed in the specific budget categories.	\$0.00
	<b>Category 5 Subtotal:</b>	<b>\$0.00</b>

Category 6 Contractual	Corresponding supporting documentation (including backup documents, contractual agreements, original charges and	\$2,785.73
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	<p>backup for journal entries, and meeting/workshop agendas) were not provided for identified expenses listed on the general ledger. This section included journal entries which removed participant stipends from Category 6-Contractual and added these expenses to Category 2-Participant. The original charge for these stipends however, is not reflected in the general ledger to offset the removal of these expenses.</p> <p>REFERENCE/CITATION: Per Uniform Grant Guidance §200.302 (a) Financial management, financial management systems "must be sufficient to permit ... the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."</p>	
Category 6 Contractual	<p>Unallowable expenses in the form of various snacks and refreshments, along with dinner, were purchased with federal grant funds over the grant review period and as listed on the general ledger.</p> <p>REFERENCE/CITATION: Per Teacher Quality RFA help Buttons, "No snacks, breakfast and/or dinner can be provided at Teacher Quality Grant professional development sessions and/or faculty/TQ personnel planning meetings. Refreshments are considered something to drink with the working meal (lunch) not snacks." Documentation was not provided that demonstrated an exception to this TQ practice.</p>	\$72.69
Category 6 Contractual	<p>Miscategorized (allowable) expenses total \$31,020.02</p> <ul style="list-style-type: none"> <li>Participant stipends paid with project grant funds should be under Category 2: Participant Costs.</li> </ul> <p>REFERENCE/CITATION: Per the Teacher Quality RFA and Teacher Quality Help Buttons related project costs should be listed in the specific budget categories.</p>	\$0.00
	<b>Category 6 Subtotal:</b>	<b>\$2,858.42</b>

Category 1	Personnel	\$108,153.60
Category 2	Participant Costs	\$26,845.03
Category 3	Non-Participant Meeting and Travel Costs	\$3,579.66
Category 4	Supplies:	\$1,151.96
Category 5	Equipment:	\$0.00
Category 6	Contractual:	\$2,858.42
<b>Non-Compliance Due to Expenses Not Meeting Program Criteria:</b>		<b>\$142,588.67</b>

It is recommended that UTPB reimburse the THECB:

Lack of Supporting Documentation for Expenses:	\$30,303.21
Non-Compliance Due to Expenses Not Meeting Program Criteria:	<u>\$142,588.67</u>

Associated Indirect Costs:  
**Total to Return to the THECB:**

\$172,891.88
\$13,831.35
<b>\$186,723.23</b>

**Attachment 2 –Corrective Action Plan re AY2016 Evaluation and FY2014-2016 Desk Review of UTPB’s Teacher Quality Grant**





### **THECB Corrective Action Plan**

The controls that we now have in place to address non-compliance due to a lack of supporting documentation for expenses are:

#### ***Category 1 - Personnel***

1. UTPB's grant accountant reviews all personnel transaction forms on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge salaries and benefits against respective cost centers.
2. Once the position is filled, UTPB's Payroll Administrator will have the responsibility of regular payroll data entry, and running the monthly and semi-monthly payroll cycles, while the Payroll Manager will be reviewing, making corrections and reconciling the cycles before they are pushed out to general ledger and accounts payable. The Payroll manager currently has the responsibility of all of these duties with support from other office staff.

#### ***Category 2 – Participant Costs***

1. UTPB's grant accountant reviews all requisitions on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge expenditures against respective cost centers.
2. UTPB now has the ability to electronically attach supporting documentation to each journal entry and voucher transaction.

#### ***Category 3 – Non-Participant Meeting and Travel Costs***

1. UTPB's grant accountant reviews all requisitions on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge expenditures against respective cost centers.
2. UTPB now has the ability to electronically attach supporting documentation to each journal entry and voucher transaction.

The controls that we now have in place to address non-compliance due to expenses not meeting program criteria are:

#### ***Category 1 - Personnel***

1. UTPB's Pre-Award staff reviews all personnel transaction forms on grant cost centers to ensure that FTE percentages are properly calculated for effort certification and reporting.

