

Key Points

An Audit Report on Selected Management Controls and Programs at the Higher Education Coordinating Board

June 1998

Overall Conclusion

The Higher Education Coordinating Board (Agency) needs to enhance some of its processes for managing information agencywide to ensure that customers receive the level of services expected, particularly when they have non-routine data requests. The Agency has controls to ensure that funds are spent for the purposes intended, but in some cases these controls should be more fully utilized.

Key Facts and Findings

- Some areas of information management need improvement: the handling of data programming requests; compliance with statutory reporting deadlines; responding to non-routine data requests; and data collection, classification, and storage. Information management responsibilities at the Agency are becoming more complex all the time because of many factors, such as new reporting responsibilities mandated by the Legislature, changes at the federal level in the way the Agency is required to collect and report student loan information, and an increasing number of non-routine data requests.
- Twenty-seven of the 40 institutions participating in the Advanced Research and Advanced Technology Programs in the past two funding cycles have not submitted internal audit reports as required by the grant. As a result, the Agency cannot be certain that the institutions have safeguards in place to provide accurate information in compliance with financial and performance requirements. Nine of the 27 institutions have received about \$57 million from these programs over the past two cycles (a funding cycle lasts 2.5 years).
- The Advanced Research and Advanced Technology Programs have limited information on whether specific legislative goals of the programs have been met. Agencywide, tying performance to specific legislative mandates will help to keep the programs better aligned with changing legislative requirements.
- The Agency does not ensure that Baylor College of Medicine supplies accurate information to demonstrate compliance with contractual requirements regarding the use of state funds. Through a contract with the Agency, Baylor College of Medicine, a private nonprofit corporation, receives state appropriations (approximately \$38 million each year for the 1998-1999 biennium) to provide undergraduate physician training for Texas residents.

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Executive Summary

The Higher Education Coordinating Board (Agency) needs to enhance some of its processes for managing information agencywide to ensure that customers receive the level of services expected, particularly when they have non-routine data requests. The Agency has established controls to ensure that funds are spent for the purposes intended, but in some cases these controls should be more fully utilized.

The State Auditor's Office recognizes the Agency has given top priority to strategic direction in its effort to address the Commissioner's question: "What should be done, what should not be done?" This effort focuses on increasing the efficiency and effectiveness of the Agency. The question "What should not be done?" is as important as "What should be done?" because the Agency continually faces new and challenging responsibilities.

Enhance Certain Information Management Areas

Data Programming Requests - Currently, division directors are not formally and jointly considering all high-priority data programming requests as a group to determine which requests are most critical to accomplishing the mission. By jointly agreeing to written, agencywide priorities as needed, the division directors could work with one another and with their own divisions to ensure that ongoing decisions about data programming requests are made using the same strategic framework. This will make the best use of limited resources.

Legislative Reporting

Requirements - Four of seven statutorily-required reports were not published by their required dates. Reasons for the report delays varied from software changes to combining reports to be more efficient. Management should make sure that reporting deadlines are met or work to change legislative mandates.

Non-Routine Data Requests - Users of Agency data indicate that response time is adequate for routine data requests. However, when a user requests non-routine information, the response is not always timely. With the high volume of data requests, management should develop strategies to enhance its services to users, both internal and external, needing non-routine information.

Data Collection, Classification, and Storage - The Data Collection Review Committee, established several years ago by the Agency to address specific data collection goals, could be more effective if it aligned its decision-making processes and actions with its established goals. The Committee could also be more effective if it expanded its responsibilities to include oversight of certain data classification and storage issues.

Enhance Monitoring of the Advanced Research and Advanced Technology Programs

Although the Advanced Research and Advanced Technology Programs have controls in place to measure financial compliance and program performance, the programs need to use these controls more effectively to monitor

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the success of individual projects and the programs as a whole. The Advanced Research and Advanced Technology Programs received about \$59 million in state appropriations for the 1998-1999 biennium.

To ensure that Advanced Research and Advanced Technology Program requirements are being met the Agency should:

- Enhance use of internal audit reports.
- Analyze the programs' performance information to determine the return the State receives for the investment it makes.

Ensure That Baylor College of Medicine Supplies Accurate Information Concerning Compliance With Its Contract

The Agency does not ensure that Baylor College of Medicine supplies accurate information concerning compliance with contractual requirements in regard to the use of State funds. Through a contract with the Agency, Baylor College of Medicine, a private nonprofit corporation, receives state appropriations (approximately \$38 million each year for the 1998-1999 biennium) to provide undergraduate physician training for Texas residents. The Agency should obtain assurance that Baylor College of Medicine is providing accurate information concerning its compliance with the contract requirements.

Summary of Management's Responses

We consider the report to be positive and useful and will take appropriate action in areas needing improvement. We appreciate the care and professionalism exhibited by the State Auditor's Office in preparing the audit report.

Summary of Objective and Scope

The objective of this audit was to review selected areas related to policy management, performance management, information management, and resources management and to follow up on significant management control weaknesses identified in *A Review of Management Controls at the Texas Higher Education Coordinating Board* (SAO Report No. 94-138, August 1994). The areas selected for in-depth review were:

- Controls over certain aspects of information management
- Controls over the Advanced Research and Advanced Technology Programs
- Controls over the state funds contracted to the Baylor College of Medicine

The scope of the audit also covered compliance with certain state internal audit guidelines and compliance with Historically Underutilized Businesses (HUB) requirements.

Section 1:

Enhance Certain Information Management Areas

Information management responsibilities at the Higher Education Coordinating Board (Agency) are becoming more complex because of many factors, such as:

- New reporting responsibilities mandated by the Legislature
- Changes at the federal level to the way the Agency is required to collect and report student loan information
- An increasing number of non-routine data requests from the Agency's various customers

To meet these new responsibilities and challenges, the Agency must continuously look for ways to improve its processes and procedures to more efficiently and effectively manage its information.

Some opportunities for improvement were identified in the areas of data programming requests; compliance with statutory reporting deadlines; responding to non-routine data requests; and data collection, classification, and storage.

Section 1-A:

Enhance the Data Programming Prioritization Process

Currently, division directors do not jointly and formally consider all Agency data programming requests as a group to determine which ones are critical to accomplishing the mission or which ones could be postponed or addressed in another way. If several divisions have high-priority requests, they are all added to the data programming workload, whether or not there is programming time to address them. Because these decisions are made at the division level, the highest priorities for the Agency at large may not be identified and acted upon in a timely manner. By jointly agreeing to written, agencywide priorities as needed, the division directors could work with one another and with their own divisions to ensure that ongoing decisions about data programming requests are made using the same strategic framework.

The Agency has a mechanism in place to track data programming requests; however, certain data fields are not always used, such as the estimated time to completion. Without this information, specific requests cannot be considered against the total budget available for projects within the given time period. Continuous monitoring of requests will help ensure that the Agency's data programming priorities are in alignment with its goals and objectives.

Data programming request information is important in determining how to use resources most efficiently and should be addressed after executive management looks at the full set of projects and determines, for the Agency as a whole, "what should be done and what should not be done." Making the decision about what to do and what

not to do will require another data field to capture how the request relates to goals and objectives of the Agency.

Recommendation:

- Hold executive-level meetings, as necessary, to determine which data programming projects among the total number of high-priority projects requested are most critical to achieving the Agency's mission. Establish written, agencywide priorities as a joint executive effort.
- Once agencywide priorities are set, the Division of Administration should determine what work can be accomplished by in-house programmers and what work needs to be outsourced. Work that cannot be cost-effectively accomplished through data programming should be redirected to the Executive Committee to see if it can be addressed differently or not done.
- Develop an action plan for accomplishing the highest-priority projects. This can be documented by enhancing the current tracking mechanism. Additionally, monitor progress and make adjustments as necessary.

Management's Response:

Currently, the agency's Information Resource Manager works with the Director of Planning in establishing the agency's "Information Resource Strategic Plan" and with the division heads in establishing priorities and allocating resources to programming requests. In general, this process has worked effectively in establishing priorities and allocating resources to programming projects. However, we will begin considering the priority of major data development projects at our weekly meeting of executive officers. The fact that our programming resources are limited means that we must place the highest priority on projects that are central to our mission and to other legislative directives.

Section 1-B:

Improve Compliance With Statutory Reporting Deadlines

In 1994 the Agency was in compliance with legislative reporting requirements, but the same statement cannot be made in 1998. Thirty-five statutory reports are currently required. According to Agency records, seven statutorily-required reports were to be published between the beginning of fiscal year 1998 and March 1998. Four of the seven reports were not released by their required dates. A fifth report, due on January 1 or "as soon as practicable," was released on January 23. Three of the late reports are the responsibility of the Student Services Division.

Reasons for the report delays varied. In one case, a change in software required certain programs to be rewritten before the report could be processed. In another case, the report was approximately four months late (as of April 1998) because members of

the Agency's governing board wanted to review and discuss the initial draft before it was released, and staff members were still incorporating recommended changes. In two cases, the reports were being combined with the annual Statistical Report, which is not scheduled to come out until the end of the fiscal year. Combining these two reports into a third report is a practice the Agency has followed for a number of years, but the statutes have not been adjusted to reflect this change.

Discussions with some staff in the Governor's Office and the Legislative Budget Board indicated that report users were not hampered in their work because these reports were late. In fact, one user pointed out that the Agency would release information early if a user "really needs it."

Determining more cost-effective ways to report information, such as deciding to publish statutorily required data in a different format at a different time, is a responsible management move. However, these decisions should not be made in isolation of the customer. To gain assurance that the change does not adversely affect legislative users, the Agency needs to modify the relevant statutes and run them through the legislative process. This will ensure that core products and services are addressing legislative intent and need. Also, because reporting is a core business, publication deadlines need to be monitored at an agencywide, executive level rather than at the division level.

Recommendation:

- Review a comprehensive list of statutory responsibilities from a strategic, agencywide perspective to determine what products and services can best respond to these requirements. Keep the list current, and consult with key legislators on what changes to the statutes are needed to reflect the actual products and services to be delivered and the time lines for delivering them.
- Monitor the timeliness of reports agencywide and analyze trends concerning timeliness; manage processes to resolve timeliness problems.

Management's Response:

We believe that the report delays mentioned in the four instances above are both reasonable and justifiable. Furthermore, we believe those reports provided timely, accurate, and reliable information to user-customers even though statutory deadlines may not have been met. However, as recommended, a comprehensive list of statutory responsibilities has been prepared by the agency's office of Governmental Relations and Public Information (GRPI). The GRPI office has also been assigned the responsibility to keep the list current and to ensure that statutory deadlines are met. We will consult with key legislators on statutory modifications needed to reflect realistic reports and reporting timetables. In the rare case where a report is dependent on information gathered from third parties over which the agency has no regulatory control, professional judgments will have to be made as to whether the

data is complete enough for the report to be released without misleading the public or being inadequate for the report's intended purpose.

