



Lawrence F. Alwin, CPA

Two Commodore Plaza
206 East Ninth Street, Suite 1900
Austin, Texas 78701

Phone: (512) 479-4700
Fax: (512) 479-4884

An Audit on Community and Technical Colleges Enrollment Reporting

April 24, 2000

Members of the Legislative Audit Committee:

Overall, the 50 public community college districts and 7 technical colleges (colleges) continue to report enrollment data in compliance with reporting requirements for the purpose of receiving state appropriations. Collectively, these colleges receive more than \$1.6 billion in state appropriations. For the audit period (Summer 1998, Fall 1998, and Spring 1999) the total funding associated with identified enrollment errors was well within the tolerance range of 2 percent of total appropriations.

The audit identified a total of more than \$2.5 million (\$2,057,762 over- and \$452,121 under-reported) in errors through audit testing, colleges' self-reported errors, and errors in colleges' Spring 1999 estimates. In the case of the Spring 1999 estimate errors, the Higher Education Coordinating Board (Coordinating Board) will adjust overestimated funds, in accordance with the General Appropriations Act, Article III-188.7.

Audit Testing and Self-Reported Errors

Because the errors identified through audit testing and the colleges' self-reporting are well within the 2 percent tolerance range, we recommend no adjustments to the colleges' 2000-2001 appropriations. The colleges collectively could have had more than \$31 million in total errors yet still have remained under the 2 percent tolerance range.

We performed audit testing at 6 of the 57 colleges. Section 1-B of the attachment lists the colleges we audited.

Spring 1999 Estimated Errors

For Spring 1999, collectively, the colleges overestimated spring semester contact hours by a total of \$121,829 and underestimated spring semester contact hours by a total of \$353,354. According to the General Appropriations Act, Article III-188.7, "Adjustments shall be made to adjust estimated contact hours to actual certified contact hours even if the total error rate is less than 2 percent." Colleges under-funded for Spring 1999 are subject to receive a prorated distribution adjustment of approximately 35 cents on the dollar from the total over-funded hours recovered.

We thank the colleges' management and staff for their cooperation and assistance during the audit. If you have any questions, please contact Dick Dinan, Audit Manager, at (512) 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cbg

Attachment

SAO Report No. 00-027

Section 1:

Self-Reported Errors and Audit Findings Do Not Exceed Allowable Error Rate

Current legislation allows colleges a 2 percent error rate for audit findings and the colleges' self-reported errors combined. The allowable error rate is calculated by multiplying each college's 2000-2001 total biennial state appropriations by 2 percent per the General Appropriation Act of the 76th Legislature, Article III-188.7. Two percent of the total amount of funding for all 57 colleges comes to more than \$31 million. All but one college had an error rate well below 1 percent. The audit findings and the colleges' self-reported errors totaled \$1,935,932 in overstatements and \$98,767 in understatements.

Section 1-A:

Results of Self-Reported Errors Do Not Exceed Allowable Error Rate

The 46 colleges that self-reported errors were below the 2 percent tolerance amount; 11 colleges (19 percent) reported that they had no enrollment data reporting errors. Four colleges, each claiming more than \$100,000 in over-funding, accounted for approximately \$1.1 million or 58 percent of total over-funding. Three of these four colleges were included for audit testing of their enrollment data as described below.

Table 1 on the following page shows the amounts associated with each college's self-reported errors. These errors were reported to the State Auditor prior to audit testing as part of the audit process.

Only 7 percent (three colleges) of the colleges with over-reporting errors reported an error rate greater than one half of 1 percent (0.5 percent) of their total funding. However, these three colleges accounted for 30 percent of the over-reported funds, or \$575,543.

For each self-reported error, the colleges included course identification information, the semester in which the class was offered, the number of contact hours reported for the class, the reason for the error, and whether the contact hours were over-reported or under-reported. To determine the appropriation dollar associated with the error, we identified the appropriate funding amount for each error and applied it to the contact hours reported. We did not audit the colleges' self-reported errors.