2. UTPB's grant accountant reviews all personnel transaction forms on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge salaries and benefits against respective cost centers.

#### ***Category 2 – Participant Costs***

1. UTPB has the ability to electronically attach supporting documentation to each journal entry and voucher transaction.
2. UTPB's grant accountant reviews all requisitions on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge expenditures against respective cost centers.
3. UTPB's travel procedures state the following in relation to gratuities:

“While state appropriated accounts may not be used for Tips and Gratuities, local accounts and grant funds may be used to reimburse reasonable and allowable tips and gratuities up to 20% at the University's discretion.”

UTPB's travel procedures state the following in relation to travel by commercial airlines:

“The cost of commercial air transportation may not exceed the cost of University of Texas System or State-contracted airfare, if available, or if not available, then the lowest available fully refundable coach airfare. “

UTPB's travel procedures state the following in relation to meals and lodging:

“The University complies with guidelines adopted by the Texas State Comptroller. In accordance with Internal Revenue Service guidelines, meal and lodging expenses will not be reimbursed without an overnight stay.”

4. UTPB's grant accountant reviews all expenditures on grant cost centers and prepares all financial reports on grant projects. ***Pls are not allowed to produce financial reports on grant projects.*** All financial reports are reviewed and approved by the Assistant Director of Accounting or the Director of Accounting before being forwarded to the Associate Vice President of Research for approval before submission to the grant funding agency.

#### ***Category 3 – Non-Participant Meeting and Travel Costs***

1. UTPB has the ability to electronically attach supporting documentation to each journal entry and voucher transaction.
2. UTPB's grant accountant reviews all requisitions on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge expenditures against respective cost centers.
3. UTPB's grant accountant reviews all expenditures on grant cost centers and prepares all financial reports on grant projects. ***Pls are not allowed to produce financial reports on grant projects.*** All financial reports are reviewed and approved by the Assistant Director of Accounting or the Director of Accounting before being forwarded to the Associate Vice President of Research for approval before submission to the grant funding agency.

#### ***Category 4 – Supplies***

1. UTPB has the ability to electronically attach supporting documentation to each journal entry and voucher transaction.
2. UTPB's grant accountant reviews all requisitions on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge expenditures against respective cost centers.
3. UTPB's grant accountant reviews all expenditures on grant cost centers and prepares all financial reports on grant projects. ***Pls are not allowed to produce financial reports on grant projects.*** All financial reports are reviewed and approved by the Assistant Director of Accounting or the Director of Accounting before being forwarded to the Associate Vice President of Research for approval before submission to the grant funding agency.

#### ***Category 5 – Equipment***

1. UTPB's grant accountant reviews all expenditures on grant cost centers and prepares all financial reports on grant projects. ***Pls are not allowed to produce financial reports on grant projects.*** All financial reports are reviewed and approved by the Assistant Director of Accounting or the Director of Accounting before being forwarded to the Associate Vice President of Research for approval before submission to the grant funding agency.

#### ***Category 6 – Contractual***

1. UTPB is in the process of fully implementing the PeopleSoft grants module, which includes the ability to electronically attach documentation for each grant account including grant agreements and other contractual agreements.
2. UTPB currently has the ability to electronically attach supporting documentation to each journal entry and voucher transaction.
3. UTPB's grant accountant reviews all requisitions on grant cost centers for budget availability and allowability based on the current grant agreement before approval is given to charge expenditures against respective cost centers.
4. UTPB's grant accountant reviews all expenditures on grant cost centers and prepares all financial reports on grant projects. ***Pls are not allowed to produce financial reports on grant projects.*** All financial reports are reviewed and approved by the Assistant Director of Accounting or the Director of Accounting before being forwarded to the Associate Vice President of Research for approval before submission to the grant funding agency.

In addition, in an effort to increase the efficiency and effectiveness of the grant accounting section of its Office of Accounting, UTPB, in cooperation with U.T. System has issued an RFP with a scope of work that includes the following:

1. Provide training and support for the post-award accounting function for grant administration, compliance, and financial reporting for all grants awarded to the university.