Section 1-C:

Improve Customer Service For Non-Routine Data Requests

Responses from users of Agency data indicate that response time is not a problem when the data request is for routine information that has been requested before. However, when a user requests information that requires existing data to be combined in a new way to address a new angle on a higher education issue, the response is not always timely. We noted examples of customer data requests that were not responded to until several weeks after the original agreed-upon due date. Not meeting agreed-upon due dates can create problems or inconvenience the data requestors. It is important for the Agency to communicate clearly about when the information can be provided so users can adjust their work accordingly.

Agency managers explained that a common reason for response delays is the high volume of data requests received from customers. Management needs to develop strategies for addressing non-routine data requests in a timely manner. One way to do this may be to enhance direct user access to mainframe data.

With higher education issues in the State becoming more complex, researchers, planners, and others can use Agency data to address questions that are hard to anticipate with preemptive programming. However, it is difficult to know what data the Agency has—reported data are stored in 86 different databases, and the Agency's inventory of information, the *Data Information Guide*, has not been updated in three years. Because the *Data Information Guide* is not up-to-date, and because there are no written policies on purging obsolete information, the risk exists that users with non-routine requests might inadvertently receive redundant, contradictory, or obsolete information.

However, updating, enhancing, and installing the comprehensive data inventory on the Internet—along with adding more data to the Agency web page—should provide users new opportunities to access Agency data through their personal computers. Internal and external users (who are familiar with analysis software that interacts with mainframe programs), will be able to download selected information from the Internet and perform their own analyses, which should reduce the need for programmer intervention. This will be one way that the Agency will be able to fill data requests from multiple customers simultaneously.

For its internal data users, the Agency is training employees on how to use certain software applications to download information from the mainframe for manipulation on their personal computers. This should help the Agency improve its responsiveness.

Recommendation:

- Negotiate realistic response deadlines with customers and update customers on progress.
- Monitor timeliness to ensure that responsiveness expectations and targets are met agencywide.
- Determine ways to meet demands of multiple customers simultaneously.
- Enhance opportunities for direct user access to data.
- Continue training efforts in personal computer software that allows users to directly access data needed for analysis and reporting.

Management's Response:

We agree that non-routine data requests sometimes require a longer response time than routine information requests. Responding to the large number of requests for data and information received by the THECB requires the setting of priorities. When a number of requests are received at the same time, our response time is affected by the priorities of all the different requests.

We will continue to carry out each recommendation and we will continue to find additional ways to improve service to our customers. The agency's inventory of data, the "Data Information Guide," is currently under revision to bring it up to date and make it more useful to users. Furthermore, we entered into a contract to provide software training that will allow staff members to download data from the mainframe and analyze it at their workstations. This will speed report processing time for non-routine requests since mainframe programmers will not be necessary.

Section 1-D:

Enhance Efficiency of Data Collection, Classification, and Storage

An in-house Data Collection Review Committee (Committee) was established several years ago to address the initiative of reducing the reporting burden that the Agency places on higher education institutions. According to the Agency's strategic plan, the Committee was to review and approve every data collection request to implement a four-part plan:

- Collect no more data than that which is necessary to carry out the Agency's mission.
- Make reporting easy for all institutions.
- Continuously seek to eliminate duplicate or redundant reports that may be required of institutions.

- Make the data that the Agency collects easily accessible to all institutions and the public.

The Committee meets when necessary to consider a new data request. The Committee relies on the institutional knowledge of its members to make the determinations bulleted above. However, not all of the Agency's management functions are represented on the Committee, and there are no procedures in place or forms to complete to demonstrate that the Committee has considered the four criteria listed above. Moreover, the Committee cannot rely on the Agency inventory of data, the *Data Information Guide*, because it is not current. Without current information resources and tools, the Committee is not able to fully meet its current responsibilities. However, once these problems are resolved, the Committee should be able to better serve its original purpose.

Along with its work to reduce reporting burdens, the Committee needs to work to enhance the quality of data received from institutions by developing instructions for them to use to test reliability and validity of the data submitted. Although Agency management data has reliability and validity testing embedded in detailed programming manuals, data collected for other purposes, such as for program monitoring, does not include reliability and validity guidelines. Providing instructions on reliability and validity testing for all data requested from higher education institutions will help address Rider 25 in the General Appropriation Act (75th Legislature) which requires the Agency to "analyze its data definitions and data collection and certification methods in terms of proposed uses for the information it gathers."

Recommendation:

Recommit the Data Collection Review Committee to carry out its previous purpose and these added responsibilities, perhaps with the help of a consultant:

- Develop a comprehensive inventory of data fields from all databases to determine which data needs to be purged because of obsolescence, duplication, redundancy, or inaccuracies; keep this inventory current.
- Use the inventory to identify the critical data fields needed regularly by various audiences; set up an action plan for making this information easier to report and more accessible. The State Auditor's Office welcomes the Agency to draw on the expertise of the designers and maintainers of the Higher Education and Community College databases and to initiate interagency collaborative efforts.
- Establish standard reliability and validity checks to be used by data managers at institutions before submitting data and by the Agency upon receiving data.
- Ensure that the goals established for the Committee are regularly addressed and decisions are documented.

Management's Response:

The Data Collection Review Committee was established several years ago to limit the reporting burden on universities and colleges and to exercise quality control over data collection by the agency's staff. We will support the committee in carrying out its previous purposes and will use it or a special committee to carry out each recommendation. We welcome the SAO's willingness to collaborate.

Section 2:

Enhance Monitoring of Advanced Research and Advanced Technology Programs

Opportunities exist to enhance the Agency's monitoring of the Advanced Research and Advanced Technology Programs by reviewing institutions' compliance with grant requirements and analyzing long-term program performance information.

The Advanced Research and Advanced Technology Programs are funded as two program strategies, and are operated concurrently as separate programs. The Advanced Research Program was appropriated about \$19.6 million for the 1998-1999 biennium, and the Advanced Technology Program, of which the Technology Development and Transfer Program is a component, received \$39.3 million in biennial appropriations. In 1997, 2,891 project proposals were submitted and 398 projects (about 14 percent) were funded. Because so few projects are funded, it is important to determine whether these projects achieve their expected results to ensure that the programs have the intended impact.

Moreover, the Texas Science and Technology Council recently published a report to the Governor recommending, among other things, that funding for the Advanced Research and Advanced Technology Programs be increased to \$90 million. Twenty million dollars of the increase is to be used to help research projects obtain matching funds from the private sector and the Federal Government. If this recommendation works its way into law, the increased funding will add to the complexity of the programs' current stewardship responsibilities.

Section 2-A:

Enhance Use of Internal Audit Reports

The Agency does not fully enforce the grant condition that requires institutions participating in the Advanced Research and Advanced Technology Programs to audit their grant operations and furnish results to the Agency. This requirement is a result of *A Review of Management Controls at the Texas Higher Education Coordinating Board* (SAO Report No. 94-138, August 1994).

Twenty-seven of the 40 institutions participating in the programs in the past two funding cycles have not submitted internal audit reports as required. As a result, the Agency cannot be certain that these institutions have safeguards in place to provide

accurate information in compliance with financial and performance requirements. Without safeguards over accuracy, Agency staff members cannot know if project dollars are spent appropriately. Nine of the 27 institutions received around \$57 million from the programs during the last two funding cycles (a funding cycle lasts 2.5 years).

For this reason, the Agency needs to fully enforce its grant requirement that institutions participating in the programs submit internal audit reports concerning the grants monitoring process at their institutions. Once Agency staff members receive this information, they need to routinely review and follow up on these reports.

Some reports that program staff members have received indicate weaknesses in grants monitoring processes that threaten the integrity of the programs. For example, two of the audit reports discussed concerns about the lack of an adequate infrastructure to support an effective grants monitoring process at the institutions audited. There are no records of follow-up by the institutions or program staff to either determine action taken on findings or request audit information that had not been submitted. In one case, a grant recipient is under indictment for misuse of funds at an institution that has not yet turned in an audit report.

Recommendation:

- Obtain internal audits from all participating institutions. Require a new audit if audit coverage of an institution's grants monitoring process is more than four years old.
- Follow up to determine if weaknesses identified by internal auditors have been corrected.

Management's Response:

As stated in the ARP/ATP grant conditions, the grantee institutions agree to include funded projects as part of their internal audit plan and to furnish a copy of audits conducted to the THECB. We have not always strictly enforced this provision because we believe it is important that internal auditors have the flexibility to develop audit plans that reflect the greatest risks on their campuses. ARP/ATP grants are a minor part of the budgets of many institutions. For example, several 1998 grant awards were less than \$50,000 dollars. Because of the cost to the grantees, we do not believe we should require institutional audits in all cases, especially for smaller institutions. However, we will strongly encourage institutional auditors to audit each institution's grant monitoring process at least every four years and to provide copies to us. Based on our assessment of the risk involved, we will pay special attention to institutions that receive large numbers of grants and encourage internal audits from those institutions more often than every four years. We also will provide additional follow-up to assure that weaknesses identified by internal auditors are corrected.

Section 2-B:

Analyze Program Performance Information to Determine the Return the State Receives From Its Investment

According to statute, the purposes of the Advanced Research and Advanced Technology Programs are to “encourage and provide support for basic research” and

provide appropriated funds . . . to conduct applied research . . . important to the State’s welfare and, consequently . . . [to] enhance the State’s economic growth by educating the State’s scientists and engineers, creating new products and production processes and contributing to the application of science and technology to state businesses.

Program staff submitted a progress report on 1993 project awards to the Governor’s Office and Legislative Budget Board in March 1997 to comply with legislative requirements regarding performance reporting. This report used a “best science” theme to highlight 21 success stories out of 373 projects funded in 1993. The results provide limited information on whether specific legislative goals of the programs were met. To address legislative program goals more directly in the next report, program staff members need to include a cumulative, comprehensive analysis of the return the State receives for the investment it makes. For example, the published statistics can be further enhanced by including:

- The geographical areas of Texas that have benefited economically from the projects funded
- The diversity of institutions (by size, type, and geographical location) that have been able to enhance graduate and undergraduate programs because of the ability to attract further research funding as a result of participating in the Advanced Research Program

As a recently published external evaluation of the Advanced Research and Advanced Technology Programs suggested, a “review of achievements, a retrospective look back, and forward projection of scientific opportunities and their commercial value would provide a solid foundation for the future of the program.” Moreover, discussing performance trends with the programs’ applicants and reviewers should help alleviate the confusion expressed by a number of program participants about the specific purpose and criteria of the programs.