Contents

Self-Reported Errors and Audit Findings Do Not Exceed Allowable Error Rate	1
Error Calculations for 1999 Spring Semester Adjustments Have Been Reported to the Coordinating Board	4
Overview of the Biennial Enrollment Audit	6
Objective, Scope, and Methodology	7

ATTACHMENT

Table 1

Self-Reported Enrollment Errors of Community and Technical Colleges			
College/District	2 Percent Allowable Error Amount	Biennium (Over) and Under Self-Reported Error Amount	Self-Reported Error as a Percentage of Total Biennium Appropriation
Over-Reporting Colleges			
South Texas Community College	\$ 682,174	\$ (370,283)	1.09%
Southwest Texas Junior College	246,027	(87,011)	0.71%
Howard County Junior College	390,895	(118,249)	0.61%
Dallas County Community College District	3,129,977	(503,633)	0.32%
Grayson County College	248,702	(32,270)	0.26%
Weatherford College	195,483	(19,926)	0.20%
Angelina College	302,546	(27,088)	0.18%
Texas State Technical College-Harlingen	420,561	(35,598)	0.17%
South Plains College	499,971	(31,504)	0.13%
Brazosport College	212,794	(13,031)	0.12%
McLennan Community College	463,837	(27,744)	0.12%
Alamo Community College District	2,171,046	(128,907)	0.12%
Amarillo College	635,620	(33,016)	0.10%
Odessa College	350,747	(17,515)	0.10%
Tyler Junior College	610,599	(28,460)	0.09%
Collin County Community College District	730,960	(33,973)	0.09%
Texarkana College	340,531	(15,409)	0.09%
Blinn College	731,545	(31,827)	0.09%
Del Mar College	734,110	(28,937)	0.08%
San Jacinto College District	1,285,761	(43,810)	0.07%
Houston Community College System	2,432,868	(80,292)	0.07%
El Paso County Community College District	1,321,256	(42,927)	0.06%
Trinity Valley Community College	388,858	(12,207)	0.06%
Austin Community College	1,444,443	(44,690)	0.06%
North Central Texas Community College District	242,964	(7,285)	0.06%
Wharton County Junior College	312,447	(9,127)	0.06%
Temple Junior College	223,221	(5,608)	0.05%
Frank Phillips College	96,860	(2,430)	0.05%
Lamar Institute of Technology	215,758	(5,376)	0.05%
Lee College	446,514	(10,656)	0.05%
Vernon Regional Junior College	198,693	(4,410)	0.04%
Texas State Technical College-Waco	647,901	(13,517)	0.04%
College of the Mainland	254,559	(4,971)	0.04%
Tarrant County Junior College District	1,556,627	(27,906)	0.04%
Coastal Bend College	271,504	(3,863)	0.03%
Kilgore College	388,394	(3,844)	0.02%
Central Texas College District	709,996	(6,281)	0.02%
North Harris Montgomery College District	\$ 1,300,369	\$ (11,171)	0.02%

ATTACHMENT

Self-Reported Enrollment Errors of Community and Technical Colleges			
College/District	2 Percent Allowable Error Amount	Biennium (Over) and Under Self-Reported Error Amount	Self-Reported Error as a Percentage of Total Biennium Appropriation
Cisco Junior College	\$ 172,492	\$ (1,383)	0.02%
Ranger College	85,000	(673)	0.02%
Alvin Community College	310,749	(3,759)	0.02%
The Victoria College	288,312	(673)	0.00%
Navarro College	287,029	(652)	0.00%
Lamar State College - Orange	98,721	(197)	0.00%
Under-Reporting Colleges			
Northeast Texas Community College	\$ 154,544	\$ 12,430	0.16%
Texas State Technical College-Sweetwater	\$ 202,170	\$ 66,972	0.66%
Colleges Reporting Zero Errors			
Clarendon College	\$ 85,000	Reported Zero Errors	Reported Zero Errors
Galveston College	179,016	Reported Zero Errors	Reported Zero Errors
Hill College	199,460	Reported Zero Errors	Reported Zero Errors
Lamar State College - Port Arthur	184,178	Reported Zero Errors	Reported Zero Errors
Laredo Community College	513,569	Reported Zero Errors	Reported Zero Errors
Midland College	337,569	Reported Zero Errors	Reported Zero Errors
Panola College	144,553	Reported Zero Errors	Reported Zero Errors
Paris Junior College	270,754	Reported Zero Errors	Reported Zero Errors
Texas Southmost College	472,117	Reported Zero Errors	Reported Zero Errors
Texas State Technical College-Marshall	69,687	Reported Zero Errors	Reported Zero Errors
Western Texas College	111,437	Reported Zero Errors	Reported Zero Errors
Totals	\$ 31,003,475	\$ (1,932,089)/ \$79,402	
Source: State Auditor's Office analysis of the unaudited self-reported error data submitted by the individual colleges.			