2. Review all current grant files to determine status of reporting and other related matters.
3. The setup of grant cost center(s) and budgets, and reporting calendar(s) based on grant agreements.
4. Monthly monitoring and maintenance of budget/expenditure reports, changes, and reporting for State, Federal, & Private grants including submission of reports to funding agencies.
5. Monthly reconciliation of revenue and expenditure accounts with project budgets, as well as written analysis of budget variances.
6. Analysis of all grants including tracking all income and expenditures with multiple submissions.
7. Execution of funding drawdowns and submission of billings
8. Monitor encumbrance of general expenses and salaries.
9. Communication with grant PIs on funding dates, budget amendments, allowable/non-allowable costs, budget overruns, funding extensions, etc.
10. General University Staff Accountant duties such as approval of AP vouchers, entry of journals, and reconciliations of accounts as assigned



Mr. Poehl:

Thank you for the time and care you have taken to review our Teacher Quality Subaward, University of Texas Permian Basin Prime Award #12911. Please accept this letter as response to the findings reported to us on January 18, 2019. Below is each item presented in your report and our response to that item.

1. Category 1 Personnel (no support, noncompliance) No Time & Effort Reports Provided.

We agree that this was a deficiency during the time of the review period.

Megan Roth, Executive Director of Research, who joined Abilene Christian University in July 2015, implemented Time and Effort Reporting beginning August 2015. We now have an official Time and Effort Reporting policy that is posted on our website and procedures in place. All records have been collected since implementation. We have also recently submitted a proposal to upgrade our Banner systems to further improve internal controls around salary and effort reporting. We have repaid the amount requested (\$48,065.60).

2. Category 2 Participant Costs (no support)
  - a. Unallowable Expense: Gratuities. PerUTPBTravelPolicies, and Textravel as



referred in UTPB Travel Policies, "tips and gratuities are NOT reimbursable under the Textravel."

The Management at ACU continues to disagree with this finding. We assert that we were not obligated to follow the internal policies of another institution. Neither the subaward document, nor any of the grant documents or federal regulations state that it is our obligation to follow the Prime's internal policies.

In 2 CFR 200 Uniform Guidance, part 200.330 (4) it states that Sub-recipients are "responsible for adherence to applicable Federal program requirements specified in the Federal award." Furthermore, in 200.331 (Requirements for pass-through entities) it states that "All pass-through entities must: (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in a subsequent award modification.

When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes... (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award. (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports."

The Uniform Guidance states that costs should be applied consistently across the institution in alignment with the cost principles in Subpart E and the institutional policies. The subaward does not assign obligation to the prime internal policies but says: "Order of Precedence: Any inconsistencies in this Subaward shall be resolved by giving precedence in the following order:

- i. This Document and Attachment 1, "Representations and Certifications";
- ii. Attachment 1, "General Terms and Conditions";
- iii. Attachment 6, "Prime Award Terms and Conditions";
- iv. Attachment 3, "Subrecipient Statement of Work and Reporting Requirements";
- v. Attachment 4, "Subrecipient's Budget" or "Payment Schedule";
- vi. Other documents, exhibits, and attachments"

Further the subaward assigns the sub-recipient as "Independent Contractor. The Subrecipient is engaged as an independent contractor. Nothing in the Subaward is intended to, or shall be deemed to, constitute a partnership or joint venture between the parties..."

The Terms and Conditions of the award do not obligate that subrecipients follow the internal policies of the Prime, and that is not general practice with subawards. The Terms and

Conditions say, "Federal Regulations Applicable to All Federally Funded Contracts: 1. For Institutions of Higher Education (IHEs): 28 CFR 35 Subparts A-E, 28 CFR 36 Subparts C & D, Appendix A, 29 CFR 1630, 34 CFR 74, 77, 79, 81, 82, 85, 99, 104, OMB Circular A-21 (Cost Principles), 47 CFR O and 64, OMB Circular A-133 (Audits), and OMB Circular A-110 (Uniform Administrative Requirements)"

Circular A-110 says, "The provisions of the sections of this Circular shall be applied by Federal agencies to recipients. Recipients shall apply the provisions of this Circular to subrecipients performing substantive work under grants and agreements that are passed through or awarded by the primary recipient, if such subrecipients are organizations described in paragraph 1."

