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State Auditor

An Audit Report on
**Contact Hour Reporting by
Texas Community, State, and
Technical Colleges**

August 15, 2007

Members of the Legislative Audit Committee:

Texas community, state, and technical colleges' errors in contact hour¹ data for the 2008-2009 base year (the Summer 2006, Fall 2006, and Spring 2007 semesters) were below the 2 percent error rate allowed by the General Appropriations Act (80th Legislature). Therefore, no adjustments to the colleges' appropriations are necessary as a result of errors in the colleges' reported contact hour data.

Identified errors in contact hour data were equivalent to approximately \$700,000 in net over-funding of contact-hour-based appropriations (see text boxes). All identified errors fell below the 2 percent allowable error rate. Contact-hour-based formula funding appropriations to all colleges for the 2008-2009 biennium total \$1,837,414,466.

Enrollment Testing

The State Auditor's Office conducted on-site audits at seven colleges (see the attachment to this letter for a list of those colleges). These colleges also were asked to self-report any known errors in reported contact hours. Auditors asked the remaining 50 colleges or college districts to attest that errors in their contact hour data did not exceed the 2 percent allowable error rate.

Testing of contact hour data included collecting data reported to the Higher Education Coordinating Board (Coordinating Board), testing that data against data in colleges' student information systems, and examining controls at the colleges to determine whether data can be collected and reported correctly.

Contact Hour Audit Overview

The General Appropriations Act (80th Legislature) Rider 8, page III-182, specifies that the accuracy of contact hour data that Texas public institutions of higher education submit for use in formula funding is subject to audit by the State Auditor's Office.

The General Appropriations Act specifies that: "The calculation of revised appropriation amounts shall allow each institution an error rate of up to 2 percent of the total contact hour formula appropriations to that institution for the biennium."

Over- and Under-funding

In analyzing contact hour funding, auditors identified contact-hour-based formula funding as Academic Education funding and Vocational/Technical Education funding. The amounts of these types of funding are determined based on qualifying contact hours reported by the colleges.

"Over-funding" occurs when a college reports more qualifying contact hours than it is entitled to report. This results in that college receiving more funding than it would have been allocated if those items had been reported correctly.

"Under-funding" occurs when a college reports fewer qualifying contact hours than it is entitled to report. This results in that college receiving less funding than it would have been allocated if those items had been reported correctly.

¹ A contact hour is a measurement of the number of hours students receive instruction.

Each College's Contact Hour Error Rate Was Below the Allowable Error Rate

Colleges' self-reported errors and errors identified by auditors resulted in a net over-funding of approximately \$700,000 (the attachment to this letter provides details regarding each college's errors). In summary:

- Six colleges (86 percent of colleges tested) over-reported contact hours equivalent to approximately \$720,000 in funding. The largest over-reporting in percentage terms occurred at Galveston College, which over-reported contact hours equivalent to approximately \$101,000, or 1.3 percent of that college's 2008-2009 appropriations. The largest over-reporting in terms of dollar amount occurred at Dallas County Community College District, which over-reported contact hours equivalent to approximately \$472,000, or 0.3 percent of its 2008-2009 appropriations.
- One college, Austin Community College, under-reported contact hours equivalent to approximately \$20,000 in under-funding, or less than 0.1 percent of that college's 2008-2009 appropriations.

While conducting on-site audits at colleges, auditors also identified issues related to information technology systems and the reliability of certain colleges' contact hour data. Those issues were communicated separately to each college and included weaknesses in the following areas:

- Inadequate audit trails.
- Weaknesses in user access such as (1) not sufficiently restricting user access to reports containing confidential student data and (2) weaknesses in password controls.

We appreciate the colleges' cooperation during this audit. If you have any questions, please contact Verma Elliott, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachment

cc: Boards of Regents, Chancellors, and Presidents of all Texas Community, State, and Technical Colleges



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Attachment

Colleges' Contact Hour Error Rates Were Below the Allowable Error Rate

As Table 1 shows, colleges' self-reported errors and errors identified by auditors resulted in net over-funding of approximately \$700,000.

Table 1

Community, State, and Technical Colleges' Contact Hour Error Amounts (Includes Both Self-Reported Errors and Errors Identified By Auditors) (All Dollar Amounts Have Been Rounded to Thousands)			
College/District	Maximum Allowable Error Amount (Two Percent of Total 2008-2009 Biennium Appropriations)	Amount of Total 2008-2009 Biennium Self-Reported Errors and Errors Identified by Auditors	Errors as a Percentage of Total 2008-2009 Biennium Appropriations
Colleges That Over-Reported Contact Hours (Note: Over-reporting results in over-funding)			
Galveston College	\$ 153	\$ 101	1.3%
Dallas County Community College District	3,580	472	0.3%
Blinn College	823	76	0.2%
Del Mar College	746	29	0.1%
Collin County Community College District	1,128	27	0.0%
Alamo Community College District	2,714	15	0.0%
TOTALS FOR OVER-REPORTING COLLEGES	\$ 9,144	\$ 720	
College That Under-Reported Contact Hours (Note: Under-reporting results in under-funding)			
Austin Community College	\$ 1,671	\$ 20	0.0%
TOTALS FOR UNDER-REPORTING COLLEGES	\$ 1,671	\$ 20	
NET OVER-FUNDING		\$ 700	

Auditors conducted on-site audits at the seven colleges and college districts listed in Table 1. Auditors asked the following 50 colleges or college districts to attest that they did not have any errors that would exceed the 2 percent allowable error rate; each of these colleges and college districts attested that any known errors would be below the 2 percent allowable error rate:

- Alvin Community College.
- Amarillo College.
- Angelina College.
- Brazosport College.