Tying performance to specific legislative mandates should also help to keep the programs better aligned with changing legislative requirements. For example, program staff members were not aware of, and consequently did not comply with, a requirement in the Education Code. The requirement was to “encourage and fund applied and basic HIV programs through its ongoing research programs, including the Advanced Technology and Advanced Research Programs.” In another case, Agency management and the Legislative Budget Board reached an agreement to stop

operating the Research Enhancement Programs, but the statute still shows that the programs are active.

Keeping up with legislative responsibilities is an agencywide problem. In another example outside of the Advanced Research and Advanced Technology Programs, the auditors found a reference in a current contract with Baylor College of Medicine to a state grant program that had not disbursed new grant monies since 1989. The deactivated program still exists in statute and could cause confusion for students or others researching financial aid opportunities for medical school.

Recommendation:

- Analyze trends in Advanced Research and Advanced Technology project successes and failures to determine how well the programs are meeting specific statutory objectives over time.
- After each legislative session, check for any new statutory requirements, and before each session, take forward any legislation that needs to be modified to reflect program changes.

Management's Response:

We will work with the Board's Advisory Committee on Research Programs to develop a monitoring procedure to determine how well the programs are meeting statutory objectives over time and make this available in existing reports. We believe that the agency's current process for identifying new statutory requirements is significantly more effective than that of previous years, but we will renew our efforts to ensure that the program reflects existing legislation and that we take forward legislation that needs to be modified to reflect program changes.

Section 3:

Ensure That Baylor College of Medicine Supplies Accurate Information Concerning Compliance With Its Contract

The Agency does not ensure that Baylor College of Medicine supplies accurate information concerning compliance with contractual requirements in regard to the use of state funds.

Through a contract with the Agency, Baylor College of Medicine, a private nonprofit corporation, receives state

appropriations (approximately \$38 million each year for the 1998-1999 biennium) to provide undergraduate physician training for Texas residents.

Baylor College of Medicine was founded in 1900. From 1903 until 1969, it was affiliated with Baylor University. It became an independent institution in 1969. In fiscal year 1972, Baylor College of Medicine began to receive state funding under a contractual arrangement with the Agency.

The formula for determining Baylor College of Medicine funding is defined in statute and further explained in the Agency's legislative appropriations request. The calculated amount is equal to the average annual tax support per undergraduate medical student at two public medical schools in The University of Texas System: the Medical Branch at Galveston and Southwestern Medical Center at Dallas. This average is multiplied by the number of Texas resident undergraduate medical students enrolled by Baylor College of Medicine in September of the year of disbursement.

The annual contract requires Baylor College of Medicine to file "with the Coordinating Board within 120 days after August 31 [of the following year] a financial statement in such form and manner as may be required by the Coordinating Board, indicating the purpose and amounts for which the [state appropriation] was expended." Baylor College of Medicine may use state funds for statutorily-defined educational and general functions only. Although Baylor College of Medicine provides the Agency with the required information,

the Agency does not regularly review the information to ensure that it is accurate.

Recommendation:

Ensuring that Baylor College of Medicine submits accurate information concerning its contract requirements can be accomplished several ways. For example:

- Ask Baylor College of Medicine for internal audit reports, management letters, and other relevant information to assess the quality of financial controls at the institution.
- Based on this information, make a decision about whether further work needs to be done to certify the documents sent from Baylor College of Medicine. If further work is warranted, then the Agency has two options:
 - Ask Baylor College of Medicine to have its CPA audit the financial report on expenditure of state funds that the institution develops to comply with its contract requirements. Also, have the CPA audit the list of certified Texas residents.
 - Schedule this work to be completed as part of the Agency's internal audit plan, and evaluate the certified information in relation to contract criteria.

Management's Response:

We regularly review information submitted by BCM to ensure that state funds are used appropriately and that the expected services are delivered, but we do not audit or otherwise have in place a procedure for verifying the accuracy of data submitted by BCM. We believe that there is almost no risk to the state that BCM does not spend appropriated state monies to provide undergraduate physician training for Texas residents in accordance with statute and THECB's contractual provisions. However,

to provide additional assurances that BCM is in compliance, BCM has agreed to work with THECB to establish new controls that will ensure the accuracy of data submitted by BCM. We will evaluate the information provided by BCM and take appropriate follow-up actions as deemed necessary in the circumstances.

Section 4:

The Agency Complies With Historically Underutilized Business Goals and Meets Certain Internal Auditor State Guidelines

The Agency exceeded Historically Underutilized Business (HUB) goals in fiscal year 1997. In addition, the Agency established and maintained an internal audit function that has sufficient independence within the organization and provides adequate risk assessment and audit coverage.

Objective, Scope, and Methodology

Objective

The objective of this audit was to evaluate certain management control systems within the Higher Education Coordinating Board (Agency) and to identify strengths and opportunities for improvement. We evaluated whether the control systems provide reasonable assurance that the Agency's goals and objectives will be accomplished. The audit evaluated control systems in place as of April 1998.

Management controls are policies, procedures, and processes used to carry out an organization's objectives. They should provide reasonable assurance that:

- Goals are met.
- Assets are safeguarded and efficiently used.
- Reliable data is reported.
- Compliance exists with laws and regulations.

Management controls, no matter how well designed and implemented, can only provide reasonable assurance that objectives will be achieved.

Scope

Management control systems of functions and programs were chosen for audit according to how high they rated on the State Auditor's risk assessment, whether they were programs associated with high-dollar appropriations relative to other agency programs, and whether they had significant findings in previous State Auditor management control audits. Programs and functions determined to have received adequate internal audit coverage and resolution in the past three years were not included in the scope. The major functions and programs covered in the audit were:

- Controls over certain aspects of information management
- Controls over the Advanced Research and Advanced Technology Programs
- Controls over state funding for Baylor College of Medicine

The scope of this audit included consideration of Agency's overall management control systems: control environment and risk assessment, policy management, information management, resource management, and performance management.

Consideration of the control environment and risk assessment systems included a review of:

- Processes used to ensure management's integrity and ethical values
- Processes used to perform internal and external risk assessment
- Management's philosophy and operating style
- Processes used to manage change
- Processes used to ensure compliance with laws and regulations

Consideration of the Agency's policy management systems included a review of:

- Processes used to create, monitor, evaluate, and revise Agency strategic and operating plans and budgets
- Processes used to develop, document, communicate, review, and enforce Agency policies and procedures
- Previous audit reports, both internal and external, with issues related to the policy management system
- Status of Agency initiatives to improve operations

Consideration of the Agency's information systems included a review of:

- Processes for collecting, identifying, classifying, evaluating, maintaining, and updating information
- Timeliness, accuracy, availability, and communication of information needed to support the Agency's mission, goals, and objectives
- Existing management reports and the determination of current and future information needs
- Processes used to develop, maintain, and protect computer systems
- Previous audit reports, both internal and external, with issues related to the information management systems

Consideration of Agency's resource management systems included a review of:

- Compliance with regulations surrounding the use of Historically Underutilized Businesses
- Grant and contract monitoring and oversight issues
- Procedures used to process vendor payments
- Previous audit reports, both internal and external, with issues related to the resource management systems

Consideration of the Agency's performance management system included a review of:

- Processes used to develop, track, and use performance measures
- Processes used to track and monitor customer satisfaction with the Advanced Research and Advanced Technology Programs

- Processes used to monitor the performance of individual Advanced Research and Advanced Technology grants as well as the programs at large over time
- Agency's contractual oversight of Baylor College of Medicine's use of state funds

Methodology

The audit methodology consisted of gaining an understanding of each control system. In select areas, tests were performed to determine whether control systems operate as designed. Finally, results were evaluated against established criteria to determine the adequacy of the system and to identify opportunities for improvement.

Information sources included:

- Texas Education Code and other state statutes and regulations
- Management reports; policy and procedure manuals; Board rules and regulations; and other documents, memoranda, and publications of the Agency
- Interviews with management and staff of the Agency
- Observation of Board meetings and various staff functions and activities
- Interviews with legislative branch staff and other state agencies.

Analytical techniques included:

- Comparison of Agency goals and objectives with statutory responsibilities
- Variance analyses of three years of Agency financial reports
- Control review over information management
- Ratio and trend analysis of Agency appropriations and capital budgets
- Comparison of actual reports with legislative reporting requirements
- Comparison of Baylor College of Medicine performance measures to state medical school performance measures
- Agency compliance with state Historically Underutilized Business (HUB) requirements
- Analysis of Advanced Research and Advanced Technology customer response trends
- Analysis of internal audit coverage and risk, using the Key Accountability Systems Model from the State Auditor's Office
- Analysis of internal audit practices against established criteria

Criteria used:

- Statutory requirements
- Higher Education Coordinating Board policies and procedures
- State Auditor's Office Methodology Manual
- General and specific criteria contained in *A Guide to Assessing Risk in Key Accountability Control Systems* (SAO Report No. 97-075, July 1997)
- Other standards and criteria developed through secondary research sources, both prior to and during fieldwork

Fieldwork was conducted from November 1997 through April 1998. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Auditing Standards
- Generally Accepted Government Auditing Standards

There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Elizabeth Arnold, CIA, CGFM (Project Manager)
- Sheila S. DeLeon
- Amy Dingler, MPA
- Roy Gonzales
- Peter Mbanasor, MS
- Cynthia Reed, CPA (Quality Control Reviewer)
- Catherine A. Smock, CPA (Audit Manager)
- Deborah Kerr, Ph.D. (Audit Director)

Agency Mission and Client Population

Mission

The Texas Higher Education Coordinating Board (Agency) was created by the Texas Legislature in 1965 to ensure quality and efficiency as public higher education expands to meet the needs of a growing and changing population and workforce.

The mission of the Agency is to provide the Legislature advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to administer programs efficiently, and to improve higher education for the people of Texas.