We do not see in either A-21, A-110, or EDGAR any requirements to follow the Prime's internal policies, only that the Subrecipient must follow the Federal policies and that the Prime must ensure compliance. Specifically, in respect to gratuities (Items 13 and 110), A-21 only disallows them when connected to Entertainment (J 17, Entertainment Costs). A-110 and THECB Terms and Conditions do not address gratuities. Thus, we turn to ACU's internal policies, which do not disallow gratuities. ACU's general practice is to pay meal and transportation gratuities. We will continue to follow these practices unless a particular award specifically disallows this.

b. Unallowable expense: Airfare upgrades

Since the grant period, ACU has implemented travel systems including implementing Concur pre- and post-approvals. Megan Roth, Executive Director of Research, is an approver for all grant-related travel to ensure allowability.

c. Unallowable expense: Meals for non-overnight activities

Since the grant period, ACU has implemented expense card monitoring controls to ensure allowability of expenditures. In addition, we have tightened our policies on food purchases from grant funds.

We have repaid **all** amounts requested in this category (\$210.51).

3. Category 2 Participant costs (noncompliance)

The Management at ACU continues to disagree with this finding. We assert that we were not obligated to follow the internal policies of another institution, which includes Textravel.

According to the award, we are obligated to follow A-21 which says, "b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as

the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205-46(a))."

ACU had a travel policy in place at the time of this award, which did not require employees to follow GSA rates but rather practice prudence in selecting a hotel and its rates. ACU's travel policy may be found here: <http://www.acu.edu/community/offices/hr-finance/hr/employee-handbook/travel-and-expenses.html>

ACU is currently in the process of revising its travel policy to provide further guidance on allowable lodging and food per diems. We have repaid the amount requested (\$23.98).

4. Category 3 non-participants meeting and travel costs (no support, noncompliance)
  - a. No agenda provided

Since the grant period, ACU has implemented expense card monitoring controls to ensure allowability of expenditures and proper documentation. In addition, we have tightened our policies on food purchases from grant funds.

- b. Unallowable Expense: Snacks

The Management at ACU continues to disagree with this finding. The prohibition against snacks is not listed in the RFP or the Terms & Conditions for the grant. We were instructed during the audit that the information disallowing snacks was located in a Help button on the budget proposal page. Historically, the agency has only allowed the PI at the Prime access to the proposal budget module. Further, the sub-recipient management team had no access to the proposal budget module and no way to know then that snacks were disallowed. The subrecipient management team could not have been expected to implement internal controls for this cost without the information being passed down to us.

That being said, since the grant period, ACU has implemented expense card monitoring controls to ensure allowability of expenditure and proper documentation. In addition, we have tightened our policies on food purchases from grant funds. We are also developing criteria to evaluate future relationships with prime and subrecipient institutions.

We have repaid all amounts requested (\$3,579.66).

5. Category 6 Contractual (no support, noncompliance) Agreements missing
- Since the grant period, ACU has implemented controls to ensure that contractals are in

place for work on grant -funded activities. The Office of Research and Sponsored Programs has implemented training with PIs that includes the necessity of contractuals. We do require contracts to be in place with any external contractors. No contracts will be paid out unless a completed and signed contract is filed with the Office of Research and Sponsored Programs. This requirement is outlined in the "Policies and Procedures for External Awards: Costs: General Considerations and Requirements for procurement on federal awards (200.318 -323) (3) Contracts (Appendix H) must be established between ASU and any outside professional service that will be charged to a federal award. Contracts must include the provisions of Appendix II of 2 CFR 200, as required in 200.326." This compliance is monitored through the ORSP office through budget monitoring, education, and monitoring of requests for payments through Accounts Payable. We have repaid all amounts requested (\$15,515).