Section 1-B

Results of Audit Testing Do Not Exceed Allowable Error Rate

The colleges report contact hours to the Coordinating Board in the CBM-004 Class Report, CBM-00C Quarterly Class Report, and CBM-001 Student Report. All 57 community and technical colleges are subject to having the contact hours reported on their CBM reports audited for compliance with state statutes, General Appropriations Act riders, and the Coordinating Board's rules and regulations.

Based on a risk assessment process that considered several risk factors, the State Auditor's Office selected the following six colleges for audit testing of contact hour data:

- Alamo Community College District
- Dallas County Community College District
- Houston Community College System

- Kilgore College
- North Harris Montgomery Community College District
- South Texas Community College

Although errors were identified as a result of our audit testing, none of these errors, even when combined with the colleges' self-reported errors, exceeded the allowable 2 percent tolerance limit.

In addition to testing contact hour data at the colleges audited, we identified weaknesses in the colleges' contact hour reporting processes and suggested ways to improve the accuracy of the CBM reports submitted to the Coordinating Board. These suggestions typically covered the following areas:

- Strengthening written policies and procedures for the reporting process
- Documenting administrative changes to contact hour data maintained electronically
- Monitoring the accuracy of automated calculations and transactions

Five of the six colleges we audited were in the midst of, or just completing, computer conversions and updates. Because of the timeliness of our visits, they were able to incorporate our recommended changes into their new systems.

Section 2:

Error Calculations for 1999 Spring Semester Adjustments Have Been Reported to the Coordinating Board

Eleven colleges overestimated Spring 1999 semester contact hours by a total of \$121,829, and 29 colleges underestimated their spring semester contact hours by a total of \$353,354 (see Table 2). This equals a prorated distribution adjustment of approximately 35 cents on the dollar to under-funded colleges. The difference between the "funded" (based on initial estimates) and the "certified" amounts was much smaller this year than it has been in previous years because the colleges were able to update reported enrollment data until the middle of April rather than the normal deadline in March. Therefore many (21) of the colleges were able to certify actual spring contact hours prior to the final calculation.

Appropriations are calculated using the number of contact hours taught during the base period of Summer 1998, Fall 1998, and Spring 1999. When "formula" contact hour appropriations are established by the Legislature, actual certified contact hours are used for funding all terms in the base period with the exception of the Spring 1999 term. The hours used for funding the Spring 1999 term are estimated. Colleges usually complete the certification process by finalizing their actual spring contact hours after the Legislature establishes appropriation amounts.

ATTACHMENT

Once the Coordinating Board receives certification of the spring contact hours, an adjustment is calculated for the difference between the “estimated” amount and the “certified” amount.

The General Appropriations Act, Article III-188.7, provides that, “The total amount that is reduced from colleges which have overstated base period contact hours shall be redistributed to those colleges which have understated base period contact hours to the extent of such understatement.... Adjustments shall be made to adjust estimated contact hours to actual certified contact hours, even if the total error rate is less than two percent.” The State Auditor’s Office performed adjustment calculations in Table 2 using unaudited contact hour and funding rate data provided by the Coordinating Board.

Table 2

1999 Spring Semester Estimates Adjustment Calculations for Colleges With Variances		
College/District Name	Under Report	Over Report
Alamo Community College District	\$ 36,308	
Alvin Community College	6,596	
Amarillo College	1,273	
Angelina College		\$ 33,582
Austin Community College		10,317
Clarendon College	382	
College of the Mainland		7,026
Dallas County Community College District	528	
Del Mar College	1,407	
El Paso County Community College District		11,160
Frank Phillips College	82	
Galveston College	1,120	
Hill College	82	
Houston Community College System		6,120
Howard County Junior College District	8,813	
Kilgore College	86,512	
Lamar Institute of Technology	43	
Lamar State College at Port Arthur		5,922
Lee College	780	
Midland College		2,771
Navarro College	743	
North Central Texas Community College District		36,375
North Harris Montgomery College District	162,574	
Odessa College	1,078	
Paris Junior College	5,772	
San Jacinto College District	3,408	
South Plains College	1,618	
South Texas Community College		337

ATTACHMENT

1999 Spring Semester Estimates Adjustment Calculations for Colleges With Variances		
College/District Name	Under Report	Over Report
Tarrant County Junior College District	\$ 4,417	
Temple College	186	
Texarkana College	16,526	
Texas Southmost College		\$ 3,806
Texas State Technical College at Brownwood	246	
The Victoria College	356	
Trinity Valley Community College	5,824	
Tyler Junior College	3,378	
Vernon Regional Junior College		4,414
Weatherford College	1,068	
Western Texas College	720	
Wharton County Junior College	1,514	
Total	\$ 353,354	\$ 121,829

Source: State Auditor's Office adjustment calculations using unaudited contact hour and funding rate data provided by the Higher Education Coordinating Board.