Student Enrollment at Texas Higher Education Institutions

In 1997, 838,527 students were enrolled at:

- 35 universities
- 50 community colleges
- 8 health-related institutions
- 3 technical colleges
- 3 lower-division institutions

In addition, 100,814 students were enrolled at:

- 37 independent colleges and universities
- 3 independent community colleges
- 1 private health-related institution

(Source: THECB website, <http://www.thecb.state.tx.us>)

Appendix 3:

Budget Trends During the Last Five Years

	<u>FY 95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Operating Budget	\$ 13,481,729	\$ 12,743,445	\$ 13,169,434	\$ 14,601,515
Trusted Programs	92,685,141	169,360,319	116,101,530	205,085,676
Other Grant Programs	50,143,590	47,159,808	44,030,720	48,770,599
Total	\$ 156,310,460	\$ 229,263,572	\$ 173,301,381	\$ 268,457,790

General Revenue	\$ 98,746,470	\$ 173,794,465	\$ 119,197,824	\$ 203,053,918
Federal Funds	52,255,371	48,652,775	45,714,457	50,409,041
Student Loan Funds	4,239,288	4,264,565	4,729,571	5,681,063
Other Funds	1,069,331	2,551,767	3,659,529	9,313,768
Total	\$ 156,310,460	\$ 229,263,572	\$ 173,301,381	\$ 268,457,790

Operating Budget Breakdown:

Information and Planning	\$ 1,214,218	\$ 1,138,531	\$ 1,290,502	\$ 1,317,140
University Programs	801,789	846,877	843,735	891,164
Community/Technical Programs	424,681	463,131	443,192	481,039
Health Programs	267,589	255,611	274,011	313,087
Admin. Research Programs	364,915	320,530	274,255	289,452
Admin. Grants/Scholarships	249,310	296,658	347,513	498,369
Access and Equity	221,171	249,678	247,365	249,124
Admin. Hinson-Hazlewood	2,563,822	2,597,481	2,765,145	3,601,083
Admin. Federal Grant Programs	2,111,781	1,492,967	1,683,737	1,638,442
Indirect Administration	5,262,453	5,081,981	4,999,676	5,322,615
Total	\$ 13,481,729	\$ 12,743,445	\$ 13,169,131	\$ 14,601,515

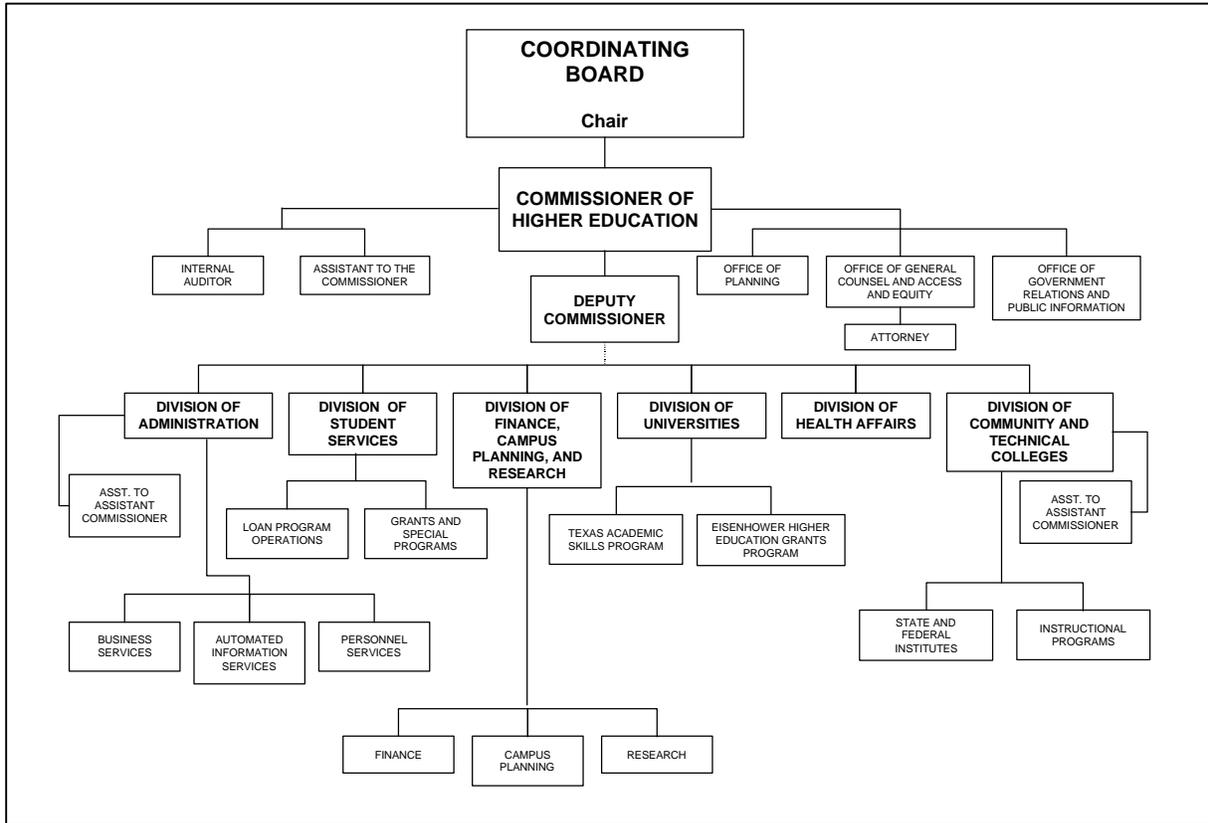
General Revenue	\$ 6,870,258	\$ 6,729,736	\$ 6,549,100	\$ 6,727,260
Federal Funds	2,111,781	1,492,967	1,683,737	1,638,442
Student Loan Funds	4,239,288	4,264,565	4,729,571	5,681,063
Other Funds	260,402	256,177	206,723	554,750
Total	\$ 13,481,729	\$ 12,743,445	\$ 13,169,131	\$ 14,601,515

Number of Full-Time Equivalent (FTE) Positions	293.1	276.1	272.4	277.6
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(Source: Texas Higher Education Coordinating Board Strategic Plan 1998-2002)

Appendix 4:

Organizational Chart



Source: Texas Higher Education Coordinating Board

Reporting Responsibilities of the Agency Required by Texas Statute

Statutory Citation	Summary	Due Date	Responsible Division
General Appropriations Act III-45, Rider 12	Report on scholarship allocation for the New Horizons Scholarship Program	Within 90 days of the close of the fiscal year	Student Services
General Appropriations Act III-47, Rider 17	Annual report on the financial need of students applying for financial aid	February 28, Annually	Student Services
General Appropriations Act III-47, Rider 21	Report on institutions' plans for increasing women and minorities in staffing	December 31, 1998	Access & Equity
General Appropriations Act III-48, Rider 25	Provide initial report of an academic performance information system for the universities	January 1, 1999	Universities
General Appropriations Act III-49, Rider 27	Report on the effectiveness of remediation at each institution	For the 76th Legislature	Universities
General Appropriations Act III-49, Rider 27	Report on the institutional expenditures for developmental educational activities	For the 76th Legislature	Finance, Campus Planning, and Research
General Appropriations Act III-51, Rider 38	Report on minimum average classroom teaching load goals for professional-rank faculty at institutions	September 1, 1998	Planning
General Appropriations Act III-51, Rider 39	Report on the number of classes taught and hours generated for each university that did not meet small class standards	September 1, 1998	Finance, Campus Planning, and Research
General Appropriations Act III-51, Rider 40	Report on the use of institutional funds at state-supported, health-related institutions	December 1, 1998	Finance, Campus Planning, and Research

Statutory Citation	Summary	Due Date	Responsible Division
General Appropriations Act III-51, Rider 41	Conduct a study on developing an equitable mechanism to fund the Texas A&M University Service Agencies	For 76th Legislature	Finance, Campus Planning, and Research
General Appropriations Act IX-116, Rider 178	Report on the impact of institutions recovering the cost of the fair market value of the rent of the housing they provide employees	For 76th Legislature	Finance, Campus Planning, and Research
House Bill 1795	Prepare an impact statement on the expansion of The University of Texas at Tyler from a two- to four-year institution	December 31, 1998	Universities
Senate Bill 274	Prepare an impact statement on the expansion of The University of Texas at Brownsville from a two- to four-year institution	May 31, 1998	Universities
Senate Bill 606	Prepare an impact statement on a regional academic health center in the Rio Grande Valley	May 31, 1998	Health Affairs
Education Code 51.306	Publish a report, by high school on the TASP test performance. Publish a report summarizing, by institution, the students who took developmental education and their performance on the TASP test.	Annually	Universities
Education Code 51.404	Furnish reports summarizing the reports each institution is required to submit under Chapter 51, including compliance of institution. With the faculty workloads they have filed with the CB pursuant to 51.402(b)	Upon request of the Legislative Budget Board and Governor's Office of Budget and Planning	Finance, Campus Planning, and Research
Education Code 51.405	Inform the Governor's Office of Budget and Planning, the Legislative Budget Board and chairs of the House and Senate Appropriations committees when any institution fails to comply with its adopted rules and regulations.	As needed	(Agency has not done)
Education Code 52.17(f)	Report to the Bond Review Board on the performance of loans, Texas college interest and sinking fund, and each Agency interest and sinking fund.	Semiannually	Administration

Statutory Citation	Summary	Due Date	Responsible Division
Education Code 52.56	Report on the operations of the Texas Opportunity Plan Fund	December 1, annually	Student Services
Education Code 54.051	Set the nonresident tuition rate and report it to the institutions	January 1, annually	Student Services
Education Code 61.028(f)(g)	Prepare Agency personnel policy statement on the implementation of EEO Program and file with the Governor's Office	Update Annually	Administration
Education Code 61.051(a)	Develop a five-year master plan of higher education and update it annually	Annually	Planning
Education Code 61.051(a)(1)	Inform the Legislature on matters pertaining to higher education	As needed	Multiple
Education Code 61.051(a)(2)	Report on the state of higher education in Texas	January 1, annually	Government Relations and Public Information
Education Code 61.0583(d)	Report findings of audits of all E&G facilities at universities and Texas State Technical College to the Legislative Budget Board and the audited institutions	Periodically	Finance, Campus Planning, and Research
Education Code 61.059(d)	Recommend formulas to the Governor, the Legislative Budget Board, governing boards and chief administrative officers	June 1, even years	Finance, Campus Planning and Research
Education Code 61.059(e)	Present a summary and analysis of institutional appropriations requests to the Governor and Legislature.	Prior to Legislative Session	Finance, Campus Planning, and Research

Statutory Citation	Summary	Due Date	Responsible Division
Education Code 61.059(l)	Report to the Legislative Budget Board, as part of formula funding recommendations, the exceptions to the 100-hour cap	June 1, even years	Universities Finance, Campus Planning, and Research
Education Code 61.063	Certify to State Auditor's Office and Comptroller of Public Accounts that the community colleges have complied with the standards, rules and regulations of the Agency	October 1, annually	Community and Technical Colleges
Education Code 61.066(a)(b)	Make recommendations on the effectiveness and efficiency in any area of higher education and report to the Legislature on new programs and restructuring existing programs to meet the changing needs of the State.	No later than August 31, even years	Multiple
Education Code 61.069(a)	File a detailed written report accounting for all funds received and disbursed by the Agency	Annually	Administration
Education Code 61.080	Study effects of Hopwood and other institutional actions on student recruitment, admissions, retention, and graduation	December 1, 1998	Access & Equity Planning
Education Code 61.081	Report to the Legislature on the Fifth Year Accounting Program	January 15, odd years	Student Services
Education Code 144.044	Report to the Legislative Budget Board on the review of research programs at public institutions of higher education	September 1, even years	Finance, Campus Planning, and Research
Gov. Code 2056.011	Develop a consolidated community college five-year strategic plan and update biennially	Every even year	Community and Technical Colleges Planning

Source: Texas Higher Education Agency, Office of Government Relations and Public Information, February 12, 1998)

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Executive Summary

The Higher Education Coordinating Board (Agency) needs to enhance some of its processes for managing information agencywide to ensure that customers receive the level of services expected, particularly when they have non-routine data requests. The Agency has established controls to ensure that funds are spent for the purposes intended, but in some cases these controls should be more fully utilized.

