



A Legislative Summary Document Regarding Higher Education Coordinating Board

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The Higher Education Coordinating Board's (Coordinating Board) Student Loan Program loans most of its available funds. However, in recent years, the Coordinating Board did not meet two of three program-related performance measures: "Number of Students Receiving Loans" and "Dollar Amount of Outstanding Loans."

The Coordinating Board's Student Loan Program was self-sustaining during fiscal years 1999 through 2001. However, the amount of defaulted loans collected could be increased by better following internal procedures. The uncollectible amount of student loans has increased by more than \$1 million in each of the last two years.

The Coordinating Board maintains duplicate performance measure data on student loan programs in two internal systems. Student Loan Program personnel are creating reports on their own system rather than using available monthly financial reports generated by the Accounting Department.

The Coordinating Board lacks sufficient controls to monitor the process of adjusting student records for interest benefit, special allowance payments (SAP), and/or origination fee amounts when a day-specific event occurs. This resulted in questioned costs of \$64,656.97.

Prepared for the 78th Legislature
by the State Auditor's Office

January 2003

SAO No. 03-329

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

Higher Education Coordinating Board

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Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

An Audit Report on Revolving Loan Funds

(Report No. 02-059, July 2002)

The Higher Education Coordinating Board's (Coordinating Board) Student Loan Program loans most of its available funds. Limited testing of Coordinating Board loan agreements did not find loans made for any purpose other than the intended purpose of providing college loans to students. However, in recent years, the Coordinating Board did not meet two out of three program-related performance measures: "Number of Students Receiving Loans" and "Dollar Amount of Outstanding Loans."

Status of Audit Recommendations as of November 30, 2002

No status is reported at this time to allow the Coordinating Board sufficient time to address recommendations in this recently released report.

The Coordinating Board's Student Loan Program was self-sustaining during fiscal years 1999 through 2001. However, it has an opportunity to increase the fund balance by better following its procedures for collecting on defaulted loans. The Coordinating Board estimates that its uncollectible amount of student loans has increased by over \$1 million for each of the last two years.

The Coordinating Board is generally managing the Student Loan Program in compliance with laws, regulations, and agency policies in order to provide loans to eligible students. However, the Coordinating Board does not appear to have regularly evaluated the interest rate for one of its non-guaranteed student loan programs.

The Coordinating Board maintains duplicate student loan program performance measure data in two internal systems. The Coordinating Board's Student Loan Program personnel are creating reports on their own system to report the "Dollar Amount of Outstanding Loans" to the Automated Budget and Evaluation System of Texas (ABEST) rather than using available monthly financial reports generated by the Accounting Department's financial system.

An Audit Report on State-Issued Bonds for Fiscal Year 2001

(Report No. 02-035, April 2002)

The bond-issuing state agencies and higher education institutions we audited complied with all significant bond covenants, laws, and regulations regarding bonded debt during the fiscal year ending August 31, 2001. In addition, these entities reported accurate information for the supplementary bond schedules included in the Texas 2001 Comprehensive Annual Financial Report (CAFR).

The total amount of outstanding bond issues of the Higher Education Coordinating Board, as of August 31, 2001, was \$627,157,312.

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State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2001¹

(February 2002)

Special Tests and Provisions - Student Status Changes

The Higher Education Coordinating Board (Coordinating Board) lacks sufficient controls to monitor the processing of student status changes. Some student status changes are not being worked in a timely manner and/or documentation is not being maintained to indicate that Coordinating Board information is accurate.

<p>Status of Audit Recommendations as of November 30, 2002</p> <p>KPMG LLP will report on the status of these recommendations in the federal portion of the statewide single audit for fiscal year 2002. This report is expected to be released in Spring 2003.</p>
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Special Tests and Provisions - Interest Benefit and Special Allowance Payments

The Coordinating Board lacks sufficient controls to monitor the process of adjusting student records for interest benefit, special allowance payments (SAP), and/or origination fee amounts when a day-specific event occurs. The questioned cost was \$64,656.97.

Special Tests and Provisions - Review of Quarterly Lender Reports

The 799 quarterly lender/servicer report for March 2001 was noted to have incorrect prior period adjustment (PPA) information. During the March 2001 quarter, the information needed to populate the PPA section of the 799 reports was sorted in an incorrect file format. As a result, the PPAs were not correctly presented on the report filed with the U.S. Department of Education. The questioned cost was \$4,679.76.

Special Tests and Provisions - Application of Interest Period Begin Dates

Testing indicated that interest for some Federal Family Education Loans was incorrectly billed to the U.S. Department of Education. The Coordinating Board determined that approximately 3,220 disbursements were affected by this calculation for the period from July 1993 through January 2002. The questioned cost was \$ 14,676.44.

Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at the Higher Education Coordinating Board between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.

¹ Results from only the most recent statewide single audit are included in this Legislative Summary Document. KPMG LLP conducted the federal portion of that audit under contract with the State Auditor's Office. Only excerpts from the KPMG audit report are presented above. For the full text of the KPMG audit report, please see www.sao.state.tx.us/Reports/report.cfm?report=2002/02-345.

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Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 97,435	\$ 94,050	\$ 115,063
Out-of-State Travel	42,760	51,051	37,830
Foreign Travel	0	0	0
Other Travel Costs	(250)	3,479	2,358
Total Travel Expenditures	\$ 139,945	\$ 148,580	\$ 155,252
Limit on Travel Expenditures (Cap)	206,581	206,581	42,760 ^a
Expenditures in Excess of Cap	\$ 0	\$ 0	\$ 0

^a Caps apply to total travel in appropriation years 2000 and 2001, but caps apply only to out-of-state travel and foreign travel in appropriation year 2002. Caps, calculated by the Comptroller of Public Accounts, have been adjusted for any increases requested by the Coordinating Board and approved by the Legislative Budget Board in accordance with the General Appropriations Act.

Source: Uniform Statewide Accounting System (USAS) as of November 30, 2002. Amounts are subject to change as agencies continue to record additional expenditures or adjustments.