Section 3:

Overview of the Biennial Enrollment Audit

The General Appropriations Act includes a rider directing the State Auditor to audit the accuracy of the contact hours submitted by the colleges to the Coordinating Board.

Generally, the colleges are governed by locally elected boards that have the authority to levy property taxes in their districts to support the colleges. In addition, colleges receive state funding based on the number of instructional contact hours they provide. The Legislature then determines each college's biennial appropriation based on the amount of contact hours reported in the base period. These appropriations provide funds to support administrative and instructional services for post-secondary academic and vocational/technical and continuing education.

To qualify for state funding, these colleges are required to comply with the Coordinating Board Rules and Regulations found in the Texas Administrative Code; riders in the General Appropriation Act, Article III; and provisions of the Texas Education Code.

The State Auditor consults with the Coordinating Board, the Legislative Budget Board, and the Texas Association of Community Colleges to develop the audit scope and identify relevant issues that may warrant audit attention. For this audit, it was agreed that due to historically low error rates, coupled with internal reviews by the colleges, testing the accuracy of contact hour data at selected colleges would be sufficient to help maintain the past high level of reporting accuracy.

ATTACHMENT

In 1997 the Legislature began allowing colleges a maximum reporting error rate of 2 percent of their biennial appropriations. This led the State Auditor's Office to select only a sample of colleges for testing based on an assessment of risk. As a result, the importance of self-monitoring by the colleges has increased. Based on our risk assessment, the State Auditor's Office selected 6 of the 57 community and technical colleges for testing. We will reassess risk each biennium to determine the level of audit work to be performed in the future.

Objective, Scope, and Methodology

Objective

The objective of the biennial enrollment audit is to determine that community and technical colleges are in compliance with the Coordinating Board rules and regulations, the general provisions of the General Appropriations Act, and the provisions of the Texas Education Code for the purpose of receiving state appropriations.

Compliance is determined by examining the accuracy of enrollment data submitted by the colleges, helping to ensure that these colleges receive only those appropriations to which they are entitled. Any excess over the allowable 2 percent error amount may be returned to the State's General Revenue Fund. Past and present audit results indicate that the colleges consistently maintain an error rate much lower than 2 percent.

Scope

The scope of this audit focuses on the accuracy of contact hours used to allocate appropriations to each college. Contact hours are reported to the Coordinating Board in the CBM-004 Class Report, CBM-00C Quarterly Class Report, and CBM-001 Student Report.

All colleges that receive contact hour funding appropriations are subject to audit for compliance with state statutes, General Appropriations Act riders, and the Coordinating Board's rules and regulations. This year's audit procedures at the colleges selected for audit concentrated on testing accuracy in the following areas:

- Class size
- Admissions
- Residency
- Tuition Exemptions and Waivers
- Payment of Tuition
- Adds/Drops and Withdrawals

Verifying these items allows the State Auditor's Office to attest to the accuracy of reported contact hours. Test work is concentrated on the base period semesters used

to calculate funding for the 2000-2001 biennium, which includes the Summer 1998, Fall 1998, and Spring 1999 sessions.

Methodology

Community College Enrollment Audit methodology includes:

- Using statistical sampling to test the accuracy of the contact hours used in calculating appropriations
- Reviewing self-reported corrections provided by the colleges and calculating the dollar impact on appropriations
- Determining the amount of funds appropriated due to inaccurate spring semester estimates

It would not be cost effective to perform a 100 percent audit of all contact hour data. For this reason, statistical sampling is used to estimate the accuracy of the total population of contact hours submitted by a college for funding. Statistical sampling procedures provide unbiased estimates of contact hours that are improperly reported to within specified limits, with high and quantifiable probability.

Since the audit sample is drawn from certified data and there is no other means for the colleges to make corrections to enrollment data after the data is certified to the Coordinating Board, colleges are encouraged to self-report known errors in certified data prior to audit testing.

Disclosing known instances of noncompliance is usually to the college's benefit. The process of self-reporting known errors in the data by colleges allows them to avoid more significant penalties for errors since the dollar amount associated with the self-reported item is based on the appropriation the college received for reporting those specific contact hours. On the other hand, when errors are found during audit testing, these errors are projected to the total appropriation dollars for all contact hours and make a substantially greater impact on the college's enrollment funding.