The State Auditor's Office recognizes the Agency has given top priority to strategic direction in its effort to address the Commissioner's question: "What should be done, what should not be done?" This effort focuses on increasing the efficiency and effectiveness of the Agency. The question "What should not be done?" is as important as "What should be done?" because the Agency continually faces new and challenging responsibilities.

Enhance Certain Information Management Areas

Data Programming Requests - Currently, division directors are not formally and jointly considering all high-priority data programming requests as a group to determine which requests are most critical to accomplishing the mission. By jointly agreeing to written, agencywide priorities as needed, the division directors could work with one another and with their own divisions to ensure that ongoing decisions about data programming requests are made using the same strategic framework. This will make the best use of limited resources.

Legislative Reporting

Requirements - Four of seven statutorily-required reports were not published by their required dates. Reasons for the report delays varied from software changes to combining reports to be more efficient. Management should make sure that reporting deadlines are met or work to change legislative mandates.

Non-Routine Data Requests - Users of Agency data indicate that response time is adequate for routine data requests. However, when a user requests non-routine information, the response is not always timely. With the high volume of data requests, management should develop strategies to enhance its services to users, both internal and external, needing non-routine information.

Data Collection, Classification, and Storage - The Data Collection Review Committee, established several years ago by the Agency to address specific data collection goals, could be more effective if it aligned its decision-making processes and actions with its established goals. The Committee could also be more effective if it expanded its responsibilities to include oversight of certain data classification and storage issues.

Enhance Monitoring of the Advanced Research and Advanced Technology Programs

Although the Advanced Research and Advanced Technology Programs have controls in place to measure financial compliance and program performance, the programs need to use these controls more effectively to monitor

Executive Summary

the success of individual projects and the programs as a whole. The Advanced Research and Advanced Technology Programs received about \$59 million in state appropriations for the 1998-1999 biennium.

To ensure that Advanced Research and Advanced Technology Program requirements are being met the Agency should:

- Enhance use of internal audit reports.
- Analyze the programs' performance information to determine the return the State receives for the investment it makes.

Ensure That Baylor College of Medicine Supplies Accurate Information Concerning Compliance With Its Contract

The Agency does not ensure that Baylor College of Medicine supplies accurate information concerning compliance with contractual requirements in regard to the use of State funds. Through a contract with the Agency, Baylor College of Medicine, a private nonprofit corporation, receives state appropriations (approximately \$38 million each year for the 1998-1999 biennium) to provide undergraduate physician training for Texas residents. The Agency should obtain assurance that Baylor College of Medicine is providing accurate information concerning its compliance with the contract requirements.

Summary of Management's Responses

We consider the report to be positive and useful and will take appropriate action in areas needing improvement. We appreciate the care and professionalism exhibited by the State Auditor's Office in preparing the audit report.

Summary of Objective and Scope

The objective of this audit was to review selected areas related to policy management, performance management, information management, and resources management and to follow up on significant management control weaknesses identified in *A Review of Management Controls at the Texas Higher Education Coordinating Board* (SAO Report No. 94-138, August 1994). The areas selected for in-depth review were:

- Controls over certain aspects of information management
- Controls over the Advanced Research and Advanced Technology Programs
- Controls over the state funds contracted to the Baylor College of Medicine

The scope of the audit also covered compliance with certain state internal audit guidelines and compliance with Historically Underutilized Businesses (HUB) requirements.

Section 1:

Enhance Certain Information Management Areas

Information management responsibilities at the Higher Education Coordinating Board (Agency) are becoming more complex because of many factors, such as:

- New reporting responsibilities mandated by the Legislature
- Changes at the federal level to the way the Agency is required to collect and report student loan information
- An increasing number of non-routine data requests from the Agency's various customers

To meet these new responsibilities and challenges, the Agency must continuously look for ways to improve its processes and procedures to more efficiently and effectively manage its information.

Some opportunities for improvement were identified in the areas of data programming requests; compliance with statutory reporting deadlines; responding to non-routine data requests; and data collection, classification, and storage.

Section 1-A:

Enhance the Data Programming Prioritization Process

Currently, division directors do not jointly and formally consider all Agency data programming requests as a group to determine which ones are critical to accomplishing the mission or which ones could be postponed or addressed in another way. If several divisions have high-priority requests, they are all added to the data programming workload, whether or not there is programming time to address them. Because these decisions are made at the division level, the highest priorities for the Agency at large may not be identified and acted upon in a timely manner. By jointly agreeing to written, agencywide priorities as needed, the division directors could work with one another and with their own divisions to ensure that ongoing decisions about data programming requests are made using the same strategic framework.

The Agency has a mechanism in place to track data programming requests; however, certain data fields are not always used, such as the estimated time to completion. Without this information, specific requests cannot be considered against the total budget available for projects within the given time period. Continuous monitoring of requests will help ensure that the Agency's data programming priorities are in alignment with its goals and objectives.

Data programming request information is important in determining how to use resources most efficiently and should be addressed after executive management looks at the full set of projects and determines, for the Agency as a whole, "what should be done and what should not be done." Making the decision about what to do and what

not to do will require another data field to capture how the request relates to goals and objectives of the Agency.

Recommendation:

- Hold executive-level meetings, as necessary, to determine which data programming projects among the total number of high-priority projects requested are most critical to achieving the Agency's mission. Establish written, agencywide priorities as a joint executive effort.
- Once agencywide priorities are set, the Division of Administration should determine what work can be accomplished by in-house programmers and what work needs to be outsourced. Work that cannot be cost-effectively accomplished through data programming should be redirected to the Executive Committee to see if it can be addressed differently or not done.
- Develop an action plan for accomplishing the highest-priority projects. This can be documented by enhancing the current tracking mechanism. Additionally, monitor progress and make adjustments as necessary.

Management's Response:

Currently, the agency's Information Resource Manager works with the Director of Planning in establishing the agency's "Information Resource Strategic Plan" and with the division heads in establishing priorities and allocating resources to programming requests. In general, this process has worked effectively in establishing priorities and allocating resources to programming projects. However, we will begin considering the priority of major data development projects at our weekly meeting of executive officers. The fact that our programming resources are limited means that we must place the highest priority on projects that are central to our mission and to other legislative directives.

Section 1-B:

Improve Compliance With Statutory Reporting Deadlines

In 1994 the Agency was in compliance with legislative reporting requirements, but the same statement cannot be made in 1998. Thirty-five statutory reports are currently required. According to Agency records, seven statutorily-required reports were to be published between the beginning of fiscal year 1998 and March 1998. Four of the seven reports were not released by their required dates. A fifth report, due on January 1 or "as soon as practicable," was released on January 23. Three of the late reports are the responsibility of the Student Services Division.

Reasons for the report delays varied. In one case, a change in software required certain programs to be rewritten before the report could be processed. In another case, the report was approximately four months late (as of April 1998) because members of

the Agency's governing board wanted to review and discuss the initial draft before it was released, and staff members were still incorporating recommended changes. In two cases, the reports were being combined with the annual Statistical Report, which is not scheduled to come out until the end of the fiscal year. Combining these two reports into a third report is a practice the Agency has followed for a number of years, but the statutes have not been adjusted to reflect this change.

Discussions with some staff in the Governor's Office and the Legislative Budget Board indicated that report users were not hampered in their work because these reports were late. In fact, one user pointed out that the Agency would release information early if a user "really needs it."

Determining more cost-effective ways to report information, such as deciding to publish statutorily required data in a different format at a different time, is a responsible management move. However, these decisions should not be made in isolation of the customer. To gain assurance that the change does not adversely affect legislative users, the Agency needs to modify the relevant statutes and run them through the legislative process. This will ensure that core products and services are addressing legislative intent and need. Also, because reporting is a core business, publication deadlines need to be monitored at an agencywide, executive level rather than at the division level.

Recommendation:

- Review a comprehensive list of statutory responsibilities from a strategic, agencywide perspective to determine what products and services can best respond to these requirements. Keep the list current, and consult with key legislators on what changes to the statutes are needed to reflect the actual products and services to be delivered and the time lines for delivering them.
- Monitor the timeliness of reports agencywide and analyze trends concerning timeliness; manage processes to resolve timeliness problems.

Management's Response:

We believe that the report delays mentioned in the four instances above are both reasonable and justifiable. Furthermore, we believe those reports provided timely, accurate, and reliable information to user-customers even though statutory deadlines may not have been met. However, as recommended, a comprehensive list of statutory responsibilities has been prepared by the agency's office of Governmental Relations and Public Information (GRPI). The GRPI office has also been assigned the responsibility to keep the list current and to ensure that statutory deadlines are met. We will consult with key legislators on statutory modifications needed to reflect realistic reports and reporting timetables. In the rare case where a report is dependent on information gathered from third parties over which the agency has no regulatory control, professional judgments will have to be made as to whether the

data is complete enough for the report to be released without misleading the public or being inadequate for the report's intended purpose.

Section 1-C:

Improve Customer Service For Non-Routine Data Requests

Responses from users of Agency data indicate that response time is not a problem when the data request is for routine information that has been requested before. However, when a user requests information that requires existing data to be combined in a new way to address a new angle on a higher education issue, the response is not always timely. We noted examples of customer data requests that were not responded to until several weeks after the original agreed-upon due date. Not meeting agreed-upon due dates can create problems or inconvenience the data requestors. It is important for the Agency to communicate clearly about when the information can be provided so users can adjust their work accordingly.