- Central Texas College.
- Cisco Junior College.
- Clarendon College.
- Coastal Bend College.
- College of the Mainland Community College District.
- El Paso Community College District.
- Frank Phillips College.
- Grayson County College.
- Hill College.
- Houston Community College System.
- Howard College.
- Kilgore College.
- Laredo Community College.
- Lee College.
- McLennan Community College.
- Midland College.
- Navarro College.
- North Central Texas College.
- North Harris Montgomery Community College District.
- Northeast Texas Community College.
- Odessa College.
- Panola College.
- Paris Junior College.
- Ranger College.
- San Jacinto College.
- South Plains College.

- South Texas College.
- Southwest Texas Junior College.
- Tarrant County College District.
- Temple College.
- Texarkana College.
- Texas Southmost College.
- Trinity Valley Community College.
- Tyler Junior College.
- Vernon College.
- Victoria College.
- Weatherford College.
- Western Texas College.
- Wharton County Junior College.
- Lamar State College – Port Arthur.
- Lamar State College – Orange.
- Lamar Institute of Technology.
- Texas State Technical College – Harlingen.
- Texas State Technical College – Marshall.
- Texas State Technical College – Waco.
- Texas State Technical College – West Texas.

Appendix

Objective, Scope, and Methodology

Objective

The objective of this audit was to enhance accountability for enrollment reporting by:

- Reviewing self-reported enrollment data from public community, state, and technical colleges.
- Conducting an independent analysis of selected colleges' enrollment data.

Scope

The scope of this audit focused on colleges' contact hour data for the 2008-2009 base year (the Summer 2006, Fall 2006, and Spring 2007 semesters). Each college is allowed up to a 2 percent error rate for the contact-hour-based formula funding appropriations to that college for the biennium. Auditors did not audit the accuracy of colleges' self-reported errors.

Methodology

The audit methodology consisted of conducting interviews; collecting and reviewing information; and performing tests, procedures, and analyses against predetermined criteria. Auditors obtained the reported contact hour information from the Higher Education Coordinating Board (Coordinating Board) and audited the accuracy of contact hour reporting using the following procedures:

- Conducted a risk assessment to determine which colleges would be audited to test the accuracy of information and the controls over the colleges' systems of collecting, storing, and preparing the Coordinating Board Management Reports (CBM reports).
- Performed a preliminary analysis of colleges' data to ensure data integrity.
- Conducted on-site audits at seven colleges to:
 - ♦ Test the accuracy of the information provided by the colleges to the Coordinating Board. The testing was designed to cover the necessary information for contact hour reporting.
 - ♦ Identify and assess the access controls and the output processes for the systems providing information for reporting of contact hours. These systems included the student information system and the reporting system.

Information collected and reviewed included the following:

- CBM001 Reports (*Student Reports*) for the Summer 2006, Fall 2006, and Spring 2007 semesters.
- CBM004 Reports (*Class Reports*) for the Summer 2006, Fall 2006, and Spring 2007 semesters.
- College information, including:
 - ♦ Organization chart.
 - ♦ Policies and procedures.
 - ♦ Contact hour data from each college's student information system.
 - ♦ Class rosters.
 - ♦ Self-reported errors.
 - ♦ Student catalogs.
 - ♦ Published tuition and fee schedules.

Procedures and tests conducted included the following:

- Performed on-site audits at the following seven colleges:
 - ♦ Alamo Community College District - San Antonio College.
 - ♦ Austin Community College.
 - ♦ Blinn College.
 - ♦ Collin County Community College District.
 - ♦ Dallas County Community College District – Richland College.
 - ♦ Del Mar College.
 - ♦ Galveston College.
- Determined whether the primary factor (contact hours) used as the basis of the formula funding appropriations by the 80th Legislature was consistent with (1) the number of contact hours in the Coordinating Board's database and (2) the number of contact hours reported by individual colleges.
- Reviewed self-reported errors in contact hour data.
- Calculated funding adjustments (if any) because of inaccurately reported contact hours. Because of the complexity of the calculation, all dollar

amounts were rounded to thousands so as not to imply a misleading degree of precision.

Criteria used included the following:

- The General Appropriations Act (80th Legislature).
- The Texas Education Code.
- The Texas Administrative Code.
- The Coordinating Board's *Reporting and Procedures Manual for Texas Community, Technical, and State Colleges*.

Project Information

Audit fieldwork was conducted from February 2007 through June 2007. This audit was conducted in accordance with generally accepted government auditing standards.

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

- Jules Hunter, CPA, CIA (Project Manger)
- Terry Nickel, CIA, CGAP, CFE (Assistant Project Manager)
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- Michael Clayton, CPA, CFE
- Michelle DeFrance, MA
- Nicole Elizondo, CFE
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- Cyndie Holmes, CISA (Information Systems Audit Team)

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