Thank you again for the time and consideration you have given to this review. We hope that you find our responses to be thorough and accurate. If you have any questions about our responses, please do not hesitate to set up a phone meeting with Megan Roth, Executive Director of Research (325-674-2885), and Karen Gililand, Controller (325-674-2853).



Thank you for the opportunity to respond to the Texas Higher Education Coordinating Board (THECB) Audit Findings on Angelo State University's (ASU's) Subaward from the University of Texas at the Permian Basin. The following Corrective Action Plan is based on the specific findings identified by the THECB, and it is designed to address the issues that resulted in the findings and to mitigate the possibility of them happening in the future.

Most of the corrective actions recommended in this document were implemented by the responsible parties in 2017-2018 in response to Texas Tech University System internal audits and reviews of internal controls, which took place before this audit commenced but after the questioned transactions occurred. ASU staff will continue to follow these actions as new awards are received.

#### Summary of Findings

- Participant Support Costs (\$4,402.35)
  - No support documents/no agenda
  - Unallowable cost – snacks and dinner
  - Unsupported cost – missing receipt
- Supplies (\$1,151.96)
  - Unallowable cost – project

#### Response to Findings: Missing documentation and unallowable costs

**Discussion:** Although the PI on the project maintained daily lesson plans and sign-in sheets from the participants, it was learned after the project's close that the Request for Applications (RFA) and the THECB's grant management system "Help Buttons" required more detailed information for working lunches, including a schedule bearing the phrase "working meal" and a description of the technical dissemination to take place during the meal. Additionally, the RFA included prohibitions on snacks and working dinners for participants and working meals for program faculty. The subaward documents did not include copies of the RFA or access to the THECB's Help Buttons, which were only accessible by the prime recipient.

**Action Plan:**

1. Obtain electronic copies of the RFA and ancillary materials (e.g., information from "Help Buttons") from prime recipients/funders, ideally during pre-award but no later than the time of award. Upon receipt, upload the RFA and related documents to the university's document management system (OnBase) for future use/reference by PIs and sponsored projects and accounting staff.
2. Upon setup of the new grant expense account, the Office of Sponsored Projects will convene a new project setup meeting with the project's principal investigator/project director (PI/PD) and grant accountant to review key terms and conditions of the award to ensure the PI/PD's compliance with them. Documentation for and allowability of higher risk items of cost, such as food purchases, will be reviewed during these sessions.
3. During the post-award period, the Grant Accountant will review the approved budget and notice of award in concert with the RFA to ensure compliance with the funder's guidelines for documentation and allowability of costs.
4. Because of the enhanced risk associated with expenditures for food, ASU will review and, as needed, update its processes for: a) including food in grant budgets during the pre-award phase, and b) reviewing those expenditures during the post-award phase.

**Responsible Parties:** Katie Plum, Director of Sponsored Projects; Carrie Whitesell, Grant Accountant

**Implementation Date:** Items 1-3: Completed; Item 4: By May 31, 2019

**Response to findings: Unsupported cost**

**Discussion:** The receipt for a dinner expense was not submitted with the original supporting documentation, but it was later found (attached). However, because the expense was unallowable, it is still a finding. Recommendations for addressing the finding are provided in the preceding section.

Committee on Agency Operations

AGENDA ITEM VIII

Pursuant to Texas Government Code Section 551.076 and 551.089, the Board will meet in closed session to discuss security recommendations from a Department of Information Resources contractor

Recommendation:      No action required

Background Information:

Texas Administrative Code §2054.059 requires that the Texas Department of Information Resources (DIR) develop strategies and a framework for the securing of cyber infrastructure by state agencies.

DIR subsequently worked with a committee of agency representatives and private sector reviewers to develop a framework and template that can help agencies comply with requirements. Most recently, DIR contracted with AT&T Cybersecurity Services to conduct an assessment of the alignment of state agencies' cybersecurity infrastructure with the Texas Cybersecurity Framework. AT&T consultants have performed an assessment of the THECB's cybersecurity infrastructure and will present their findings to the Board.

Ms. Zhenzhen Sun, Assistant Commissioner for Information Solutions and Services/Chief Information Officer will be available to answer questions.