Agency managers explained that a common reason for response delays is the high volume of data requests received from customers. Management needs to develop strategies for addressing non-routine data requests in a timely manner. One way to do this may be to enhance direct user access to mainframe data.

With higher education issues in the State becoming more complex, researchers, planners, and others can use Agency data to address questions that are hard to anticipate with preemptive programming. However, it is difficult to know what data the Agency has—reported data are stored in 86 different databases, and the Agency's inventory of information, the *Data Information Guide*, has not been updated in three years. Because the *Data Information Guide* is not up-to-date, and because there are no written policies on purging obsolete information, the risk exists that users with non-routine requests might inadvertently receive redundant, contradictory, or obsolete information.

However, updating, enhancing, and installing the comprehensive data inventory on the Internet—along with adding more data to the Agency web page—should provide users new opportunities to access Agency data through their personal computers. Internal and external users (who are familiar with analysis software that interacts with mainframe programs), will be able to download selected information from the Internet and perform their own analyses, which should reduce the need for programmer intervention. This will be one way that the Agency will be able to fill data requests from multiple customers simultaneously.

For its internal data users, the Agency is training employees on how to use certain software applications to download information from the mainframe for manipulation on their personal computers. This should help the Agency improve its responsiveness.

Recommendation:

- Negotiate realistic response deadlines with customers and update customers on progress.
- Monitor timeliness to ensure that responsiveness expectations and targets are met agencywide.
- Determine ways to meet demands of multiple customers simultaneously.
- Enhance opportunities for direct user access to data.
- Continue training efforts in personal computer software that allows users to directly access data needed for analysis and reporting.

Management's Response:

We agree that non-routine data requests sometimes require a longer response time than routine information requests. Responding to the large number of requests for data and information received by the THECB requires the setting of priorities. When a number of requests are received at the same time, our response time is affected by the priorities of all the different requests.

We will continue to carry out each recommendation and we will continue to find additional ways to improve service to our customers. The agency's inventory of data, the "Data Information Guide," is currently under revision to bring it up to date and make it more useful to users. Furthermore, we entered into a contract to provide software training that will allow staff members to download data from the mainframe and analyze it at their workstations. This will speed report processing time for non-routine requests since mainframe programmers will not be necessary.

Section 1-D:

Enhance Efficiency of Data Collection, Classification, and Storage

An in-house Data Collection Review Committee (Committee) was established several years ago to address the initiative of reducing the reporting burden that the Agency places on higher education institutions. According to the Agency's strategic plan, the Committee was to review and approve every data collection request to implement a four-part plan:

- Collect no more data than that which is necessary to carry out the Agency's mission.
- Make reporting easy for all institutions.
- Continuously seek to eliminate duplicate or redundant reports that may be required of institutions.

- Make the data that the Agency collects easily accessible to all institutions and the public.

The Committee meets when necessary to consider a new data request. The Committee relies on the institutional knowledge of its members to make the determinations bulleted above. However, not all of the Agency's management functions are represented on the Committee, and there are no procedures in place or forms to complete to demonstrate that the Committee has considered the four criteria listed above. Moreover, the Committee cannot rely on the Agency inventory of data, the *Data Information Guide*, because it is not current. Without current information resources and tools, the Committee is not able to fully meet its current responsibilities. However, once these problems are resolved, the Committee should be able to better serve its original purpose.

Along with its work to reduce reporting burdens, the Committee needs to work to enhance the quality of data received from institutions by developing instructions for them to use to test reliability and validity of the data submitted. Although Agency management data has reliability and validity testing embedded in detailed programming manuals, data collected for other purposes, such as for program monitoring, does not include reliability and validity guidelines. Providing instructions on reliability and validity testing for all data requested from higher education institutions will help address Rider 25 in the General Appropriation Act (75th Legislature) which requires the Agency to "analyze its data definitions and data collection and certification methods in terms of proposed uses for the information it gathers."

Recommendation:

Recommit the Data Collection Review Committee to carry out its previous purpose and these added responsibilities, perhaps with the help of a consultant:

- Develop a comprehensive inventory of data fields from all databases to determine which data needs to be purged because of obsolescence, duplication, redundancy, or inaccuracies; keep this inventory current.
- Use the inventory to identify the critical data fields needed regularly by various audiences; set up an action plan for making this information easier to report and more accessible. The State Auditor's Office welcomes the Agency to draw on the expertise of the designers and maintainers of the Higher Education and Community College databases and to initiate interagency collaborative efforts.
- Establish standard reliability and validity checks to be used by data managers at institutions before submitting data and by the Agency upon receiving data.
- Ensure that the goals established for the Committee are regularly addressed and decisions are documented.

Management's Response:

The Data Collection Review Committee was established several years ago to limit the reporting burden on universities and colleges and to exercise quality control over data collection by the agency's staff. We will support the committee in carrying out its previous purposes and will use it or a special committee to carry out each recommendation. We welcome the SAO's willingness to collaborate.

Section 2:

Enhance Monitoring of Advanced Research and Advanced Technology Programs

Opportunities exist to enhance the Agency's monitoring of the Advanced Research and Advanced Technology Programs by reviewing institutions' compliance with grant requirements and analyzing long-term program performance information.

The Advanced Research and Advanced Technology Programs are funded as two program strategies, and are operated concurrently as separate programs. The Advanced Research Program was appropriated about \$19.6 million for the 1998-1999 biennium, and the Advanced Technology Program, of which the Technology Development and Transfer Program is a component, received \$39.3 million in biennial appropriations. In 1997, 2,891 project proposals were submitted and 398 projects (about 14 percent) were funded. Because so few projects are funded, it is important to determine whether these projects achieve their expected results to ensure that the programs have the intended impact.

Moreover, the Texas Science and Technology Council recently published a report to the Governor recommending, among other things, that funding for the Advanced Research and Advanced Technology Programs be increased to \$90 million. Twenty million dollars of the increase is to be used to help research projects obtain matching funds from the private sector and the Federal Government. If this recommendation works its way into law, the increased funding will add to the complexity of the programs' current stewardship responsibilities.

Section 2-A:

Enhance Use of Internal Audit Reports

The Agency does not fully enforce the grant condition that requires institutions participating in the Advanced Research and Advanced Technology Programs to audit their grant operations and furnish results to the Agency. This requirement is a result of *A Review of Management Controls at the Texas Higher Education Coordinating Board* (SAO Report No. 94-138, August 1994).

Twenty-seven of the 40 institutions participating in the programs in the past two funding cycles have not submitted internal audit reports as required. As a result, the Agency cannot be certain that these institutions have safeguards in place to provide

accurate information in compliance with financial and performance requirements. Without safeguards over accuracy, Agency staff members cannot know if project dollars are spent appropriately. Nine of the 27 institutions received around \$57 million from the programs during the last two funding cycles (a funding cycle lasts 2.5 years).

For this reason, the Agency needs to fully enforce its grant requirement that institutions participating in the programs submit internal audit reports concerning the grants monitoring process at their institutions. Once Agency staff members receive this information, they need to routinely review and follow up on these reports.

Some reports that program staff members have received indicate weaknesses in grants monitoring processes that threaten the integrity of the programs. For example, two of the audit reports discussed concerns about the lack of an adequate infrastructure to support an effective grants monitoring process at the institutions audited. There are no records of follow-up by the institutions or program staff to either determine action taken on findings or request audit information that had not been submitted. In one case, a grant recipient is under indictment for misuse of funds at an institution that has not yet turned in an audit report.

Recommendation:

- Obtain internal audits from all participating institutions. Require a new audit if audit coverage of an institution's grants monitoring process is more than four years old.
- Follow up to determine if weaknesses identified by internal auditors have been corrected.

Management's Response:

As stated in the ARP/ATP grant conditions, the grantee institutions agree to include funded projects as part of their internal audit plan and to furnish a copy of audits conducted to the THECB. We have not always strictly enforced this provision because we believe it is important that internal auditors have the flexibility to develop audit plans that reflect the greatest risks on their campuses. ARP/ATP grants are a minor part of the budgets of many institutions. For example, several 1998 grant awards were less than \$50,000 dollars. Because of the cost to the grantees, we do not believe we should require institutional audits in all cases, especially for smaller institutions. However, we will strongly encourage institutional auditors to audit each institution's grant monitoring process at least every four years and to provide copies to us. Based on our assessment of the risk involved, we will pay special attention to institutions that receive large numbers of grants and encourage internal audits from those institutions more often than every four years. We also will provide additional follow-up to assure that weaknesses identified by internal auditors are corrected.

Section 2-B:

Analyze Program Performance Information to Determine the Return the State Receives From Its Investment

According to statute, the purposes of the Advanced Research and Advanced Technology Programs are to “encourage and provide support for basic research” and

provide appropriated funds . . . to conduct applied research . . . important to the State’s welfare and, consequently . . . [to] enhance the State’s economic growth by educating the State’s scientists and engineers, creating new products and production processes and contributing to the application of science and technology to state businesses.

Program staff submitted a progress report on 1993 project awards to the Governor’s Office and Legislative Budget Board in March 1997 to comply with legislative requirements regarding performance reporting. This report used a “best science” theme to highlight 21 success stories out of 373 projects funded in 1993. The results provide limited information on whether specific legislative goals of the programs were met. To address legislative program goals more directly in the next report, program staff members need to include a cumulative, comprehensive analysis of the return the State receives for the investment it makes. For example, the published statistics can be further enhanced by including:

- The geographical areas of Texas that have benefited economically from the projects funded
- The diversity of institutions (by size, type, and geographical location) that have been able to enhance graduate and undergraduate programs because of the ability to attract further research funding as a result of participating in the Advanced Research Program

As a recently published external evaluation of the Advanced Research and Advanced Technology Programs suggested, a “review of achievements, a retrospective look back, and forward projection of scientific opportunities and their commercial value would provide a solid foundation for the future of the program.” Moreover, discussing performance trends with the programs’ applicants and reviewers should help alleviate the confusion expressed by a number of program participants about the specific purpose and criteria of the programs.

Tying performance to specific legislative mandates should also help to keep the programs better aligned with changing legislative requirements. For example, program staff members were not aware of, and consequently did not comply with, a requirement in the Education Code. The requirement was to “encourage and fund applied and basic HIV programs through its ongoing research programs, including the Advanced Technology and Advanced Research Programs.” In another case, Agency management and the Legislative Budget Board reached an agreement to stop

operating the Research Enhancement Programs, but the statute still shows that the programs are active.

Keeping up with legislative responsibilities is an agencywide problem. In another example outside of the Advanced Research and Advanced Technology Programs, the auditors found a reference in a current contract with Baylor College of Medicine to a state grant program that had not disbursed new grant monies since 1989. The deactivated program still exists in statute and could cause confusion for students or others researching financial aid opportunities for medical school.

Recommendation:

- Analyze trends in Advanced Research and Advanced Technology project successes and failures to determine how well the programs are meeting specific statutory objectives over time.
- After each legislative session, check for any new statutory requirements, and before each session, take forward any legislation that needs to be modified to reflect program changes.

Management's Response:

We will work with the Board's Advisory Committee on Research Programs to develop a monitoring procedure to determine how well the programs are meeting statutory objectives over time and make this available in existing reports. We believe that the agency's current process for identifying new statutory requirements is significantly more effective than that of previous years, but we will renew our efforts to ensure that the program reflects existing legislation and that we take forward legislation that needs to be modified to reflect program changes.

Section 3:

Ensure That Baylor College of Medicine Supplies Accurate Information Concerning Compliance With Its Contract

The Agency does not ensure that Baylor College of Medicine supplies accurate information concerning compliance with contractual requirements in regard to the use of state funds.

Through a contract with the Agency, Baylor College of Medicine, a private nonprofit corporation, receives state

appropriations (approximately \$38 million each year for the 1998-1999 biennium) to provide undergraduate physician training for Texas residents.

Baylor College of Medicine was founded in 1900. From 1903 until 1969, it was affiliated with Baylor University. It became an independent institution in 1969. In fiscal year 1972, Baylor College of Medicine began to receive state funding under a contractual arrangement with the Agency.

The formula for determining Baylor College of Medicine funding is defined in statute and further explained in the Agency's legislative appropriations request. The calculated amount is equal to the average annual tax support per undergraduate medical student at two public medical schools in The University of Texas System: the Medical Branch at Galveston and Southwestern Medical Center at Dallas. This average is multiplied by the number of Texas resident undergraduate medical students enrolled by Baylor College of Medicine in September of the year of disbursement.

The annual contract requires Baylor College of Medicine to file "with the Coordinating Board within 120 days after August 31 [of the following year] a financial statement in such form and manner as may be required by the Coordinating Board, indicating the purpose and amounts for which the [state appropriation] was expended." Baylor College of Medicine may use state funds for statutorily-defined educational and general functions only. Although Baylor College of Medicine provides the Agency with the required information,

the Agency does not regularly review the information to ensure that it is accurate.

Recommendation:

Ensuring that Baylor College of Medicine submits accurate information concerning its contract requirements can be accomplished several ways. For example:

- Ask Baylor College of Medicine for internal audit reports, management letters, and other relevant information to assess the quality of financial controls at the institution.
- Based on this information, make a decision about whether further work needs to be done to certify the documents sent from Baylor College of Medicine. If further work is warranted, then the Agency has two options:
 - Ask Baylor College of Medicine to have its CPA audit the financial report on expenditure of state funds that the institution develops to comply with its contract requirements. Also, have the CPA audit the list of certified Texas residents.
 - Schedule this work to be completed as part of the Agency's internal audit plan, and evaluate the certified information in relation to contract criteria.

Management's Response:

We regularly review information submitted by BCM to ensure that state funds are used appropriately and that the expected services are delivered, but we do not audit or otherwise have in place a procedure for verifying the accuracy of data submitted by BCM. We believe that there is almost no risk to the state that BCM does not spend appropriated state monies to provide undergraduate physician training for Texas residents in accordance with statute and THECB's contractual provisions. However,

to provide additional assurances that BCM is in compliance, BCM has agreed to work with THECB to establish new controls that will ensure the accuracy of data submitted by BCM. We will evaluate the information provided by BCM and take appropriate follow-up actions as deemed necessary in the circumstances.

Section 4:

The Agency Complies With Historically Underutilized Business Goals and Meets Certain Internal Auditor State Guidelines

The Agency exceeded Historically Underutilized Business (HUB) goals in fiscal year 1997. In addition, the Agency established and maintained an internal audit function that has sufficient independence within the organization and provides adequate risk assessment and audit coverage.

Objective, Scope, and Methodology

Objective

The objective of this audit was to evaluate certain management control systems within the Higher Education Coordinating Board (Agency) and to identify strengths and opportunities for improvement. We evaluated whether the control systems provide reasonable assurance that the Agency's goals and objectives will be accomplished. The audit evaluated control systems in place as of April 1998.

Management controls are policies, procedures, and processes used to carry out an organization's objectives. They should provide reasonable assurance that:

- Goals are met.
- Assets are safeguarded and efficiently used.
- Reliable data is reported.
- Compliance exists with laws and regulations.

Management controls, no matter how well designed and implemented, can only provide reasonable assurance that objectives will be achieved.

Scope

Management control systems of functions and programs were chosen for audit according to how high they rated on the State Auditor's risk assessment, whether they were programs associated with high-dollar appropriations relative to other agency programs, and whether they had significant findings in previous State Auditor management control audits. Programs and functions determined to have received adequate internal audit coverage and resolution in the past three years were not included in the scope. The major functions and programs covered in the audit were:

- Controls over certain aspects of information management
- Controls over the Advanced Research and Advanced Technology Programs
- Controls over state funding for Baylor College of Medicine

The scope of this audit included consideration of Agency's overall management control systems: control environment and risk assessment, policy management, information management, resource management, and performance management.

Consideration of the control environment and risk assessment systems included a review of:

- Processes used to ensure management's integrity and ethical values
- Processes used to perform internal and external risk assessment
- Management's philosophy and operating style
- Processes used to manage change
- Processes used to ensure compliance with laws and regulations

Consideration of the Agency's policy management systems included a review of:

- Processes used to create, monitor, evaluate, and revise Agency strategic and operating plans and budgets
- Processes used to develop, document, communicate, review, and enforce Agency policies and procedures
- Previous audit reports, both internal and external, with issues related to the policy management system
- Status of Agency initiatives to improve operations

Consideration of the Agency's information systems included a review of:

- Processes for collecting, identifying, classifying, evaluating, maintaining, and updating information
- Timeliness, accuracy, availability, and communication of information needed to support the Agency's mission, goals, and objectives
- Existing management reports and the determination of current and future information needs
- Processes used to develop, maintain, and protect computer systems
- Previous audit reports, both internal and external, with issues related to the information management systems

Consideration of Agency's resource management systems included a review of:

- Compliance with regulations surrounding the use of Historically Underutilized Businesses
- Grant and contract monitoring and oversight issues
- Procedures used to process vendor payments
- Previous audit reports, both internal and external, with issues related to the resource management systems

Consideration of the Agency's performance management system included a review of:

- Processes used to develop, track, and use performance measures
- Processes used to track and monitor customer satisfaction with the Advanced Research and Advanced Technology Programs

- Processes used to monitor the performance of individual Advanced Research and Advanced Technology grants as well as the programs at large over time
- Agency's contractual oversight of Baylor College of Medicine's use of state funds

Methodology

The audit methodology consisted of gaining an understanding of each control system. In select areas, tests were performed to determine whether control systems operate as designed. Finally, results were evaluated against established criteria to determine the adequacy of the system and to identify opportunities for improvement.

Information sources included:

- Texas Education Code and other state statutes and regulations
- Management reports; policy and procedure manuals; Board rules and regulations; and other documents, memoranda, and publications of the Agency
- Interviews with management and staff of the Agency
- Observation of Board meetings and various staff functions and activities
- Interviews with legislative branch staff and other state agencies.

Analytical techniques included:

- Comparison of Agency goals and objectives with statutory responsibilities
- Variance analyses of three years of Agency financial reports
- Control review over information management
- Ratio and trend analysis of Agency appropriations and capital budgets
- Comparison of actual reports with legislative reporting requirements
- Comparison of Baylor College of Medicine performance measures to state medical school performance measures
- Agency compliance with state Historically Underutilized Business (HUB) requirements
- Analysis of Advanced Research and Advanced Technology customer response trends
- Analysis of internal audit coverage and risk, using the Key Accountability Systems Model from the State Auditor's Office
- Analysis of internal audit practices against established criteria

Criteria used:

- Statutory requirements
- Higher Education Coordinating Board policies and procedures
- State Auditor's Office Methodology Manual
- General and specific criteria contained in *A Guide to Assessing Risk in Key Accountability Control Systems* (SAO Report No. 97-075, July 1997)
- Other standards and criteria developed through secondary research sources, both prior to and during fieldwork

Fieldwork was conducted from November 1997 through April 1998. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Auditing Standards
- Generally Accepted Government Auditing Standards

There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Elizabeth Arnold, CIA, CGFM (Project Manager)
- Sheila S. DeLeon
- Amy Dingler, MPA
- Roy Gonzales
- Peter Mbanasor, MS
- Cynthia Reed, CPA (Quality Control Reviewer)
- Catherine A. Smock, CPA (Audit Manager)
- Deborah Kerr, Ph.D. (Audit Director)

Agency Mission and Client Population

Mission

The Texas Higher Education Coordinating Board (Agency) was created by the Texas Legislature in 1965 to ensure quality and efficiency as public higher education expands to meet the needs of a growing and changing population and workforce.

The mission of the Agency is to provide the Legislature advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to administer programs efficiently, and to improve higher education for the people of Texas.

Student Enrollment at Texas Higher Education Institutions

In 1997, 838,527 students were enrolled at:

- 35 universities
- 50 community colleges
- 8 health-related institutions
- 3 technical colleges
- 3 lower-division institutions

In addition, 100,814 students were enrolled at:

- 37 independent colleges and universities
- 3 independent community colleges
- 1 private health-related institution

(Source: THECB website, <http://www.thecb.state.tx.us>)

Appendix 3:

Budget Trends During the Last Five Years

	<u>FY 95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Operating Budget	\$ 13,481,729	\$ 12,743,445	\$ 13,169,434	\$ 14,601,515
Trusted Programs	92,685,141	169,360,319	116,101,530	205,085,676
Other Grant Programs	50,143,590	47,159,808	44,030,720	48,770,599
Total	\$ 156,310,460	\$ 229,263,572	\$ 173,301,381	\$ 268,457,790

General Revenue	\$ 98,746,470	\$ 173,794,465	\$ 119,197,824	\$ 203,053,918
Federal Funds	52,255,371	48,652,775	45,714,457	50,409,041
Student Loan Funds	4,239,288	4,264,565	4,729,571	5,681,063
Other Funds	1,069,331	2,551,767	3,659,529	9,313,768
Total	\$ 156,310,460	\$ 229,263,572	\$ 173,301,381	\$ 268,457,790

Operating Budget Breakdown:

Information and Planning	\$ 1,214,218	\$ 1,138,531	\$ 1,290,502	\$ 1,317,140
University Programs	801,789	846,877	843,735	891,164
Community/Technical Programs	424,681	463,131	443,192	481,039
Health Programs	267,589	255,611	274,011	313,087
Admin. Research Programs	364,915	320,530	274,255	289,452
Admin. Grants/Scholarships	249,310	296,658	347,513	498,369
Access and Equity	221,171	249,678	247,365	249,124
Admin. Hinson-Hazlewood	2,563,822	2,597,481	2,765,145	3,601,083
Admin. Federal Grant Programs	2,111,781	1,492,967	1,683,737	1,638,442
Indirect Administration	5,262,453	5,081,981	4,999,676	5,322,615
Total	\$ 13,481,729	\$ 12,743,445	\$ 13,169,131	\$ 14,601,515

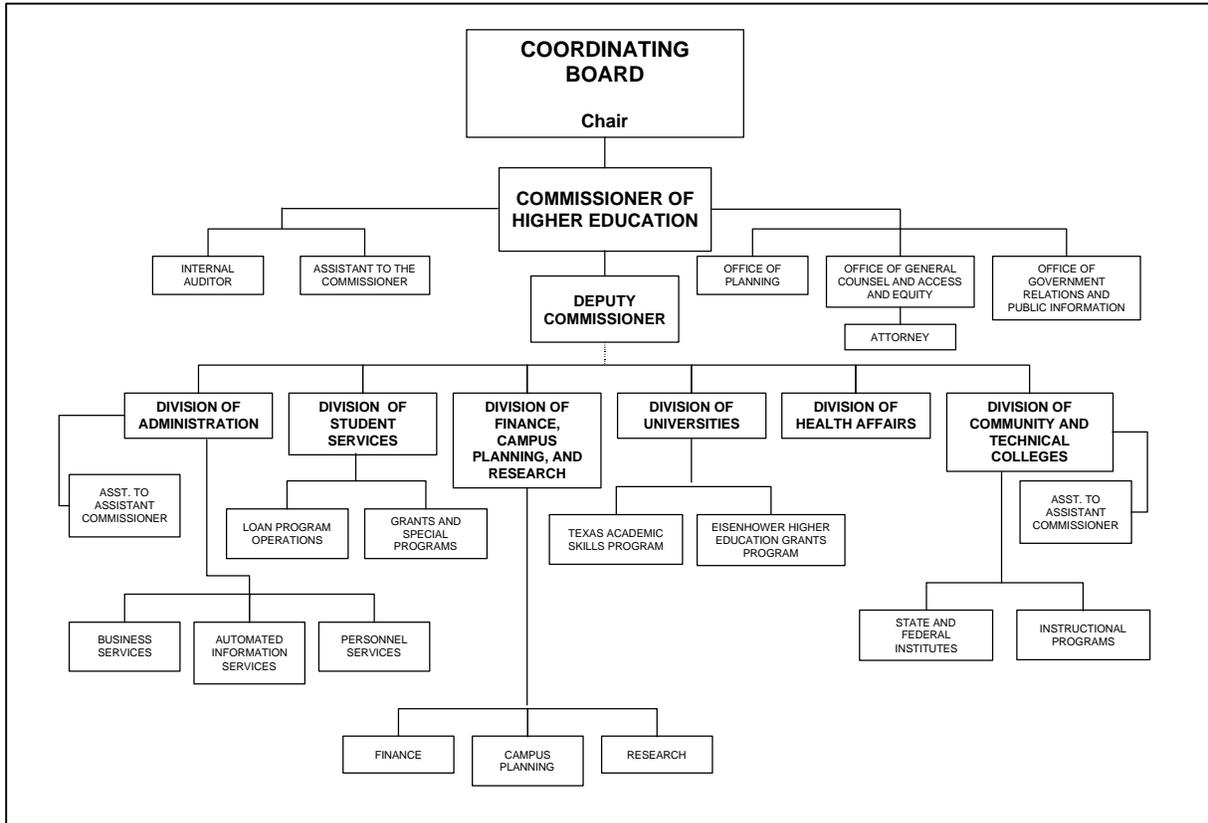
General Revenue	\$ 6,870,258	\$ 6,729,736	\$ 6,549,100	\$ 6,727,260
Federal Funds	2,111,781	1,492,967	1,683,737	1,638,442
Student Loan Funds	4,239,288	4,264,565	4,729,571	5,681,063
Other Funds	260,402	256,177	206,723	554,750
Total	\$ 13,481,729	\$ 12,743,445	\$ 13,169,131	\$ 14,601,515

Number of Full-Time Equivalent (FTE) Positions	293.1	276.1	272.4	277.6
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(Source: Texas Higher Education Coordinating Board Strategic Plan 1998-2002)

Appendix 4:

Organizational Chart



Source: Texas Higher Education Coordinating Board

Reporting Responsibilities of the Agency Required by Texas Statute

Statutory Citation	Summary	Due Date	Responsible Division
General Appropriations Act III-45, Rider 12	Report on scholarship allocation for the New Horizons Scholarship Program	Within 90 days of the close of the fiscal year	Student Services
General Appropriations Act III-47, Rider 17	Annual report on the financial need of students applying for financial aid	February 28, Annually	Student Services
General Appropriations Act III-47, Rider 21	Report on institutions' plans for increasing women and minorities in staffing	December 31, 1998	Access & Equity
General Appropriations Act III-48, Rider 25	Provide initial report of an academic performance information system for the universities	January 1, 1999	Universities
General Appropriations Act III-49, Rider 27	Report on the effectiveness of remediation at each institution	For the 76th Legislature	Universities
General Appropriations Act III-49, Rider 27	Report on the institutional expenditures for developmental educational activities	For the 76th Legislature	Finance, Campus Planning, and Research
General Appropriations Act III-51, Rider 38	Report on minimum average classroom teaching load goals for professional-rank faculty at institutions	September 1, 1998	Planning
General Appropriations Act III-51, Rider 39	Report on the number of classes taught and hours generated for each university that did not meet small class standards	September 1, 1998	Finance, Campus Planning, and Research
General Appropriations Act III-51, Rider 40	Report on the use of institutional funds at state-supported, health-related institutions	December 1, 1998	Finance, Campus Planning, and Research

Statutory Citation	Summary	Due Date	Responsible Division
General Appropriations Act III-51, Rider 41	Conduct a study on developing an equitable mechanism to fund the Texas A&M University Service Agencies	For 76th Legislature	Finance, Campus Planning, and Research
General Appropriations Act IX-116, Rider 178	Report on the impact of institutions recovering the cost of the fair market value of the rent of the housing they provide employees	For 76th Legislature	Finance, Campus Planning, and Research
House Bill 1795	Prepare an impact statement on the expansion of The University of Texas at Tyler from a two- to four-year institution	December 31, 1998	Universities
Senate Bill 274	Prepare an impact statement on the expansion of The University of Texas at Brownsville from a two- to four-year institution	May 31, 1998	Universities
Senate Bill 606	Prepare an impact statement on a regional academic health center in the Rio Grande Valley	May 31, 1998	Health Affairs
Education Code 51.306	Publish a report, by high school on the TASP test performance. Publish a report summarizing, by institution, the students who took developmental education and their performance on the TASP test.	Annually	Universities
Education Code 51.404	Furnish reports summarizing the reports each institution is required to submit under Chapter 51, including compliance of institution. With the faculty workloads they have filed with the CB pursuant to 51.402(b)	Upon request of the Legislative Budget Board and Governor's Office of Budget and Planning	Finance, Campus Planning, and Research
Education Code 51.405	Inform the Governor's Office of Budget and Planning, the Legislative Budget Board and chairs of the House and Senate Appropriations committees when any institution fails to comply with its adopted rules and regulations.	As needed	(Agency has not done)
Education Code 52.17(f)	Report to the Bond Review Board on the performance of loans, Texas college interest and sinking fund, and each Agency interest and sinking fund.	Semiannually	Administration

Statutory Citation	Summary	Due Date	Responsible Division
Education Code 52.56	Report on the operations of the Texas Opportunity Plan Fund	December 1, annually	Student Services
Education Code 54.051	Set the nonresident tuition rate and report it to the institutions	January 1, annually	Student Services
Education Code 61.028(f)(g)	Prepare Agency personnel policy statement on the implementation of EEO Program and file with the Governor's Office	Update Annually	Administration
Education Code 61.051(a)	Develop a five-year master plan of higher education and update it annually	Annually	Planning
Education Code 61.051(a)(1)	Inform the Legislature on matters pertaining to higher education	As needed	Multiple
Education Code 61.051(a)(2)	Report on the state of higher education in Texas	January 1, annually	Government Relations and Public Information
Education Code 61.0583(d)	Report findings of audits of all E&G facilities at universities and Texas State Technical College to the Legislative Budget Board and the audited institutions	Periodically	Finance, Campus Planning, and Research
Education Code 61.059(d)	Recommend formulas to the Governor, the Legislative Budget Board, governing boards and chief administrative officers	June 1, even years	Finance, Campus Planning and Research
Education Code 61.059(e)	Present a summary and analysis of institutional appropriations requests to the Governor and Legislature.	Prior to Legislative Session	Finance, Campus Planning, and Research

Statutory Citation	Summary	Due Date	Responsible Division
Education Code 61.059(l)	Report to the Legislative Budget Board, as part of formula funding recommendations, the exceptions to the 100-hour cap	June 1, even years	Universities Finance, Campus Planning, and Research
Education Code 61.063	Certify to State Auditor's Office and Comptroller of Public Accounts that the community colleges have complied with the standards, rules and regulations of the Agency	October 1, annually	Community and Technical Colleges
Education Code 61.066(a)(b)	Make recommendations on the effectiveness and efficiency in any area of higher education and report to the Legislature on new programs and restructuring existing programs to meet the changing needs of the State.	No later than August 31, even years	Multiple
Education Code 61.069(a)	File a detailed written report accounting for all funds received and disbursed by the Agency	Annually	Administration
Education Code 61.080	Study effects of Hopwood and other institutional actions on student recruitment, admissions, retention, and graduation	December 1, 1998	Access & Equity Planning
Education Code 61.081	Report to the Legislature on the Fifth Year Accounting Program	January 15, odd years	Student Services
Education Code 144.044	Report to the Legislative Budget Board on the review of research programs at public institutions of higher education	September 1, even years	Finance, Campus Planning, and Research
Gov. Code 2056.011	Develop a consolidated community college five-year strategic plan and update biennially	Every even year	Community and Technical Colleges Planning

Source: Texas Higher Education Agency, Office of Government Relations and Public Information, February 12, 1998)